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## NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirty-First Annual General Meeting of Silverstone Corporation Berhad will be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 18 November 2009 at 9.30 am for the following purposes:

### AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2009. **Resolution 1**
2. To approve the payment of Directors' fees amounting to RM80,800 (2008: RM113,000). **Resolution 2**
3. To re-elect Director:  
  
In accordance with Article 97 of the Company's Articles of Association, Mr Eow Kwan Hoong retires by rotation and, being eligible, offers himself for re-election. **Resolution 3**
4. 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 4**
5. Special Business  
  
To consider and, if thought fit, pass the following resolution as an ordinary resolution:  
  
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 5**
6. To transact any other business for which due notice shall have been given.

By Order of the Board

**WONG PHOOI LIN**  
**LIM KWEE PENG**  
Secretaries

Kuala Lumpur  
27 October 2009

### Notes:

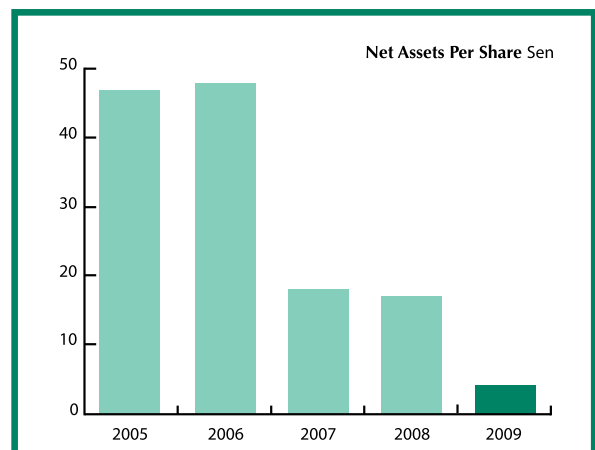
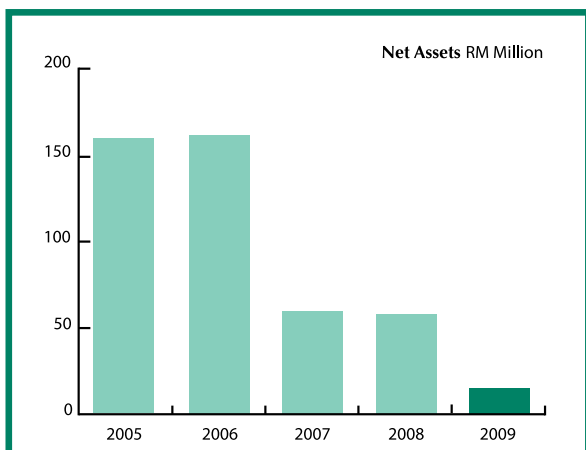
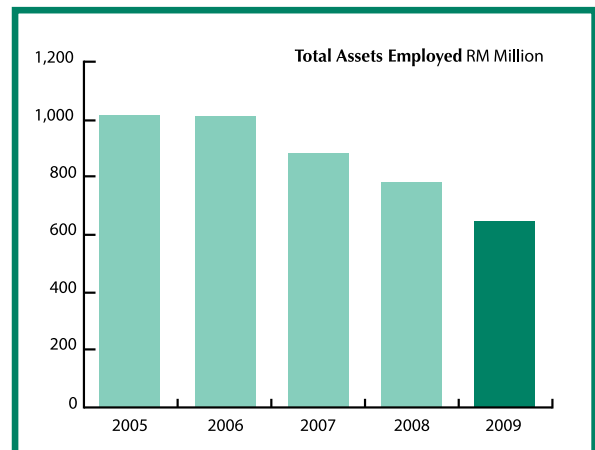
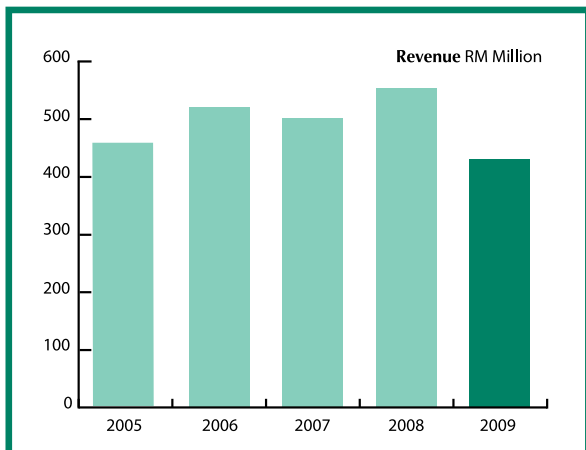
- *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in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

## CORPORATE INFORMATION

<b>Board of Directors</b>	:	Y. Bhg. Tan Sri William H.J. Cheng <i>(Chairman)</i> Mr Ngan Yow Chong <i>(Executive Director)</i> Y. Bhg. Datuk Cheng Yong Kim Y. Bhg. Dato' Haji Hashim bin Saad Mr Eow Kwan Hoong
<b>Secretaries</b>	:	Ms Wong Phooi Lin Ms Lim Kwee Peng
<b>Company No.</b>	:	41515-D
<b>Registered Office</b>	:	Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21613166 Fax No : 03-21623448 Homepage : <a href="http://www.lion.com.my">http://www.lion.com.my</a>
<b>Share Registrar</b>	:	Secretarial Communications Sdn Bhd Level 46, Menara Citibank 165 Jalan Ampang 50450 Kuala Lumpur Tel Nos : 03-21622155, 03-21648411 Fax No : 03-21623448
<b>Auditors</b>	:	Ong Boon Bah & Co B-10-1, Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur
<b>Principal Bankers</b>	:	RHB Bank Berhad CIMB Bank Berhad Raiffeisen Zentralbank Osterreich AG (Singapore Branch)

## 5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Revenue	460,700	519,551	502,693	553,875	<b>432,151</b>
Profit from operations	34,417	43,950	28,164	37,272	<b>7,056</b>
Profit/(Loss) before taxation	(9,954)	8,469	(99,621)	(5,595)	<b>(66,729)</b>
Profit/(Loss) after taxation	(12,041)	5,302	(101,567)	(7,704)	<b>(69,456)</b>
Total assets employed	1,051,702	1,011,860	883,309	779,951	<b>644,522</b>
Net assets	159,916	161,021	59,364	57,704	<b>14,807</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Net assets per share	47	48	18	17	<b>4</b>
Earnings/(Loss) per share	(4)	2	(29)	(1)	<b>(13)</b>



## REVIEW OF OPERATIONS

### GROUP FINANCIAL PERFORMANCE

For the year under review, the Group recorded a lower revenue of RM432.2 million, a decline of 22% as compared to RM553.9 million a year ago. Despite the weak operating environment, Silverstone Berhad (“Silverstone”), our core tyre manufacturing business, recorded a commendable profit even though sales was lower whilst our automotive business continued to incur losses.

The disposal of 60% equity interest in Nanjing Jingyi Casting Co Ltd had enabled the Group to record a gain of RM12.9 million and the proceeds received from the disposal had been earmarked for debts repayment of the Group. However, the strengthening of the US Dollar (“USD”) had caused the Group to book in an unrealised loss on foreign exchange due to its substantial USD borrowings. After accounting for finance costs and share of losses of associated companies, the Group reported a loss before taxation of RM66.7 million for the financial year under review.

### Tyre Division

Silverstone, our tyre manufacturing company based in Taiping, continued to achieve another year of good performance with profit before taxation rising by 22% to RM18.1 million from RM14.8 million recorded in the preceding financial year despite lower sales during the economic downturn. The better than expected profit was due largely to the substantial fall in natural and synthetic rubber prices in the second half of the financial year.

Silverstone was not spared from the negative impact of the global recession and had implemented various measures to overcome the depressed tyre market. By managing its working capital closely and efficiently, particularly in inventory control for both its raw materials and finished goods, we were able to mitigate the adverse impact of the weak local and export markets.

Silverstone had extended its range of tyre products for Sports Utility Vehicles (“SUV”) and agricultural vehicles/machines as well as its Snowblitz 1000 snow tyres. With its sophisticated equipment and machinery, Silverstone is able to cater to the demanding high performance tyres market with its production line engineered to enhance handling and responsiveness. Its continuous involvement in motorsports events has enabled Silverstone to keep abreast with new technology underlining its commitment towards developing tyres with exceptional performance.

Silverstone will also continue with its various aggressive strategies to improve production efficiencies by lowering production cost, enhancing productivity, improving sales services and expanding its market presence in order to remain profitable.

### Automotive Division

The operating environment for Lion Motor Sdn Bhd (“Lion Motor”), our local automotive distributor, remained challenging and was compounded by the slowdown in the economy.

The sale of light trucks continued to be affected by the intensified competition amongst the local truck assemblers as well as from the rebuilt trucks offering competitive pricing. To remain competitive, various marketing and promotion campaigns were carried out to boost sales. Revenue from the sale of light trucks was more than double that of the preceding year.

Lion Motor will continue to work closely with its Chinese manufacturer on product improvement and to ensure quality enhancement, reduce operating costs as well as striving to regain a bigger market share through innovative marketing strategies.

Meanwhile, our component parts manufacturing business in China under Nanjing Jingyi Casting Co Ltd, was disposed of during the middle of the year.

### Associated Companies

Our motorcycle business is carried out by two associated companies namely Suzuki Motorcycle Malaysia Sdn Bhd (“Suzuki Motorcycle”) in Malaysia and Nanjing Jincheng Machinery Co Ltd (“Nanjing Jincheng”) in China.

Despite the stiff competition and the slowdown in the economy, Suzuki Motorcycle recorded a higher profit due to increased export of motorcycle spare parts which fetched better profit margins.

Meanwhile, Nanjing Jincheng posted lower growth in revenue and higher losses this year. Impairment losses provided on its plant and machinery and inventories write-down during the year had further increased its losses.

