LION DIVERSIFIED HOLDINGS BERHAD

2010

LION DIVERSIFIED HOLDINGS BERHAD

A Member of The Lion Group

(9428-T)

Laporan Tahunan 2010 Annual Report

CONTENTS

	Page
Notice of Meeting	**1**
Corporate Information	**6**
Directors' Profile	**7**
Corporate Governance Statement	**11**
Statement on Internal Control	**15**
Audit Committee Report	**16**
Nomination Committee	**20**
Remuneration Committee	**20**
5 Years Group Financial Highlights	**21**
The Group's Businesses	**22**
Chairman's Statement:	
Bahasa Malaysia	**23**
English	**26**
Chinese	**29**
Financial Statements:	
Directors' Report	**32**
Statement by Directors	**38**
Statutory Declaration	**38**
Independent Auditors' Report	**39**
Income Statements	**40**
Balance Sheets	**41**
Consolidated Statement of Changes in Equity	**43**
Company Statement of Changes in Equity	**44**
Cash Flow Statements	**45**
Notes to the Financial Statements	**47**
List of Group Properties	**128**
Analysis of Shareholdings and Convertible Securities	**129**
Material Contracts	**134**
Other Information	**135**
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Fortieth Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 24 November 2010 at 2.00 pm for the following purposes:

AGENDA

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

2. To approve the payment of a first and final dividend of 1.0 sen per ordinary share tax exempt. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM205,000 (2009: RM213,000). **Resolution 2**

4. 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 3**
   Y. Bhg. Dato' Ismail @ Mansor bin Said **Resolution 4**

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 5**

6. Special Business

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

6.1.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 6**

6.1.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 2 November 2010 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 7**

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

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

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

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

whichever is the earlier; and

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

6.1.3 Proposed Renewal of Authority for Share Buy-Back

Resolution 8

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements, and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to buy-back such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

(i) the aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up capital of the Company at any point of time; and

(ii) the maximum funds to be allocated for the share buy-back shall not exceed the retained profits or the share premium account of the Company or both, based on its latest audited financial statements available up to the date of the share buy-back transaction

(hereinafter referred to as the "Proposed Share Buy-Back"); and

THAT authority conferred by this ordinary resolution shall commence immediately upon the passing of this resolution and will only continue to be in force until:

(i) the conclusion of the next annual general meeting of the Company, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or

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

whichever occurs first; and

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares of RM0.50 each in the Company so purchased by the Company as treasury shares and/or cancel them and to distribute the treasury shares as share dividends and/or resell the treasury shares; and

FURTHER, THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient and/or enter into any and all agreements, arrangements and guarantee with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

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

Proposed Amendments to the Articles of Association of the Company

"THAT the Articles of Association of the Company be amended in the following manner: **Resolution 9**

(I) Article 8

(i) By deleting the words "… and unless the Director holds office in an executive capacity." at the end of Article 8(c) and thereafter the new Article 8(c) shall read as follows:

A Director may not participate in an issue of shares to employees unless the members by resolution passed in general meeting, have approved of the specific allotment to be made to the Director.

(ii) By deleting the existing Article 8(d) which reads as follows in its entirety:

Notwithstanding article 8(c) above hereof, any non-executive Director may so subscribe and participate in an issue of shares of the Company pursuant to a public issue or public offer provided always that no special allotment or options shall be granted to him.

(II) Article 123

By deleting the existing Article 123 in its entirety and substituting therefor with the following new Article 123:

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

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

DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT a depositor shall qualify for entitlement to the dividend only in respect of:

(a) shares deposited into the depositor's securities account before 12.30 pm on 25 November 2010 in respect of shares exempted from mandatory deposit;

(b) shares transferred into the depositor's securities account before 4.00 pm on 29 November 2010 in respect of transfers; and

(c) shares bought on the Exchange on a cum entitlement basis according to the Rules of the Exchange.

The dividend, if approved, will be paid on 15 December 2010 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 29 November 2010.

By Order of the Board

LIM KWEE PENG
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
2 November 2010

Notes:

1. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2010 shall be eligible to attend the Meeting.*

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

   - *The instrument of proxy shall be deposited at the Registered Office of the Company, Level 14, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*

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

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

   Details on the following are set out in the Circular enclosed together with the 2010 Annual Report:

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

   (ii) Part B - Proposed Renewal of Authority for Share Buy-Back

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 6*

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

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

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

5. *Resolution 7*

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

6. *Resolution 8*

This approval will empower the Directors of the Company to purchase the Company's shares up to 10% of the issued and paid-up capital of the Company at any point of time. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

7. *Resolution 9*

This approval will allow the Company to:

(i) grant options to subscribe for shares in the Company to non-executive Directors; and

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

CORPORATE INFORMATION

Board of Directors : Y. Bhg. Tan Sri William H.J. Cheng
(Chairman)
Y. Bhg. Tan Sri Cheng Yong Kim
(Managing Director)
Y. Bhg. Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat
Y. Bhg. Dato' Ismail @ Mansor bin Said
Mr Heah Sieu Lay
Mr George Leong Chee Fook

Secretaries : Ms Lim Kwee Peng
Puan Yasmin Weili Tan binti Abdullah

Company No : 9428-T

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/liondiv

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 : Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Principal Bankers : RHB Bank Berhad
Kuwait Finance House (Malaysia) Berhad
The Bank of Nova Scotia Berhad
Bank of China (Malaysia) Berhad

Stock Exchange Listing : Bursa Malaysia Securities Berhad ("Bursa Securities")

		Ordinary Shares	Irredeemable Convertible Unsecured Loan Stocks 2008/2013
Stock Name	:	LIONDIV	LIONDIV-LB
Bursa Securities Stock No	:	2887	2887LB
Reuters Code	:	LDIV.KL	LDIVc.KL
ISIN Code	:	MYL2887OO007	MYL2887LBNC7

DIRECTORS' PROFILE

Tan Sri William H.J. Cheng
Non-Independent Non-Executive Chairman

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 67, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994.

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

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

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

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

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

Tan Sri William Cheng has a direct shareholding of 121,356,607 ordinary shares of RM0.50 each in the Company ("LDHB Share") and an indirect interest in 290,013,688 LDHB Shares. In addition, he also has (i) a direct interest in RM121,615,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") convertible into 243,230,000 new LDHB Shares 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. 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 132 and 133 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

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

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 60, was appointed the Managing Director of the Company on 26 January 2007.

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

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

- Managing Director of Lion Industries Corporation Berhad, a public listed company
- Director of Lion Corporation Berhad, a public listed company
- Director of Silverstone Corporation Berhad and Hy-Line Berhad

Tan Sri Cheng has a direct shareholding of 7,841,337 ordinary shares of RM0.50 each in the Company ("LDHB Share") and an indirect interest in 251,843,935 LDHB Shares. In addition, he also has (i) a direct interest in RM1,000,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") convertible into 2,000,000 new LDHB Shares at a conversion price of RM0.50 for each new LDHB Share ("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. 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 132 and 133 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

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

Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat
Independent Non-Executive Director

Y. Bhg. Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat, a Malaysian, aged 59, was appointed to the Board on 1 December 2007. He is also a member of the Audit Committee of the Company.

Tan Sri Dato' Seri Dr. Aseh graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya and received his Masters degree in Public Administration from the University of Southern California in the United States of America and his PhD (Honorary) degree in Foreign Relations from Limkokwing University of Creative Technology, Cyberjaya, Malaysia.

Tan Sri Dato' Seri Dr. Aseh joined the Ministry of Finance, Malaysia in March 1974 and held various positions as Assistant Secretary, Secretary and Principal Assistant Secretary of the Education Services Commission in Kuala Lumpur, Sarawak and Sabah during his 8 years with the Commission. Since 1984, he served in the Ministry of Home Affairs, Malaysia in various positions including Principal Assistant Secretary of the Security and Police Affairs Division; Undersecretary of Security and Preventive Division, and Management Division; and Deputy Director General and Director General of the Department of Immigration, Malaysia. In February 2001, Tan Sri Dato' Seri Dr. Aseh was appointed Secretary General of the Ministry of Home Affairs, Malaysia, a post he held until his retirement on 22 October 2007.

Tan Sri Dato' Seri Dr. Aseh is active in community services and is currently the Chairman of RELA Cooperative, Chairman of the University Council of Limkokwing University of Creative Technology, Cyberjaya, Trustee of Football Association of Malaysia, President of Rifle Association of Malaysia, President of Tiara Golf & Country Club, Melaka and President of UMNO Club, Retired Senior Civil Servants. He was also active in the Administrative and Diplomatic Service (ADS) and was its longest serving President.

Tan Sri Dato' Seri Dr. Aseh is the Chairman of Pos Malaysia Berhad, MWE Holdings Berhad and Stemlife Berhad, all of which are public listed companies.

Tan Sri Dato' Seri Dr. Aseh attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Dato' Ismail @ Mansor bin Said
Independent Non-Executive Director

Y. Bhg. Dato' Ismail @ Mansor bin Said, a Malaysian, aged 61, was appointed to the Board on 15 September 1995. Dato' Ismail is also the Chairman of the Audit Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

Dato' Ismail received his Bachelor of Economics degree from the University of Malaya. Dato' Ismail was a member of Parliament (1978-1995), the Chairman of Public Accounts Committee (1985 to 1990), the Chairman of Majlis Amanah Rakyat (1987 to 1990) and the Parliamentary Secretary of the Ministry of Youth and Sports (1990-1995).

He is also a Director of Ahmad Zaki Resources Berhad, a public listed company.

Dato' Ismail attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

Heah Sieu Lay
Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 57, was appointed to the Board on 5 June 2001. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr Heah received his Bachelor of Arts (Honours) degree in Accountancy from the City of London Polytechnic, London. He is an Associate Member of the Institute of Chartered Accountants in England and Wales.

Mr Heah was the Group Executive Director of The Lion Group responsible for corporate planning and finance from 1998 to November 2006. Prior to joining The Lion Group in 1998, he was the Managing Director of RHB Sakura Merchant Bankers Berhad ("RHB Sakura") (now known as RHB Investment Bank Berhad) and has vast experience in the field of corporate finance after having served RHB Sakura for 15 years.

He is also a Director of Lion Industries Corporation Berhad, a public listed company.

Mr Heah attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

George Leong Chee Fook
Independent Non-Executive Director

Mr George Leong Chee Fook, a Malaysian, aged 64, was appointed to the Board on 5 June 2001. Mr George Leong is also the Chairman of the Nomination Committee and Remuneration Committee, and a member of the Audit Committee of the Company.

He received his Bachelor of Economics (Honours) degree from the University of Malaya. Mr George Leong was employed by the Malaysian Industrial Development Authority ("MIDA") after his graduation until December 2000 and was a Director of MIDA's offices in Germany and Australia, and the Metal and Engineering Supporting Industries in MIDA's headquarters.

Mr George Leong attended four (4) of the five (5) Board Meetings of the Company held during the financial year ended 30 June 2010.

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

CORPORATE GOVERNANCE STATEMENT

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

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

1. DIRECTORS

The Board

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2010, five (5) 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 six (6) Directors, five (5) 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.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

Board Committees

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

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

Supply of Information

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

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

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

Appointments to the Board

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

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

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

During the financial year, the Directors had participated in seminars, forums, conferences and training programmes on topics/subjects in relation to corporate governance, business prospects and opportunities, risk management, economic and regional issues, management and entrepreneurship, and corporate responsibility, some of which were organised by Bursa Securities, the Securities Commission and trade associations.

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

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

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

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

2. DIRECTORS' REMUNERATION

The Company has adopted the objective as recommended by the Code in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing the remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 20 of this Annual Report.

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

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

The aggregate remuneration of Directors who served during the financial year ended 30 June 2010 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	20	462	482
Non-executive Directors	185	–	185
	205	462	667

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive**
50,000 & below	–	5
450,001 – 500,000	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/liondiv 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 four (4) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 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 2010, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on page 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 wrongdoing so that they can be properly addressed

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Y. Bhg. Dato' Ismail @ Mansor bin Said
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat
  (Independent Non-Executive Director)

  Mr Heah Sieu Lay
  (Independent Non-Executive Director)

  Mr George Leong Chee Fook
  (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 Diversified Holdings Berhad, Ms Lim Kwee Peng and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit Committee.

TERMS OF REFERENCE

- **Membership**

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

- **Meetings and Minutes**

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

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit Committee Meetings were held. Y. Bhg. Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat attended all the seven (7) Meetings held whilst Y. Bhg. Dato' Ismail @ Mansor bin Said and Mr Heah Sieu Lay were each absent for one (1) Meeting and Mr George Leong Chee Fook was absent for two (2) 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.

- **Material Transactions**

  Reviewed material transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Management Audit Department ("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 RM97,000.

NOMINATION COMMITTEE

Chairman : Mr George Leong Chee Fook
(Independent Non-Executive Director)

Members : Y. Bhg. Dato' Ismail @ Mansor bin Said
(Independent Non-Executive Director)

Mr Heah Sieu Lay
(Independent Non-Executive Director)

Terms of Reference :

- To recommend to the Board, candidates for directorships in Lion Diversified Holdings 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 George Leong Chee Fook
(Independent Non-Executive Director)

Members : Y. Bhg. Dato' Ismail @ Mansor bin Said
(Independent Non-Executive Director)

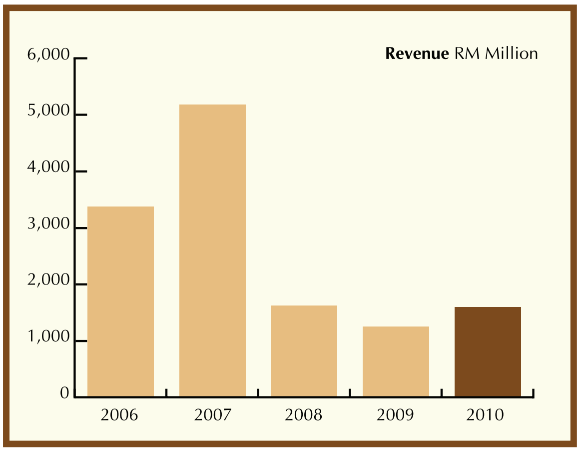
Mr Heah Sieu Lay
(Independent Non-Executive Director)

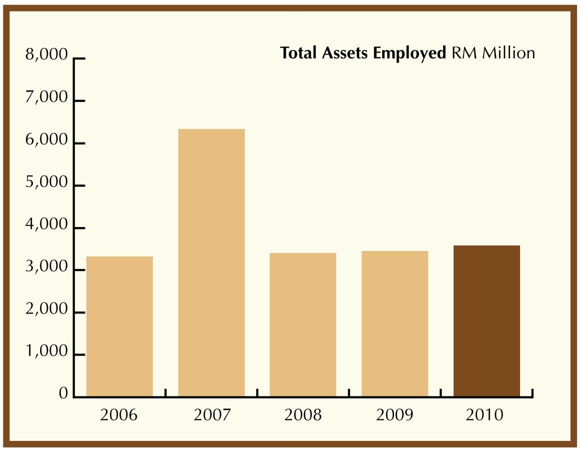
Terms of Reference :

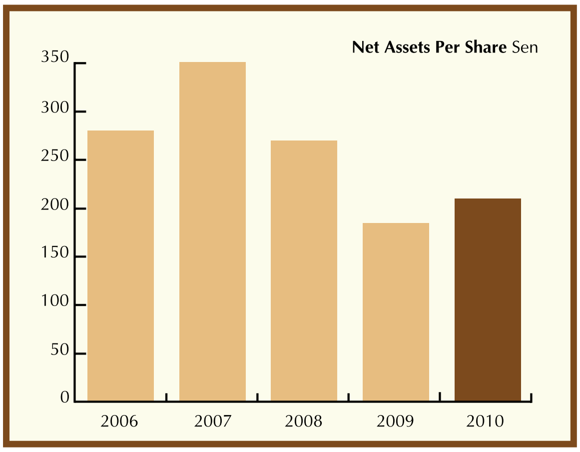
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

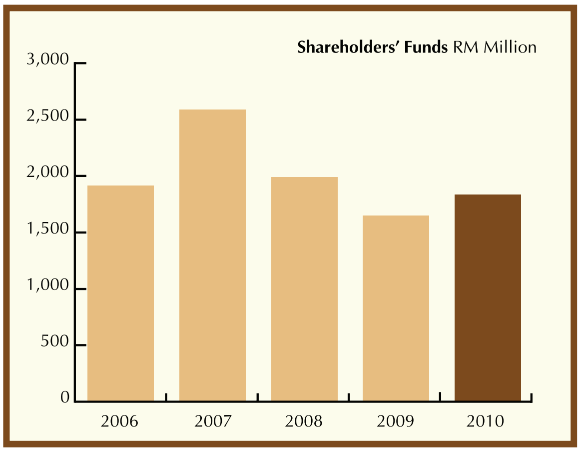
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	**2006 RM'000**	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**
Revenue	3,367,544	5,171,682	1,616,836	1,248,815	**1,590,465**
Profit/(Loss) before taxation	606,041	856,987	117,934	(576,706)	**263,031**
Profit/(Loss) after taxation	527,929	738,040	89,589	(623,731)	**192,356**
Dividends:					
Rate (%)	18.0	5.0	2.0	2.0	**2.0**
Amount (net of tax)	53,882	18,431	7,372	7,372	**7,372**
Total assets employed	3,308,642	6,309,175	3,392,564	3,443,183	**3,572,558**
Shareholders' funds	1,906,239	2,577,250	1,983,893	1,641,932	**1,826,898**
	Sen	**Sen**	**Sen**	**Sen**	**Sen**
Net assets per share attributable to ordinary equity holders of the parent	279	350	269	184	**209**
Earnings/(Loss) per share	78.3	86.2	7.2	(44.8)	**13.8**









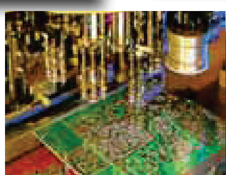
THE GROUP'S BUSINESSES

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

- Aerial view of Megasteel Sdn Bhd, the country's only integrated flat steel mill producing hot rolled and cold rolled coils (inset, top and bottom respectively), located next to the DRI plant in Banting, Selangor.
- *Pemandangan dari udara kilang Megasteel Sdn Bhd, satu-satunya kilang besi rata bersepadu di negara ini yang mengeluarkan gegelung besi panas dan sejuk (gambar kecil, atas dan bawah masing-masing), terletak bersebelahan kilang DRI di Banting, Selangor.*


Likom, Melaka


Likom, Mexico



- The Group's computer operations under Likom have manufacturing facilities in Melaka and Mexico.
- *Operasi komputer Kumpulan di bawah Likom memiliki kilang di Melaka dan Mexico.*

- Both launched in 2009, Cheng Avenue Project (left), comprising shop offices and semi-detached factories in Melaka and D'Venice Residence in Changshu, China (right), featuring residential and commercial properties, recorded good sales.
- *Kedua-duanya dilancarkan pada tahun 2009, Projek Cheng Avenue (kiri) di Melaka merangkumi kedai-pejabat dan kilang berkembar dan D' Venice Residence di Changshu, China (kanan), menampilkan hartanah kediaman dan komersial, mencatat jualan yang baik.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Lion Diversified Holdings Berhad diaudit bagi tahun kewangan berakhir pada 30 Jun 2010.

PRESTASI KEWANGAN

Kumpulan telah menunjukkan prestasi yang baik meskipun terpaksa beroperasi dalam persekitaran yang sukar dan mencabar apabila ekonomi global terjerumus ke jurang kemelesetan yang terburuk dalam beberapa dekad yang lalu. Ketika kebanyakan ekonomi negara-negara maju bangkit secara perlahan-lahan daripada kemelesetan, pasaran baru membangun terutamanya dari Asia mencatatkan kadar pertumbuhan lebih kukuh kerana kurang terjejas dengan kemelut kewangan sejagat. Pelaksanaan pantas langkah-langkah rangsangan fiskal secara besar-besaran untuk meningkatkan permintaan domestik dan penggunaan, berjaya mengelakkan kemelesetan daripada berlanjutan dan seterusnya membolehkan mereka kembali pulih lebih cepat.

Kumpulan telah mencatatkan perolehan lebih tinggi sebanyak RM1.6 bilion dalam tahun kewangan berbanding RM1.2 bilion pada tahun sebelumnya. Sejajar dengan peningkatan perolehan Kumpulan, keuntungan operasi meningkat ke RM354 juta berbanding RM178 juta pada tahun sebelumnya. Pencapaian yang menggalakkan ini disumbangkan terutamanya oleh operasi hasil besi logam. Bahagian keluli terus menjadi penyumbang utama pendapatan Kumpulan, dengan mewakili 88% daripada perolehan keseluruhan.

Selepas mengambil kira keuntungan luar biasa yang diperoleh daripada penjualan pelaburannya dalam saham-saham Parkson Holdings Berhad dan saham-saham Mineral Resources Limited ("MRL") (penjualan 25% keseluruhan ekuiti kepentingannya di dalam Polaris Metals NL ("Polaris") melalui penerimaan tawaran saham yang dibuat oleh MRL) dan bahagian daripada sumbangan kerugian syarikat-syarikat sekutu yang mengecil kepada RM57 juta berbanding RM663 juta sebelumnya, Kumpulan mencatatkan keuntungan sebelum cukai berjumlah RM263 juta bagi tahun kewangan semasa berbanding kerugian sebelum cukai sebanyak RM577 juta pada tahun lalu.

PERKEMBANGAN KORPORAT

Pada Januari 2010, Syarikat telah melupuskan keseluruhan ekuiti kepentingannya dalam Polaris yang terdiri daripada sejumlah 49,784,974 saham biasa ("Saham Polaris") mewakili 24.9% daripada modal saham terbitan dan berbayar Polaris pada masa itu, melalui penerimaan tawaran saham MRL bagi semua Saham Polaris berasaskan 1 saham biasa MRL bagi setiap 10 Saham Polaris yang dipegang berserta bayaran tunai AUD0.101 bagi setiap 1 Saham Polaris yang dipegang. Berikutan itu, Syarikat melupuskan kesemua ekuiti kepentingannya dalam MRL yang terdiri daripada 4,978,496 saham biasa yang mewakili kira-kira 3% daripada modal saham terbitan dan berbayar MRL pada masa itu, bagi pertimbangan tunai sekitar AUD37.11 juta (kira-kira RM111.33 juta).

Butiran penuh tentang cadangan-cadangan korporat di atas terkandung di muka surat 118 dalam Laporan Tahunan ini.

KAJIAN OPERASI

Kumpulan pada asasnya terlibat di dalam aktiviti-aktiviti berikut:

- Perkilangan dan penjualan produk berkaitan keluli ("Keluli");
- Perkilangan dan penjualan produk berkaitan IT ("Komputer");
- Pembangunan dan pengurusan hartanah ("Hartanah"); dan
- Pegangan pelaburan, perdagangan dan lain-lain ("Lain-lain").

	Perolehan		Keuntungan Operasi	
(RM' Juta)	2010	2009	2010	2009
Keluli	1,400	1,042	251	161
Komputer	125	166	11	12
Hartanah	63	33	8	1
Lain-lain *	2	8	84	4
	1,590	1,249	354	178

* "Lain-lain" adalah mewakili terutamanya pendapatan dividen dan pendapatan perniagaan produk-produk keluli. Keuntungan operasi yang lebih tinggi bagi tahun kewangan 2010 disumbangkan terutamanya dari keuntungan penjualan pelaburan Kumpulan.

Bahagian Keluli

Kegiatan teras Kumpulan dalam pengeluaran keluli dilaksanakan melalui Lion DRI Sdn Bhd, yang merupakan satu daripada dua pengeluar hasil besi logam ("DRI") di negara ini yang juga merupakan penyumbang utama perolehan dan keuntungan Kumpulan. Ekonomi global yang bertambah baik pada awal tahun kewangan telah menyaksikan berlakunya peningkatan permintaan terhadap produk-produk keluli dan juga DRI sebagai gantian cas panas kepada sekerap dari merupakan bahan mentah utama dalam pembuatan keluli.

Perolehan tahun kewangan meningkat kepada RM1.4 bilion berbanding RM1bilion pada tahun lalu. Peningkatan ini disumbangkan oleh pengiktirafan jualan untuk tempoh genap setahun dan jualan mengikut berat tan yang lebih tinggi. Penggantian sistem penetapan harga penanda aras tahunan yang digunakan untuk bijih besi sejak 40 tahun lalu kepada mekanisme baru, berupa penyelarasan harga pada setiap tempoh sukuan bersama-sama dengan permintaan kukuh untuk produk-produk keluli, telah membolehkan harga bijih besi melonjak sebanyak 90% pada suku terakhir tahun kewangan.

Perniagaan keluli Kumpulan yang lain adalah melalui pegangan ekuiti kepentingan sebanyak 59% dalam Lion Corporation Berhad ("LCB") (ekuiti diambil kira dan bukan disatukan kerana potensi kecairan pegangan ke bawah paras 50%) serta pemilikan kepentingan sebanyak 21% dalam Megasteel Sdn Bhd ("Megasteel"). Megasteel terlibat dalam pengeluaran dan penjualan gegelung besi panas ("HRC") dan gegelung besi sejuk ("CRC") dan merupakan pengeluar tunggal HRC di Malaysia bagi memenuhi keperluan pasaran-pasaran domestik dan antarabangsa. Permintaan keluli global yang beransur-ansur pulih berserta pengumuman Dasar Besi dan Keluli yang baru oleh Kerajaan pada bulan Ogos 2009 untuk menggalakkan penggunaan domestik serta mengurangkan import produk-produk keluli, telah mempertingkatkan permintaan keluli dan menyebabkan harga keluli melonjak. Megasteel mendapat manfaat daripada peningkatan tinggi tempahan operasi pada tahun kewangan.

Bahagian Komputer

Bahagian Komputer merupakan hentian setempat yang bersepadu bagi pembuatan kelengkapan asli (OEM) dan membekal perkhidmatan pengilangan secara kontrak bagi komponen-komponen berkaitan IT serta bekas penyimpanan terutamanya pemasangan penyimpan data serta kekotak bagi industri-industri barangan elektronik, elektrik dan pengguna. Ia juga mempelbagaikan rangkaian produk daripada komputer peribadi ("PC") kepada segmen IT yang lain seperti rangka dan komponen televisyen panel rata, kekotak set TV protokol Internet, kelengkapan audio visual, telekomunikasi, loceng amaran keselamatan dan produk-produk suis elektrik berikutan dari pasaran PC yang tepu dan matang. Kilang pengeluarannya terletak di Melaka, Malaysia serta Juarez, Mexico, disamping sebuah pejabat wakil jualan di Amerika Syarikat.

Oleh kerana kemelesetan ekonomi dunia baru pulih, para pengguna secara umumnya berhati-hati apabila berbelanja barangan bukan keperluan. Keadaan ini menyebabkan permintaan menjadi lebih perlahan dan perolehan yang lebih rendah dicatatkan pada tahun kajian. Bagaimanapun, Bahagian ini berupaya mengekalkan keuntungan terutamanya disebabkan oleh jualan gabungan produk yang lebih baik dengan margin lebih tinggi serta usaha-usaha pengurangan kos secara berterusan oleh pihak pengurusan.

Bahagian Hartanah

Bagi tempoh dalam kajian, Bahagian Hartanah berjaya mencatat perolehan berjumlah RM63 juta dan keuntungan operasi sebanyak RM8 juta daripada dua (2) projek hartanah yang disenaraikan di bawah.

i) Projek Cheng Avenue, Melaka
Terletak di lokasi yang berhampiran dengan operasi pengeluaran komputer kami di Melaka, projek komersial ini dimajukan di atas tanah pegangan pajakan seluas 20 ekar. Sejumlah 84 buah kedai-kedai pejabat serta kilang berkembar dilancarkan sejak tahun lepas dan setakat ini, mendapat sambutan jualan yang mengalakkan sekitar 87%.

ii) Projek "D' Venice Residence", China
Projek yang terletak di Bandaraya Changshu, Wilayah Jiangsu, China, dimajukan di atas empat bidang tanah bersambung dengan jumlah keluasan 20.1 hektar. Pembangunan Fasa 1 terdiri daripada 5 blok pangsapuri setinggi enam tingkat yang mengandungi 252 unit telah dilancarkan pada bulan Oktober 2009 dan berjaya dijual sepenuhnya menjelang akhir tahun kewangan. Projek ini dijangka menyediakan aliran pendapatan dan tunai yang stabil kepada Kumpulan dalam jangka masa terdekat.

Kumpulan juga memiliki 35% kepentingan dalam sebuah entiti yang dikuasai secara bersama iaitu **Twins**, yang terletak di kawasan kediaman berprestij Damansara Heights. Pembangunan kondominium mewah yang eksklusif ini terdiri daripada dua (2) blok menara ikonik dengan 318 unit kediaman, mendapat sambutan memberangsangkan daripada para pembeli sejak dilancarkan. Twins telah dinamakan sebagai Projek Reka Bentuk Binaan Tinggi Terbaik Malaysia pada Majlis Penyampaian Anugerah Hartanah Kediaman Asia Pasifik 2010, iaitu sebuah pertandingan berprestij anjuran International Property Awards dengan kerjasama Bloomberg Television.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan akhir sebanyak 1.0 sen sesaham (2%), dikecualikan cukai, untuk diluluskan oleh para pemegang saham di Mesyuarat Agong Tahunan akan datang. Dividen bersih boleh bayar adalah berjumlah RM7.4 juta.

TANGGUNGJAWAB SOSIAL KORPORAT

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

Masyarakat

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

Yayasan Lion-Parkson mengagihkan dana-dana bagi tujuan yang pelbagai termasuk pendidikan, kebajikan dan penyelidikan saintifik; dan pada setiap tahun menawarkan biasiswa dan pinjaman pendidikan kepada mahasiswa di universiti tempatan. Yayasan juga terlibat dalam program tahunan Educare bersama Parkson dengan menyediakan pusat mengumpul keperluan persekolahan seperti pakaian, kasut dan peralatan yang disumbangkan oleh orang ramai, yang mana akan 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 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 mereka yang mengidap penyakit buah pinggang.

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

Alam Sekitar

Ketika penekanan diberikan kepada kemajuan teknologi dan industri, Kumpulan amat prihatin terhadap isu alam sekitar termasuk dalam penyumberan teknologi terkini dan beralih kepada amalan perniagaan yang mesra alam. Operasi yang dijalankan oleh Kumpulan adalah mematuhi undang-undang alam sekitar dan juga peraturan dari pentadbir industri di mana ia beroperasi.

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

PROSPEK

Harga keluli dijangka berada dalam aliran meningkat selari dengan pemulihan ekonomi global dan bagi separuh pertama tahun 2010, corak pertumbuhan yang kukuh telah dicatatkan. Bagaimanapun, pertumbuhan pada tahun diunjurkan sederhana kerana terdapat kebimbangan tentang pemulihan yang rapuh di negara-negara maju serta kemungkinan perkembangan ekonomi China yang pesat menjadi perlahan sehingga menjejaskan permintaan. Oleh sebab itu, operasi keluli Kumpulan dijangka mencatatkan prestasi memuaskan pada tahun hadapan.

Bahagian Hartanah, dijangka kekal menguntungkan dengan adanya projek pembangunan campuran di China manakala Bahagian Komputer pula diramalkan menyumbang secara positif kepada Kumpulan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin menyatakan penghargaan dan rasa terhutang budi kepada semua pelanggan yang dihargai, para pembiaya, rakan sekutu, pihak berkuasa Kerajaan serta para pemegang saham atas sokongan berterusan, kerjasama dan keyakinan yang diberikan kepada Kumpulan.

Saya juga ingin menyatakan setinggi-tinggi penghargaan kepada rakan-rakan Pengarah di atas bimbingan dan sumbangan yang tidak ternilai diberikan sepanjang tahun serta kepada kakitangan kami di atas sikap dedikasi, komitmen dan sumbangan mereka terhadap Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Lion Diversified Holdings Berhad for the financial year ended 30 June 2010.

FINANCIAL PERFORMANCE

The Group has performed well despite having to operate under a severe and trying operating environment as the global economy went through one of the worst economic recessions not seen in the last few decades. While most of the advanced economies are slowly emerging from the recession, emerging markets, especially those from Asia, are able to register much stronger growth rates as they remain relatively less affected by the global financial turmoil. The swift implementation of massive fiscal stimulus measures to boost domestic demand and consumption has also largely averted a prolonged recession and enabled them to recover at a faster pace.

For the year under review, the Group recorded higher revenue of RM1.6 billion as compared to RM1.2 billion achieved last year. In tandem with the higher Group revenue, profit from operations was higher at RM354 million as compared to RM178 million last year. This commendable performance was mainly contributed by the Group's direct reduced iron operation. Our Steel Division continued to be the main driver of earnings for the Group, recording 88% of the total revenue.

After accounting for exceptional gains arising from the disposal of its investments in Parkson Holdings Berhad shares and Mineral Resources Limited ("MRL") shares (disposal of its entire 25% equity interest in Polaris Metals NL ("Polaris") via the acceptance of the share offer by MRL) and with the share of associates' losses narrowing to RM57 million from RM663 million previously, the Group recorded a profit before taxation of RM263 million for the current year as against a loss before taxation of RM577 million reported last year.

CORPORATE DEVELOPMENTS

In January 2010, the Company disposed of its entire equity interest in Polaris comprising a total of 49,784,974 ordinary shares in Polaris ("Polaris Shares"), representing 24.9% of the then issued and paid-up share capital of Polaris via the acceptance of MRL's share offer for all of Polaris Shares on the basis of 1 MRL ordinary share for every 10 Polaris Shares held plus AUD0.101 cash for every 1 Polaris Share held. Subsequent thereto, the Company disposed of its entire equity interest in MRL comprising a total of 4,978,496 ordinary shares in MRL, representing approximately 3% of the then issued and paid-up share capital of MRL for a total cash consideration of approximately AUD37.11 million (approximately RM111.33 million).

Full details of the above corporate proposals are contained in page 118 of this Annual Report.

REVIEW OF OPERATIONS

The Group is principally engaged in the following activities:

- Manufacturing and sale of steel related products ("Steel");
- Manufacturing and sale of IT related products ("Computer");
- Property development and management ("Property"); and
- Investment holding, trading and others ("Others").

	Revenue		Operating Profit	
(RM Million)	2010	2009	2010	2009
Steel	1,400	1,042	251	161
Computer	125	166	11	12
Property	63	33	8	1
Others *	2	8	84	4
	1,590	1,249	354	178

* "Others" represents mainly the dividend income and income from trading of steel products. The higher operating profit for the financial year 2010 was largely due to gain on disposal of the Group's investments.

Steel Division

The Group's core steel operation, under Lion DRI Sdn Bhd, is one of the two producers of direct reduced iron ("DRI") in the country and the Group's main revenue and profit contributor. The improved global economy in the beginning of the financial year has led to an increase in demand for steel products and subsequently, demand for DRI as a hot charge substitute for scrap, the main raw material used for steelmaking.

Revenue for the financial year was higher at RM1.4 billion compared to RM1billion last year. The increase was attributable to the recognition of a full year's sales and also higher sales tonnages. The replacement of the 40-year old annual benchmark pricing system for iron ore with a new mechanism of quarterly price adjustments coupled with strong demand for steel products, has enabled iron ore prices to soar by 90% in the last quarter of the financial year.

The Group's other steel business is through its investments in 59% interest in Lion Corporation Berhad ("LCB") (equity accounted for instead of consolidated in view of the potential dilution in the interest to below 50%) and 21% stake in Megasteel Sdn Bhd ("Megasteel"). Megasteel is involved in the manufacture and sale of hot rolled coils ("HRC") and cold rolled coils ("CRC"), and is the sole producer of HRC in Malaysia servicing the domestic and international markets. The gradual recovery in global steel demand coupled with the announcement of the new Iron and Steel Policy by the Government in August 2009 to encourage domestic consumption and reduce the import of steel products, has boosted steel demand and led to a surge in steel prices. Megasteel benefited from the upsurge in orders and reported an operating profit for the financial year.

Computer Division

Our Computer Division is an integrated one-stop original equipment manufacturer ("OEM") and provides contract manufacturing services for the production of IT related components and enclosures especially the assembly of data storage and box build products for the electronics, electrical and consumer goods industries. It has also diversified its product range from personal computer ("PC") to other IT segments such as flat panel television frames and components, internet protocol TV set-top boxes, audio visual equipment, telecommunication, security-alarm and electrical switching products due to saturation and maturity of the PC market. The production facilities are located in Melaka in Malaysia, and Juarez in Mexico in addition to a sales representative office in the United States of America.

Having just emerged from the global recession, consumers are generally cautious in their spending on non-essential items. This has led to slower demand and lower revenue being posted for the year under review. However, the Division has managed to maintain its profitability mainly due to a better product mix with higher margins and the ongoing cost-reduction efforts implemented by the Management.

Property Division

For the year under review, our Property Division managed to achieve a revenue of RM63 million with an operating profit of RM8 million from the two (2) property projects listed below:

i) Cheng Avenue Project, Melaka
   Located near to our computer operations in Melaka, this commercial project is situated on 20 acres of leasehold land. A total of 84 units of shop office and semi-detached factory has been launched since last year, recording an encouraging sale of approximately 87% todate.

ii) "D' Venice Residence" Project, China
   Located in Changshu City, Jiangsu Province, China, the project comprises four pieces of contiguous land totalling 20.1 hectares. Phase 1 development comprising 5 blocks of 6-storey apartments totalling 252 units was launched in October 2009 and had been fully sold by the end of the financial year. This project is expected to provide a steady stream of income and cash flow to the Group in the near future.

The Group also has a 35% interest in a jointly controlled entity in **Twins**, which is located in the prestigious residential enclave of Damansara Heights. This exclusive high-end condominium development which comprises two (2) iconic tower blocks with 318 residential units has received overwhelming response from buyers since its launch. Twins was named the Best High Rise Architecture of Malaysia in the Asia Pacific Residential Property Awards 2010, a blue-chip competition of the celebrated International Property Awards in association with Bloomberg Television.

DIVIDEND

The Board is pleased to recommend a first and final dividend of 1.0 sen per share (2%), tax exempt, for the approval of shareholders at the forthcoming Annual General Meeting. Net dividend payable will amount to RM7.4 million.

CORPORATE SOCIAL RESPONSIBILITY

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

Society

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

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

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

Environment

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

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

PROSPECTS

Steel prices are expected to trend upwards in line with the recovery of the global economy and for the first half of 2010, strong growth patterns were recorded. However, the growth for next year is projected to moderate as concerns over the faltering recovery in the advanced nations and likely cooling down of China's rapid expanding economy will dampen demand. As such, the Group's steel operation is envisaged to post a satisfactory performance next year.

As for the Property Division, the operation is expected to remain profitable with the ongoing mixed development project in China, whilst our Computer Division is anticipated to contribute positively to the Group.

ACKNOWLEDGEMENT

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

I would also like to express my deep appreciation to my fellow Directors for their invaluable guidance and contributions throughout the year and to our employees for their untiring dedication, commitment and contribution to the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈金狮多元控股有限公司截至2010年6月30日会计年度的年度报告及经审核财务报告。

财务表现

尽管全球经历了过去数十年来前所未见的其中一场最严重的经济衰退，使到本集团必须在严峻和备受考验的营业环境下经营，本集团仍表现良好。尽管大多数先进国的经济已经缓慢地从经济衰退中复苏，新兴市场，尤其是亚洲的新兴市场都能够取得更加强劲的成长率，因为它们受到全球金融动荡的影响较少。此外，它们迅速采取大规模的财政刺激措施以刺激国内的需求与消费，大大的避免了长时间的衰退，以至它们能够以更快速的步伐复苏。

在本会计年度，本集团取得更高的营业额，达到16亿令吉，去年度是12亿令吉。相应于更高的集团营业额，营业利润也上升，达到3亿5千400万令吉；去年度是1亿7千800万令吉。这项值得赞许的表现，主要归功于本集团的直接还原铁的业务。我们的钢铁组仍然是本集团盈利的主要推动力，占总营业额的88%。

在记入由于脱售在百盛控股有限公司的股票和Mineral Resources Limited（“MRL”）的股票（通过接受MRL所提出的股票献议脱售在Polaris Metals NL（“Polaris”）的全部25%的权益）等投资所取得额外盈利，以及分担的联号亏损从去年度的6亿6千300万令吉减少到今年度的5千700万令吉，本集团在本年度取得2亿6千300万令吉的税前盈利，去年度是蒙受5亿7千700万令吉的税前亏损。

企业发展

在2010年1月，本公司脱售在Polaris的全部股权利益，相等于在Polaris的49,784,974普通股，是Polaris当时发行及缴足股票资本的24.9%股权；这是通过接受MRL提出的股票献议，由MRL接受本公司持有的全部Polaris股票，用MRL的1股普通股换取10股Polaris股票，再加上对所持有的每1股Polaris股票付0. 101澳元的现金。过后本公司脱售在MRL的全部股权利益相等于MRL的4,978,496普通股，等于MRL当时发行及缴足股票资本的3%股权，取得总共约3千711万澳元（约1亿1千133万令吉）的现金收入。

上述企业建议的详情，列在这份年度报告的第118页。

业务检讨

本集团主要从事以下业务：

- 制造及出售钢铁相关产品（“钢铁”）；
- 制造及出售工艺资讯相关产品（“电脑”）；
- 产业发展及管理（“产业”）；以及
- 投资控股、贸易及其他（“其他”）。

	营业额		营业利润	
单位:百万令吉	2010	2009	2010	2009
钢铁	1,400	1,042	251	161
电脑	125	166	11	12
产业	63	33	8	1
其他 *	2	8	84	4
	1,590	1,249	354	178

* “其他”主要是股息收入和来自钢铁产品贸易的收入。2010会计年度的营业利润较高，主要是由于出售投资所取得的盈利。

钢铁组

本集团的核心钢铁业务由“金狮直接还原铁私人有限公司”经营，是国内直接还原铁的两个生产者之一，也是本集团的营业额和利润额的主要来源。在本会计年度开始时，全球经济改善，导致对钢铁产品的需求增加，结果对直接还原铁的需求也增加；因为直接还原铁是热质废铁的代替品也是钢的主要原料。

本会计年度的营业额增加，达到14亿令吉，去年度是10亿令吉。这项增加是由于拥有全年的销售额，以及较高的销售的吨数。当局取消对铁苗实施了40年的旧式常年基准定价制度，用按每个季度调整价格的新机制取代，加上对钢铁产品的需求强劲，使到在本会计年度的最后一个季度，铁苗的价格上涨了90%。

本集团的其他钢铁业务，是通过投资在金狮机构的59%股权（采用会计权益法列账，并非综合计算，考虑到股权有可能被冲淡到50%以下），以及在美佳钢铁拥有21%股权。美佳钢铁制造和销售热轧卷钢和冷轧卷钢，是马来西亚唯一的热轧卷钢生产商，产品供应国内和国外市场。全球对钢铁的需求逐渐复苏，以及本国政府在2009年8月宣布新的钢铁政策，目的是鼓励本地客户消费本国钢铁产品，减少从外国入口钢铁产品，刺激了对钢铁的需求，致使钢价上涨。美佳钢铁从高涨的订单中受惠，在本会计年度取得营业利润。

电脑组

我们的电脑组是综合性一站式原件加工制造商，也提供合约制造服务，生产与资讯工艺有关的部件和外壳，尤其是替电子业、电器业和消费工业装配资料储存和盒式产品。它也将产品多元化，从个人电脑进军其他资讯工艺领域，诸如平面电视框和配件、网络电视机上盒、视听器材、电信器材、保安警铃以及电子开关产品，这是由于个人电脑市场已经饱和。生产设施坐落在马来西亚的马六甲和墨西哥，另外在美国设有一个销售代表办事处。

刚从全球经济衰退中摆脱，消费者一般上对消费非必需品持谨慎态度。这导致在本会计年度，需求缓慢以及营业额减少。不过，电脑组保持盈利，主要是由于有更高利润率的产品组合，以及管理层目前正在推行降低成本的努力。

产业组

在本会计年度，我们的产业组从以下所列的2项产业计划取得6千300万令吉的营业额和800万令吉的营业利润。

i) 马六甲Cheng Avenue计划
这项计划坐落在我们马六甲的电脑业务附近，此商业建筑计划位于一片20依格的期限地契的土地上。在去年度推出总共84个单位的店屋和半独立式工厂，销售率令人鼓舞，迄今已售出约87%。

ii) 中国"D'Venice Residence"计划
这项计划坐落在中国江苏省常熟市，包括4块相邻的土地，总共20.1公顷。第一阶段的发展，包括5座6层楼的公寓，总共252个单位，于2009年10月推出，至本会计年度结束时，已经全部售完。预料这项计划将在不远的将来为本集团带来源源不断的收入和现金流通。

此外，本集团在吉隆坡白沙罗高原高尚住宅区的一个称为**Twins**的发展计划拥有35%股权（被视为是共同控制实体）。这个独有的高档公寓发展包括两座高36层地标式塔楼，拥有约318个住宅单位。自从销售推展以来，买主反应热烈。在2010亚太住宅产业奖比赛中，Twins获得马来西亚最佳高楼建筑风格奖；这是杰出的一项赛会所主办的知名的国际产业奖，联办单位是彭博电视台。

股息

董事部欣然宣布，派发每股1.0仙免税（2巴仙）的一次性股息。此项建议必须获得将召开的常年股东大会批准。应付净股息总额740万令吉。

企业社会责任

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

社会

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

金狮百盛基金（Lion-Parkson Foundation）拨款作各种用途，诸如教育、慈善与科学研究；每年都提供奖学金和贷款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。它也联合全国百盛店参与年度教育计划，提供回收箱给大众，以便捐献学校必需品如校服、鞋子和文具，然后分发给全国各地有需要的学童。金狮集团医药援助基金则为迫切需要医疗的不幸社群提供财务援助，包括手术、购置医疗器仪和药物。这项基金也赞助社区保健计划如医疗营，并且添购洗肾机器给那些提供津贴治疗服务给肾病患者的洗肾中心。