# FINANCIAL STATEMENTS

# 2009

For The Financial Year Ended 30 June 2009

## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITIES

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

Other than as disclosed in Note 16 to the financial statements, there have been no significant changes in the nature of the principal activities of the Company and of its subsidiary companies during the financial year.

### FINANCIAL RESULTS

	<b>GROUP RM'000</b>	<b>COMPANY RM'000</b>
Net loss for the year	(69,456)	(57,339)
Attributable to:		
Equity holders of the Company	(43,262)	(57,339)
Minority interests	(26,194)	-
	<u>(69,456)</u>	<u>(57,339)</u>

### DIVIDEND

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

### RESERVES AND PROVISIONS

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

### SHARE CAPITAL

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

## DIRECTORS

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

Tan Sri William H.J. Cheng  
 Ngan Yow Chong  
 Tan Sri Dato' Jaffar bin Abdul (Passed away on 1.9.2009)  
 Datuk Cheng Yong Kim  
 Dato' Haji Hashim bin Saad  
 Eow Kwan Hoong

In accordance with Article 97 of the Company's Articles of Association, Mr Eow Kwan Hoong retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr Ngan Yow Chong who is due to retire in accordance with Article 97 of the Company's Articles of Association at the forthcoming Annual General Meeting will not seek re-election at the forthcoming Annual General Meeting.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest save and except for benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies are substantial shareholders as disclosed in Note 33 to the financial statements.

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

## DIRECTORS' INTERESTS

According to the register of Directors' shareholding, the interests of Directors in shares in the Company at the end of the financial year were as follows:

	Number of Ordinary Shares of RM1.00 each			
	As at 1.7.2008	Additions	Disposals	As at 30.6.2009
<b>Direct interest</b>				
Tan Sri William H.J. Cheng	6,000	-	6,000	-
Tan Sri Dato' Jaffar bin Abdul	220	-	220	-
Datuk Cheng Yong Kim	1,963	-	1,963	-
Eow Kwan Hoong	120,391	-	120,391	-
<b>Indirect interest</b>				
Tan Sri William H.J. Cheng	200,201,431	286,006,287	200,034,220	286,173,498
Datuk Cheng Yong Kim	199,572,876	286,006,287	199,405,665	286,173,498

**DIRECTORS' INTERESTS (continued)**

	Number of Redeemable Cumulative Convertible Preference Shares of RM0.01 each			
	As at 1.7.2008	Additions	Disposals	As at 30.6.2009
<b>Indirect Interest</b>				
Tan Sri William H.J. Cheng	-	16,902,569	-	16,902,569
Datuk Cheng Yong Kim	-	16,902,569	-	16,902,569

The Directors' interest in shares in the related corporations are as follows:

	Nominal Value per Ordinary Share	Number of Shares			
		As at 28.11.2008 <sup>^</sup>	Additions	Disposals	As at 30.6.2009
<b>Direct Interest</b>					
<b>Tan Sri William H.J. Cheng</b>					
Lion Forest Industries Berhad	RM1.00	400	-	-	400
<b>Datuk Cheng Yong Kim</b>					
Lion Industries Corporation Berhad	RM1.00	2,594,789	-	-	2,594,789
Lion Forest Industries Berhad	RM1.00	130	-	-	130

	Nominal Value per Ordinary Share	Number of Shares			
		As at 1.7.2008	Additions	Disposals	As at 30.6.2009
<b>Indirect Interest</b>					
<b>Tan Sri William H.J. Cheng Datuk Cheng Yong Kim</b>					
Lion Rubber Industries Pte Ltd	*	10,000,000	-	-	10,000,000
Willet Investment Pte Ltd	*	45,954,450	-	-	45,954,450
<b>Tan Sri William H.J. Cheng</b>					
Silverstone Tyre (S) Pte Ltd	*	31,750,100	-	-	31,750,100
<b>Datuk Cheng Yong Kim</b>					
Silverstone Tyre (S) Pte Ltd	*	25,400,080	-	-	25,400,080

**DIRECTORS' INTERESTS (continued)**

	Nominal Value per Ordinary Share	As at 28.11.2008 <sup>^</sup>	Number of Shares		As at 30.6.2009
			Additions	Disposals	
<b>Indirect Interest</b>					
<b>Tan Sri William H.J. Cheng</b>					
Lion Industries Corporation Berhad	RM1.00	336,981,643	-	106,101	336,875,542
Lion Forest Industries Berhad	RM1.00	181,730,176	1,786,405	-	183,516,581
<b>Datuk Cheng Yong Kim</b>					
Lion Industries Corporation Berhad	RM1.00	336,841,465	-	36,826,010	300,015,455
Lion Forest Industries Berhad	RM1.00	181,688,079	1,786,405	-	183,474,484
<b>Tan Sri William H.J. Cheng Datuk Cheng Yong Kim</b>					
Holdsworth Investment Pte Ltd	*	4,500,000	-	-	4,500,000
Lion-Kimtrans Logistics Sdn Bhd	RM1.00	3,750,000	-	-	3,750,000
LLB Enterprise Sdn Bhd	RM1.00	690,000	-	-	690,000
Marvenel Sdn Bhd	RM1.00	100	-	-	100
Ototek Sdn Bhd	RM1.00	1,050,000	-	-	1,050,000
Posim EMS Sdn Bhd	RM1.00	800,000	-	-	800,000
P.T. Lion Intimung Malinau	USD1.00	4,750,000	-	-	4,750,000
Soga Sdn Bhd	RM1.00	4,332,078	-	-	4,332,078
Steelcorp Sdn Bhd	RM1.00	99,750	-	-	99,750
Zhongsin Biotech Pte Ltd	*	1,000,000	-	-	1,000,000
<b>Investments in the People's Republic of China</b>					
	Currency	As at 28.11.2008 <sup>^</sup>	Additions	Disposals	As at 30.6.2009
Beijing Trostel Property Development Co Ltd	USD	6,650,000	-	-	6,650,000
Shandong Silverstone LuHe Rubber & Tyre Co Ltd	USD	30,000,000	-	-	30,000,000
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	-	-	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (in liquidation - voluntary)	USD	10,878,944	-	-	10,878,944

In addition, Datuk Cheng Yong Kim is also deemed to have an interest in shares in the ultimate holding company, Lion Industries Corporation Berhad, by virtue of the options granted to him pursuant to the Executive Share Option Scheme of Lion Industries Corporation Berhad as follows:

	As at 28.11.2008 <sup>^</sup>	Number of Options over Ordinary Shares of RM1.00 each		As at 30.6.2009
		Granted	Exercised	
Datuk Cheng Yong Kim	700,000	-	-	700,000

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

<sup>^</sup> Became related corporations on 28 November 2008.

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

## EXECUTIVE SHARE OPTION SCHEME

An Executive Share Option Scheme (“ESOS”) established for the benefit of the eligible executive Directors and executive employees of the Group became effective on 1 September 2005. The salient features and other terms of the ESOS are disclosed in Note 24 to the financial statements.

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

## OTHER STATUTORY INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad receivables and the making of allowance for doubtful receivables and had satisfied themselves that all known bad receivables had been written off and that adequate allowance had been made for doubtful receivables; and
- (b) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad receivables or the amount of allowance for doubtful receivables in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors:

- (a) except as disclosed in the financial statements, the results of the Group’s and of the Company’s operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) except as disclosed in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## SIGNIFICANT EVENTS

Details of significant events during the financial year are disclosed in Note 39 to the financial statements.

**AUDITORS**

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

Signed in accordance with a resolution of the Directors dated 28 September 2009

**TAN SRI WILLIAM H.J. CHENG**  
Chairman

**NGAN YOW CHONG**  
Executive Director

Kuala Lumpur

# INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	GROUP		COMPANY	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue	7	<b>432,151</b>	553,875	<b>15</b>	1,207
Other operating income		<b>6,759</b>	30,968	<b>8,929</b>	35,094
Gain on disposal of subsidiary companies		<b>12,911</b>	5,169	-	-
Changes in inventories of finished goods and work-in-progress		<b>(17,963)</b>	4,617	-	-
Purchase of finished goods		<b>(1,732)</b>	(1,565)	-	-
Raw materials and consumables used		<b>(214,371)</b>	(361,169)	-	-
Employee benefits expense	8	<b>(50,201)</b>	(54,464)	<b>(255)</b>	(271)
Depreciation and amortisation		<b>(21,955)</b>	(24,986)	<b>(5)</b>	(13)
Other operating expenses		<b>(138,543)</b>	(115,173)	<b>(40,849)</b>	(69,890)
Profit/(Loss) from operations	9	<b>7,056</b>	37,272	<b>(32,165)</b>	(33,873)
Finance costs	10	<b>(26,948)</b>	(27,433)	<b>(25,174)</b>	(25,335)
Allowance for losses on investments	11	-	(3,882)	-	(3,882)
Share in results of associated companies		<b>(46,837)</b>	(11,552)	-	-
Loss before taxation		<b>(66,729)</b>	(5,595)	<b>(57,339)</b>	(63,090)
Taxation	12	<b>(2,727)</b>	(2,109)	-	-
Net loss for the year		<b>(69,456)</b>	(7,704)	<b>(57,339)</b>	(63,090)
Attributable to:					
Equity holders of the Company		<b>(43,262)</b>	(4,219)	<b>(57,339)</b>	(63,090)
Minority interests		<b>(26,194)</b>	(3,485)	-	-
Net loss for the year		<b>(69,456)</b>	(7,704)	<b>(57,339)</b>	(63,090)
Loss per share attributable to equity holders of the Company	13				
- Basic (sen)		<b>(12.7)</b>	(1.2)		