本集团也通过参与慈善及捐款活动为社会做出贡献以帮助有需要的人。

环境

在着重科技和工业发展之际，本集团也同时关心环境保护，包括选择环保作用的新技术与业务运作。本集团的业务运作完全严格遵守其所在领域的环境法律及条例管制。

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，以确保员工们的安全和福利获得照顾。

展望

随着全球经济复苏， 预料钢铁价格将呈上升趋势2010年上半年更纪录到强劲的成长形态。不过，预料明年的成长将是中度的，因为人们担心，先进国家的经济成长将呈现不稳，而快速扩展的中国经济很可能冷却下来，导致需求受到抑制。这样一来，本集团的钢铁业务预期明年将取得令人满意的表现。

至于产业组，由于有在中国进行着的混合式发展计划，其业务预料将仍然有利可图，而我们的电脑组将会对本集团作出正面的贡献。

鸣谢

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

我也要真诚感谢董事们一年来给予的指导与贡献，以及感谢雇员永不言倦的献身精神与对本集团的贡献。

主席
丹斯里钟廷森

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year	192,356	11,330
Attributable to:		
Equity holders of the Company	192,356	11,330
Minority interests	–	–
	192,356	11,330

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

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 amount of dividend paid by the Company since 30 June 2009 were as follows:

	RM'000
In respect of the financial year ended 30 June 2009 as reported in the Directors' Report of that year, a first and final dividend of 2% (1 sen per share), tax exempt was paid on 15 December 2009	7,372

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2010, of 2% (1 sen per share), tax exempt amounting to a dividend payable of RM7.4 million will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2011.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Tan Sri Dato' Seri Dr. Aseh bin Haji Che Mat
Dato' Ismail @ Mansor bin Said
Heah Sieu Lay
George Leong Chee Fook

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Cheng Yong Kim and Y. Bhg. Dato' Ismail @ Mansor bin Said retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Save for the 5-year 4% Irredeemable Convertible Unsecured Loan Stocks 2008/2013 of the Company ("ICULS") which are convertible into new ordinary shares of RM0.50 each in the Company, neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 39 to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company during and at the end of the financial year were as follows:

	Number of Ordinary Shares of RM0.50 Each			
	1.7.2009	**Acquired**	**Disposed**	**30.6.2010**
Direct Interest				
Tan Sri William H.J. Cheng	121,356,607	–	–	121,356,607
Tan Sri Cheng Yong Kim	7,841,337	–	–	7,841,337
Indirect Interest				
Tan Sri William H.J. Cheng	290,013,688	–	–	290,013,688
Tan Sri Cheng Yong Kim	251,843,935	–	–	251,843,935

In addition, the following Directors were also deemed to have an interest in shares in the Company by virtue of the ICULS convertible into new ordinary shares of RM0.50 each in the Company at a conversion price of RM0.50 for one (1) new ordinary share of RM0.50 each in the Company as follows:

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

DIRECTORS' INTERESTS (Continued)

The interests of Directors in office at the end of the financial year in shares in the related corporations during and at the end of the financial year were as follows:

	Number of Ordinary Shares of RM1.00 Each			
	1.7.2009	**Acquired**	**Disposed**	**30.6.2010**
Lion Corporation Berhad ("LCB")				
Direct Interest				
Tan Sri William H.J. Cheng	458,685	–	–	458,685
Tan Sri Cheng Yong Kim	2,709,517	–	–	2,709,517
Indirect Interest				
Tan Sri William H.J. Cheng	1,575,040,980	1,645,001	(7,000,000)	1,569,685,981
Tan Sri Cheng Yong Kim	412,849,095	1,645,001	–	414,494,096

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

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

Note:

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

DIRECTORS' INTERESTS (Continued)

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

(a) Options granted pursuant to LCB's Executive Share Option Scheme

		Number of Options		
	1.7.2009	**Granted**	**Exercised**	**30.6.2010**
Tan Sri William H.J. Cheng	490,000	–	–	490,000

(b) Redeemable convertible secured loan stocks ("RCSLS") of nominal value of RM1.00 each convertible into new ordinary shares of RM1.00 each in LCB at a conversion price of RM1.00 for one (1) new ordinary share of RM1.00 each in LCB

		Number of RM1.00 Nominal Value of RCSLS		
	1.7.2009	**Acquired**	**Converted**	**30.6.2010**
Tan Sri William H.J. Cheng	275,214,524	–	–	275,214,524

(c) Warrants with a right to subscribe for one (1) new ordinary share in LCB for every warrant held

		Number of Warrants		
	1.7.2009	**Acquired**	**Disposed**	**30.6.2010**
Tan Sri William H.J. Cheng	9,573,871	629,436	–	10,203,307
Tan Sri Cheng Yong Kim	42,664	629,436	–	672,100

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 ("ESOS")

The ESOS of the Company became effective on 1 September 2005 and the main features of the ESOS are as follows:

(a) 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.

(b) 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:

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

(ii) 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.

(c) 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.

EXECUTIVE SHARE OPTION SCHEME ("ESOS") (Continued)

(d) 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.

(e) 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.

No options were granted pursuant to the ESOS during the financial year.

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

		Number of Options				
Granted on	**Subscription price per share**	**1 July 2009**	**Granted**	**Exercised**	**Lapsed**	**30 June 2010**
29 May 2008	RM1.23	2,211,700	–	–	(227,600)	1,984,100

The ESOS expired on 31 August 2010.

OTHER STATUTORY INFORMATION

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

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

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

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances 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.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

OTHER STATUTORY INFORMATION (Continued)

(e) As at the date of this report, there does not exist:

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

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) 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 affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

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

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 41 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 September 2010.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

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 DIVERSIFIED HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 40 to 127 are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2010 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 September 2010.

TAN SRI WILLIAM H.J. CHENG	**TAN SRI CHENG YONG KIM**
Chairman	Managing Director

Kuala Lumpur, Malaysia

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

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION DIVERSIFIED HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 40 to 127 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 CHENG YONG KIM** at Kuala Lumpur in the Federal Territory on 29 September 2010	**TAN SRI CHENG YONG KIM**

Before me,

W259
AHMAD B. LAYA
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Lion Diversified Holdings Berhad, which comprise the balance sheets as at 30 June 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 40 to 127.

Directors' responsibility for the financial statements
The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report 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 auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

OTHER MATTERS

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

Ernst & Young	**Lee Seng Huat**
AF: 0039	**No. 2518/12/11(J)**
Chartered Accountants	**Chartered Accountant**

Kuala Lumpur, Malaysia
29 September 2010

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Revenue	3	**1,590,465**	1,248,815	**202,078**	1,202
Other income	4	**168,558**	167,734	**1,415**	18,533
Changes in inventories		**(208)**	(7,200)	**–**	–
Raw materials and consumables used		**(1,198,767)**	(996,299)	**–**	–
Property development expenditure		**(46,807)**	(24,912)	**–**	–
Employee benefits expense	5	**(38,882)**	(39,480)	**(1,787)**	(1,381)
Depreciation and amortisation		**(37,145)**	(38,772)	**(246)**	(245)
Other expenses		**(83,584)**	(131,589)	**(216,952)**	(284,429)
Profit/(Loss) from operations	6	**353,630**	178,297	**(15,492)**	(266,320)
Finance costs	7	**(95,215)**	(91,073)	**(22,481)**	(29,676)
Gain/(Loss) on disposal of subsidiaries	15	**–**	305	**–**	(32,245)
Gain on disposal of associates		**56,155**	–	**51,726**	–
Share of results of associates		**(57,105)**	(662,831)	**–**	–
Share of results of jointly controlled entities		**5,566**	(1,404)	**–**	–
Profit/(Loss) before taxation		**263,031**	(576,706)	**13,753**	(328,241)
Income tax expense	8	**(70,675)**	(47,025)	**(2,423)**	(2,410)
Profit/(Loss) for the year		**192,356**	(623,731)	**11,330**	(330,651)
Attributable to:					
Equity holders of the Company		**192,356**	(623,508)	**11,330**	(330,651)
Minority interests		**–**	(223)	**–**	–
		192,356	(623,731)	**11,330**	(330,651)
Earnings/(Loss) per share (sen):					
Basic	9(a)	**13.8**	(44.8)		
Diluted	9(b)	**13.8**	(44.8)		

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

BALANCE SHEETS

AS AT 30 JUNE 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,410,804**	1,424,112	**770**	858
Investment properties	12	**13,585**	19,428	**–**	–
Prepaid land lease payments	13	**7,656**	8,024	**–**	–
Land held for property development	14	**142,758**	78,351	**–**	–
Investments in subsidiaries	15	**–**	–	**347,991**	347,341
Investments in associates	16	**279,278**	376,396	**285,228**	395,849
Investments in jointly controlled entities	17	**9,864**	5,561	**–**	–
Other investments	18	**287,790**	291,530	**32,507**	56,447
Intangible assets	19	**18,814**	33,476	**–**	–
Deferred tax assets	20	**11,069**	13,307	**9,878**	12,301
		2,181,618	2,250,185	**676,374**	812,796
Current assets					
Property development costs	14	**19,544**	27,035	**–**	–
Inventories	21	**251,212**	74,048	**–**	–
Other investments	18	**3,158**	208,657	**2,882**	113,667
Trade receivables	22	**784,690**	477,552	**–**	–
Other receivables	23	**118,849**	227,559	**1,276,062**	1,389,677
Tax recoverable		**9,573**	10,327	**4,397**	2,305
Cash and cash equivalents	24	**203,914**	167,820	**15,494**	10,962
		1,390,940	1,192,998	**1,298,835**	1,516,611
TOTAL ASSETS		**3,572,558**	3,443,183	**1,975,209**	2,329,407

BALANCE SHEETS

AS AT 30 JUNE 2010 (Continued)

	Note	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	33	**368,612**	368,612	**368,612**	368,612
Share premium		**330,967**	330,967	**330,967**	330,967
Other reserves	34	**290,392**	290,512	**288,212**	288,282
Retained profits	36	**836,927**	651,841	**326,813**	322,753
Total equity		**1,826,898**	1,641,932	**1,314,604**	1,310,614
Non-current liabilities					
Borrowings	25	**98,535**	652,717	**26,758**	36,388
Long term payables	28	**–**	154,077	**–**	154,077
Deferred tax liabilities	20	**99,942**	41,372	**–**	–
		198,477	848,166	**26,758**	190,465
Current liabilities					
Trade payables	29	**187,200**	179,786	**–**	–
Other payables	30	**489,226**	462,218	**602,900**	703,069
Provisions	31	**34,695**	24,695	**17,695**	17,695
Product financing liabilities	32	**147,649**	–	**–**	–
Borrowings	25	**680,225**	281,565	**13,252**	107,564
Tax payable		**8,188**	4,821	**–**	–
		1,547,183	953,085	**633,847**	828,328
Total liabilities		**1,745,660**	1,801,251	**660,605**	1,018,793
TOTAL EQUITY AND LIABILITIES		**3,572,558**	3,443,183	**1,975,209**	2,329,407

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

		Attributable to Equity Holders of the Company						
		Non-Distributable						
	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 34)	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2008		368,612	330,967	1,693	1,282,621	1,983,893	293	1,984,186
Foreign currency translation difference		–	–	1,768	–	1,768	–	1,768
Net loss for the year, representing total recognised income and expense for the year		–	–	–	(623,508)	(623,508)	(223)	(623,731)
Issuance of irredeemable convertible unsecured loan stocks 2008/2013 ("ICULS")		–	–	287,182	–	287,182	–	287,182
Equity-settled share option arrangements		–	–	(131)	100	(31)	–	(31)
Disposal of a subsidiary		–	–	–	–	–	(70)	(70)
Dividends	10	–	–	–	(7,372)	(7,372)	–	(7,372)
At 30 June 2009		368,612	330,967	290,512	651,841	1,641,932	–	1,641,932
At 1 July 2009		**368,612**	**330,967**	**290,512**	**651,841**	**1,641,932**	**–**	**1,641,932**
Foreign currency translation difference		**–**	**–**	**(50)**	**–**	**(50)**	**–**	**(50)**
Net profit for the year, representing total recognised income and expense for the year		**–**	**–**	**–**	**192,356**	**192,356**	**–**	**192,356**
Equity-settled share option arrangements		**–**	**–**	**(70)**	**102**	**32**	**–**	**32**
Dividends	10	**–**	**–**	**–**	**(7,372)**	**(7,372)**	**–**	**(7,372)**
At 30 June 2010		**368,612**	**330,967**	**290,392**	**836,927**	**1,826,898**	**–**	**1,826,898**

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

		← Non-Distributable →				
	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 34)	Retained Profits RM'000	Total RM'000
At 1 July 2008		368,612	330,967	1,231	660,676	1,361,486
Net loss for the year, representing total recognised income and expense for the year		–	–	–	(330,651)	(330,651)
Issuance of ICULS		–	–	287,182	–	287,182
Equity-settled share option arrangements		–	–	(131)	100	(31)
Dividends	10	–	–	–	(7,372)	(7,372)
At 30 June 2009		368,612	330,967	288,282	322,753	1,310,614
At 1 July 2009		**368,612**	**330,967**	**288,282**	**322,753**	**1,310,614**
Net profit for the year, representing total recognised income and expense for the year		**–**	**–**	**–**	**11,330**	**11,330**
Equity-settled share option arrangements		**–**	**–**	**(70)**	**102**	**32**
Dividends	10	**–**	**–**	**–**	**(7,372)**	**(7,372)**
At 30 June 2010		**368,612**	**330,967**	**288,212**	**326,813**	**1,314,604**

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities				
Profit/(Loss) before taxation	**263,031**	(576,706)	**13,753**	(328,241)
Adjustments for:				
Depreciation and amortisation	**37,145**	38,772	**246**	245
Employee share-based payment	**32**	(31)	**32**	(31)
Property, plant and equipment written off	**6**	509	**–**	–
(Gain)/Loss on disposal of subsidiaries	**–**	(305)	**–**	32,245
Loss on disposal of property, plant and equipment	**2**	–	**–**	–
Gain on disposal of quoted investments	**(45,058)**	(11,890)	**(1,043)**	–
Gain on disposal of associates	**(56,155)**	–	**(51,726)**	–
Gain on conversion of Exchangeable Bonds	**–**	(23)	**–**	–
Gain on disposal of investment property	**(2,825)**	–	**–**	–
Gain on disposal of rights	**(3,900)**	–	**–**	–
Impairment loss in:				
- Investments	**–**	1,749	**68,400**	273,056
- Property, plant and equipment	**623**	251	**–**	–
- Investment properties	**1,100**	–	**–**	–
- Prepaid land lease	**311**	–	**–**	–
- Intangible assets	**14,662**	–	**–**	–
Provision for doubtful debts	**166**	568	**132,631**	171
Bad debts recovered	**(4)**	(6)	**–**	–
Write down/(Reversal) of inventories	**383**	(23)	**–**	–
Unrealised foreign exchange (gain)/loss	**(30,586)**	17,346	**11,942**	(17,044)
Interest expense	**95,215**	91,073	**22,481**	29,676
Interest income	**(54,572)**	(43,580)	**(372)**	(1,489)
Dividend income	**(1,131)**	(3,863)	**(202,078)**	(1,202)
Share of results of associates	**57,105**	662,831	**–**	–
Share of results of jointly controlled entities	**(5,566)**	1,404	**–**	–
Operating profit/(loss) before working capital changes	**269,984**	178,076	**(5,734)**	(12,614)
Changes in working capital:				
Inventories	**(177,547)**	170,214	**–**	–
Receivables	**(203,173)**	(309,029)	**605**	3,250
Payables	**114,187**	123,593	**(70,266)**	1,624
Property development costs	**(64,603)**	(9,958)	**–**	–
Cash (used in)/generated from operations	**(61,152)**	152,896	**(75,395)**	(7,740)
Interest received	**46,323**	35,304	**131**	1,221
Interest paid	**(61,928)**	(73,909)	**(18,973)**	(21,060)
Taxes paid	**(6,483)**	(3,851)	**–**	(607)
Net cash (used in)/generated from operating activities	**(83,240)**	110,440	**(94,237)**	(28,186)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010 (Continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from investing activities				
Proceeds from disposal of subsidiaries	**–**	(393)	**–**	–
Proceeds from disposal of associates	**16,838**	–	**14,036**	–
Proceeds from disposal of property, plant and equipment	**44**	–	**–**	–
Proceeds from disposal of other investments	**374,023**	100,355	**247,487**	1,154
Proceeds from disposal of investment property	**7,200**	–	**–**	–
Proceeds from disposal of rights	**3,900**	–	**–**	–
Purchase of property, plant and equipment	**(22,270)**	(302,676)	**(18)**	–
Purchase of prepaid land lease	**(33)**	(181)	**–**	–
Advances to subsidiaries	**–**	–	**(148,726)**	(209,125)
Acquisition of associates	**(9,551)**	(250,000)	**(9,551)**	(50,000)
Purchase of other investments	**–**	(4,539)	**–**	(29,094)
Deferred payment of acquisition of associates	**(102,608)**	–	**(102,608)**	–
Dividends received	**1,040**	3,863	**199,987**	1,202
Net cash generated from/(used in) investing activities	**268,583**	(453,571)	**200,607**	(285,863)
Cash flows from financing activities				
Dividends paid	**(7,372)**	(7,372)	**(7,372)**	(7,372)
Proceeds from issuance of ICULS	**–**	327,462	**–**	327,462
Repayment of bank borrowings	**(177,844)**	(186,145)	**(94,291)**	(100,340)
Proceeds from bank borrowings	**39,380**	155,978	**–**	24,631
Repayment of hire purchase	**(175)**	(1,219)	**(175)**	(243)
Net cash (used in)/generated from financing activities	**(146,011)**	288,704	**(101,838)**	244,138
Net increase/(decrease) in cash and cash equivalents	**39,332**	(54,427)	**4,532**	(69,911)
Effects of changes in foreign exchange rates	**(3,238)**	2,111	**–**	–
Cash and cash equivalents at beginning of year	**167,820**	220,136	**10,962**	80,873
Cash and cash equivalents at end of year (Note 24)	**203,914**	167,820	**15,494**	10,962

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2010

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 15. There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

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 the 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 September 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia.

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

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

2.2 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

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

(ii) Basis of consolidation

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

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

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(a) Subsidiaries and basis of consolidation (Continued)

(ii) Basis of consolidation (Continued)

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.

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

(b) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. 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 associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate 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 associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's 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 coterminous 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 profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(c) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

In the Company's separate financial statements, investments in jointly controlled entities 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 profit or loss.

(d) Intangible assets

(i) 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 liabilities. 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.

(ii) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

(e) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(e) Property, plant and equipment, and depreciation (Continued)

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 cost less any accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Construction in progress are also not depreciated as it is not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2% - 8%
Land improvements and infrastructure	3% - 4%
Plant and machinery	2% - 20%
Motor vehicles	13% - 20%
Office equipment, furniture and fittings	10% - 33.33%
Renovation	10% - 20%

If the items of depreciable property, plant and equipment comprise significant identifiable components each with a different useful life, these components are treated as separate accounting units and depreciated over their respective useful lives.

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 profit or loss.

(f) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

(g) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out 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 any 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(g) Land held for property development and property development costs (Continued)

(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.

Where 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.

(h) Impairment of assets

The carrying amounts of assets, other than investment properties, property development costs, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows 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 considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(h) Impairment of assets (Continued)

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(i) Inventories

Industrial land and properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

Other inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present location and conditions. The cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in selling and distribution.

(j) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

(i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Other non-current investments

Long term investments, both quoted and unquoted, include investments in subsidiaries, jointly controlled entities, associates and other non-current investments.

Investments which carry fixed or determinable payments and fixed maturities and which the Group has intention and ability to hold to maturity are carried at cost. After initial measurement, these fixed term investments are measured at amortised cost less impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(j) Financial instruments (Continued)

(ii) Other non-current investments (Continued)

Investments in other long term investments are stated at cost less impairment losses. An allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the period in which it is identified.

Short term quoted investments are stated at the lower of cost and market value, determined on portfolio basis by comparing aggregate cost against aggregate market value. Market value is calculated by reference to quoted selling prices at the close of business on the balance sheet date. Money market instruments are stated at the lower of cost and net realisable value.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(iii) Marketable securities

Marketable securities are carried at the lower of cost and market value. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(iv) Receivables

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

(v) Payables

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

(vi) Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(j) Financial instruments (Continued)

(vii) ICULS

The convertible loan stocks are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is 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.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

(viii) 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.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(k) Leases

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(f)); and

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(k) Leases (Continued)

(ii) Finance leases – The Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(e).

(iii) Operating leases – The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. 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.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(iv) Operating leases – The Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2 (p)(iv)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(l) Income tax

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

Deferred tax is provided for, using the liability method. 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, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from 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 accounting profit nor taxable profit.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(l) Income tax (Continued)

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

(m) Provisions, Contingent liabilities and Contingent assets

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

The Group does not recognise a contingent liability but disclose 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.

(n) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the 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 increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(n) Employee benefits (Continued)

(iii) Equity compensation benefits

The Company has in place its employee share option scheme. The employee share option scheme of an equity-settled, share-based compensation plan, allows the employees of the Group to acquire ordinary shares in the respective companies. 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 vest. The fair value of share options is measured at grant date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, 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 or expired. When the share option of the Company is exercised, it will be transferred to share premium, or when the option expires, it will be transferred directly to retained profits.

When a share option of the Company is awarded to an employee of a subsidiary, the Company's separate financial statements would record an increase in its investment in the subsidiary equivalent to the employee share option charge in the subsidiary, with a corresponding credit to equity. When the share option of the Company is exercised, it will be transferred to share premium, or when the option expires, it will be transferred directly to retained profits.

(o) Government grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grants will be received and all attached conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate. Grants that compensate for the costs of assets are recognised as income on a systematic basis over the useful life of the assets.

(p) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Sale of industrial land and completed properties

Revenue from sale of industrial land and completed properties is recognised upon the signing of the sale and purchase agreements.

(iii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(p) Revenue recognition (Continued)

(iv) Rental income and sales commission

Rental and sales commission are recognised on the accrual basis.

(v) Dividend income

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

(vi) 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.

(q) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss 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, regardless of the currency of the monetary items, 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 profit or loss. 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 profit or loss 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 profit or loss 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(q) Foreign currencies (Continued)

(iii) Foreign operations

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximate the exchange rates on 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 on the acquisition of foreign operations on or after 1 July 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 July 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

		2010 RM	2009 RM
United States Dollar	("USD")	**3.27**	3.53
Singapore Dollar	("SGD")	**2.33**	2.43
Chinese Renminbi	("Rmb")	**0.48**	0.51
Hong Kong Dollar	("HKD")	**0.42**	0.45

2.3 Changes in accounting policy

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

FRS 8: Operating Segments

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following new FRSs, amendments to FRSs and IC Interpretations were issued by the Malaysian Accounting Standard Board ("MASB") but are not yet effective and have not been early adopted by the Group and the Company.

Effective for financial periods beginning on or after 1 January 2010

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

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132: Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010

FRS 1: First-time Adoption of Financial Reporting Standards (Revised 2010) *
FRS 3: Business Combinations (Revised 2010)
FRS 127: Consolidated and Separate Financial Statements (Revised 2010)
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138: Intangible Assets
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 12: Service Concession Arrangements *
IC Interpretation 15: Agreements for the Construction of Real Estate
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operations *
IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters *
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
IC Interpretation 4: Determining Whether an Arrangement contains a Lease
IC Interpretation 18: Transfers of Assets from Customers

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet effective (Continued)

Effective for financial periods beginning on or after 1 January 2012

IC Interpretation 15: Agreements for the Construction of Real Estate

* These FRSs are not applicable to the Group and the Company.

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

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

<u>FRS 101: Presentation of Financial Statements (revised)</u>

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

<u>FRS 123: Borrowing Costs (revised)</u>

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

<u>FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures</u>

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet effective (Continued)

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

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendment to FRS 1 allow first-time adopters to use costs, determined in accordance with FRS 127, or deemed cost of either fair value (in accordance with FRS 139) or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate opening FRS balance sheet. In the amendment to FRS 127, there is no longer a distinction between pre-acquisition and post-acquisition dividends. The amendment also requires the cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) to be measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendments also remove the definition of the cost method from FRS 127 and will be applied prospectively that affect only the financial statements of the Company and do not have an impact on the financial statements of the Group.

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

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

Amendments to FRS 132: Financial Instruments: Presentation and FRS 101: Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

FRS 132: Financial Instruments: Disclosures and Presentation will be renamed as Financial Instruments: Presentation upon the adoption of FRS 7: Financial Instruments: Disclosures. The amendments provide a limited scope exception for puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. An instrument that meets the definition of a financial liability is classified as an equity instrument only if it fulfils a number of specific features and conditions as stipulated in the Standard.

Amendments to FRSs 'Improvements to FRSs (2009)'

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet effective (Continued)

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

<u>Amendments to FRSs 'Improvements to FRSs (2009)'</u> (Continued)

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet effective (Continued)

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

Amendments to FRSs 'Improvements to FRSs (2009)' (Continued)

- FRS 131: Interests in Joint Ventures: The amendment clarifies that if a joint venture is accounted for 'at fair value through profit or loss', in accordance with FRS 139, only the requirements of FRS 131 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- FRS 134: Interim Financial Reporting: Clarifies that earnings per share is to be disclosed in interim financial reports if an entity is within the scope of FRS 133: Earnings per Share.

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

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

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

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

IC Interpretation 9: Reassessment of Embedded Derivatives and Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

This IC requires that there should be no subsequent reassessment of whether an embedded derivative should be separated from the host contract after initial recognition, unless there have been changes to the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. The amendments to the IC clarifies that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives within the scope of this IC and FRS 139 have to be assessed and, if necessary, separately accounted for in financial statements. The IC is to be applied retrospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet effective (Continued)

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

IC Interpretation 10: Interim Financial Reporting and Impairment

This IC prohibits impairment losses recognised in an interim period on goodwill or investments in equity instruments or financial assets carried at cost to be reversed at a subsequent balance sheet date.

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

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

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

Amendments to FRS 132: Classification of Rights Issues

The amendment to FRS 132 is effective for annual periods beginning on or after 1 March 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

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

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

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

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

The changes by FRS 3 (revised) and FRS127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interest.

Amendments to FRS 2: Share-based Payment

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet effective (Continued)

Pronouncements effective for financial periods beginning on or after 1 July 2010: (Continued)

Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations

FRS 5 also applies to non-current assets (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners). The amendment further clarifies that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain non-controlling interest (e.g., an interest in an associate) in its former subsidiary after the sale.

Amendments to FRS 138: Intangible Assets

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

Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives

The amendments clarifies that the scope of IC 9 which does not apply to embedded derivatives in contracts acquired in a business combination, a combination of entities or businesses under common control as defined in FRS 3: Business Combinations (revised), or the formation of a joint venture as defined in FRS 131: Interests in Joint Ventures.

IC Interpretation 17: Distributions of Non-cash Assets to Owners

This IC provides guidance on the recognition and measurement of liabilities arising from dividends paid in the form of assets other than cash and clarifies that the dividend payable should be measured at the fair value of the assets to be distributed. It also clarifies that the difference between the carrying amount of the assets distributed and the fair value of the dividend paid should be taken to income statement.

Pronouncements effective for financial periods beginning on or after 1 January 2011:

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The standard reinforces existing principles for disclosures about liquidity risk. Also, the amendments require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy is introduced. This FRS does not have any impact on the financial position and results of the Group and of the Company.

Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IC Interpretation 4: Determining Whether an Arrangement contains a Lease

Arrangements do not necessarily take the legal form of lease but that nevertheless convey the right to use a specific asset, such as an item of property, plant or equipment, in return for a payment or series of payments. IC Interpretation 4: Determining Whether an Arrangement contains a Lease provides guidance for determining whether such arrangements are, or contain, leases that should be accounted for in accordance with FRS 117. However IC Interpretation 4 does not provide guidance for determining how such a lease should be classified under that Standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet effective (Continued)

Pronouncements effective for financial periods beginning on or after 1 January 2011: (Continued)

IC Interpretation 18: Transfers of Assets from Customers

IC 18 provides guidance on accounting for transfers of assets, where cash is used to purchase those items of property, plant and equipment, which an entity receives from a customer, which is either used to connect the customer to a network, or provide the customer ongoing access to a supply of goods and services. The Interpretation is effective prospectively to transfers of assets from customers received on or after 1 January 2011.

Pronouncements effective for financial periods beginning on or after 1 January 2012:

IC Interpretation 15: Agreements for the Construction of Real Estate

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111: Construction Contracts or FRS 118: Revenue.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the process of making an assessment of the impact of this Interpretation.

2.5 Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

(i) Allowances for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on management's judgement and the evaluation of collectability and ageing analysis of the receivables inclusive of trade receivables and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of debtors of the Group are to deteriorate, additional allowances may be required.

(ii) Recoverability of trade receivables from an associate

Included in amounts due from related parties is an amount due from Megasteel Sdn Bhd ("Megasteel"), an associate, which represents approximately 90% (2009: 90%) of the total trade receivables balances as at balance sheet date. The Directors are of the opinion that this amount is recoverable as Megasteel forecast and projected improved financial results and cash flows in the near future, after taking into account reasonable possible changes in trading performance, strategies and corporate proposals that have been proposed to its lenders and creditors.

Management exercised significant judgement in the assessment of the recoverability of the amount outstanding from the said related party, which have significant financial impact if the amount is not recoverable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty

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

(i) 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.

(ii) Income tax

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Details of income tax expense are disclosed in Note 8.

(iii) 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. The total carrying value of unrecognised tax losses and capital allowances of the Group and of the Company is disclosed in Note 20.

(iv) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill are disclosed in Note 19.

(v) Share-based payment

The Group measures the cost of equity-settled transactions with employees by reference to fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of option, volatility and dividend yield and making assumptions about them. The assumptions and valuation model used are disclosed in Note 35.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(vi) Due from subsidiaries

The Company determines the recoverability of the amounts due from certain subsidiaries when these debts exceeded their capital investments. The Directors are of the opinion that adequate provision for doubtful debts has been made for the debts due from these subsidiaries to the extent the Company is able to realise these debts through internal group restructuring including possible offsets against debts owed by the Company to certain other subsidiaries, should such need arises.

(vii) Impairment of 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 annual impairment testing 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 or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(viii) Useful lives and residual value of plant and machinery

The cost of plant and machinery for the manufacture of direct reduced iron products is depreciated on straight-line basis over the asset's useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 25 years. The estimation of the useful lives of plant and machinery has been based on historical experience and judgement with respect to technical obsolescence, physical deterioration, maintenance programmes and usage capacity of the assets in addition to any legal restriction on usage. Residual values of the plant and machinery are estimated by the management based on the assets commercial value at end of their useful lives. These are common life expectancies applied in the steel industry until there is technological development which could impact the economic useful lives and the residual values of these assets. The management will review the estimated useful lives and residual values of plant and machinery at each financial year-end and adjustments to useful lives are made when considered necessary. Therefore, future depreciation charges could be revised.

(ix) Impairment assessment for investments in associates

Management determines whether the carrying amounts of its investments are impaired at balance sheet date. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include amongst others, discounted cash flows analysis and in some cases, are based on current market indicators and estimates that provide reasonable approximations to the detailed computation.

Management determined the recoverable amount of these investments based on the individual asset's value-in-use. The present value of the future cash flows to be generated by these assets is the asset's value-in-use. An impairment loss is recognised immediately in the income statement if the recoverable amount is less than the carrying amount.

It is the opinion of the Directors that adequate impairment losses have been recognised in the income statement and the management's assumptions are reasonable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(x) Provision for potential claims

The Group determines whether a present obligation from potential claims arising from the arrangement entered with contractors in relation to the construction of property, plant and equipment that exist at the balance sheet date by taking into account all available evidence. On the basis of such evidence, the Directors considered if provisions are required to be recognised in the financial statements and if required, the estimated amounts are provided. Adequate provisions have been made in respect of financial obligations arising from the potential claims from the arrangement entered with certain contractors of the Group.

3. REVENUE

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

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Sale of goods	**1,525,013**	1,208,452	**–**	–
Property development	**61,566**	30,817	**–**	–
Sales commission	**1,401**	3,802	**–**	–
Rental income	**1,354**	1,881	**–**	–
Gross dividend from other investments - quoted	**1,131**	3,863	**1,078**	1,202
Gross dividend from subsidiaries	**–**	–	**201,000**	–
	1,590,465	1,248,815	**202,078**	1,202

4. OTHER INCOME

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Interest income from:				
Unquoted investments	**8,249**	8,276	**241**	268
Short term deposits and others	**46,323**	35,304	**131**	1,221
	54,572	43,580	**372**	1,489
Rental income	**106**	106	**–**	–
Compensation income (Note i)	**–**	64,786	**–**	–
Gain on disposal of quoted investments	**45,058**	11,890	**1,043**	–
Gain on disposal of investment property	**2,825**	–	**–**	–
Foreign exchange gain:				
- Realised	**10,871**	4,277	**–**	–
- Unrealised	**44,567**	22,094	**–**	17,044
Other income	**10,559**	21,001	**–**	–
	168,558	167,734	**1,415**	18,533

Note:

(i) This amount arose from the expenses incurred and claimed from Megasteel Sdn Bhd ("Megasteel") as disclosed in Note 39(i)(a).

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Wages, salaries and bonuses	**29,570**	29,861	**1,532**	1,190
Pension costs - defined contribution plans	**2,890**	3,261	**185**	141
Employee share-based payment	**32**	(31)	**32**	(31)
Other staff related expenses	**6,390**	6,389	**38**	81
	38,882	39,480	**1,787**	1,381

Included in employee benefits expense of the Group and of the Company is an executive Director's remuneration as further disclosed in Note 6(a).

6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is stated after charging/(crediting):

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Auditors' remuneration:				
- Company	**25**	25	**25**	25
- Subsidiaries	**465**	469	**–**	–
- Overprovision in prior year	**(4)**	–	**–**	–
Directors' remuneration (Note a)	**667**	595	**667**	595
Depreciation:				
- Property, plant and equipment	**36,687**	38,054	**246**	245
- Investment properties	**368**	601	**–**	–
Direct operating expenses of investment properties	**39**	44	**–**	–
Amortisation of prepaid land lease payments	**90**	117	**–**	–
Property, plant and equipment:				
- Impairment loss	**623**	251	**–**	–
- Written off	**6**	509	**–**	–
Provision for doubtful debts:				
- Subsidiaries	**–**	–	**132,631**	171
- Others	**166**	568	**–**	–
Provision for potential claims	**10,000**	7,000	**–**	–
Impairment loss in value of:				
- Quoted investments	**–**	1,550	**–**	13,250
- Unquoted investments	**–**	199	**–**	199
Impairment loss in:				
- Investments in subsidiaries	**–**	–	**–**	88,307
- Investments in associates	**–**	–	**68,400**	171,300
- Investment properties	**1,100**	–	**–**	–
- Prepaid land lease	**311**	–	**–**	–
- Intangible assets	**14,662**	–	**–**	–
Bad debts recovered	**(4)**	(6)	**–**	–
Write down/(Reversal) of inventories	**383**	(23)	**–**	–
Foreign exchange loss:				
- Realised	**165**	6,916	**–**	–
- Unrealised	**13,981**	39,440	**11,942**	–

6. PROFIT/(LOSS) FROM OPERATIONS (Continued)

Profit/(Loss) from operations is stated after charging/(crediting): (Continued)

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Foreign exchange gain:				
- Realised	**(10,871)**	(4,277)	**–**	–
- Unrealised	**(44,567)**	(22,094)	**–**	(17,044)
Rental expenses	**8,795**	9,167	**–**	–
Gain on conversion of Guaranteed Secured Exchangeable Bonds	**–**	(23)	**–**	–
Gain on disposal of rights	**(3,900)**	–	**–**	–
Gain on disposal of investment property	**(2,825)**	–	**–**	–
Loss on disposal of property, plant and equipment	**2**	–	**–**	–

(a) Directors' remuneration

The details of remuneration receivable by Directors of the Company during the year are as follows:

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Executive Director:				
Fees	**20**	20	**20**	20
Salary and other emoluments	**412**	338	**412**	338
Pension costs - defined contribution plans	**50**	44	**50**	44
	482	402	**482**	402
Non-executive Directors * :				
Fees	**185**	193	**185**	193
	667	595	**667**	595

The number of Directors of the Company whose remuneration during the year fell within the following ranges are analysed below:

	Number of Directors 2010	Number of Directors 2009
Executive Director:		
RM400,001 - RM450,000	**–**	1
RM450,001 - RM500,000	**1**	–
Non-executive Directors * :		
RM50,000 and below	**5**	6

* 2009: Including a Director who has retired at the previous Annual General Meeting.

7. FINANCE COSTS

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Interest expense on:				
Guaranteed Secured Exchangeable Bonds	**28,469**	28,840	**–**	–
Borrowings and others	**35,511**	47,883	**5,906**	22,173
Amounts owing to related parties	**27**	23	**21**	19
ICULS (Note 27)	**3,408**	2,019	**3,408**	2,019
Deferred payments (Note 28(i))	**13,124**	5,436	**13,124**	5,436
Product financing liabilities (Note 32)	**14,654**	6,797	**–**	–
Hire purchase	**22**	75	**22**	29
	95,215	91,073	**22,481**	29,676

8. INCOME TAX EXPENSE

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Income tax:				
Malaysian tax	**4,664**	5,651	**–**	–
Foreign tax	**5,394**	612	**–**	–
	10,058	6,263	**–**	–
(Over)/Under provision in prior years:				
Malaysian income tax	**(25)**	(941)	**–**	1,284
Foreign income tax	**(92)**	–	**–**	–
	9,941	5,322	**–**	1,284
Deferred tax (Note 20):				
Relating to origination and reversal of temporary differences	**60,011**	36,866	**2,423**	1,126
Under provision in prior years	**723**	4,837	**–**	–
	60,734	41,703	**2,423**	1,126
Total income tax expense	**70,675**	47,025	**2,423**	2,410

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operates.

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

Under the relevant People's Republic of China ("PRC") income tax law, the PRC companies of the Group were subject to corporate income tax at a rate of 25% (2009: 25%) on their respective taxable income.

On 9 September 2005, Lion DRI Sdn Bhd ("Lion DRI"), a wholly-owned subsidiary of the Company, was granted the Investment Tax Allowance ("ITA") tax incentive by Malaysian Industrial Development Authority ("MIDA") under the Promotion of Investments Act, 1986.

On 20 February 2009, Lion DRI received the approval from MIDA in relation to the application to change the special incentive from the ITA to Pioneer Status incentive with full tax exemption for 10 years. As of the balance sheet date, the effective date of Pioneer Status is still pending confirmation from MIDA.

8. INCOME TAX EXPENSE (Continued)

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

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Profit/(Loss) before taxation	**263,031**	(576,706)	**13,753**	(328,241)
Tax calculated at a tax rate of 25% (2009: 25%)	**65,758**	(144,177)	**3,438**	(82,060)
The effects of:				
Different tax rates in other countries	**3,189**	37	**–**	–
Expenses not deductible for tax purposes	**21,795**	27,462	**55,144**	78,957
Income not subject to tax	**(39,502)**	(14,258)	**(62,194)**	(166)
Utilisation of previously unrecognised tax losses	**(734)**	(2,695)	**–**	–
(Over)/Under provision of tax expense in prior years	**(117)**	(941)	**–**	1,284
Under provision of deferred tax in prior years	**723**	4,837	**–**	–
Deferred tax assets not recognised in current year	**6,679**	10,701	**6,035**	4,395
Share of results of associates	**14,276**	165,708	**–**	–
Share of results of jointly controlled entities	**(1,392)**	351	**–**	–
Tax expense for the year	**70,675**	47,025	**2,423**	2,410

Tax savings during the financial year arising from:

	Group	
	2010 RM'000	**2009 RM'000**
Utilisation of previously unrecognised tax losses	**734**	2,695

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Group	
	2010	**2009**
Profit/(Loss) attributable to ordinary equity holders of the Company (RM'000)	**192,356**	(623,508)
Weighted average number of ordinary shares in issue ('000)	**737,223**	737,223
Adjustment for conversion of ICULS ('000)	**654,924**	654,924
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	**1,392,147**	1,392,147
Basic EPS (sen)	**13.8**	(44.8)

9. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted

There is no dilutive event other than the conversion of ICULS which has already been taken into account in the basic EPS calculation.

10. DIVIDENDS

		Dividends in respect of year		Dividends recognised in year	
	2010 RM'000	2009 RM'000	2008 RM'000	2010 RM'000	2009 RM'000
Recognised during the year:					
First and final dividend for 2008, tax exempt (1.0 sen per ordinary share)	**–**	–	7,372	**–**	7,372
First and final dividend for 2009, tax exempt (1.0 sen per ordinary share)	**–**	7,372	–	**7,372**	–
Proposed for approval at Annual General Meeting (not recognised as at 30 June):					
First and final dividend for 2010, tax exempt (1.0 sen per ordinary share)	**7,372**	–	–	**–**	–
	7,372	7,372	7,372	**7,372**	7,372

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2010, of 2% (1.0 sen per share), tax exempt amounting to a dividend payable of RM7,372,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2011.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Buildings RM'000	Land Improvements and Infrastructure RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000 Note (d)	Total RM'000
At 30 June 2010									
Cost									
At 1 July 2009	115,566	12,480	130,656	730,963	3,474	4,747	1,358	508,458	1,507,702
Additions	25	–	3,543	2,137	410	963	–	15,332	22,410
Disposals	–	–	–	(13)	(41)	(59)	–	–	(113)
Write off	–	–	–	(40)	(14)	(586)	–	–	(640)
Transfer from land and development expenditure	–	2,283	–	–	–	–	–	–	2,283
Exchange differences	–	–	–	(2,342)	(53)	(136)	(100)	–	(2,631)
At 30 June 2010	115,591	14,763	134,199	730,705	3,776	4,929	1,258	523,790	1,529,011

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold Land RM'000	Buildings RM'000	Land Improvements and Infrastructure RM'000	Plant and Machinery RM'000	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction In Progress RM'000 Note (d)	Total RM'000
At 30 June 2010									
Accumulated depreciation and impairment									
At 1 July 2009	**–**	**1,119**	**3,899**	**71,630**	**2,104**	**3,486**	**1,352**	**–**	**83,590**
Charge for the year	**–**	**249**	**3,746**	**31,780**	**453**	**459**	**–**	**–**	**36,687**
Disposals	**–**	**–**	**–**	**(8)**	**(6)**	**(53)**	**–**	**–**	**(67)**
Write off	**–**	**–**	**–**	**(37)**	**(14)**	**(583)**	**–**	**–**	**(634)**
Impairment loss	**–**	**623**	**–**	**–**	**–**	**–**	**–**	**–**	**623**
Reclassification	**–**	**–**	**–**	**–**	**70**	**(70)**	**–**	**–**	**–**
Exchange differences	**–**	**–**	**–**	**(1,733)**	**(34)**	**(125)**	**(100)**	**–**	**(1,992)**
At 30 June 2010	**–**	**1,991**	**7,645**	**101,632**	**2,573**	**3,114**	**1,252**	**–**	**118,207**
Net carrying amount									
At 30 June 2010	**115,591**	**12,772**	**126,554**	**629,073**	**1,203**	**1,815**	**6**	**523,790**	**1,410,804**
At 30 June 2009 (Restated)									
Cost									
At 1 July 2008	115,566	135,638	–	748,105	3,469	4,735	1,560	233,751	1,242,824
Additions	–	–	12,399	15,041	239	730	1	274,266	302,676
Disposal/Write off	–	–	–	(8,763)	(240)	(140)	–	–	(9,143)
Disposals of subsidiaries	–	–	–	–	(57)	(583)	–	–	(640)
Reclassification	–	(123,158)	118,257	(26,475)	–	(135)	(306)	441	(31,376)
Exchange differences	–	–	–	3,055	63	140	103	–	3,361
At 30 June 2009	115,566	12,480	130,656	730,963	3,474	4,747	1,358	508,458	1,507,702
Accumulated depreciation and impairment									
At 1 July 2008	–	822	–	45,909	1,797	3,541	1,216	–	53,285
Charge for the year	–	341	3,744	32,916	523	427	103	–	38,054
Disposal/Write off	–	–	–	(8,326)	(202)	(106)	–	–	(8,634)
Impairment loss	–	251	–	–	–	–	–	–	251
Disposals of subsidiaries	–	–	–	–	(56)	(561)	–	–	(617)
Reclassification	–	(295)	155	(1,033)	–	–	–	–	(1,173)
Exchange differences	–	–	–	2,164	42	185	33	–	2,424
At 30 June 2009	–	1,119	3,899	71,630	2,104	3,486	1,352	–	83,590
Net carrying amount									
At 30 June 2009	115,566	11,361	126,757	659,333	1,370	1,261	6	508,458	1,424,112

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Total RM'000
At 30 June 2010			
Cost			
At 1 July 2009	**1,621**	**7**	**1,628**
Addition	**158**	**–**	**158**
At 30 June 2010	**1,779**	**7**	**1,786**
Accumulated depreciation			
At 1 July 2009	**767**	**3**	**770**
Charge for the year	**245**	**1**	**246**
At 30 June 2010	**1,012**	**4**	**1,016**
Net carrying amount			
At 30 June 2010	**767**	**3**	**770**
At 30 June 2009			
Cost			
At 1 July 2008/30 June 2009	1,621	7	1,628
Accumulated depreciation			
At 1 July 2008	523	2	525
Charge for the year	244	1	245
At 30 June 2009	767	3	770
Net carrying amount			
At 30 June 2009	854	4	858

(a) In 2005, the Company embarked on the setting-up of a hot direct reduced iron plant ("DRI Project") by nominating Lion DRI Sdn Bhd ("Lion DRI"), a wholly-owned subsidiary of the Company, to undertake the DRI Project.

For the purpose of the DRI Project, the Company had entered into several contracts ("Contracts") and incurred expenditures on behalf of Lion DRI. During the financial year ended 30 June 2008, the Company and Lion DRI entered into a Deed of Novation cum Assignment to assign all rights, titles, benefits and interests under the Contracts to the Lender.

The DRI plant is constructed on a piece of land leased from a related party for an initial term of thirty (30) years commencing 1 June 2008 and expiring on 31 May 2038, with an option for renewal for a further period of thirty (30) years.

(b) As at 30 June 2010, the property, plant and equipment of the Group with a net book value of RM814.7 million (2009: RM839.1 million) was pledged for bank borrowings, as disclosed in Note 25(ii)(a) and (b).