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

## BALANCE SHEETS

AS AT 30 JUNE 2009

	Note	GROUP		COMPANY	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	212,178	252,347	559	564
Prepaid land lease payments	15	4,330	9,368	-	-
Subsidiary companies	16	-	-	375,472	409,566
Associated companies	17	196,489	231,052	6,225	6,225
Investments	18	28,109	18,973	27,879	18,501
Deferred tax assets	29	12,640	15,309	-	-
Goodwill	19	-	-	-	-
		<b>453,746</b>	<b>527,049</b>	<b>410,135</b>	<b>434,856</b>
<b>Current assets</b>					
Inventories	20	57,273	86,850	-	-
Investments	18	1,289	29,367	1,289	29,367
Silverstone Sub-Bond	16	-	-	164,555	129,070
Trade and other receivables	21	58,508	101,347	15,534	7,848
Tax recoverable		336	472	327	469
Amount due from subsidiary companies	22	-	-	515,587	514,232
Amount due from related companies	22	15,753	9,302	1,662	1,606
Amount due from associated companies	22	19,102	1,608	1,606	1,606
Deposits with financial institutions	23	23,331	20,292	3,107	5,459
Cash and bank balances		15,184	3,664	591	470
		<b>190,776</b>	<b>252,902</b>	<b>704,258</b>	<b>690,127</b>
<b>TOTAL ASSETS</b>		<b>644,522</b>	<b>779,951</b>	<b>1,114,393</b>	<b>1,124,983</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	24	340,046	340,046	340,046	340,046
Reserves	25	(325,239)	(282,342)	(265,229)	(207,890)
		<b>14,807</b>	<b>57,704</b>	<b>74,817</b>	<b>132,156</b>
Minority interests		<b>10,177</b>	<b>48,565</b>	-	-
<b>Total equity</b>		<b>24,984</b>	<b>106,269</b>	<b>74,817</b>	<b>132,156</b>

**BALANCE SHEETS** (continued)

**AS AT 30 JUNE 2009**

	Note	GROUP		COMPANY	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Non-current liabilities</b>					
Redeemable cumulative convertible preference shares	26	30,575	30,575	30,575	30,575
Bonds and debts	27	-	122,074	-	123,214
Amount due to a subsidiary company	22	-	-	249,729	248,340
Deferred liabilities	28	180	370	-	-
Deferred tax liabilities	29	377	377	377	377
		<b>31,132</b>	153,396	<b>280,681</b>	402,506
<b>Current liabilities</b>					
Trade and other payables	30	36,361	58,873	2,192	1,753
Amount due to subsidiary companies	22	-	-	258,416	220,110
Amount due to related companies	22	767	-	-	-
Provisions	31	11,211	9,862	-	-
Short term borrowings:	32				
- bank overdrafts		5,623	17,854	-	-
- others		42,837	69,223	-	-
Bonds and debts	27	491,590	364,335	498,287	368,458
Tax liabilities		17	139	-	-
		<b>588,406</b>	520,286	<b>758,895</b>	590,321
<b>Total liabilities</b>		<b>619,538</b>	673,682	<b>1,039,576</b>	992,827
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>644,522</b>	779,951	<b>1,114,393</b>	1,124,983

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Note	← Attributable to equity holders of the Company →							
	Non-distributable					Total	Minority interests	Total equity
	Share capital	Share premium	Translation reserves	Others	Accumulated losses			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1 July 2007	340,046	81,676	52,958	9,355	(424,671)	59,364	76,111	135,475
Net loss for the year	-	-	-	-	(4,219)	(4,219)	(3,485)	(7,704)
Disposal of subsidiary companies	-	-	(9,184)	19	-	(9,165)	(21,653)	(30,818)
Translation gain/(loss) on net equity of foreign subsidiary companies	-	-	5,039	-	-	5,039	(4,552)	487
Equity accounting for share of net assets of associated companies	-	-	6,685	-	-	6,685	2,144	8,829
Balance at 30 June 2008	340,046	81,676	55,498	9,374	(428,890)	57,704	48,565	106,269
Balance at 1 July 2008	<b>340,046</b>	<b>81,676</b>	<b>55,498</b>	<b>9,374</b>	<b>(428,890)</b>	<b>57,704</b>	<b>48,565</b>	<b>106,269</b>
Net loss for the year	-	-	-	-	(43,262)	(43,262)	(26,194)	(69,456)
Disposal of subsidiary companies	37	-	(11,673)	6	-	(11,667)	(16,282)	(27,949)
Translation gain on net equity of foreign subsidiary companies	-	-	3,356	-	-	3,356	1,097	4,453
Equity accounting for share of net assets of associated companies	-	-	6,238	2,438	-	8,676	2,991	11,667
Balance at 30 June 2009	<b>340,046</b>	<b>81,676</b>	<b>53,419</b>	<b>11,818</b>	<b>(472,152)</b>	<b>14,807</b>	<b>10,177</b>	<b>24,984</b>

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

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Share capital RM'000	Non- distributable Share premium RM'000	Accumulated losses RM'000	Total equity RM'000
Balance at 1 July 2007	340,046	81,676	(226,476)	195,246
Net loss for the year	-	-	(63,090)	(63,090)
Balance at 30 June 2008	340,046	81,676	(289,566)	132,156
Balance at 1 July 2008	<b>340,046</b>	<b>81,676</b>	<b>(289,566)</b>	<b>132,156</b>
Net loss for the year	-	-	(57,339)	(57,339)
Balance at 30 June 2009	<b>340,046</b>	<b>81,676</b>	<b>(346,905)</b>	<b>74,817</b>

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

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		<b>(66,729)</b>	(5,595)
Adjustments for non-cash items, interests and dividends	36(a)	<b>135,937</b>	86,929
Operating profit before working capital changes		<b>69,208</b>	81,334
Decrease/(Increase) in inventories		<b>24,673</b>	(11,871)
Decrease/(Increase) in trade and other receivables		<b>22,538</b>	(352)
Decrease in trade and other payables and provisions		<b>(23,009)</b>	(30,608)
Increase in amount due from related companies		<b>(8,638)</b>	(7,667)
Cash generated from operations		<b>84,772</b>	30,836
Tax refund		<b>61</b>	61
Net cash inflow from operating activities		<b>84,833</b>	30,897
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	36(b)	<b>(19,522)</b>	(24,030)
Proceeds from disposal of property, plant and equipment		<b>292</b>	201
Proceeds from redemption of ACB Bonds		<b>8,848</b>	-
Dividend income		<b>3,631</b>	3,390
Interest received		<b>1,271</b>	1,384
Proceeds from disposal of quoted investments		<b>2,597</b>	10
Net cash inflow/(outflow) on disposal of subsidiary companies	36(c)	<b>2,479</b>	(8,412)
Deferred proceeds from disposal of subsidiary companies		<b>19,740</b>	2,761
Net cash inflow/(outflow) from investing activities		<b>19,336</b>	(24,696)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redemption of AMB Bonds and repayment of SPV Debts		<b>(45,408)</b>	(8,012)
Net repayment of short term borrowings		<b>(28,095)</b>	(18,116)
Interest paid		<b>(4,936)</b>	(5,762)
Repayment of hire purchase liabilities		<b>(239)</b>	(274)
Increase in deposits earmarked for AMB Bonds redemption and SPV Debts repayment and restricted deposits		<b>(16,219)</b>	(1,030)
Net cash outflow from financing activities		<b>(94,897)</b>	(33,194)
Effects of exchange rate changes on cash and cash equivalents		<b>1,299</b>	1,574
Net increase/(decrease) in cash and cash equivalents		<b>10,571</b>	(25,419)
Cash and cash equivalents at beginning of the financial year		<b>612</b>	26,031
Cash and cash equivalents at end of the financial year	36(d)	<b>11,183</b>	612

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

## COMPANY CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	2009 RM'000	2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(57,339)	(63,090)
Adjustments for non-cash items, interests and dividends	36(a)	56,665	62,112
		<hr/>	<hr/>
Operating loss before working capital changes		(674)	(978)
Decrease in trade and other receivables		4,216	964
Decrease in trade and other payables		(596)	(81)
		<hr/>	<hr/>
Cash generated from/(used in) operations		2,946	(95)
Tax refund		142	48
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities		3,088	(47)
		<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from redemption of ACB Bonds		8,848	-
Proceeds from disposal of quoted investments		2,595	10
Repayment from subsidiary companies		27,706	2,396
Interest received		925	873
Dividend received		15	894
		<hr/>	<hr/>
Net cash inflow from investing activities		40,089	4,173
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redemption of AMB Bonds and repayment of AMB Debts		(45,408)	(8,021)
Advance from subsidiary companies		-	5,201
Interest paid		-	(29)
Decrease/(Increase) in deposits earmarked for AMB Bonds redemption and AMB Debts repayment		2,352	(1,029)
		<hr/>	<hr/>
Net cash outflow from financing activities		(43,056)	(3,878)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		121	248
Cash and cash equivalents at beginning of the financial year		470	222
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	36(d)	591	470
		<hr/> <hr/>	<hr/> <hr/>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2009

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 46, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur and its principal place of business is located at Lot 1, Jalan Waja, Bukit Raja Industrial Estate, 41050 Klang, Selangor Darul Ehsan.

The Company is an investment holding company. The principal activities of the subsidiary companies are set out in Note 16 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year other than those arising from the disposal of a subsidiary company as disclosed in Notes 16 and 37.

The Company is a subsidiary of Lion Forest Industries Berhad. The Directors regard Lion Industries Corporation Berhad as the ultimate holding company. Both companies are public limited liability companies, incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 September 2009.

## 2. GOING CONCERN

As at 30 June 2009, the Group and the Company incurred a net loss of RM69.4 million and RM57.3 million and their current liabilities exceeded current assets by RM397.6 million and RM54.6 million respectively. In addition, as disclosed in Note 27, the entire AMB Bonds and SPV Debts of the Group, inclusive of amount maturing beyond one year, totalling RM491.6 million has been reclassified as current liabilities.