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM22,410,000 (2009: RM302,676,000) and RM158,000 (2009: Nil) respectively of which RM140,000 (2009: Nil) and RM140,000 (2009: Nil) respectively were acquired by means of finance lease arrangements. Net book values of property, plant and equipment held under hire purchase and finance lease arrangements as at the balance sheet date are as follows:

	Group/Company	
	2010 RM'000	**2009 RM'000**
Motor vehicles	**584**	782

(d) The construction in progress represents cost incurred on the construction of the Blast Furnace Plant ("Blast Furnace Project") which construction work has temporarily ceased. The Group is currently in an advanced stage of concluding its required funding arrangement with potential lender(s) to finance the Blast Furnace Project and is confident that the required funding will be available and the Blast Furnace Project will be completed as planned.

The Blast Furnace Plant is constructed on land which is under lease arrangements with a related party. Under the arrangement, the related party will only commence charging the Group lease rental at a mutually agreed date after the Blast Furnace Project is completed.

12. INVESTMENT PROPERTIES

	Group	
	2010 RM'000	**2009 RM'000 (Restated)**
Cost		
At 1 July	**23,216**	23,216
Impairment	**(1,100)**	–
Disposal	**(7,758)**	–
At 30 June	**14,358**	23,216
Accumulated depreciation		
At 1 July	**3,788**	3,187
Charge for the year	**368**	601
Disposal	**(3,383)**	-
At 30 June	**773**	3,788
Net carrying amount		
At 30 June	**13,585**	19,428
Fair value of investment properties at 30 June		
Office premises and factory	**13,585**	23,334

Fair value for office premises and factory were arrived at by reference to market evidence of transaction prices for similar properties.

As at previous balance sheet date, the Group was the beneficial owner of the office premises with carrying value of RM4.5 million pending issuance of the strata titles. The investment property was disposed of during the financial year.

13. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	**2009**
	RM'000	**RM'000**
		(Restated)
At 1 July	**8,024**	7,960
Additions	**33**	181
Impairment	**(311)**	–
Charge for the year	**(90)**	(117)
At 30 June	**7,656**	8,024

The prepaid land lease payments represented long term leasehold land payments and are amortised on a straight-line basis over their respective lease periods.

As at 30 June 2010, the prepaid land lease payments of the Group with a net book value of RM3.4 million (2009: RM3.4 million) was pledged for bank borrowings, as disclosed in Note 25(ii)(b).

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group	
	2010	**2009**
	RM'000	**RM'000**
At cost		
At 1 July	**78,351**	95,428
Transfer to property development costs	**(2,270)**	(24,626)
Additions	**72,081**	352
Exchange differences	**(5,404)**	7,197
At 30 June	**142,758**	78,351

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (Continued)

(b) Property development costs

	Group 2010 RM'000	Group 2009 RM'000
Property development costs at 1 July:		
Leasehold land	**24,526**	–
Development costs	**5,010**	–
	29,536	–
Costs incurred during the year:		
Development costs	**40,725**	4,910
	40,725	4,910
Costs recognised in income statement:		
At 1 July	**(2,501)**	(15,660)
Recognised during the year	**(46,807)**	(2,501)
Reversal of completed projects	**–**	15,660
At 30 June	**(49,308)**	(2,501)
Transferred from land held for property development	**2,270**	24,626
Transferred to property, plant and equipment	**(2,283)**	–
Exchange difference	**(1,396)**	–
Property development costs at 30 June	**19,544**	27,035

In the previous financial year, the land held for property development of the Group with a carrying value of RM85.6 million was pledged for bank borrowings, as disclosed in Note 25(ii)(c).

15. INVESTMENTS IN SUBSIDIARIES

	Company 2010 RM'000	Company 2009 RM'000
Unquoted shares, at cost	**515,638**	514,988
Less: Accumulated impairment losses	**(167,647)**	(167,647)
	347,991	347,341

As at 30 June 2010, the unquoted shares of subsidiaries with a carrying value of RM181.98 million (2009: RM181.98 million) was pledged for bank borrowings, as disclosed in Note 25.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2010 %	Equity interest 2009 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	**100**	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	**100**	100
LDH Trading Sdn Bhd	Malaysia	Property holding	**100**	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	**100**	100
Urban Resources Sdn Bhd	Malaysia	Property development	**100**	100
Megavest Sdn Bhd	Malaysia	Property development and management	**100**	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	**100**	100
Likom CMS Sdn Bhd *	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	**100**	100
Likom Caseworks Sdn Bhd *	Malaysia	Manufacturing of metal and plastic components including metal stamping, plastic injection moulding and assembly of parts and services	**100**	100
Parkson Pacific Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Glomart Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Management Pte Ltd *	Singapore	Investment holding	**100**	100
LDH (S) Pte Ltd *	Singapore	Investment holding	**100**	100
LDH Investment Pte Ltd *	Singapore	Investment holding	(1) **60**	(1) 60
Lion DRI Sdn Bhd	Malaysia	Manufacturing and sale of direct reduced iron products	**100**	100
Well Morning Limited *	Hong Kong SAR	Investment holding	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2010 %	Equity interest 2009 %
Excel Step Investments Limited	British Virgin Islands	Investment holding	**100**	100
Fusion Energy Sdn Bhd	Malaysia	Dormant	**100**	100
Lion Blast Furnace Sdn Bhd	Malaysia	Manufacturing and trading in steel products	**100**	100
Ara Seri Bangun Sdn Bhd (formerly known as Pioneer Ambition Sdn Bhd)	Malaysia	Dormant	**100**	100
Temasek Potensi Sdn Bhd	Malaysia	Investment holding	**100**	–
Hamba Reseach & Development Co Ltd * (In liquidation - voluntary) (Dissolved on 10.8.2009)	Taiwan	Ceased operations	**–**	98
Lion Corporation Berhad *@#	Malaysia	Investment holding	(2) **58.6**	(3) 59.0
Subsidiaries of LDH Manufacturing Sdn Bhd				
CPB Enterprise Sdn Bhd	Malaysia	Property management	**100**	100
CPB Investment AG * (In liquidation - voluntary)	Switzerland	Investment holding	**100**	100
Subsidiaries of Graimpi Sdn Bhd				
Pavlova Investment Pte Ltd *	Singapore	Dormant	**100**	100
Gemmo Pte Ltd *	Singapore	Investment holding	**100**	100
Subsidiary of Gemmo Pte Ltd				
Gesto Pte Ltd *	Singapore	Dormant	**100**	100
Subsidiary of LDH Trading Sdn Bhd				
Banting Resources Sdn Bhd	Malaysia	Property investment	**100**	100
Subsidiary of Lion Subang Parade Sdn Bhd				
LDH Management Sdn Bhd	Malaysia	Investment holding, project management and property development	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2010 %	Equity interest 2009 %
Subsidiaries of LDH Management Sdn Bhd				
Viroy Management Services Sdn Bhd	Malaysia	Investment holding and property management	**100**	100
Shanghai DEbier Management Consulting Co Ltd *	People's Republic of China	Management consulting services	**100**	100
Atlantic Dimension Sdn Bhd	Malaysia	Investment holding	**100**	100
Subsidiary of Likom Caseworks Sdn Bhd				
Likom Caseworks USA Inc *	United States of America	Sale of enclosure for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Likom Caseworks USA Inc				
Likom de Mexico S.A. de C.V *	Mexico	Manufacturing and assembly for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Parkson Management Pte Ltd				
Sichuan Parkson Retail Development Co Ltd *	People's Republic of China	Ceased operations	**100**	100
Subsidiary of Lion DRI Sdn Bhd				
Limbungan Makmur Sdn Bhd	Malaysia	Provision of chartering services	**100**	100
Subsidiary of Well Morning Limited				
Changshu Lion Enterprise Co Ltd *	People's Republic of China	Property development	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2010 %	2009 %
Subsidiary of Excel Step Investments Limited				
Teraju Varia Sdn Bhd	Malaysia	Investment holding	**100**	100
Subsidiaries of Temasek Potensi Sdn Bhd				
Gempower Sdn Bhd	Malaysia	Dormant	**100**	–
Ara Aspirasi Sdn Bhd	Malaysia	Dormant	**100**	–
Subsidiaries of Lion Corporation Berhad				
Kinabalu Motor Assembly Sendirian Berhad *#	Malaysia	Sale of commercial vehicles	**50.01**	50.01
LCB Harta (M) Sdn Bhd *#	Malaysia	Managing of debts novated from Lion Corporation Berhad ("LCB") and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries	**100**	100
LCB Venture Pte Ltd *# (Dissolved on 7.8.2009)	Singapore	Ceased operations	**–**	100
Limpahjaya Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Lion Construction & Engineering Sdn Bhd *#	Malaysia	Construction and civil engineering work	**100**	100
Lion Excellent Sdn Bhd *# (In liquidation - voluntary) (Dissolved on 1.9.2009)	Malaysia	Ceased operations	**–**	100
Lion General Trading & Marketing (S) Pte Ltd *#	Singapore	General merchant	**100**	100
Lion Rubber Works Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Lion Steelworks Sdn Bhd *#	Malaysia	Manufacture and distribution of office equipment, security equipment and steel related products	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2010 %	Equity interest 2009 %
Subsidiaries of Lion Corporation Berhad (Continued)				
Lion Trading & Marketing Sdn Bhd *#	Malaysia	Trading and marketing of security equipment, office equipment and steel related products	**100**	100
Total Triumph Investments Limited *#	British Virgin Islands	Investment holding	**100**	100
LCB Harta (L) Limited *#	Malaysia	Acquisition and management of USD denominated consolidated and rescheduled debts	**100**	100
Subsidiary of Kinabalu Motor Assembly Sendirian Berhad				
KMA Marketing Sdn Bhd *#	Malaysia	Trading and distribution of commercial vehicles, vehicle parts and provision of related services	**100**	100
Subsidiary of KMA Marketing Sdn Bhd				
Kinabalu Car Distributors Sdn Bhd *#	Malaysia	Dormant	**100**	100
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *#	Hong Kong SAR	Ceased operations	**71**	71
Lion Com Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Lyn (Pte) Ltd *#	Singapore	Investment holding	**79**	79
Megasteel Sdn Bhd #	Malaysia	Manufacturing of hot rolled coils and cold rolled coils	**(4) 100**	(4) 100
Umevest Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Logic Concepts (M) Sdn Bhd *#	Malaysia	Ceased operations	**71**	71
Logic Furniture (M) Sdn Bhd *#	Malaysia	Ceased operations	**91**	91

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2010 %	Equity interest 2009 %
Subsidiary of Bersatu Investments Company Limited				
Glit Investments Company Limited *#	Hong Kong SAR	Dormant	**100**	100
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd *#	Malaysia	Share registration and secretarial services	**100**	100
Subsidiary of Lyn (Pte) Ltd				
Logic Furniture (S) Pte Ltd *#	Singapore	Ceased operations	**100**	100
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited #	Malaysia	Dormant	**100**	100
Secomex Manufacturing (M) Sdn Bhd #	Malaysia	Manufacturing and marketing of industrial gases	**100**	100
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Subsidiary of Lion General Trading & Marketing (S) Pte Ltd				
Lion Plate Mills Sdn Bhd *#	Malaysia	Manufacturing and marketing of hot rolled steel plates	**100**	100
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Subsidiary of Total Triumph Investments Limited				
Bright Steel Sdn Bhd *#	Malaysia	Manufacturing, sale and distribution of steel and iron products	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2010 %	Equity interest 2009 %
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Bright Steel Service Centre Sdn Bhd *#	Malaysia	Processing and selling of steel coils and sheets	**57.1**	57.1
Bright Enterprise (Sdn) Berhad *#	Malaysia	Ceased operations	**100**	100
Century Container Industries Sdn Bhd *#	Malaysia	Ceased operations	**100**	100
Omali Corporation Sdn Bhd *#	Malaysia	Investment holding	**100**	100
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd *#	Malaysia	Property development	**100**	100

All the companies are audited by Ernst & Young Malaysia except for those marked (*) which are audited by other firms.

(1) 30% held by the Company and 30% held by LDH Manufacturing Sdn Bhd.

(2) The Group holds in total 58.6% equity interest in Lion Corporation Berhad ("LCB") via the Company (21.2%), Teraju Varia Sdn Bhd (21.2%), LDH (S) Pte Ltd (11.0%), LDH Management Sdn Bhd (4.7%) and Lion DRI Sdn Bhd (0.5%).

(3) The Group holds in total 59% equity interest in LCB via the Company (21.2%), Teraju Varia Sdn Bhd (21.2%), LDH (S) Pte Ltd (11.9%) and LDH Management Sdn Bhd (4.7%).

(4) 78.9% held by Limpahjaya Sdn Bhd and 21.1% held by the Company as disclosed in Note 16.

@ Listed on the Main Market of Bursa Malaysia Securities Berhad.

\# Despite the 58.6% shareholding, the Group does not have the power to control LCB due to the existence of potential voting rights that are currently exercisable or convertible, issued by LCB to other parties. Upon conversion of the said potential voting rights, the Group's interest in LCB will be diluted to below 50%. Consequently, LCB is not regarded as a subsidiary of the Company pursuant to FRS 127: Consolidated and Separate Financial Statements.

(a) Acquisitions of subsidiaries

During the financial year, the Group completed the acquisitions of 100% equity interest in Temasek Potensi Sdn Bhd, Ara Aspirasi Sdn Bhd and Gempower Sdn Bhd for a consideration of RM2 each.

The effects of the above acquisitions on the financial results have not been disclosed as it was not material to the Group.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) Disposal of subsidiaries

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gain/(Loss) on disposal of subsidiaries	–	305	–	(32,245)

In the previous financial year, the Company disposed of its entire equity interest in CP Properties Sdn Bhd ("CP Properties"), a then wholly-owned subsidiary of the Company, for a cash consideration of RM1.00. Accordingly, Aktif Lifestyle Stores Sdn Bhd ("ALS"), a wholly-owned subsidiary of CP Properties, together with ALS's wholly-owned subsidiaries namely, Octon Electronics Sdn Bhd and Sunbeam Bakeries Sdn Bhd (In liquidation - voluntary), and a 80% subsidiary, Aktif-Sunway Sdn Bhd also ceased to be subsidiaries of the Company on the same date.

The disposal had the following effects on the Group's financial results and position for the previous financial year:

	Group Up to the date of disposal RM'000
Revenue	–
Expenses	(917)
Loss before tax	(917)
Taxation	(621)
Net loss for the period	(1,538)

	Group As at date of disposal RM'000
Property, plant and equipment	23
Receivables	52
Deposit, cash and bank balances	393
Payables	(73)
Deferred tax liabilities (Note 20)	(630)
Minority interest	(70)
	(305)
Disposal proceeds	*
Gain on disposal	(305)
Cash consideration, representing cash inflow of the Group	*
Cash and cash equivalents of subsidiary disposed	(393)
Net cash outflow of the Group	(393)

* Represent RM1.00

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Quoted shares, at cost				
In Malaysia	**710,500**	717,238	**200,465**	200,465
Less: Accumulated impairment losses	**–**	–	**(89,700)**	(21,300)
Share of post acquisition reserves	**(632,474)**	(561,003)	**–**	–
	78,026	156,235	**110,765**	179,165
Quoted shares, at cost				
Outside Malaysia	**–**	42,221	**–**	42,221
Share of post acquisition reserves	**–**	(1,706)	**–**	–
	–	40,515	**–**	42,221
Unquoted shares, at cost				
In Malaysia	**324,463**	324,463	**324,463**	324,463
Outside Malaysia	**5,078**	5,078	**–**	–
Less: Accumulated impairment losses	**–**	–	**(150,000)**	(150,000)
Share of post acquisition reserves	**(128,289)**	(149,895)	**–**	–
	201,252	179,646	**174,463**	174,463
	279,278	376,396	**285,228**	395,849
Market value of quoted shares:				
In Malaysia	**306,503**	499,093	**110,779**	179,185
Outside Malaysia	**–**	30,692	**–**	30,692

Name of associates	Country of incorporation	Principal activities	Equity interest 2010 %	Equity interest 2009 %
Held by the Company:				
Lion Corporation Berhad @*^	Malaysia	Investment holding	**21.2**	21.2
Megasteel Sdn Bhd	Malaysia	Manufacturing of hot roll coils, cold roll coils, bands, plates and sheets	**21.1**	21.1
Polaris Metals NL *	Australia	Exploration and evaluation of mineral interests	**–**	25.5
Held through subsidiaries:				
Lion Corporation Berhad @*^	Malaysia	Investment holding	**37.4**	37.8
Inner Mongolia Leadar Parkson Plaza Co Ltd *	People's Republic of China	Ceased operations	**25**	25

16. INVESTMENTS IN ASSOCIATES (Continued)

@ Listed on the Main Market of Bursa Malaysia Securities Berhad.

^ As at 30 June 2010, the Group holds in total 58.6% equity interest in Lion Corporation Berhad ("LCB") via the Company (21.2%), Teraju Varia Sdn Bhd (21.2%), LDH (S) Pte Ltd (11.0%), LDH Management Sdn Bhd (4.7%) and Lion DRI Sdn Bhd (0.5%).

Despite the 58.6% shareholding, the Group does not have the power to control LCB due to the existence of potential voting rights that are currently exercisable or convertible, issued by LCB to other parties. Upon conversion of the said potential voting rights, the Group's interest in LCB will be diluted to below 50%. Consequently, LCB is not regarded as a subsidiary of the Company pursuant to FRS 127: Consolidated and Separate Financial Statements.

* Audited by firms other than Ernst & Young.

The summarised financial information of the associates are as follows:

	2010 RM'000	2009 RM'000
Assets and liabilities		
Current assets	**1,999,311**	1,271,284
Non-current assets	**4,597,861**	5,180,719
Total assets	**6,597,172**	6,452,003
Current liabilities	**(3,551,669)**	(3,711,196)
Non-current liabilities	**(2,442,314)**	(1,859,894)
Total liabilities	**(5,993,983)**	(5,571,090)
Results		
Revenue	**3,703,121**	3,100,512
Loss for the year	**(152,095)**	(1,255,618)

Included in investments in associates are:

(a) investment in quoted shares of LCB amounting to RM150 million (2009: RM200 million) which were acquired under deferred payment terms as disclosed in Note 28(i)(a); and

(b) investment in unquoted shares of Megasteel amounting to Nil (2009: RM50 million) which were acquired under deferred payment terms as disclosed in Note 28(i)(b).

Pursuant to the completion of the respective sale and purchase agreements in the previous financial year, the Group became the registered and beneficial owner of additional equity interests in the following companies:

(a) 42% equity interest in LCB as disclosed in Note 28(i)(a); and

(b) 11.1% equity interest in Megasteel as disclosed in Note 28(i)(b).

As at 30 June 2010, the Company has deposited a portion of the LCB shares (2009: LCB shares and Megasteel shares) with the security trustee of the respective vendors' lenders to secure the settlement of the deferred payments.

17. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group 2010 RM'000	Group 2009 RM'000
Unquoted ordinary shares, at cost	**180**	180
Unquoted preference shares, at cost	**11,947**	11,947
Share of post-acquisition reserves	**(2,263)**	(6,566)
	9,864	5,561

The Group's aggregate share of income, expenses, assets and liabilities of the jointly controlled entities are as follows:

	2010 RM'000	2009 RM'000
Assets and liabilities		
Current assets	**39,523**	27,464
Non-current assets	**58,661**	61,279
Total assets	**98,184**	88,743
Current liabilities	**(49,352)**	(46,402)
Non-current liabilities	**(32,432)**	(33,169)
Total liabilities	**(81,784)**	(79,571)
Results		
Revenue	**36,926**	19,945
Expenses, including finance costs and income tax	**(31,359)**	(21,349)

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Principal activities	Equity interest 2010 %	Equity interest 2009 %
Panareno Sdn Bhd *	Malaysia	Property development and property investment	**35**	35
Kairong Developments (S) Pte Ltd *	Singapore	Investment holding	**40**	40
North Plaza Sdn Bhd *	Malaysia	Property development	**42.5**	42.5

* Audited by firms other than Ernst & Young.

Investment in the jointly controlled entity amounting to RM92,240 (2009: RM92,240) has been pledged to a foreign bank for the term loan facilities granted to the jointly controlled entity.

18. OTHER INVESTMENTS

		Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Long Term Investments					
Unquoted					
Loan stocks	(a)	**234,943**	235,031	**–**	–
Bonds	(b)	**5,128**	8,770	**5,128**	8,770
Shares in Malaysia	(c)	**52**	52	**–**	–
Quoted					
Shares, at cost:					
In Malaysia		**46,846**	46,846	**26,558**	46,846
Outside Malaysia		**821**	831	**821**	831
	(d)	**47,667**	47,677	**27,379**	47,677
		287,790	291,530	**32,507**	56,447
Short Term Investments					
Unquoted					
Bonds	(b)	**2,316**	309	**2,316**	309
Quoted, representing marketable securities					
Shares in Malaysia	(e)	**842**	208,348	**566**	113,358
		3,158	208,657	**2,882**	113,667
Total Investments					
Unquoted					
Loan stocks		**234,943**	235,031	**–**	–
Bonds		**7,444**	9,079	**7,444**	9,079
Shares in Malaysia		**52**	52	**–**	–
Quoted					
Shares:					
In Malaysia		**47,688**	255,194	**27,124**	160,204
Outside Malaysia		**821**	831	**821**	831
		48,509	256,025	**27,945**	161,035
		290,948	500,187	**35,389**	170,114
Market value of quoted shares:					
In Malaysia		**54,302**	304,027	**31,455**	160,365
Outside Malaysia		**935**	833	**935**	833

18. OTHER INVESTMENTS (Continued)

(a) Loan stocks

The loan stocks represent the 3-year 3.5% redeemable convertible secured loan stocks ("RCSLS") issued by Parkson Holdings Berhad ("Parkson"), a related party, as part settlement of the consideration for the disposal by the Company of its retail assets to East Crest International Limited, a wholly-owned subsidiary of Parkson, which had been completed on 19 September 2007.

The salient terms and conditions of the RCSLS are as follows:

(i) Conversion rights and price

The RCSLS are convertible into new ordinary shares of RM1.00 each in Parkson during the conversion period at the conversion price of RM4.00 nominal amount of the RCSLS for every new ordinary share of RM1.00 each in Parkson.

(ii) Conversion period

The RCSLS are convertible for a period of 3 years maturing on 17 September 2010.

(iii) Coupon rate

The RCSLS shall bear interest at the rate of 3.5% (less any income tax payable), payable on the nominal amount of the RCSLS outstanding as at the end of each annual anniversary of the issue date during the 3-year period that they remain outstanding and the last interest payment date shall be the maturity date of the RCSLS.

(iv) Redeemability

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

(I) Optional Redemption - Parkson has an option to redeem at any time.

(II) Redemption Upon Maturity - any unconverted RCSLS on the expiry of the conversion period will be redeemed for cash at RM1.00 per RCSLS.

(III) Mandatory Redemption - upon the occurrence of a shareholders' or creditors' winding-up of Parkson.