On 4 July 2008, the Group and the Company obtained the consent of their bond and debt holders to vary the redemption/repayment schedule of the AMB Bonds and SPV Debts at a revised yield to maturity of 3% and 1% respectively, which is to take effect retrospectively from 1 November 2007 ("Revised Schedule"). The cash flows for the said redemption/repayment will be sourced from the proceeds of the disposal of assets/companies and cash flows from its operations. The full implementation of the Revised Schedule is pending the approval from the bond and debt holders on the additional cash flow sources to redeem/repay the AMB Bonds and SPV Debts. The Directors are of the view that the rescheduling of its bonds and debts will be successful and moving forward, the Group will be able to meet its debts obligation.

Accordingly, the Directors consider it appropriate to prepare the financial statements of the Group and of the Company on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Group and the Company be unable to continue as a going concern.

## 3. 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 have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies and are presented in Ringgit Malaysia (RM). All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of consolidation

##### (i) Investment in subsidiary companies

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as that of the Company. Subsidiary companies are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities.

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

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

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

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

Minority interests represent the portion of the profit or loss and net assets of a subsidiary company attributable to equity interests that are not owned, directly or indirectly through subsidiary companies, by the parent. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary companies' equity since that date.

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

##### (ii) Investment in associated companies

Associated companies are entities in which the Group has significant influence and that is neither a subsidiary company 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 associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associated company is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of the net profit or loss of the associated company is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(a) Basis of consolidation (continued)**

##### **(ii) Investment in associated companies (continued)**

In applying the equity method, unrealised gains and losses on transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. 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 associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

Goodwill relating to an associated company 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 associated company'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 associated company's profit or loss in the period in which the investment is acquired.

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

The most recent available audited financial statements of the associated companies 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.

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

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

##### **(b) Goodwill**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liability. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 4(i) to the financial statements.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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 income statement during the financial period in which they are incurred.

Freehold land has unlimited useful life and therefore is not depreciated. Capital work-in-progress is not depreciated as it is not available for use. Depreciation of other property, plant and equipment are depreciated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, at the following annual rates:

Buildings	40 - 50 years
Leasehold land	20 - 50 years
Plant and machinery	3 - 30 years
Moulds and assembly equipment	1 - 10 years
Furniture and equipment	5 - 10 years
Motor vehicles	5 - 10 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount in accordance with Note 4(i).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in income statement.

##### (d) Inventories

Inventories are stated at lower of cost and net realisable value. Cost consists of direct materials, direct labour, direct charges and appropriate production overheads where applicable and is determined on a weighted average basis or by specific identification. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

##### (e) Borrowing costs

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

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

##### (f) 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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (f) Income tax (continued)

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the income statement for the period, 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

##### (g) Foreign currencies

###### (i) Functional and presentation currency

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

###### (ii) Foreign currency transactions

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

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (g) Foreign currencies (continued)

##### (ii) Foreign currency transactions (continued)

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

##### (iii) Foreign operations

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

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

<b>Foreign currency</b>	<b>2009 RM</b>	<b>2008 RM</b>
1 US Dollar	<b>3.53</b>	3.26
1 Euro	<b>4.98</b>	5.15
1 Singapore Dollar	<b>2.43</b>	2.40
1 Sterling Pound	<b>5.86</b>	6.51
1 Chinese Renminbi	<b>0.51</b>	0.48

##### (h) 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 would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (h) 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 liability. 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 Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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 in the profit or loss over the terms 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 4(c).

###### (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 expenses 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 interest 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 relevant lease term.

##### (i) Impairment of assets

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

Impairment loss is recognised as an expense in the income statement.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (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, 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 charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits 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

Non-current investments other than investments in subsidiary and associated companies are stated at cost less allowance for impairment losses.

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

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

##### (iii) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. 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 income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in income statement.

##### (iv) Receivables

Receivables are carried at anticipated realisable value. Bad receivables are written off to income statement in the period in which they are identified. An estimate is made for doubtful receivables based on a review of all outstanding amounts as at the balance sheet date.

##### (v) Payables

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (j) Financial instruments (continued)

###### (vi) Interest bearing borrowings

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

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

###### (vii) Redeemable cumulative convertible preference shares (“RCCPS”)

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

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

###### (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.

##### (k) Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognised as finance cost.

##### (l) Employee benefits

###### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that 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

The Group's contributions to defined contribution plans are charged to income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(l) Employee benefits (continued)**

###### **(iii) Equity compensation benefits**

The Company's Executive Share Option Scheme ("ESOS") allows the Group's executive employees and executive Directors to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

##### **(m) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and Company and the revenue can be reliably measured. The revenue recognition policies are as follows:

###### **(i) Sale of goods**

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

###### **(ii) Revenue from services**

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

###### **(iii) Dividend income**

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

##### **(n) Segment reporting**

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

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

## 5. CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF NEW AND REVISED FRSs

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

<b>FRSs, Amendments to FRSs and IC Interpretations</b>		<b>Effective for financial periods beginning on or after</b>
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

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

The adoption of the above new FRSs, Amendments to FRSs and IC Interpretations in future period other than FRS 7 and FRS 139 are expected to have no significant impact on the financial statements of the Group and of the Company.

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### (a) Critical judgement made in applying accounting policies

Management is of the opinion that the instances of the application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimation.

### (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) Impairment of tangible assets

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

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### (a) Critical judgement made in applying accounting policies (continued)

#### (i) Impairment of tangible assets (continued)

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

In determining the VIU of an asset, being the future economic benefits to be expected from its continued use and ultimate disposal, the Group makes estimates and assumptions that required significant judgements and estimates. While the Group believes these estimates and assumptions of VIU could be reasonable and appropriate, changes in these estimates and assumptions of VIU could impact on the Group's financial position and results. Further details are disclosed in Notes 14, 16, 17 and 18.

#### (ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment except for freehold land and capital work-in-progress, is depreciated on a straight line basis over the assets' useful lives. Management reviews the remaining useful lives of property, plant and equipment at the end of each financial year and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

#### (iii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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.

#### (iv) Allowance for doubtful receivables

The Group makes allowances for doubtful receivables based on assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact carrying value of receivables.

## 7. REVENUE

Revenue consists of the following:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Sale of goods	430,738	552,252	-	-
Fees from training courses and other services	1,413	1,623	-	-
Dividend income	-	-	15	1,207
	<b>432,151</b>	<b>553,875</b>	<b>15</b>	<b>1,207</b>

**8. EMPLOYEE BENEFITS EXPENSE**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Salaries, wages and bonus	32,957	36,925	146	125
Defined contribution plans	4,092	5,126	19	21
Other staff related expenses	13,152	12,413	90	125
	<b>50,201</b>	<b>54,464</b>	<b>255</b>	<b>271</b>

Included in the employee benefits expense of the Group and of the Company are the executive Directors' remuneration as disclosed in Note 9 (b) to the financial statements.

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

(a) Profit/(Loss) from operations is arrived at:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
After charging:				
Property, plant and equipment:				
- depreciation	21,059	24,749	5	13
- written off	223	451	-	-
- impairment losses	17,051	8,142	-	-
Directors' remuneration (Note 9(b))	246	288	246	288
Auditors' remuneration:				
- current year	131	135	22	15
- prior years	14	13	-	6
Rental of:				
- land and buildings	3,293	3,843	18	42
- machinery and equipment	119	102	-	-
- others	475	128	-	-
Allowance for doubtful receivables	4,344	7,393	688	68,794
Allowance for slow moving inventories	1,836	4,540	-	-
Lease rental	-	80	-	-
Loss on disposal of quoted investment	-	114	-	114
Impairment loss on ACB Bonds	611	-	611	-
Provision for:				
- advertising and sales promotion	1,118	11,995	-	-
- special price discounts and incentives	8,939	18,692	-	-
- warranties	3,566	900	-	-
- retrenchment benefits	402	-	-	-
Bad receivables written off	-	403	-	395
Foreign exchange loss:				
- unrealised	30,848	-	39,131	-
- realised	3,714	-	-	-
Amortisation of prepaid land lease payments	896	238	-	-
Inventories written off	1,832	44	-	-
Allowance for inventories obsolescence	758	119	-	-

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

(a) Profit/(Loss) from operations is arrived at: (continued)

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
And crediting:				
Interest income from:				
- subsidiary companies	-	-	4,354	4,355
- related companies	59	-	59	-
- Silverstone Sub-Bond	-	-	1,390	1,711
- ACB Bonds	743	1,071	743	1,071
- LCB RCSLS	520	-	520	-
- others	1,272	1,384	925	873
Gain on disposal of:				
- property, plant and equipment	254	26	-	-
- quoted investments	153	-	155	-
- subsidiary companies	12,911	5,169	-	-
Reversal of:				
- allowance for doubtful receivables	4,009	120	-	120
- inventories obsolescence	3,400	-	-	-
- impairment loss on an associated company	4,223	-	-	-
- provision for advertising and sales promotion	1,018	-	-	-
- provision for special price discounts and incentives	47	-	-	-
Foreign exchange gain:				
- unrealised	1,924	22,558	-	27,084
- realised	1,035	2,539	-	-
Dividend income from:				
- subsidiary companies	-	-	-	1,201
- investments quoted in Malaysia	14	3	14	3
- investments quoted outside Malaysia	1	3,387	1	3
Reversal of impairment loss in value of unquoted investments	783	-	783	-

(b) The Directors' remuneration is categorised as follows:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Executive Director:</b>				
- Fees	8	10	8	10
- Salaries and other emoluments	146	154	146	154
- Defined contribution plans	19	21	19	21
	173	185	173	185
<b>Non-Executive Directors:</b>				
- Fees	73	103	73	103
Total	246	288	246	288

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

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

**Range of remuneration per annum**

	GROUP		COMPANY	
	2009	2008	2009	2008
<b>Executive Director:</b>				
- RM150,001 – RM200,000	1	1	1	1
<b>Non-Executive Directors:</b>				
- RM25,000 and below	5	4	5	4
- RM25,001 – RM50,000	-	1	-	1