(v) Security

Secured against 124,200,000 ordinary shares of HK$0.02 each in Parkson Retail Group Limited ("Parkson Retail") (taking into account the subdivision of every ordinary share of HK$0.10 each in Parkson Retail into five new subdivided ordinary shares of HK$0.02 each) and 50,000,002 ordinary shares of RM1.00 each in Parkson Corporation Sdn Bhd.

(vi) Ranking of new Parkson shares to be issued

The new ordinary shares of RM1.00 each fully paid in Parkson 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 Parkson, except that they will not be entitled to any dividends, rights, allotments and/or 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 Malaysia Depository Sdn Bhd.

18. OTHER INVESTMENTS (Continued)

(a) Loan stocks (Continued)

During the financial year ended 30 June 2008, the Group converted RM271.2 million nominal value of RCSLS into 67.8 million new ordinary shares of RM1.00 each in Parkson ("Parkson Shares") at the conversion price of RM4.00 nominal amount of the RCSLS for every new Parkson Share ("Conversion Price").

As at 30 June 2010, RM228.8 million (2009: RM228.8 million) nominal value of RCSLS, which have been pledged to secure against the Guaranteed Secured Exchangeable Bonds as disclosed in Note 25(i) remained outstanding.

Subsequent to the financial year end, the Group converted the remaining RM228.8 million nominal value of RCSLS into 57.2 million new Parkson Shares at the Conversion Price on 23 August 2010 ("Conversion of RCSLS"). The 57.2 million new Parkson Shares from the Conversion of RCSLS shall continue to be pledged to secure against the Guaranteed Secured Exchangeable Bonds as disclosed in Note 25(i).

(b) Unquoted bonds

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Unquoted bonds, at cost	**36,451**	36,451	**36,451**	36,451
Accrued interests	**10,578**	10,337	**10,578**	10,337
	47,029	46,788	**47,029**	46,788
Less: Redeemed	**(29,585)**	(27,709)	**(29,585)**	(27,709)
Less: Accumulated impairment losses	**(10,000)**	(10,000)	**(10,000)**	(10,000)
	7,444	9,079	**7,444**	9,079
Less: Bonds redeemable within one year	**(2,316)**	(309)	**(2,316)**	(309)
	5,128	8,770	**5,128**	8,770

The unquoted bonds, issued by the former holding companies of the Company, bear a yield to maturity which ranges from 4.75% to 5.75% (2009: 4.75% to 5.75%) per annum.

(c) Unquoted shares - long term

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Unquoted shares in Malaysia, at cost	**52**	52	**–**	–
Less: Amortisation of premium	*****	*	**–**	–
	52	52	**–**	–

* Negligible. Represent the amortisation of premium for two units of preference shares of RM1,000 each. The preference shares are redeemable at least six months before 5 December 2090 at a redemption price of RM1,000 per share.

18. OTHER INVESTMENTS (Continued)

(d) Quoted shares - long term

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Quoted shares, at cost:				
In Malaysia	**46,846**	46,846	**26,558**	46,846
Outside Malaysia (Note i)	**2,371**	2,381	**2,371**	2,381
	49,217	49,227	**28,929**	49,227
Less: Accumulated impairment losses	**(1,550)**	(1,550)	**(1,550)**	(1,550)
	47,667	47,677	**27,379**	47,677

(i) Quoted shares outside Malaysia:				
At 1 July	**2,381**	40,063	**2,381**	40,063
Addition during the year	**–**	4,539	**–**	4,539
Proceed from sales of rights	**(10)**	–	**(10)**	–
	2,371	44,602	**2,371**	44,602
Reclassified as investments in associates	**–**	(42,221)	**–**	(42,221)
	2,371	2,381	**2,371**	2,381

In the previous financial year, the Company acquired an additional 5.8% equity interest in Polaris Metals NL ("Polaris") thereby increased the shareholding in Polaris to 25.5%. Accordingly, the investment in Polaris amounting to RM42,221,000 has been reclassified as Investments in Associates as disclosed in Note 16.

The Group's investment in long term quoted shares in Malaysia with carrying value amounting to RM26.6 million (2009: RM46.8 million) have been pledged as security for banking facilities extended to the Group, as disclosed in Note 25 (iii)(b) (2009: Note 25(ii)(d) and (iii)(b)).

(e) Quoted shares, representing marketable securities - short term

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Shares quoted in Malaysia:				
At cost	**842**	208,348	**–**	–
At net realisable value	**–**	–	**566**	113,358
Market value	**1,411**	257,137	**982**	113,475

In the previous financial year, the investment in short term quoted shares with carrying value amounting to RM188.1 million and RM113.4 million have been pledged as security for banking facilities extended to the Group and to the Company respectively, as disclosed in Note 25(ii).

19. INTANGIBLE ASSETS

	Goodwill on Consolidation RM'000	Purchased Goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 2008/2009 and 30 June 2009/2010	14,662	18,814	33,476
Accumulated amortisation and impairment			
At 1 July 2008	–	–	–
Impairment	–	–	–
At 30 June 2009/1July 2009	**–**	**–**	**–**
Impairment (Note 6)	**14,662**	**–**	**14,662**
At 30 June 2010	**14,662**	**–**	**14,662**
Net carrying amount			
At 30 June 2009	14,662	18,814	33,476
At 30 June 2010	**–**	**18,814**	**18,814**

Impairment tests for goodwill

Goodwill has been allocated to the Group's CGUs identified according to the country of operation and business segment as follows:

	Malaysia RM'000	Total RM'000
At 30 June 2010		
Computer manufacturing and trading	**18,814**	**18,814**
At 30 June 2009		
Computer manufacturing and trading	33,476	33,476

Key assumptions used in value-in-use calculations

The following describes the key assumptions of the cash flow projections:

Revenue : the bases used to determine the future earnings potential are historical sales and expected growth rates of the relevant industry.

Gross margins : gross margins are based on the average gross margin achieved in the past two years.

19. INTANGIBLE ASSETS (Continued)

Key assumptions used in value-in-use calculations (Continued)

The following describes the key assumptions of the cash flow projections: (Continued)

Operating expenses : the bases used to determine the values assigned are the cost of inventories purchased for resale, staff costs, depreciation and amortisation, rental expenses and other operating expenses. The value assigned to the key assumption reflect past experience and management's commitment to maintain the operating expenses to an acceptable level.

Discount rates : discount rates reflect management's estimate of the risks specific to these entities. In determining appropriate discount rates for each unit, consideration has been given to the applicable borrowing rates for each unit.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the respective CGU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the unit to materially exceed its recoverable amount.

20. DEFERRED TAX

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
At 1 July	**(28,065)**	(513)	**12,301**	–
Recognised in income statements	**(60,734)**	(41,703)	**(2,423)**	(1,126)
Transferred from equity	**–**	13,427	**–**	13,427
Disposal of subsidiaries (Note 15(b)(i))	**–**	630	**–**	–
Exchange differences	**(74)**	94	**–**	–
At 30 June	**(88,873)**	(28,065)	**9,878**	12,301
Presented after appropriate offsetting as follows:				
Deferred tax assets	**11,069**	13,307	**9,878**	12,301
Deferred tax liabilities	**(99,942)**	(41,372)	**–**	–
	(88,873)	(28,065)	**9,878**	12,301

20. DEFERRED TAX (Continued)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Provisions RM'000	ICULS RM'000	Total RM'000
At 1 July 2009	**1,006**	**12,301**	**13,307**
Recognised in income statement	**259**	**(2,423)**	**(2,164)**
Exchange differences	**(74)**	**–**	**(74)**
At 30 June 2010	**1,191**	**9,878**	**11,069**
At 1 July 2008	1,155	–	1,155
Recognised in income statement	(243)	(1,126)	(1,369)
Transferred from equity	–	13,427	13,427
Exchange differences	94	–	94
At 30 June 2009	1,006	12,301	13,307

Deferred tax liabilities of the Group:

	Property, Plant and Equipment RM'000	Total RM'000
At 1 July 2009	**(41,372)**	**(41,372)**
Recognised in income statement	**(58,570)**	**(58,570)**
At 30 June 2010	**(99,942)**	**(99,942)**
At 1 July 2008	(1,668)	(1,668)
Recognised in income statement	(40,334)	(40,334)
Disposal of subsidiaries	630	630
At 30 June 2009	(41,372)	(41,372)

Deferred tax assets of the Company:

	ICULS RM'000
At 1 July 2009	**12,301**
Recognised in income statement	**(2,423)**
At 30 June 2010	**9,878**
At 1 July 2008	–
Recognised in income statement	(1,126)
Transferred from equity	13,427
At 30 June 2009	12,301

20. DEFERRED TAX (Continued)

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

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Unabsorbed capital allowances	**7,010**	6,976	**35**	29
Unused tax losses	**82,873**	59,147	**24,109**	17,550

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

21. INVENTORIES

	Group	
	2010 RM'000	**2009 RM'000**
Cost		
Industrial land	**1,783**	1,782
Raw materials	**77,345**	13,875
Raw materials in-transit	**133,873**	24,308
Work-in-progress	**464**	54
Finished goods	**5,050**	7,844
Consumables	**21,998**	16,221
	240,513	64,084
Net realisable value		
Work-in-progress	**736**	1,151
Raw materials	**9,963**	8,813
	10,699	9,964
Total	**251,212**	74,048

The cost of inventories carried at net realisable value at end of the financial year are as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Work-in-progress	**841**	1,228
Raw materials	**11,703**	10,442

Included in raw materials of the Group are amounts of RM149.5 million (2009: Nil) which was related to the product financing liabilities as disclosed in Note 32.

A subsidiary is the beneficial owner of the industrial land of which the land title is pending transfer to the subsidiary as at 30 June 2010.

As disclosed in Note 25(ii)(a), inventories of a subsidiary of RM234.1 million (2009: RM58.0 million) were pledged for bank borrowings.

22. TRADE RECEIVABLES

	Group	
	2010 RM'000	**2009 RM'000**
Trade receivables:		
- Third parties	**25,882**	23,942
- Related parties	**760,692**	455,491
	786,574	479,433
Less: Provision for doubtful debts	**(1,884)**	(1,881)
	784,690	477,552

The Group's normal trade credit term ranges from 7 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has a significant concentration of credit risk as trade receivables due from Megasteel, a related party, constituted approximately 90% (2009: 90%) of the total trade receivables balances. The relationship between Megasteel and the Group is disclosed in Note 39. The amount due from Megasteel bears late payment interest at rates between 3.9% to 9.0% (2009: 3.9% to 9.0%) per annum.

The trade receivables owing by Megasteel of RM9.2 million (2009: Nil) are secured against certain inventories of Megasteel.

The Group is currently negotiating a repayment plan with Megasteel to recover the outstanding debts. The Directors are confident that the amount due from Megasteel is recoverable.

Other than the amount owing by Megasteel, the Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

As disclosed in Note 25(ii)(a) and (b), trade receivables of subsidiaries of RM371.2 million (2009: RM371.4 million) were pledged for bank borrowings.

Further details on related party transactions are disclosed in Note 39.

23. OTHER RECEIVABLES

		Group		Company	
		2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Amounts owing by subsidiaries	(a)	**–**	–	**1,275,989**	1,388,999
Sundry receivables		**21,409**	40,083	**–**	–
Deposit for property acquisition	(b)	**–**	48,505	**–**	–
Deposits		**365**	1,292	**3**	603
Prepayment	(c)	**50,903**	87,265	**37**	29
Amounts owing by related parties	(d)	**2,527**	5,573	**33**	46
Amounts owing by jointly controlled entities	(e)	**43,645**	44,841	**–**	–
		118,849	227,559	**1,276,062**	1,389,677

23. OTHER RECEIVABLES (Continued)

(a) Amounts owing by subsidiaries

	Company	
	2010	**2009**
	RM'000	**RM'000**
Amounts outstanding	**1,484,265**	1,464,644
Less: Provision for doubtful debts	**(208,276)**	(75,645)
	1,275,989	1,388,999

The amounts owing by subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) Deposit for property acquisition of the Group was paid by Changshu Lion Enterprise Co Ltd, a wholly-owned subsidiary of Well Morning Limited which is in turn a wholly-owned subsidiary of the Company, to the Land Department of Changshu City, Jiangsu Province in relation to the proposed acquisition of land, located in Changshu City, Jiangsu Province, the People's Republic of China. The amount has been reclassified to land held for property development during the financial year.

(c) Included in the prepayment is an amount of RM49.94 million (2009: RM60.74 million) paid to a shipping service provider for future freight services to a subsidiary. The amount is amortised based on the use of shipment contracts.

(d) Amounts owing by related parties

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amounts outstanding	**2,872**	5,918	**378**	391
Less: Provision for doubtful debts	**(345)**	(345)	**(345)**	(345)
	2,527	5,573	**33**	46

Related parties refer to companies in which certain Directors and certain substantial shareholders of the Company are directors and/or substantial shareholders.

The amounts owing by related parties are unsecured, have no fixed terms of repayment and certain amounts bear interest at the rate of 8.0% (2009: 8.0%) per annum.

(e) The amounts owing by jointly controlled entities represent shareholders' advance made pursuant to the Joint Venture Agreement. The amounts are unsecured, interest free and have no fixed terms of repayment.

As disclosed in Note 25(ii)(a) and (b), other receivables of subsidiaries of RM52.1 million (2009: RM88.3 million) were pledged for bank borrowings.

Further details on related party transactions are disclosed in Note 39.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Deposits, cash and bank balances:				
Cash on hand and at banks	**48,404**	27,607	**6,842**	2,389
Cash management funds	**7,017**	9,120	**–**	–
Deposits with:				
Licensed banks	**148,493**	130,005	**8,652**	8,573
Licensed finance companies	**–**	1,088	**–**	–
Cash and cash equivalents	**203,914**	167,820	**15,494**	10,962

The deposits, cash and bank balances of the subsidiaries in the People's Republic of China which amounted to RM58.3 million (2009: RM35.8 million) at balance sheet date are subject to the exchange control restrictions of that country. The deposits, cash and bank balances are available for use by the subsidiaries in the country and the exchange control restrictions will only apply if the monies are to be remitted to another country outside the People's Republic of China.

Included in cash at banks is an Escrow Account of RM666,145 (2009: RM532,039) maintained by a subsidiary which is pledged to the Murabahah Islamic Instrument as detailed in Note 25(iii).

Deposits, cash and bank balances amounting to RM68.8 million (2009: RM60.8 million) are pledged with financial institutions for banking facilities extended to the Group.

Included in deposits with licensed banks of the Group is deposit in a sinking fund account amounting to RM60.1 million (2009: RM60.3 million) maintained by a wholly-owned subsidiary, for the purpose of borrowings granted to the subsidiary.

The cash management funds provide daily liquidity without any restriction on redemption limit with the redemption notice of 1 day.

The average effective interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2010 %	**2009 %**	**2010 %**	**2009 %**
Licensed banks	**1.8**	2.0	**2.5**	2.8
Licensed finance companies	**–**	1.8	**–**	–
Cash management funds	**2.2**	1.4	**–**	–

Deposits of the Group and of the Company have an average maturity of 50 days (2009: 60 days). Bank balances are deposits held at call with licensed banks.

25. BORROWINGS

		Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Short term borrowings					
Secured:					
Hire purchase payables (Note 26)		**154**	175	**154**	175
Guaranteed Secured Exchangeable Bonds	(i)	**475,500**	11,655	**–**	–
Short term loans	(ii)	**182,305**	242,358	**–**	94,291
Letter of Credit-i Facility	(iii)	**8,918**	13,840	**–**	–
		666,877	268,028	**154**	94,466
Unsecured:					
Bankers' acceptances		**250**	439	**–**	–
ICULS (Note 27)		**13,098**	13,098	**13,098**	13,098
		13,348	13,537	**13,098**	13,098
		680,225	281,565	**13,252**	107,564
Long term borrowings					
Secured:					
Hire purchase payables (Note 26)		**269**	283	**269**	283
Guaranteed Secured Exchangeable Bonds	(i)	**–**	483,429	**–**	–
Term loans	(ii)	**71,777**	132,900	**–**	–
		72,046	616,612	**269**	283
Unsecured:					
ICULS (Note 27)		**26,489**	36,105	**26,489**	36,105
		98,535	652,717	**26,758**	36,388
Total borrowings					
Hire purchase payables (Note 26)		**423**	458	**423**	458
Guaranteed Secured Exchangeable Bonds	(i)	**475,500**	495,084	**–**	–
Term loans	(ii)	**254,082**	375,258	**–**	94,291
Letter of Credit-i Facility	(iii)	**8,918**	13,840	**–**	–
Bankers' acceptances		**250**	439	**–**	–
ICULS (Note 27)		**39,587**	49,203	**39,587**	49,203
		778,760	934,282	**40,010**	143,952

25. BORROWINGS (Continued)

	Group		Company	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Maturity of other borrowings (excluding hire purchase payables):				
Within one year	**680,071**	281,390	**13,098**	107,389
More than one year and less than two years	**53,848**	547,571	**13,098**	13,098
More than two years and less than five years	**44,418**	104,863	**13,391**	23,007
	778,337	933,824	**39,587**	143,494

The ranges of effective interest rates at the balance sheet date for other borrowings were as follows:

		Group		Company	
		2010	**2009**	**2010**	**2009**
		%	**%**	**%**	**%**
Guaranteed Secured Exchangeable Bonds	(i)	**6.0**	6.0	**–**	–
Short term loans	(ii)	**4.7 to 7.8**	4.9 to 11.0	**–**	8.0 to 11.0
Letter of Credit-i Facility	(iii)	**5.5 to 5.9**	5.5 to 6.5	**–**	–
Bankers' acceptances		**3.9 to 4.9**	5.4 to 5.7	**–**	–
Term loans	(ii)	**5.5 to 7.8**	4.9 to 8.5	**–**	–

(i) Guaranteed Secured Exchangeable Bonds

During the financial year ended 30 June 2008, Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of the Company, issued USD132,110,000 nominal value 5-year 2.5% Guaranteed Secured Exchangeable Bonds ("Exchangeable Bonds").

The principal terms, *inter alia*, of the Exchangeable Bonds are as follows:

(a) Exchange rights

The Exchangeable Bonds are exchangeable into approximately 40 million new ordinary shares of RM1.00 each in Parkson ("Parkson Shares") to be issued by way of conversion of RM160 million nominal value of the RCSLS held by Excel Step, at an initial exchange price of RM11.0361 per Parkson Share, at any time during the Exchange Period referred to below.

In accordance with the terms and conditions of the Trust Deed constituting the Exchangeable Bonds dated 16 November 2007, the exchange price had been adjusted to RM7.72 per Parkson Share on 16 May 2010.

(b) Exchange period

The Exchangeable Bonds are exchangeable, at the option of the holders, at any time on and after 27 December 2007 up to the close of business on 9 November 2012 with the holders' option to redeem on 15 November 2010. The Exchangeable Bonds shall mature on 15 November 2012.

25. BORROWINGS (Continued)

(i) Guaranteed Secured Exchangeable Bonds (Continued)

(c) Interest rate

The Exchangeable Bonds bear interest from and including the issue date at a rate of 2.5% per annum, on the principal amount of the Exchangeable Bonds, payable semi-annually in arrear on 16 November and 16 May in each year.

(d) Security

The Exchangeable Bonds are secured by, among others:

(i) a first priority fixed charge on an equivalent of 57.2 million Parkson Shares to be issued pursuant to the conversion of part of the RCSLS held by Excel Step, including any future dividends and any other cash receivables attributable to these shares;

(ii) negative pledge over certain assets of Excel Step and of the Company; and

(iii) guarantee from the Company.

The yield to maturity for the Exchangeable Bonds was 6% (2009: 6%) per annum.

Subsequent to the financial year end, certain terms of the Exchangeable Bonds were varied as disclosed in Note 41.

(ii) Term Loans

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
(a) Term Loan I	**216,501**	207,170	**–**	–
(b) Term Loan II	**37,581**	42,915	**–**	–
(c) Term Loan III	**–**	30,882	**–**	–
(d) Term Loan IV	**–**	94,291	**–**	94,291
	254,082	375,258	**–**	94,291

(a) Term Loan I

The following are provided to a financial institution to secure the Term Loan I of a wholly-owned subsidiary of the Company:

(I) debenture incorporating a fixed and floating charge over all present and future assets and undertaking of the subsidiary as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Property, plant and equipment	**745,259**	769,601
Other investments	**25,194**	–
Trade receivables	**371,033**	371,291
Other receivables	**51,920**	88,177
Deposits, cash and bank balances	**68,766**	60,583
Inventories	**234,096**	58,036
Total	**1,496,268**	1,347,688

25. BORROWINGS (Continued)

(ii) Term Loans (Continued)

(a) Term Loan I (Continued)

(II) irrevocable and unconditional corporate guarantee from the Company;

(III) first legal charge over the Company's 100% shareholding in the subsidiary;

(IV) irrevocable and unconditional letter of undertaking from the Company to support the operations of the subsidiary;

(V) legal assignment on all present and future rights, title, interests and benefits of the subsidiary in and under the Offtake Agreement dated 16 July 2007 entered into between the subsidiary and a related party ("related party"), and of the lease between the subsidiary and the related party of all those pieces and parcels of land;

(VI) legal assignment of all present and future rights, title, interests and benefits of a cash deposit in the sinking fund account (minimum RM45 million to be maintained) with the lenders; and

(VII) irrevocable and unconditional letter of undertaking from the related party addressed to the lenders and to the subsidiary which the related party has right of way to enable the subsidiary to carry on its operations and business of manufacturing direct reduced iron and hot briquetted iron in the vicinity of the lease land.

(b) Term Loan II

The following are provided to a financial institution to secure the Term Loan II of a wholly-owned subsidiary of the Company:

(I) first legal charge over 6 parcels of land of the subsidiary;

(II) debenture over fixed and floating assets of the subsidiary:

	Group	
	2010 RM'000	**2009 RM'000**
Property, plant and equipment	**69,451**	69,451
Prepaid land lease payments	**3,366**	3,370
Trade receivables	**190**	67
Other receivables	**211**	113
Deposits, cash and bank balances	**65**	168
Total	**73,283**	73,169

(III) corporate guarantee from the Company; and

(IV) memorandum of deposits over shares of the subsidiary.

(c) Term Loan III

In the previous financial year, the Term Loan III was secured against a leasehold land of the subsidiary at a carrying value of RM85.6 million as disclosed in Note 14(b).

(d) Term Loan IV

In the previous financial year, the Term Loan IV was secured against quoted shares in Malaysia of the Group and of the Company with carrying value of RM208.3 million and RM133.6 million respectively as disclosed in Note 18(d) and (e).

25. BORROWINGS (Continued)

(iii) Letter of Credit-i Facility

In May 2006, a subsidiary of the Company, entered into a facility agreement with Kuwait Finance House (Malaysia) Berhad ("Kuwait Finance House") for an Islamic letter of credit facility, namely Letter of Credit-i Facility, for a maximum aggregate sum of up to RM35 million. In December 2009, the credit facility has been reduced to a maximum aggregate sum up to RM25 million. The Letter of Credit-i Facility is a type of Murabahah Islamic Instrument ("Murabahah").

The Letter of Credit-i Facility bears Murabahah profit margin of 5.5% to 6.5% per annum and has a tenure of 180 days.

The Letter of Credit-i Facility is secured by the following:

(a) All issued and paid-up shares of the subsidiary;

(b) 20.8 million quoted shares with carrying value of RM26.6 million (2009: RM26.6 million) owned by the Company as disclosed in Note 18(d);

(c) Corporate guarantee by the Company; and

(d) Assignment over a designated escrow account identified to the Kuwait Finance House with a power of attorney in relation thereto.

26. HIRE PURCHASE PAYABLES

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Minimum lease payments:				
Not later than one year	**172**	194	**172**	194
Later than one year and not later than five years	**304**	314	**304**	314
	476	508	**476**	508
Less: Future finance charges	**(53)**	(50)	**(53)**	(50)
Present value of finance lease liabilities	**423**	458	**423**	458
Present value of finance lease liabilities:				
Not later than one year	**154**	175	**154**	175
Later than one year and not later than five years	**269**	283	**269**	283
	423	458	**423**	458
Analysed as:				
Due within one year (Note 25)	**154**	175	**154**	175
Due after one year (Note 25)	**269**	283	**269**	283
	423	458	**423**	458

The hire purchase and lease liabilities bore interest at the balance sheet date at rates between 2.1% to 3.3% (2009: 2.1% to 3.3%) per annum.

27. ICULS

In 2008, the Company issued RM327,462,064 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 ("ICULS") at 100% of its nominal value.

The salient terms of the ICULS are as follows:

(a) Conversion rights and rate

The ICULS are convertible into new ordinary shares of RM0.50 each in the Company ("LDHB Share") during the conversion period at a conversion price of RM0.50 for one new LDHB Share ("Conversion Price").

(b) Conversion period

The ICULS are convertible at any time during the period of 5 years maturing on the date which is the fifth (5th) anniversary of the date of issue of the ICULS.

(c) Coupon rate

The ICULS bear a coupon rate of 4% per annum based on the nominal value of the ICULS payable semi-annually in arrears on every 6 months from the date of issue up to the maturity date.

(d) Redeemability

There will not be any redemption of the ICULS. All remaining ICULS on the maturity date shall be mandatorily converted into new LDHB Shares at the Conversion Price.

(e) Ranking

The new LDHB Shares to be issued upon conversion of the ICULS shall rank *pari passu* in all respects with the then existing LDHB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date on which the new LDHB Shares issued pursuant to the conversion of the ICULS are credited into the securities account of the holder of ICULS maintained with Bursa Malaysia Depository Sdn Bhd.

The ICULS are listed on the Main Market of Bursa Malaysia Securities Berhad.

As at 30 June 2010, RM327,462,064 (2009: RM327,462,064) nominal value of ICULS remained outstanding.

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

	Group/Company	
	2010	**2009**
	RM'000	**RM'000**
Nominal value	**327,462**	327,462
Less: Unamortised discount	**(287,875)**	(278,259)
Net amount	**39,587**	49,203
Amount due within one year (Note 25)	**(13,098)**	(13,098)
Amount due after one year (Note 25)	**26,489**	36,105

27. ICULS (Continued)

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

	Group/Company 2010 RM'000	Group/Company 2009 RM'000
Liability component at 1 July	**49,203**	–
Nominal value of ICULS	**–**	327,462
Equity component, net of deferred tax assets	**–**	(287,182)
Deferred tax assets (Note 20)	**–**	13,427
	49,203	53,707
Interest expenses recognised during the year (Note 7)	**3,408**	2,019
Interest paid during the year	**(13,024)**	(6,523)
Liability component at 30 June	**39,587**	49,203

Interest expense on the ICULS is calculated on the effective yield basis by applying the interest rate of 7% (2009: 7%) per annum.

28. LONG TERM PAYABLES

	Group/Company 2010 RM'000	Group/Company 2009 RM'000
Deferred payments	**255,436**	250,000
Interest expenses recognised during the year (Note 7)	**13,124**	5,436
	268,560	255,436
Payment made during the year	**(102,608)**	–
	165,952	255,436
Amount due within one year (Note 30)	**(165,952)**	(101,359)
Amount due after one year	**–**	154,077

(i) Deferred payments represent the balance of the purchase consideration for:

(a) the acquisition by the Company and Teraju Varia Sdn Bhd ("Teraju Varia"), a wholly-owned subsidiary of Excel Step which is in turn a wholly-owned subsidiary of the Company, of RM denominated bonds issued by LCB ("LCB Bonds") from Amsteel Corporation Berhad (now known as ACB Resources Berhad) for a cash consideration of RM400 million which had been completed on 27 February 2009 and on the same date, the Company and Teraju Varia converted the LCB Bonds into 804,460,000 ordinary shares of RM1.00 each in LCB, representing 42% of the then enlarged issued and paid-up capital of LCB; and

(b) the acquisition by the Company of 11.1% equity interest in Megasteel from Limpahjaya Sdn Bhd, a wholly-owned subsidiary of LCB, for a cash consideration of RM100 million which had been completed on 25 February 2009.

28. LONG TERM PAYABLES (Continued)

(ii) The deferred payments include an amount of RM150 million (2009: RM200 million) which bears interest at the rate of 8% (2009: 8%) per annum.

	Group/Company	
	2010	**2009**
	RM'000	**RM'000**
Maturity of deferred payments:		
Within one year	**165,952**	101,359
More than one year and less than two years	**–**	154,077
	165,952	255,436

29. TRADE PAYABLES

	Group	
	2010	**2009**
	RM'000	**RM'000**
Trade payables	**187,200**	179,786

The normal trade credit terms granted to the Group ranges from 30 to 60 days (2009: 30 to 60 days).

Included in trade payables were amount due to related parties amounting to RM52.2 million (2009: RM6.9 million) as further disclosed in Note 39.

30. OTHER PAYABLES

		Group		Company	
		2010	**2009**	**2010**	**2009**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Sundry payables	(Note i)	**112,199**	186,766	**–**	69,000
Deposit		**727**	359	**–**	–
Accruals		**89,998**	50,544	**44,118**	23,480
Project payables	(Note ii)	**25,161**	32,006	**–**	–
Amounts owing to subsidiaries	(Note iii)	**–**	–	**391,975**	508,488
Amounts owing to related parties	(Note iv)	**95,189**	91,184	**855**	742
Deferred payments (Note 28)		**165,952**	101,359	**165,952**	101,359
		489,226	462,218	**602,900**	703,069

(i) Included in sundry payables of the Group and of the Company is an amount of Nil (2009: RM69.0 million), representing the current portion of the outstanding balance of the purchase consideration in relation to the Company's acquisition of 10% equity interest in Megasteel from a third party under a deferred payment terms pursuant to a Sale and Purchase Agreement ("SPA") entered into in the prior year. All conditions precedent to the SPA had been fulfilled in the prior year. The amount was fully settled during the financial year.

30. OTHER PAYABLES (Continued)

(ii) Project payables represent construction costs for plant and machinery which are unsecured and interest free.

(iii) The amounts owing to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(iv) The amounts owing to related parties are unsecured, have no fixed terms of repayment and certain amounts bear interest at the rate of 8.0% (2009: 8.0%) per annum.

The normal credit terms granted to the Group range from 30 to 120 days (2009: 30 to 120 days). Other credit terms are assessed on a case-by-case basis.

Further details on related party transactions are disclosed in Note 39.

31. PROVISIONS

Group	Provision for liabilities RM'000 (a)	Provision for potential claims RM'000 (b)	Total RM'000
At 1 July 2009	**17,695**	**7,000**	**24,695**
Additional provisions	**–**	**10,000**	**10,000**
At 30 June 2010	**17,695**	**17,000**	**34,695**
At 1 July 2008	17,695	–	17,695
Additional provisions	–	7,000	7,000
At 30 June 2009	17,695	7,000	24,695

Company	Provision for liabilities RM'000 (a)
At 1 July 2009/At 30 June 2010	**17,695**
At 1 July 2008/At 30 June 2009	17,695

(a) Provision for liabilities

This relates to the estimated quantum of the potential liabilities that may arise from the closure of an operation currently under liquidation process which is subject to the Company's indemnity.

(b) Provision for potential claims

This relates to the estimated quantum of potential claims arising from the service arrangement entered with certain contractors of the Group.

32. PRODUCT FINANCING LIABILITIES

	Group 2010 RM'000	Group 2009 RM'000
Payable within 1 year		
- with external parties	**147,649**	–

The liabilities represent trade financing arrangements contracted by a subsidiary with third parties to purchase raw materials. The terms of trade financing arrangements range from 60 to 120 days, bearing interest rates ranging from 4.11% to 4.45% per annum. The amount of inventories under such arrangements is disclosed in Note 21.

33. SHARE CAPITAL

	Number of ordinary shares of RM0.50 each 2010 '000	Number of ordinary shares of RM0.50 each 2009 '000	Amount 2010 RM'000	Amount 2009 RM'000
Authorised:				
At 1 July/30 June	**9,000,000**	9,000,000	**4,500,000**	4,500,000
Issued and fully paid:				
At 1 July/ 30 June	**737,223**	737,223	**368,612**	368,612

34. OTHER RESERVES

Group	Exchange Fluctuation Reserves RM'000	Share Option Reserve RM'000 (a)	ICULS Equity Components RM'000 (b)	Total RM'000
At 1 July 2008	462	1,231	–	1,693
Foreign currency translation difference	1,768	–	–	1,768
Issuance of ICULS	–	–	287,182	287,182
Equity-settled share option arrangements	–	(131)	–	(131)
At 30 June 2009	2,230	1,100	287,182	290,512
At 1 July 2009	**2,230**	**1,100**	**287,182**	**290,512**
Foreign currency translation difference	**(50)**	**–**	**–**	**(50)**
Equity-settled share option arrangements	**–**	**(70)**	**–**	**(70)**
At 30 June 2010	**2,180**	**1,030**	**287,182**	**290,392**

34. OTHER RESERVES (Continued)

Company	Exchange Fluctuation Reserves RM'000	Share Option Reserve RM'000 (a)	ICULS Equity Components RM'000 (b)	Total RM'000
At 1 July 2008	–	1,231	–	1,231
Issuance of ICULS	–	–	287,182	287,182
Equity-settled share option arrangements	–	(131)	–	(131)
At 30 June 2009	–	1,100	287,182	288,282
At 1 July 2009	**–**	**1,100**	**287,182**	**288,282**
Equity-settled share option arrangements	**–**	**(70)**	**–**	**(70)**
At 30 June 2010	**–**	**1,030**	**287,182**	**288,212**

(a) Share option reserve

The share option reserve represents the fair value of equity-settled share options granted to employees by the Company as set out in Note 35.

(b) Equity component of ICULS

The reserve represents the fair value of the equity component of ICULS, net of deferred tax, as determined on the date of issue. Further details of ICULS are disclosed in Note 27.

35. EMPLOYEE SHARE-BASED PAYMENT

The main features of the Executive Share Option Scheme ("ESOS"), which became effective on 1 September 2005, are as follows:

(a) 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.

(b) 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:

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

(ii) 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.

(c) 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.

35. EMPLOYEE SHARE-BASED PAYMENT (Continued)

(d) 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.

(e) 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.

No options were granted pursuant to the ESOS during the financial year.

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the years:

2010			**Number of Options**			
Grant date	**Balance as at 1 July 2009**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30 June 2010**	**Exercisable as at 30 June 2010**
29.5.2008	**2,211,700**	**–**	**–**	**(227,600)**	**1,984,100**	**1,984,100**
WAEP (RM)	**1.23**	**–**	**–**	**1.23**	**1.23**	**1.23**

2009			**Number of Options**			
Grant date	**Balance as at 1 July 2008**	**Granted**	**Exercised**	**Lapsed**	**Balance as at 30 June 2009**	**Exercisable as at 30 June 2009**
29.5.2008	2,645,900	–	–	(434,200)	2,211,700	2,002,700
WAEP (RM)	1.23	–	–	1.23	1.23	1.23

The ESOS expired on 31 August 2010.

The fair value of the options granted is estimated at the date of grant using a Binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of options granted on 29 May 2008 was estimated on the date of grant using the following assumptions:

Fair value at grant date 29 May 2008 (RM)	1.26
Dividend yield (%)	1.0
Expected volatility (%)	50.0
Risk-free interest rate (%)	3.0
Expected life (years)	2.2

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 grant were incorporated into the measurement of fair value.

36. RETAINED PROFITS

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 30 June 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 30 June 2010, the Company has sufficient tax credit in the 108 balance to frank the payment of dividends amounting to RM25,402,000 (2009: RM25,402,000) out of its retained profits. Tax exempt profits available for distribution as at balance sheet date is approximately RM990,909,000 (2009: RM804,571,000), subject to the agreement of the Inland Revenue Board.

37. COMMITMENTS

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
(a) Capital commitments				
Capital expenditure for property, plant and equipment:				
Approved and contracted for	**1,434,596**	1,475,068	**–**	–
Approved but not contracted for	**210,714**	211,103	**–**	–
	1,645,310	1,686,171	**–**	–
(b) Non-cancellable operating lease commitments				
Future minimum rentals payable:				
Not later than one year	**3,638**	3,742	**–**	–
Later than one year and not later than five years	**12,130**	14,750	**–**	–
Later than five years	**25,121**	26,168	**–**	–
	40,889	44,660	**–**	–

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries.

(c) Acquisition commitments

The acquisition of investments in bonds issued by Lion Corporation Berhad and equity interest in Megasteel were completed in February 2009. As at 30 June 2010, the balance purchase consideration of RM150 million (2009: RM250 million) outstanding has been recognised as a liability as disclosed in Note 28.

38. CONTINGENT LIABILITIES

	Group 2010 RM'000	Group 2009 RM'000	Company 2010 RM'000	Company 2009 RM'000
Secured				
Corporate guarantees given to financial institutions for credit facilities granted to subsidiaries	**–**	–	**738,750**	759,449

On 16 January 2004, Graimpi Sdn Bhd and LDH Management Sdn Bhd (collectively referred to as "Brewery Vendors") and Horsinvest Holding Co Ltd entered into a supplemental agreement ("Supplemental Agreement"), pursuant to which they agreed to the following:

(a) the Brewery Vendors agreed to jointly and severally indemnify Horsinvest Holding Co Ltd and each of their respective successors, assignees, and directors and officers and the directors of the brewery companies (namely Consitrade (M) Sdn Bhd, DEbier Sdn Bhd or their subsidiaries or associates except for Shanghai DEbier Management Consulting Co Ltd, Pavlova Investment Pte Ltd, Gemmo Pte Ltd and Gesto Pte Ltd) ("Brewery Companies") designated by Horsinvest Holding Co Ltd (collectively, the "Indemnified Persons") and shall reimburse the Indemnified Persons for any and all liabilities incurred directly or indirectly by any of the Indemnified Persons or any of the Brewery Companies arising out of, resulting from, relating to or in connection with the Brewery Companies' employee benefits liabilities and any taxation liabilities arising on or before the completion date, i.e. 16 January 2004; provided that:

(i) the obligation of the Brewery Vendors to indemnify the Indemnified Persons shall be limited in amount to the percentage of the liabilities that is equivalent to the aggregate percentage interest held directly or indirectly by Consitrade (M) Sdn Bhd or DEbier Sdn Bhd in such Brewery Companies immediately prior to the completion date, i.e. 16 January 2004; and

(ii) claims for indemnification shall be brought by the Indemnified Persons with notice in writing to the Brewery Vendors no later than 7 years from 16 January 2004 with respect to a claim or claims in connection with any taxation liabilities.

39. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with other related parties

Related Parties	Nature	Group 2010 RM'000	Group 2009 RM'000
Amsteel Mills Sdn Bhd	Sale of steel products	**287,402**	254,907
Amsteel Mills Sdn Bhd	Purchase of steel products	**286**	52,644
Antara Steel Mills Sdn Bhd	Purchase of steel products	**205,662**	70,123
Megasteel	Sale of steel products (a)	**1,112,459**	786,022
Megasteel	Purchase of consumables	**59,676**	37,964
Megasteel	Commission, management and finance income from trading of steel products (b)	**13,877**	18,898
Secomex Manufacturing (M) Sdn Bhd	Purchase of consumables	**11,625**	9,247
Lion Waterway Logistics Sdn Bhd	Transportation services	**31,914**	–
Likom Plastic Industries Sdn Bhd	Purchase of raw materials	**2,575**	8,678

39. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with other related parties (Continued)

(a) On 16 July 2007, a wholly-owned subsidiary of the Company, Lion DRI Sdn Bhd ("Lion DRI") entered into an agreement with Megasteel, to supply to Megasteel its entire production of 1.54 million metric tonnes per annum of the hot direct reduced iron and/or hot briquetted iron ("steel products") upon the terms and conditions of the agreement ("Offtake Agreement") as follows:

(I) The selling price of the steel products for the 10 years term shall be based on the formula of a cost plus certain margin ("selling price");

(II) In the event the average scrap price for 3 months period is higher than the selling price, Lion DRI shall invoice Megasteel the selling price together with 50% of the price difference;

(III) Megasteel shall settle the invoice within 30 days of the invoice failing which, interest at the rate of 2.25% above Malayan Banking Berhad's ("Maybank") base lending rate per annum shall be payable on the outstanding sum from the due date to date of settlement; and

(IV) Lion DRI shall be free to dispose of the steel products not taken up by Megasteel at the open market and if Lion DRI shall suffer a loss on such sale, Megasteel shall indemnify Lion DRI for such losses. In the event Lion DRI fails to deliver the steel products, Megasteel shall be at liberty to source for alternative equivalent and Lion DRI shall indemnify Megasteel for losses suffered.

In the previous financial year:

(I) the credit terms under the above mentioned Offtake Agreement was amended to a 7-day term pursuant to a Supplemental Offtake Agreement; and

(II) Lion DRI and Megasteel agreed to a variation to the Offtake Agreement whereby Megasteel agreed to compensate Lion DRI RM64,786,000 for the losses Lion DRI incurred during the financial year ended 30 June 2009. The losses arose from the temporary shut down of Lion DRI's manufacturing plant and loss of sales of steel products which resulted from Megasteel's non-performance of certain obligations under the Offtake Agreement.

(b) Graimpi Sdn Bhd ("Graimpi"), a wholly-owned subsidiary of the Company, had the following arrangements with Megasteel:

(I) Graimpi agreed to supply to Megasteel scrap iron, direct reduced iron, hot briquetted iron, pig iron and/or such other steel materials. Megasteel shall pay Graimpi at cost of purchase, plus 0.9% commission on materials, and interest at the rate of 1.25% per annum over and above the prevailing Maybank base lending rate.

(II) Graimpi agreed to purchase prime hot rolled coils ("HRC") from Megasteel at the prevailing market price. In turn, Megasteel agreed to participate in the trading of the HRC by Graimpi by purchasing the HRC from Graimpi. The purchase price to be paid by Megasteel shall be at HRC price, plus 0.9% commission on HRC price, and interest at the rate of 1.25% per annum over and above the prevailing Maybank base lending rate.

Amsteel Mills Sdn Bhd, Antara Steel Mills Sdn Bhd and Lion Waterway Logistics Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a substantial shareholder of the Company.

Megasteel and Secomex Manufacturing (M) Sdn Bhd are subsidiaries of Lion Corporation Berhad, an associate of the Company wherein certain Directors of the Company are also substantial shareholders.

Likom Plastic Industries Sdn Bhd is a company in which certain Directors of the Company are also substantial shareholders of its holding company.

39. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with other related parties (Continued)

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 on terms that are no more favourable to the related parties than those arranged with independent third parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2010 are disclosed in Notes 22, 23, 29 and 30.

(ii) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages, salaries and bonuses	**671**	641	**412**	358
Pension costs - defined contribution plans	**50**	44	**50**	44
	721	685	**462**	402

40. SIGNIFICANT EVENTS

(a) On 29 July 2009, Well Morning Limited ("Well Morning"), a wholly-owned subsidiary of the Company, entered into the following agreements with Lion Asiapac Management Consultancy (Shanghai) Co Ltd ("LAPS"), a wholly-owned subsidiary of Lion Asiapac Limited ("LAP"):

(i) a conditional sale and purchase agreement for the disposal of the right to invest in the remaining 30% registered capital of Changshu Lion Enterprise Co Ltd ("Changshu Lion") by Well Morning to LAPS for a nominal cash consideration of Rmb1.00 (equivalent to approximately RM0.51) ("Proposed Disposal of Right"); and

(ii) a joint-venture contract to form a joint-venture with LAPS in Changshu Lion following the Proposed Disposal of Right

(collectively referred to as the "Proposals").

The Proposals were terminated due to the non-fulfilment of conditions precedent.

(b) On 11 January 2010, the Company disposed of its entire equity interest in Polaris Metals NL ("Polaris") comprising a total of 49,784,974 ordinary shares in Polaris ("Polaris Shares"), representing 24.9% of the then issued and paid-up share capital of Polaris comprising 199.92 million shares via the acceptance of Mineral Resources Limited ("MRL")'s share offer for all of Polaris Shares on the basis of 1 MRL ordinary share for every 10 Polaris Shares held plus AUD0.101 cash for every 1 Polaris Share held.

(c) On 20 January 2010 and 15 April 2010, the Company disposed of its entire equity interest in MRL comprising a total of 4,978,496 ordinary shares in MRL, representing approximately 3% of the then issued and paid-up share capital of MRL via book building and in the open market, for a total cash consideration of approximately AUD37.11 million (approximately RM111.33 million).

41. SUBSEQUENT EVENTS

(a) The holders of the USD132,110,000 nominal value 5-year 2.5% Guaranteed Secured Exchangeable Bonds due 2012 ("Bonds") issued by Excel Step Investments Limited ("Issuer"), a wholly-owned subsidiary of the Company, had at the meeting held on 27 August 2010, approved an Extraordinary Resolution, in accordance with the provisions of the Trust Deed dated 16 November 2007 ("Trust Deed"), which relates to certain amendments proposed by the Issuer to the terms and conditions of the Bonds and the Trust Deed ("Proposed Amendments"). The Proposed Amendments had been effected by way of a supplemental trust deed executed by the parties to the Trust Deed on 2 September 2010 ("Supplemental Trust Deed").

The Proposed Amendments include, amongst others, the following:

(i) the removal of the put option exercisable on 16 November 2010 wherein the maturity date remains on 16 November 2012; and

(ii) three pro rata partial redemptions on 16 November 2010, 16 February 2011 and 16 June 2011, totalling approximately 25% of the outstanding Bonds

with each of the Proposed Amendments to be effective from the date the Supplemental Trust Deed was executed, and

(i) an increase in the interest rate payable from 2.5% to 6%; and

(ii) an increase in gross yield from 6% to 9%

of the Bonds with effect from the date of payment of the first pro rata partial redemption on 16 November 2010.

(b) Lion Blast Furnace Sdn Bhd, a wholly-owned subsidiary of the Company, had on 1 July 2010 incorporated a wholly-owned subsidiary in Labuan, LBF Enterprise (L) Limited with an authorised capital of USD10,000.00 comprising 10,000 ordinary shares and an issued and paid-up capital of USD1.00 comprising 1 ordinary share.

42. FINANCIAL INSTRUMENTS

(a) 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 interest rate, foreign exchange, liquidity and credit risks. It is the Group's policy not to engage in speculative transactions.