**10. FINANCE COSTS**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest expenses on:				
- subsidiary company balances	-	-	1,857	2,149
- related company balances	151	-	-	-
- term loans	1,009	1,234	-	-
- bank overdrafts	263	185	-	2
- AMB Bonds and SPV Debts	22,012	21,671	6,710	6,873
- AMB Debts	-	-	16,273	16,058
- others	3,513	4,343	334	253
	<b>26,948</b>	<b>27,433</b>	<b>25,174</b>	<b>25,335</b>

**11. ALLOWANCE FOR LOSSES ON INVESTMENTS**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Impairment losses in value of investment in quoted and unquoted shares	-	3,882	-	3,882

## 12. TAXATION

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Arising in Malaysia:				
Current year	8	15	-	-
Over accrued in prior years	(1)	-	-	-
Recovery of tax deducted at source on dividend received from subsidiary companies	-	(312)	-	-
Deferred tax relating to temporary differences (Note 29)	2,669	2,396	-	-
	<b>2,676</b>	2,099	-	-
Arising outside Malaysia:				
Current year	51	10	-	-
	<b>2,727</b>	2,109	-	-

Malaysian income tax is calculated at the tax rate of 25% (2008: 26%) of assessable profit for the year. The computation of deferred tax as at 30 June 2009 has reflected this change. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The income tax rates applicable to the subsidiary companies in China and Singapore are 12% to 27% (2008: 12% to 27%) and 20% (2008: 20%) respectively.

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

	GROUP		COMPANY	
	2009 %	2008 %	2009 %	2008 %
Income tax using Malaysian statutory income tax rate of 25% (2008: 26%)	(25)	(26)	(25)	(26)
Expenses not deductible for tax purposes	41	314	26	37
Effect of change in tax rate	-	11	-	-
Effect of different tax rates in other countries	1	(16)	-	-
Income not subject to tax	(10)	(253)	(1)	(11)
Deferred tax assets not recognised	1	7	-	-
Utilisation of unutilised tax losses and unabsorbed capital allowances	(4)	-	-	-
Average effective tax rate	<b>4</b>	37	-	-

## 13. LOSS PER SHARE

### Basic

Loss per share is calculated by dividing the Group's loss for the year attributable to ordinary equity holders of the Company of RM43.3 million (2008: RM4.2 million) by the weighted average number of shares in issue during the financial year of 340.05 million shares (2008: 340.05 million shares).

**14. PROPERTY, PLANT AND EQUIPMENT**

<b>GROUP</b>	<b>Land and buildings RM'000</b>	<b>Plant, machinery, moulds and assembly equipment RM'000</b>	<b>Furniture and equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Capital work-in-progress RM'000</b>	<b>Total RM'000</b>
<b>2009</b>						
<b>COST</b>						
At 1 July 2008	92,393	394,281	26,139	7,678	10,551	531,042
Additions	138	365	683	58	18,278	19,522
Disposals	-	(42)	(127)	(825)	-	(994)
Disposal of a subsidiary company (Note 36 (c))	(15,333)	(26,300)	(1,263)	(581)	-	(43,477)
Exchange differences	974	1,733	82	37	-	2,826
Written off	-	(764)	(218)	-	-	(982)
Transfers	6,123	20,076	-	-	(26,199)	-
At 30 June 2009	<b>84,295</b>	<b>389,349</b>	<b>25,296</b>	<b>6,367</b>	<b>2,630</b>	<b>507,937</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 July 2008	32,021	208,841	24,019	5,577	-	270,458
Charge for the financial year	2,268	17,498	1,095	198	-	21,059
Disposals	-	(4)	(127)	(825)	-	(956)
Disposal of a subsidiary company (Note 36 (c))	(5,591)	(14,535)	(233)	(253)	-	(20,612)
Exchange differences	341	912	13	15	-	1,281
Written off	-	(543)	(216)	-	-	(759)
At 30 June 2009	<b>29,039</b>	<b>212,169</b>	<b>24,551</b>	<b>4,712</b>	<b>-</b>	<b>270,471</b>
<b>ACCUMULATED IMPAIRMENT LOSS</b>						
At 1 July 2008	-	8,237	-	-	-	8,237
Charge for the financial year	-	17,051	-	-	-	17,051
At 30 June 2009	<b>-</b>	<b>25,288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,288</b>
<b>NET BOOK VALUE</b>						
At 30 June 2009	<b>55,256</b>	<b>151,892</b>	<b>745</b>	<b>1,655</b>	<b>2,630</b>	<b>212,178</b>

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>GROUP</b>	<b>Land and buildings RM'000</b>	<b>Plant, machinery, moulds and assembly equipment RM'000</b>	<b>Furniture and equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Capital work-in-progress RM'000</b>	<b>Total RM'000</b>
<b>2008</b>						
<b>COST</b>						
At 1 July 2007	112,826	430,841	27,152	7,514	4,229	582,562
Additions	249	1,460	789	390	21,524	24,412
Disposals	-	(1,281)	(545)	(175)	-	(2,001)
Disposal of subsidiary companies	(22,200)	(38,504)	(1,741)	(1,302)	(425)	(64,172)
Exchange differences	820	1,443	69	34	2	2,368
Written off	-	(11,585)	(542)	-	-	(12,127)
Transfers	698	11,907	957	1,217	(14,779)	-
At 30 June 2008	92,393	394,281	26,139	7,678	10,551	531,042
<b>ACCUMULATED DEPRECIATION</b>						
At 1 July 2007	32,519	214,325	24,812	5,735	-	277,391
Charge for the financial year	3,096	19,492	888	1,273	-	24,749
Disposals	-	(1,085)	(510)	(175)	-	(1,770)
Disposal of subsidiary companies	(3,827)	(19,335)	(773)	(1,270)	-	(25,205)
Exchange differences	233	680	16	14	-	943
Written off	-	(5,236)	(414)	-	-	(5,650)
At 30 June 2008	32,021	208,841	24,019	5,577	-	270,458
<b>ACCUMULATED IMPAIRMENT LOSS</b>						
At 1 July 2007	-	6,177	-	-	-	6,177
Charge for the financial year	-	8,142	-	-	-	8,142
Disposals	-	(56)	-	-	-	(56)
Written off	-	(6,026)	-	-	-	(6,026)
At 30 June 2008	-	8,237	-	-	-	8,237
<b>NET BOOK VALUE</b>						
At 30 June 2008	60,372	177,203	2,120	2,101	10,551	252,347

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

COMPANY	Freehold land RM'000	Building RM'000	Motor vehicles RM'000	Furniture and equipment RM'000	Total RM'000
<b>2009</b>					
<b>COST</b>					
At 1 July 2008 and 30 June 2009	432	120	368	10,365	11,285
<b>ACCUMULATED DEPRECIATION</b>					
At 1 July 2008	-	-	368	10,353	10,721
Charge for the financial year	-	-	-	5	5
At 30 June 2009	-	-	368	10,358	10,726
<b>NET BOOK VALUE</b>					
At 30 June 2009	432	120	-	7	559
<b>2008</b>					
<b>COST</b>					
At 1 July 2007	432	-	368	10,478	11,278
Additions	-	120	-	-	120
Disposals	-	-	-	(113)	(113)
At 30 June 2008	432	120	368	10,365	11,285
<b>ACCUMULATED DEPRECIATION</b>					
At 1 July 2007	-	-	368	10,453	10,821
Charge for the financial year	-	-	-	13	13
Disposals	-	-	-	(113)	(113)
At 30 June 2008	-	-	368	10,353	10,721
<b>NET BOOK VALUE</b>					
At 30 June 2008	432	120	-	12	564

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

<b>GROUP</b>	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Total RM'000</b>
<b>2009</b>			
<b>COST</b>			
At 1 July 2008	432	91,961	92,393
Additions	-	138	138
Disposal of a subsidiary company	-	(15,333)	(15,333)
Exchange differences	-	974	974
Transfers	-	6,123	6,123
At 30 June 2009	432	83,863	84,295
<b>ACCUMULATED DEPRECIATION</b>			
At 1 July 2008	-	32,021	32,021
Charge for the financial year	-	2,268	2,268
Disposal of a subsidiary company	-	(5,591)	(5,591)
Exchange differences	-	341	341
At 30 June 2009	-	29,039	29,039
<b>NET BOOK VALUE</b>			
At 30 June 2009	432	54,824	55,256
<b>2008</b>			
<b>COST</b>			
At 1 July 2007	432	112,394	112,826
Additions	-	249	249
Disposal of subsidiary companies	-	(22,200)	(22,200)
Exchange differences	-	820	820
Transfers	-	698	698
At 30 June 2008	432	91,961	92,393
<b>ACCUMULATED DEPRECIATION</b>			
At 1 July 2007	-	32,519	32,519
Charge for the financial year	-	3,096	3,096
Disposal of subsidiary companies	-	(3,827)	(3,827)
Exchange differences	-	233	233
At 30 June 2008	-	32,021	32,021
<b>NET BOOK VALUE</b>			
At 30 June 2008	432	59,940	60,372

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

(b) The net book value of property, plant and equipment acquired under hire purchase are as follows:

<b>GROUP</b>	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Motor vehicles	<b>627</b>	755

(c) During the financial year ended 30 June 2009, certain subsidiary companies of the Group conducted an operational efficiency review on the plant and equipment and identified certain plant and equipment to be in excess in usage. In addition, the value in used determined by discounting the future cash flows generated from the continuing use of certain plant and equipment was estimated to be lower than its carrying amount. The Group therefore recognised an impairment loss of RM17.1 million (2008: RM8.1 million) in respect to these assets.

**15. PREPAID LAND LEASE PAYMENTS**

	<b>GROUP</b>	
	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Cost:		
At 1 July	<b>12,118</b>	15,503
Exchange differences	<b>480</b>	336
Effects of disposal of a subsidiary company (Note 36 (c))	<b>(7,499)</b>	(3,721)
At 30 June	<b>5,099</b>	12,118
Cumulative amortisation:		
At 1 July	<b>2,750</b>	5,623
Exchange differences	<b>188</b>	122
Current amortisation	<b>896</b>	238
Effects of disposal of a subsidiary company (Note 36 (c))	<b>(3,065)</b>	(3,233)
At 30 June	<b>769</b>	2,750
Unamortised portion:		
At 1 July	<b>9,368</b>	9,880
At 30 June	<b>4,330</b>	9,368

Prepaid land lease payments relate to lease of land for the Group's factory buildings, office complexes and warehouses located in Kamunting, Perak and the lease will expire between year 2048 and 2097. The Group does not have an option to purchase the leased land upon the expiry of the lease period.

**16. SUBSIDIARY COMPANIES**

	COMPANY	
	2009 RM'000	2008 RM'000
Unquoted ordinary shares at cost	263,807	263,807
Accumulated impairment losses	(8,124)	(8,124)
	<b>255,683</b>	255,683
Unquoted preference shares at cost	40,615	40,615
Accumulated impairment losses	(6,000)	(6,000)
	<b>34,615</b>	34,615
Silverstone Sub-Bond - unquoted Portion redeemable within one year	249,729 (164,555)	248,338 (129,070)
	<b>85,174</b>	119,268
Total	<b>375,472</b>	409,566

The subsidiary companies are:

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2009 %	2008 %	
AMB Aerovest Limited*	British Virgin Islands	100	100	# Investment holding
AMB Harta (L) Limited*	Malaysia	100	100	Treasury business
AMB Harta (M) Sdn Bhd	Malaysia	100	100	Managing of debts novated from Silverstone Corporation Berhad and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by Silverstone Corporation Berhad and certain of its subsidiaries
AMB Venture Sdn Bhd	Malaysia	100	100	Investment holding
Chrome Marketing Sdn Bhd	Malaysia	100	100	# Investment holding
iMpression Worldwide Inc*	British Virgin Islands	100	100	# Acquisition of patents, patent rights, copyrights, trademarks, formulas, licences, concessions, and granting of licences, or rights to use in respect of the same to any other person

**16. SUBSIDIARY COMPANIES (continued)**

Name of Company	Country of Incorporation	Holding in Equity		Principal Activities
		2009 %	2008 %	
Innovasi Istimewa Sdn Bhd	Malaysia	<b>100</b>	100	Investment holding
Innovasi Selaras Sdn Bhd	Malaysia	<b>100</b>	100	Investment holding
Lion Rubber Industries Pte Ltd*	Singapore	<b>70</b>	70	# Investment holding
Lion Motor Sdn Bhd	Malaysia	<b>100</b>	100	Sale and distribution of motor vehicles
Lion Tyre Venture Sdn Bhd	Malaysia	<b>100</b>	100	# Investment holding
Nanjing Jingyi Casting Co Ltd*	China	-	60	# Manufacture of motorcycle cast iron parts
Range Grove Sdn Bhd	Malaysia	<b>100</b>	100	# Investment holding
Silverstone Polymer Industries Sdn Bhd*	Malaysia	<b>100</b>	100	# Retreading tyres
Seintasi Sdn Bhd	Malaysia	<b>100</b>	100	# Investment holding
Shanghai Silverstone Management Consulting Co Ltd*	China	<b>100</b>	100	# Provision of management services
Silverstone Berhad*	Malaysia	<b>100</b>	100	Manufacture and sale of tyres, rubber compounds and other related rubber products
Silverstone Marketing Sdn Bhd*	Malaysia	<b>100</b>	100	# Distribution of tyres, rubber compounds and other related rubber products
Silverstone Tyreplus Pty Ltd*	Australia	<b>100</b>	100	# Dormant
Silverstone Tyre (S) Pte Ltd*	Singapore	<b>80</b>	80	# Investment holding
CEDR Corporate Consulting Sdn Bhd	Malaysia	<b>100</b>	100	Provision of training services
Willet Investment Pte Ltd*	Singapore	<b>70</b>	70	# Investment holding

Note: \* Financial statements of subsidiary companies as at 30 June 2009 not audited by Ong Boon Bah & Co.

# Holding in equity by subsidiary companies.

**17. ASSOCIATED COMPANIES**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted investments - at cost	<b>199,423</b>	199,423	<b>16,549</b>	16,549
Quoted shares outside Malaysia - at cost	<b>80,472</b>	80,472	-	-
Accumulated impairment losses	<b>(35,929)</b>	(40,152)	<b>(10,324)</b>	(10,324)
	<b>243,966</b>	239,743	<b>6,225</b>	6,225
Share of post acquisition losses and reserves	<b>(47,477)</b>	(8,691)	-	-
	<b>196,489</b>	231,052	<b>6,225</b>	6,225
Market value of quoted shares outside Malaysia	<b>87,930</b>	82,001	-	-

The Group's share in results of certain associated companies has been recognised to the extent of their carrying amount of those investments. The cumulative and current year's unrecognised share of losses amounted to RM44.18 million (2008: RM32.13 million) and RM12.05 million (2008: RM0.02 million) respectively.

Investments in associated companies of the Group with carrying values totalling RM193.4 million (2008: RM229.5 million) have been charged as securities for the AMB Bonds and the SPV Debts issued by the Company and a subsidiary company respectively.

Details of associated companies are as follows:

Name of Company	Country of Incorporation	Holding in Equity		Accounting Year End	Principal Activities
		2009 %	2008 %		
Hunan Changfa Automobile Engine Co Ltd	China	<b>50</b>	50	31 December	# Manufacture of automotive engine
Lion Asia Investment Pte Ltd	Singapore	<b>20</b>	20	30 June	# Investment holding
Lion Asiapac Limited	Singapore	<b>36.68</b>	36.68	30 June	# Investment holding
Nanjing Jincheng Machinery Co Ltd	China	<b>47.73</b>	47.73	31 December	# Manufacture of motorcycles
Suzuki Motorcycle Malaysia Sdn Bhd	Malaysia	<b>20</b>	20	31 December	Investment holding

Note: # Holding in equity by subsidiary companies.

Financial statements of all the associated companies were not audited by Ong Boon Bah & Co.

**17. ASSOCIATED COMPANIES (continued)**

The summarised financial information of the associated companies are as follows:

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets and liabilities</b>		
Current assets	<b>604,038</b>	822,435
Non-current assets	<b>506,919</b>	715,680
Total assets	<b>1,110,957</b>	1,538,115
Current liabilities	<b>542,950</b>	585,154
Non-current liabilities	<b>27,154</b>	12,726
Total liabilities	<b>570,104</b>	597,880
<b>Results</b>		
Revenue	<b>1,559,113</b>	1,519,765
Net loss for the year	<b>(203,247)</b>	(12,277)

**18. INVESTMENTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Quoted investments in Malaysia				
At cost:				
Ordinary shares	-	9,794	-	9,790
Warrants	<b>28,918</b>	-	<b>28,918</b>	-
	<b>28,918</b>	9,794	<b>28,918</b>	9,790
Accumulated impairment losses	<b>(28,135)</b>	(7,350)	<b>(28,135)</b>	(7,350)
	<b>783</b>	2,444	<b>783</b>	2,440
Quoted investments outside Malaysia				
At cost	<b>225</b>	225	<b>225</b>	225
Accumulated impairment losses	<b>(150)</b>	(137)	<b>(150)</b>	(137)
	<b>75</b>	88	<b>75</b>	88

**18. INVESTMENTS (continued)**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted investment:				
At cost:				
Ordinary shares in Malaysia	67	28,985	45	28,964
Shares outside Malaysia	-	239	-	-
Others	781	781	573	573
	<b>848</b>	30,005	<b>618</b>	29,537
Accumulated impairment losses	-	(28,918)	-	(28,918)
	<b>848</b>	1,087	<b>618</b>	619
ACB Bonds - unquoted	52,873	106,600	52,873	106,600
Accumulated impairment losses	(47,586)	(61,879)	(47,586)	(61,879)
Portion redeemable within one year	-	(29,367)	-	(29,367)
	<b>5,287</b>	15,354	<b>5,287</b>	15,354
LCB RCSLS - unquoted	22,405	-	22,405	-
Portion redeemable within one year	(1,289)	-	(1,289)	-
	<b>21,116</b>	-	<b>21,116</b>	-
Total	<b>28,109</b>	18,973	<b>27,879</b>	18,501
Market value of shares:				
Quoted in Malaysia	-	2,920	-	2,918
Quoted outside Malaysia	75	89	75	89
Market value of warrants:				
Quoted in Malaysia	783	-	783	-
	<b>858</b>	3,009	<b>858</b>	3,007

The ACB Bonds are received from Amsteel Corporation Berhad as part of the settlement of the inter-company balances pursuant to the Group Wide Restructuring Scheme implemented in 2003 ("GWRS").

The LCB RCSLS represents redeemable convertible secured loan stocks issued by Lion Corporation Berhad and were received from the tender exercise in respect of the ACB Bonds pursuant to the corporate and debts restructuring exercise of Amsteel Corporation Berhad.

Investments of the Group with carrying value totalling RM28.48 million (2008: RM44.72 million) have been charged as securities for the AMB Bonds and the SPV Debts issued by the Company and a subsidiary company respectively.