(b) 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 is managed through the use of fixed and floating rates debts. The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

42. FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate risk (Continued)

The following financial instruments of the Group and of the Company are exposed to interest rate risk:

	Note	Within 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	Total RM'000
Group							
At 30 June 2010							
Fixed rate							
Term loans	25	**(182,305)**	**(40,750)**	**(25,750)**	**(5,277)**	**–**	**(254,082)**
Letter of Credit-i Facility	25	**(8,918)**	**–**	**–**	**–**	**–**	**(8,918)**
Hire purchase	26	**(154)**	**(154)**	**(59)**	**(28)**	**(28)**	**(423)**
Exchangeable Bonds	25	**(475,500)**	**–**	**–**	**–**	**–**	**(475,500)**
Floating rate							
Cash assets	24	**203,914**	**–**	**–**	**–**	**–**	**203,914**
Bankers' acceptances	25	**(250)**	**–**	**–**	**–**	**–**	**(250)**
Group							
At 30 June 2009							
Fixed rate							
Term loans	25	(242,358)	(51,044)	(51,044)	(30,812)	–	(375,258)
Letter of Credit-i Facility	25	(13,840)	–	–	–	–	(13,840)
Hire purchase	26	(175)	(175)	(108)	–	–	(458)
Exchangeable Bonds	25	(11,655)	(483,429)	–	–	–	(495,084)
Floating rate							
Cash assets	24	167,820	–	–	–	–	167,820
Bankers' acceptances	25	(439)	–	–	–	–	(439)
Company							
At 30 June 2010							
Fixed rate							
Hire purchase	26	**(154)**	**(154)**	**(59)**	**(28)**	**(28)**	**(423)**
Floating rate							
Cash assets	24	**15,494**	**–**	**–**	**–**	**–**	**15,494**
At 30 June 2009							
Fixed rate							
Term loans	25	(94,291)	–	–	–	–	(94,291)
Hire purchase	26	(175)	(175)	(108)	–	–	(458)
Floating rate							
Cash assets	24	10,962	–	–	–	–	10,962

42. FINANCIAL INSTRUMENTS (Continued)

(c) Foreign exchange risk

The Group is exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency. As these transactions are mainly denominated in United States Dollars, the Group's foreign currency exchange risk is primarily due to United States Dollars. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

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 net unhedged financial assets and financial liabilities of the Group, that are not denominated in their functional currencies are as follows:

	Net Financial Assets/Liabilities Held Non-Functional Currencies		
	United States Dollar RM'000	Others RM'000	Total RM'000
At 30 June 2010			
Functional Currency			
Receivables			
Ringgit Malaysia	**8,291**	**335**	**8,626**
Deposits, cash and bank balances			
Chinese Renminbi	**39,050**	**–**	**39,050**
Hong Kong Dollar	**131**	**–**	**131**
	39,181	**–**	**39,181**
Payables			
Ringgit Malaysia	**6,354**	**123**	**6,477**
At 30 June 2009			
Functional Currency			
Receivables			
Ringgit Malaysia	8,948	51	8,999
Deposits, cash and bank balances			
Chinese Renminbi	3,525	–	3,525
Hong Kong Dollar	222	–	222
	3,747	–	3,747
Payables			
Ringgit Malaysia	4,780	164	4,944

42. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(e) Credit risk

Credit risk arises when sales made were on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history.

As at the balance sheet date, the Group is subject to significant concentration of credit risk as disclosed in Note 22.

(f) Fair values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the following:

		Group		Company	
	Note	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets					
At 30 June 2010					
Quoted investments	18	**48,509**	**55,237**	**27,945**	**32,390**
Unquoted investments	18	**242,439**	**+**	**7,444**	**+**
Amounts owing by subsidiaries	23	**–**	**–**	**1,275,989**	**#**
Amounts owing by related parties	23	**2,527**	**#**	**33**	**#**
At 30 June 2009					
Quoted investments	18	256,025	304,860	161,035	161,198
Unquoted investments	18	244,162	+	9,079	+
Amounts owing by subsidiaries	23	–	–	1,388,999	#
Amounts owing by related parties	23	5,573	#	46	#

42. FINANCIAL INSTRUMENTS (Continued)

(f) Fair values (Continued)

		Group		Company	
	Note	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Liabilities					
At 30 June 2010					
Hire purchase payables	26	**423**	**386**	**423**	**386**
Exchangeable Bonds	25	**475,500**	**471,056**	**–**	**–**
Term loans	25	**254,082**	**254,663**	**–**	**–**
Amounts owing to subsidiaries	30	**–**	**–**	**391,975**	**#**
Amounts owing to related parties	30	**95,189**	**#**	**855**	**#**
At 30 June 2009					
Hire purchase payables	26	458	447	458	447
Exchangeable Bonds	25	495,084	485,975	–	–
Term loans	25	375,258	376,229	–	–
Long term payables	28	255,436	257,383	255,436	257,383
Amounts owing to subsidiaries	30	–	–	508,488	#
Amounts owing to related parties	30	91,184	#	742	#

\+ It is not practical to estimate the fair value of the unquoted investments due to the lack of quoted market prices.

\# It is not practicable to estimate the fair values of the amounts owing by/to subsidiaries and related parties due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

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

(i) Cash and cash equivalents, trade and other receivables/payables and short term borrowings

The fair values approximate to their carrying amounts 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 stock exchange quoted market bid prices at the close of the business day on the balance sheet date.

(iii) Long term borrowings

The fair value of long term borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

43. SEGMENT INFORMATION

(a) Reporting format

The primary segment format is determined to be business segment as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

(b) Business segments

The Group is organised on a worldwide basis into four major business segments:

(i) Steel - Manufacturing and sale of steel products
(ii) Property - Property development and management
(iii) Computer - Manufacturing and sale of computer and related products
(iv) Others - Investment holding, trading and others

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

2010

	Steel RM'000	Property RM'000	Computer RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	1,399,950	62,920	125,062	2,533	–	1,590,465
Inter-segment sales	–	1,049	–	–	(1,049)	–
Total revenue	1,399,950	63,969	125,062	2,533	(1,049)	1,590,465
Results						
Segment results	233,454	8,368	10,628	59,888	–	312,338
Realised foreign exchange gain, net						10,706
Unrealised foreign exchange gain, net						30,586
Profit from operations						353,630
Finance costs						(95,215)
Gain on disposal of associates						56,155
Share of results of associates						(57,105)
Share of results of jointly controlled entities						5,566
Income tax expense						(70,675)
Profit for the year						192,356
Minority interests						–
Net profit after minority interests						192,356

43. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2010

	Steel RM'000	Property RM'000	Computer RM'000	Others RM'000	Elimination RM'000	Total RM'000
Assets						
Segment assets	2,293,628	377,918	104,145	487,083	–	3,262,774
Investments in associates						279,278
Investments in jointly controlled entities						9,864
Unallocated corporate assets						20,642
Consolidated total assets						3,572,558
Liabilities						
Segment liabilities	765,600	62,932	25,809	783,189	–	1,637,530
Unallocated corporate liabilities						108,130
Consolidated total liabilities						1,745,660
Other Information						
Capital expenditure	20,666	497	1,089	158	–	22,410
Depreciation and amortisation	30,799	913	5,322	111	–	37,145
Impairment losses	–	2,034	–	14,662	–	16,696
Non-cash items other than depreciation, amortisation and impairment losses:						
- Gain on disposal of quoted investments	–	–	–	(45,058)	–	(45,058)
- Gain on disposal of associates	–	–	–	(56,155)	–	(56,155)
- Unrealised foreign exchange gain, net	(7,504)	213	(114)	(23,181)	–	(30,586)
- Others	10,000	–	555	(6,759)	–	3,796

43. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2009

	Steel RM'000	Property RM'000	Computer RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	1,042,522	32,698	165,930	7,665	–	1,248,815
Inter-segment sales	–	1,114	–	–	(1,114)	–
Total revenue	1,042,522	33,812	165,930	7,665	(1,114)	1,248,815
Results						
Segment results	167,339	1,152	7,847	21,944	–	198,282
Realised foreign exchange loss, net						(2,639)
Unrealised foreign exchange loss, net						(17,346)
Profit from operations						178,297
Finance costs						(91,073)
Gain on disposal of subsidiaries						305
Share of results of associates						(662,831)
Share of results of jointly controlled entities						(1,404)
Income tax expense						(47,025)
Loss for the year						(623,731)
Minority interests						223
Net loss after minority interests						(623,508)
Assets						
Segment assets	1,856,570	350,136	135,496	695,390	–	3,037,592
Investments in associates						376,396
Investments in jointly controlled entities						5,561
Unallocated corporate assets						23,634
Consolidated total assets						3,443,183
Liabilities						
Segment liabilities	616,229	89,078	22,059	1,027,692	–	1,755,058
Unallocated corporate liabilities						46,193
Consolidated total liabilities						1,801,251
Other Information						
Capital expenditure	301,791	219	665	1	–	302,676
Depreciation and amortisation	31,549	957	5,819	447	–	38,772
Impairment losses	–	–	251	1,749	–	2,000
Non-cash items other than depreciation, amortisation and impairment losses:						
- Gain on disposal of quoted investments	–	–	–	(11,890)	–	(11,890)
- Unrealised foreign exchange loss, net	–	–	89	17,257	–	17,346
- Others	7,000	–	220	774	–	7,994

43. SEGMENT INFORMATION (Continued)

(c) Geographical segments

The Group's four business segments are operated in three main geographical areas:

(i)	Malaysia	- Steel, property, computer and others
(ii)	People's Republic of China	- Property and others
(iii)	Others	- Computer and others

An analysis of the Group's revenue, carrying amount of segment assets and capital expenditure by geographical segment are as follows:

	Segment Revenue		Segment Assets		Capital Expenditure	
	2010	2009	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	**1,439,851**	1,083,637	**2,716,405**	2,431,367	**21,401**	302,462
People's Republic of China	**41,289**	268	**246,326**	210,501	**472**	–
Others	**109,325**	164,910	**300,043**	395,724	**537**	214
Total	**1,590,465**	1,248,815	**3,262,774**	3,037,592	**22,410**	302,676

(d) Information about major customers

Revenue from two customers (being related parties as disclosed in Note 39) amounting to approximately RM1,112.5 million (2009: RM786.0 million) and RM287.4 million (2009: RM254.9 million) respectively, arising from sales by the Steel segment.

44. COMPARATIVE

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2010

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1. Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250 Melaka	Leasehold 13.4.2081	3,885.5 sq metres	Buildings	Apartment (12)	2.4	June 2004
2. Melaka Technology Park PN 20575 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	19.8 acres	Buildings	Factory (18)	26.0	December 2007
3. Geran 64183, Lot 32889 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	63.4 hectares	Land	Vacant	15.1	December 2007
4. GRN 39954, Lot 2324 HS(D) 5379, PT 6341 GRN 41084, Lot 8379 GRN 55361, Lot 12164 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	763.7 acres	Land	Vacant	100.5	June 2008
5. PN 22648, Lot 2697 PN 22678, Lot 2699 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Leasehold 14.10.2095	36.2 acres	Land	Vacant	3.4	June 2008
6. 33, Dong Nan Da Dao Changshu City Jiangsu Province China	Leasehold 7.7.2078	488 sq metres	Building	Office (1)	2.3	March 2008

ANALYSIS OF SHAREHOLDINGS AND CONVERTIBLE SECURITIES

Share Capital as at 30 September 2010

Authorised Capital	:	RM4,500,000,000
Issued and Paid-up Capital	:	RM368,611,613.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2010

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	141	1.16	4,275	0.00
100 to 1,000	2,655	21.91	2,339,289	0.32
1,001 to 10,000	5,868	48.42	31,070,175	4.21
10,001 to 100,000	3,016	24.88	98,125,240	13.31
100,001 to less than 5% of issued shares	435	3.59	237,709,060	32.24
5% and above of issued shares	5	0.04	367,975,188	49.92
	12,120	100.00	737,223,227	100.00

Substantial Shareholders as at 30 September 2010

	Direct Interest		Indirect Interest		
Substantial Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares	Nominal Value of ICULS[#] (RM)
1. Tan Sri William H.J. Cheng	121,356,607	16.46	289,794,688	39.31	325,401,322 [a]
2. Tan Sri Cheng Yong Kim	7,841,337	1.06	248,343,935	33.69	31,014,916 [b]
3. Lion Realty Pte Ltd	–	–	248,259,135	33.67	30,014,916 [c]
4. Lion Development (Penang) Sdn Bhd	1,061,889	0.14	247,197,246	33.53	30,014,916 [c]
5. Narajaya Sdn Bhd	93,497,801	12.68	–	–	–
6. Horizon Towers Sdn Bhd	–	–	153,699,445	20.85	30,014,916 [c]
7. Lion Corporation Berhad	–	–	153,699,445	20.85	30,014,916 [c]
8. Amsteel Mills Sdn Bhd	116,180,800	15.76	–	–	30,014,916 [c]
9. Lion Industries Corporation Berhad	37,518,645	5.09	116,180,800	15.76	30,014,916 [c]
10. LLB Steel Industries Sdn Bhd	–	–	116,180,800	15.76	30,014,916 [c]
11. Steelcorp Sdn Bhd	–	–	116,180,800	15.76	30,014,916 [c]
12. Deluxe Venture International Limited	17,400,000	2.36	–	–	170,000,000 [d]

Notes:

\# *5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") convertible into new ordinary shares of RM0.50 each in the Company ("LDHB Share") at a conversion price of RM0.50 for each new LDHB Share.*

a *Direct interest in RM121,615,000 nominal value of ICULS and indirect interest in RM203,786,322 nominal value of ICULS.*

b *Direct interest in RM1,000,000 nominal value of ICULS and indirect interest in RM30,014,916 nominal value of ICULS.*

c *Indirect interest.*

d *Direct interest.*

Thirty Largest Registered Shareholders as at 30 September 2010

	Registered Shareholders	No. of Shares	% of Shares
1.	Cheng Heng Jem	121,356,607	16.46
2.	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-Amsteel0)	116,180,800	15.76
3.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Narajaya Sdn Bhd	52,000,000	7.05
4.	Narajaya Sdn Bhd	40,919,136	5.55
5.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	37,518,645	5.09
6.	Ributasi Holdings Sdn Bhd	17,983,427	2.44
7.	Deluxe Venture International Limited	17,400,000	2.36
8.	Cheng Yong Kim	7,841,337	1.06
9.	HSBC Nominees (Asing) Sdn Bhd TNTC for APS Growth Fund	6,816,700	0.92
10.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	5,448,100	0.74
11.	Lion Holdings Private Limited	4,714,258	0.64
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (HBFS-B CLT 500)	4,154,700	0.56
13.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	3,215,866	0.44
14.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	3,202,100	0.43
15.	RHB Nominees (Tempatan) Sdn Bhd RHB Investment Management Sdn Bhd for Ng Siong Ket (EPF)	3,168,800	0.43
16.	Yong Swee Hing	2,700,000	0.37
17.	HSBC Nominees (Asing) Sdn Bhd Morgan Stanley & Co. International PLC (Firm A/C)	2,611,065	0.35
18.	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Toh Ean Hai (Penang-CL)	2,312,600	0.31
19.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chang Chai Kin	2,300,000	0.31
20.	Cheng Yong Kwang	2,272,173	0.31
21.	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	2,183,700	0.30
22.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	2,115,400	0.29
23.	Tan Yu Wei	2,100,100	0.28
24.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Siong Ket	1,988,800	0.27
25.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund SC7U for State of Connecticut Retirement Plans and Trust Funds	1,964,582	0.27
26.	ECML Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Irene Toh Lai Ping (04IR014Q-004)	1,950,000	0.26
27.	Citigroup Nominees (Asing) Sdn Bhd UBS AG for APS Asia Pacific Master Hedge Fund	1,878,400	0.25
28.	Chen Shok Ching	1,629,104	0.22
29.	Cartaban Nominees (Asing) Sdn Bhd RBC Dexia Investor Services Bank for APS Alpha Fund (APS Funds)	1,521,500	0.21
30.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chee Yaw Soon (ET)	1,510,200	0.20

5-Year 4% Irredeemable Convertible Unsecured Loan Stocks 2008/2013 ("ICULS")

No. of ICULS as at 30 September 2010	:	327,462,064
Nominal Value	:	RM1.00 each
Coupon Rate	:	4% per annum payable semi-annually
Conversion Period	:	17 December 2008 to 16 December 2013
Conversion Price	:	RM0.50 for each new ordinary share of RM0.50 each
Conversion Right	:	ICULS holders will have the right to convert the ICULS at the Conversion Price into new ordinary shares of RM0.50 each in the Company during the Conversion Period

Distribution of ICULS Holdings as at 30 September 2010

Size of ICULS Holdings	No. of ICULS Holders	% of ICULS Holders	No. of ICULS	% of ICULS
Less than 100	2	1.20	100	0.00
100 to 1,000	121	72.46	32,500	0.01
1,001 to 10,000	32	19.16	105,531	0.03
10,001 to 100,000	3	1.80	63,200	0.02
100,001 to less than 5% of issued ICULS	4	2.40	5,630,817	1.72
5% and above of issued ICULS	5	2.98	321,629,916	98.22
	167	100.00	327,462,064	100.00

Thirty Largest ICULS Holders as at 30 September 2010

Registered ICULS Holders	No. of ICULS	% of ICULS
1. HSBC Nominees (Asing) Sdn Bhd HSBC HK CTLA for Deluxe Venture International Limited (TA)	151,242,308	46.19
2. Cheng Heng Jem	86,615,000	26.45
3. Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	35,000,000	10.69
4. Antara Steel Mills Sdn Bhd	30,014,916	9.17
5. Deluxe Venture International Limited	18,757,692	5.73
6. Lion Holdings Private Limited	3,771,406	1.15
7. Cheng Yong Kim	1,000,000	0.31
8. Cheng Chai Hai	699,411	0.21
9. HDM Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian (Hong Kong) Limited (Clients)	160,000	0.05
10. Lee Hau Hian	32,000	0.01
11. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Kim Chye @ Teoh Kim Chai (E-KLC)	16,000	Negligible
12. Chan Chau Ha @ Chan Chow Har	15,200	Negligible
13. Lim Sang Sen	10,000	Negligible
14. Chan Yee Sang	8,000	Negligible
15. Lee Siew Nong	8,000	Negligible

Thirty Largest ICULS Holders as at 30 September 2010 (Continued)

	Registered ICULS Holders	No. of ICULS	% of ICULS
16.	Mayban Securities Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	8,000	Negligible
17.	Pan Yok Eng	5,600	Negligible
18.	Chan Pheng Hock	5,000	Negligible
19.	Chuah Boon Kiang	4,800	Negligible
20.	Nor Hafizah binti Ahmad Marzuki	4,000	Negligible
21.	Ooi Kean Hin	4,000	Negligible
22.	Tan Gee Siew	4,000	Negligible
23.	Chok Kwee Wah	3,200	Negligible
24.	Teu Liak Chey	3,200	Negligible
25.	Ng Say Kong @ Ng Seah Yew	3,000	Negligible
26.	Cheong Seng Tin	2,400	Negligible
27.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Grace Enterprise Sdn Bhd (PB)	2,400	Negligible
28.	Tang Wei Chum	2,400	Negligible
29.	Teh Peng Tin	2,320	Negligible
30.	Aw May Fah	2,000	Negligible

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

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

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	RM0.50				
Tan Sri William H.J. Cheng [1]		121,356,607	16.46	290,013,688	39.34
Tan Sri Cheng Yong Kim [2]		7,841,337	1.06	251,843,935	34.16

Related Corporations

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
Lion Corporation Berhad ("LCB")	RM1.00				
Tan Sri William H.J. Cheng [3]		458,685	0.02	1,569,685,981	82.57
Tan Sri Cheng Yong Kim [4]		2,709,517	0.14	414,494,096	21.80

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

Related Corporations (Continued)

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim

	Nominal Value per Ordinary Share	Indirect Interest No. of Shares	Indirect Interest % of Shares
Bersatu Investments Company Limited	HK$10.00	42,644	71.07
Bright Steel Service Centre Sdn Bhd	RM1.00	11,420,000	57.10
Kinabalu Motor Assembly Sendirian Berhad	RM1.00	26,985,030	70.01
LDH Investment Pte Ltd	*	4,500,000	100.00
Logic Concepts (M) Sdn Bhd	RM1.00	71,072	71.07
Logic Furniture (M) Sdn Bhd	RM1.00	91,000	91.00
Lyn (Pte) Ltd	*	1,225,555	78.79
Megasteel Sdn Bhd	RM1.00	600,000,001	100.00

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

Notes:

(1) Also deem interested in the following:

(i) a direct interest in RM121,615,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") convertible into 243,230,000 new ordinary shares of RM0.50 each in the Company ("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.

(2) 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.

(3) Also deem interested in 10,203,307 warrants with a right to subscribe for one new ordinary shares of RM1.00 each in LCB ("LCB Share") for every one warrant held at the exercise price of RM1.00 per LCB Share ("Warrants") and RM275,214,524 redeemable convertible secured loan stocks of nominal value of RM1.00 convertible into new LCB Shares at a conversion price of RM1.00 for every one new LCB Share.

(4) Also deem interested in 672,100 Warrants.

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

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

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests since the end of the previous financial year or which are still subsisting at the and of the financial year.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM48,000 (2009: RM151,000).

(II) RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of Recurrent Transactions	Related Parties	Amount RM'000
(a) Steel related		
(i) Sale of direct reduced iron, scrap iron and other steel related products and services	Lion Corporation Berhad Group ("LCB Group") [1]	1,225,995
	Lion Industries Corporation Berhad Group ("LICB Group") [1]	287,508
(ii) Purchase of steel products, scrap iron and other steel related products and services	LCB Group [1]	111,553
	LICB Group [1]	238,698
(iii) Rental of industrial land and buildings	LCB Group [1]	1,142
(b) Computer related		
(i) Sale of computer, component parts and other related products and services including provision of factory and storage space	Ributasi Holdings Sdn Bhd Group ("Ributasi Group") [2]	893
(ii) Purchase of computer, component parts and other related products and services	Ributasi Group [2]	2,575
(iii) Rental of storage space, factory and warehouse for manufacturing of computer and related products	LICB Group [1]	1,140

Notes:

"Group" includes subsidiary and associated companies

[1] Companies in which certain Directors and certain major shareholders of the Company have substantial interests.

[2] Companies in which a Director and a major shareholder of the Company has a substantial interest.

(III) SHARE BUY-BACK

There was no share buy-back during the financial year.

(IV) CONVERTIBLE SECURITIES

There was no conversion of the 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company into shares during the financial year.

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LION DIVERSIFIED HOLDINGS BERHAD
(Incorporated in Malaysia)
(9428-T)

CDS ACCOUNT NUMBER

			–			–										

FORM OF PROXY

I/We ....

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

of ....

being a member/members of LION DIVERSIFIED HOLDINGS 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 Fortieth Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 24 November 2010 at 2.00 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve a first and final dividend		
2. To approve Directors' fees		
3. To re-elect as Director, Y. Bhg. Tan Sri Cheng Yong Kim		
4. To re-elect as Director, Y. Bhg. Dato' Ismail @ Mansor bin Said		
5. To re-appoint Auditors		
6. Authority to Directors to issue shares		
7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
8. Proposed Renewal of Authority for Share Buy-Back		
9. Proposed Amendments to the Articles of Association of the Company		

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

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

No. of shares: ....

Signed: ....

Representation at Meeting:

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