**19. GOODWILL**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Cost		
At 1 July	<b>11,675</b>	11,675
Accumulated impairment losses	<b>(11,675)</b>	(11,675)
	<hr/>	<hr/>
At 30 June	<b>-</b>	-
	<hr/> <hr/>	<hr/> <hr/>

**20. INVENTORIES**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost:		
Raw materials	<b>11,407</b>	13,107
Finished goods	<b>29,018</b>	48,394
Parts and accessories	<b>16,233</b>	15,780
Work-in-progress	<b>7,385</b>	10,727
Goods in transit	<b>90</b>	6,536
Promotional items	<b>282</b>	254
	<hr/>	<hr/>
	<b>64,415</b>	94,798
Less: Allowances for obsolete and slow moving inventories	<b>(7,142)</b>	(7,948)
	<hr/>	<hr/>
Net	<b>57,273</b>	86,850
	<hr/> <hr/>	<hr/> <hr/>

Inventories of the Group with carrying values totalling RM50.38 million (2008: RM73.27 million) have been pledged to financial institutions for credit facilities.

**21. TRADE AND OTHER RECEIVABLES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	<b>39,678</b>	70,579	<b>2,187</b>	2,187
Allowance for doubtful receivables	<b>(2,187)</b>	(5,959)	<b>(2,187)</b>	(2,187)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>37,491</b>	64,620	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Other receivables, deposits and prepayments	<b>26,631</b>	41,653	<b>18,550</b>	10,176
Allowance for doubtful receivables	<b>(5,614)</b>	(4,926)	<b>(3,016)</b>	(2,328)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>21,017</b>	36,727	<b>15,534</b>	7,848
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>58,508</b>	101,347	<b>15,534</b>	7,848
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 21. TRADE AND OTHER RECEIVABLES (continued)

Included in other receivables, deposits and prepayments of the Group and the Company are amounts due from certain companies in which certain Directors have interest amounting to RM16.3 million (2008: RM9.5 million). Included in other receivables, deposits and prepayments of the Group are prepayment for purchases of nil (2008: RM3.91 million) and the proceeds receivable from the disposal of subsidiary companies totalling nil (2008: RM18.72 million).

The Group's normal trade credit term ranges from 30 days to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables.

## 22. AMOUNTS DUE FROM/(TO) SUBSIDIARY, ASSOCIATED AND RELATED COMPANIES

### Current

The amount due from/(to) subsidiary companies which arose mainly from inter-company purchases, inter-company advances and payments made on behalf is unsecured and is repayable on demand. The amount due from/(to) subsidiary companies bear a weighted average effective interest rate of 1.0% (2008: 1.0%) per annum and the amount due from a subsidiary company is net of allowance for doubtful receivables of RM69.0 million (2008: RM69.0 million).

The amount due from associated companies amounting to RM17.5 million (2008: Nil) is the proceeds receivable from the disposal of a subsidiary company which is interest free and repayable by remaining three 180-day instalments while the remaining balance was mainly refundable deposits.

The amount due from/(to) related companies which arose mainly from inter-company trade purchases bear a weighted average effective interest rate of 1.0% per annum (2008: interest free) and the amount is net of allowance for doubtful receivables of RM8.8 million (2008: RM5.2 million).

### Non-current

The amount due to a subsidiary company arose mainly from the Company's investment in the Silverstone Sub-Bond, an instrument which confers upon the Company a contractual right to receive the proposed pre-determined yearly amount of cash flow from Silverstone Berhad under the GWRS. The amount is unsecured, repayable after one year and bears interest of 1.0% (2008: 1.0%) per annum.

## 23. DEPOSITS WITH FINANCIAL INSTITUTIONS

Included in the deposits with financial institutions of the Group and the Company are amounts totalling RM3.2 million (2008: RM5.49 million) and RM3.1 million (2008: RM5.46 million) respectively earmarked for redemption of the AMB Bonds and SPV Debts.

An amount of RM18.5 million (or Rmb36 million) (2008: Nil) in the deposit with financial institutions of the Group has been pledged to a financial institution for credit facilities granted to a related company.

The deposits of the Group and the Company carry a weighted average effective interest rate as at balance sheet date of 2.9% (2008: 2.2%) and 1.9% (2008: 3.2%) per annum respectively, and have an average maturity of 34 days (2008: 64 days) and 9 days (2008: 7 days) respectively.

## 24. SHARE CAPITAL

	<b>GROUP AND COMPANY</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised:		
Ordinary shares of RM1.00 each		
At beginning and end of the financial year	<b>499,650</b>	499,650
Redeemable cumulative convertible preference shares of RM0.01 each		
At beginning and end of the financial year	<b>350</b>	350
	<hr/>	<hr/>
Total authorised share capital	<b>500,000</b>	500,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning and end of the financial year	<b>340,046</b>	340,046
	<hr/> <hr/>	<hr/> <hr/>

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

The salient features and other terms 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 scheme shall be allocated, in aggregate, to executive Directors and senior management; and
  - (ii) not more than 10% of the shares available under the scheme shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad), holds 20% or more of the issued and paid-up capital of the Company.
- (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.
- (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 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.

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

**25. RESERVES**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Non-distributable:</b>				
Share premium	<b>81,676</b>	81,676	<b>81,676</b>	81,676
Translation reserves	<b>53,419</b>	55,498	-	-
Capital reserves	<b>10,758</b>	10,758	-	-
Other reserves	<b>1,060</b>	(1,384)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated losses	<b>146,913</b> <b>(472,152)</b>	146,548 (428,890)	<b>81,676</b> <b>(346,905)</b>	81,676 (289,566)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>(325,239)</b>	(282,342)	<b>(265,229)</b>	(207,890)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Translation reserves comprise gains or losses on translation of net equity of foreign subsidiary companies and translation of net assets of foreign associated companies.

Capital reserves comprise mainly profit recorded by a subsidiary company incorporated to manage the Ringgit Malaysia debts under the GWRS.

**26. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES**

	GROUP AND COMPANY	
	2009 RM'000	2008 RM'000
Issued and fully paid:		
Redeemable cumulative convertible preference shares ("RCCPS") of RM0.01 each		
At beginning and end of the financial year	<b>306</b>	306
Share premium:		
At beginning and end of the financial year	<b>30,269</b>	30,269
	<hr/>	<hr/>
Total	<b>30,575</b>	30,575
	<hr/> <hr/>	<hr/> <hr/>

The main features of the RCCPS are as follows:

- (i) The RCCPS may be converted into new ordinary and fully paid-up shares of RM1.00 each in Silverstone Corporation Berhad ("New Shares") at any time after the third anniversary up to and including the tenth anniversary of the date of issue of the RCCPS.
- (ii) The Conversion Price of the RCCPS is fixed at RM1.10 per New Share to be satisfied solely by the tender of RCCPS by the Registered Holders for cancellation by the Company.

**26. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES (continued)**

- (iii) Unless converted into New Shares, the Company shall be obligated to redeem the RCCPS in cash at a sum equal to the aggregate of (a) their par value of RM0.01 each; (b) the premium paid thereon of RM0.99 each; and (c) the accumulated and unpaid preferential dividend (as described below) if any, 10 years from and inclusive of the date of issue of the RCCPS (“Redemption Date”). If any Registered Holder of the RCCPS shall fail or refuse to surrender the Certificate for such RCCPS or shall fail or refuse to accept the redemption money payable in respect of them, such money shall be retained and held by the Company in trust for such Registered Holder but without interest or further obligation whatsoever.
- (iv) The RCCPS shall carry a fixed cumulative preferential gross dividend of RM0.01 per RCCPS per annum, from the date of issue until the Redemption Date. Such rights to dividend shall be cumulative and shall be paid in priority to any payment of dividend on the New Shares. Any declaration of the fixed preferential gross dividend of RM0.01 per RCCPS per annum shall be paid in cash and subject to the profits of the Company available for distribution.
- (v) The RCCPS carry no right to vote at general meetings of the Company unless the general meeting is (a) for any resolution which varies or is deemed to vary the rights and privileges of such RCCPS or (b) for any resolution for the winding-up of the Company.
- (vi) The Registered Holder of the RCCPS shall have no right to appoint any director to the Board of the Company or to participate in the management of the Company, but shall be entitled to attend meetings and receive all notices, audited accounts and reports which holders of ordinary shares in the Company are entitled to.
- (vii) Save and except that the RCCPS shall rank in priority to all other classes of shares in the Company as regards the preferential dividend and return of capital in the event of winding-up, the RCCPS have no right to participate in the surplus assets and profits of the Company.
- (viii) The RCCPS may be transferred to persons (and their respective successors) within the following categories:
- (a) all banks licensed under the Banking and Financial Institutions Act, 1989 or the Offshore Banking Act, 1990; or
- (b) persons who are the first holders of the AMB Bonds issued by the Company or lenders of the SPV Debts issued by AMB Harta (L) Limited, both on 14 March 2003.

**27. BONDS AND DEBTS**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Non-current</b>				
AMB Bonds - secured	-	46,522	-	46,522
SPV Debts - secured	-	75,552	-	-
AMB Debts - unsecured	-	-	-	76,692
	-	122,074	-	123,214

**27. BONDS AND DEBTS (continued)**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Current</b>				
AMB Bonds - secured	137,745	95,324	137,745	95,324
SPV Debts - secured	353,845	269,011	-	-
AMB Debts - unsecured	-	-	360,542	273,134
	<b>491,590</b>	364,335	<b>498,287</b>	368,458
<b>Total</b>				
AMB Bonds - secured	137,745	141,846	137,745	141,846
SPV Debts - secured	353,845	344,563	-	-
AMB Debts - unsecured	-	-	360,542	349,826
	<b>491,590</b>	486,409	<b>498,287</b>	491,672

The bonds and debts are repayable over the following periods:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'00
Within one year	491,590	364,335	498,287	368,458
From one to five years	-	122,074	-	123,214
	<b>491,590</b>	486,409	<b>498,287</b>	491,672

On 14 March 2003, the Company ("SCB") has issued the following zero coupon redeemable secured bonds ("AMB Bonds") and debts ("AMB Debts"):

- (i) RM98.594 million (present value as at the date of issue) Class B AMB Bonds, having a maturity date of 31 December 2008 as part of the settlement of debts;
- (ii) RM39.032 million (present value as at the date of issue) Class C AMB Bonds, having a maturity date of 31 December 2011 as part of the settlement of debts;
- (iii) RM276.890 million (present value as at the date of issue) Class B (a) AMB Debts, having a maturity date of 31 December 2008 as part of the security created for the SPV Debts;
- (iv) RM92.163 million (present value as at the date of issue) Class B (b) AMB Debts, having a maturity date of 31 December 2008 as part of the security created for the SPV Debts; and
- (v) RM109.620 million (present value as at the date of issue) Class C AMB Debts, having a maturity date of 31 December 2011 as part of the security created for the SPV Debts.

## 27. BONDS AND DEBTS (continued)

In addition, AMB Harta (L) Limited (“SPV”), a wholly-owned subsidiary company, has also issued the following debts (“SPV Debts”) on 14 March 2003:

- (i) RM276.90 million (present value as at the date of issue) Class B (a) SPV Debts, having a maturity date of 31 December 2008 as part of the settlement of debts;
- (ii) RM92.16 million (present value as at the date of issue) Class B (b) SPV Debts, having a maturity date of 31 December 2008 as part of the settlement of debts; and
- (iii) RM109.62 million (present value as at the date of issue) Class C SPV Debts, having a maturity date of 31 December 2011 as part of the settlement of debts.

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

Class B AMB Bonds	4.75%
Class C AMB Bonds	4.75%
Class B (a) AMB Debts	4.25%
Class B (b) AMB Debts	4.25%
Class C AMB Debts	4.25%
Class B (a) SPV Debts	4.00%
Class B (b) SPV Debts	4.00%
Class C SPV Debts	4.00%

The AMB Bonds and SPV Debts are payable annually on 31 December of each calendar year. An additional 1% interest above the cash yields to maturity shall be charged on the portion delayed in redemption/repayment for AMB Bonds and SPV Debts.

### Securities for the AMB Bonds and the SPV Debts

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

- (i) The assets included in the Proposed Divestment Programme (“PDP”) for the Group. If there is an existing security on any such assets as at 14 March 2003 (“Existing Charge”), the Security Trustee will take a lower priority security interest.
- (ii) The ACB Bonds and ACB Shares (comprising both debt to equity conversion shares and equity kicker shares) received by the Company (Note 18).
- (iii) The Redemption Account held by the Company. The Redemption Account will capture the “Dedicated Cash Flows” held by the Company.

Dedicated Cash Flows mean cash flows from the following sources:

- net proceeds from the disposal of any assets in the PDP for the Group (other than the net proceeds set aside for the purpose of the Proposed Tender) over which there is no Existing Charge;
- proceeds from the redemption of the ACB Bonds and Lion Diversified Holdings Berhad (“LDHB”) Inter-Co Repayment;
- any Back-End Amount and Loyalty Payment received by the Company as a holder of ACB Bonds;

## 27. BONDS AND DEBTS (continued)

- any Loyalty Payment received by the Company from the LDHB Inter-Co Repayment;
- subject to the proportions allocated to holders of the AMB Bonds and the SPV Debts, net proceeds from the disposal of any residual assets (other than assets in the PDP for the Group and net proceeds set aside for the purpose of the Proposed Tender);
- net proceeds from the disposal of 28.92 million ACB Shares received by the Company as debt to equity conversion shares pursuant to the Debt Restructuring Exercise of the Group;
- net proceeds from the disposal of 5.09 million ACB Shares attached to the ACB Bonds as equity kickers; and
- payment from Silverstone Sub-Bonds from year 2005 to 2011.

### (iv) Investment in Silverstone Berhad

Note : ACB Bonds and ACB shares are received from Amsteel Corporation Berhad as part of the settlement of the inter-company balances under the GWRS.

In relation to the AMB Bonds and the SPV Debts, SCB covenants, amongst others, that the Company will not, without the prior written consent of the Trustee,

### (I) Indebtedness

Create, incur, assume, guarantee or permit to exist any indebtedness except such permitted indebtedness.

Permitted indebtedness means, at any time, any indebtedness for borrowed money incurred or assumed by the Company, any of its subsidiary companies, any scheme company and any security party in respect of which the aggregate principal amount committed or provided by the lenders together with the aggregate amount of all indebtedness of the Company, any of its subsidiary companies and any scheme company and any security party at the time of its incurrence does not exceed the following limits:

- (a) where the total amounts for the redemption or purchase of the Bonds and the total amounts for the repayment or purchase of the SPV Debts paid by the Company and/or the SPV up to that time when the indebtedness is incurred or proposed to be incurred and the up-front cash payment made on 31 January 2003 ("Repaid Amount") is less than 50% of the aggregate outstanding nominal value of all the AMB Bonds and all the SPV Debts as at the issue date of the AMB Bonds, the limit shall be 20% of that Repaid Amount;
- (b) where the Repaid Amount is equal to or exceeding 50% but less than 75% of the aggregate outstanding nominal value of all the AMB Bonds and all the SPV Debts as at the issue date of the AMB Bonds, the limit shall be 35% of that Repaid Amount; and
- (c) where the total Repaid Amount is equal to or more than 75% of the aggregate outstanding nominal value of all the AMB Bonds and all the SPV Debts as at the issue date of the AMB Bonds, the limit shall be 50% of that Repaid Amount.

## 27. BONDS AND DEBTS (continued)

### (II) Disposal of assets in the PDP

Dispose of assets/shares in the PDP if:

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

### (III) Disposal of residual assets

Disposal of assets not in the PDP if:

- (a) the disposal price is in excess of RM25 million or 20% of the audited consolidated net tangible assets ("NTA") of the Company, whichever is lower; and
- (b) the disposal is at a discount of 20% or more of the market value of the asset.

### (IV) Capital expenditure

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

- (a) for any new investment which is not within the core business of the Company or such subsidiary company as at the date of the Trust Deed; or
- (b) exceeding 25% of the consolidated NTA of the Group.

As reported in the previous financial statements, the redemption dates and repayment dates for the Class B AMB Bonds and SPV Debts of 31 December 2004, 31 December 2005 and 31 December 2006 were varied to 31 October 2007 and 31 December 2007.

The Group and the Company had on 4 July 2008 obtained the consent of their bond and debt holders to vary the redemption/repayment schedule of the Class B AMB Bonds and SPV Debts and Class C AMB Bonds and SPV Debts at a revised yield to maturity of 3% and 1% respectively which is to take effect retrospectively from 1 November 2007 ("Revised Schedule").

The Group and the Company had redeemed/repaid a total amount of RM45.4 million of the Class B AMB Bonds and SPV Debts ("Payments") during the financial year. The Payments had been treated as partial and/or full payment for the relevant outstanding Class B AMB Bonds and SPV Debts due on 31 October 2007 and/or 31 December 2007. The full implementation of the Revised Schedule is pending the approval from the bond and debt holders on the additional cash flow sources to redeem/repay the AMB Bonds and SPV Debts. In accordance with FRS 101, the entire Class B and Class C Bonds and SPV Debts liabilities, inclusive of amount maturing beyond one year, has been reclassified as current liabilities.

**28. DEFERRED LIABILITIES**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Hire purchase liabilities:		
Payable within one year	217	273
Payable between one and five years	211	429
	<b>428</b>	702
Finance charges	(59)	(94)
	<b>369</b>	608
Portion due within one year (Note 30)	<b>(189)</b>	(238)
	<b>180</b>	370

The hire purchase liabilities are repayable over the following periods:

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Hire purchase liabilities:		
Due within one year	189	238
Due between one and five years	180	370
	<b>369</b>	608

The hire purchase liabilities carry interest rates of 4.46% to 8.72% (2008: 4.46% to 8.72%) per annum.

**29. DEFERRED TAX ASSETS/LIABILITIES**
**Deferred Tax Assets**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At beginning of the financial year	15,309	17,705	-	-
Transfer to income statement (Note 12)	(2,669)	(2,396)	-	-
	<b>12,640</b>	15,309	-	-

**29. DEFERRED TAX ASSETS/LIABILITIES (continued)**
**Deferred Tax Liabilities**

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At beginning and end of the financial year	377	377	377	377

The deferred tax assets of the Group represent the tax effects of the following:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Temporary differences arising from:				
Property, plant and equipment	(28,009)	(32,070)	-	-
Others	2,569	2,261	-	-
Unutilised tax losses	598	598	-	-
Unabsorbed capital allowances	37,482	44,520	-	-
	<b>12,640</b>	15,309	-	-

The deferred tax liabilities of the Group and of the Company represent the tax effects of the following:

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unutilised tax losses and unabsorbed capital allowances	377	377	377	377

Deferred tax assets which have not been recognised in the income statement are as follow:

	GROUP	
	2009 RM'000	2008 RM'000
Tax effects of unabsorbed capital allowances and unutilised tax losses	23,486	25,202
Tax effects of temporary differences arising from:		
Trade receivables	2,135	1,454
Property, plant and equipment	1,016	1,169
Inventories	228	191
Provisions	100	-
Others	(359)	-
	<b>26,606</b>	28,016

The availability of the unutilised tax losses and unabsorbed capital allowances for offsetting future chargeable income of the Group and of the respective subsidiary companies are subject to the agreement with the tax authority.

### 30. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables	12,686	27,741	-	264
Other payables and accruals	23,486	30,894	2,192	1,489
Hire purchase liabilities (Note 28)	189	238	-	-
	<b>36,361</b>	<b>58,873</b>	<b>2,192</b>	<b>1,753</b>

The normal credit terms granted to the Group range from 30 days to 90 days.

### 31. PROVISIONS

GROUP	Retrenchment benefits RM'000	Warranties RM'000	Advertising and sales promotion RM'000	Special price discounts and incentives RM'000	Total RM'000
Balance at 1 July 2007	-	2,000	390	8,028	10,418
Additions during the financial year	-	900	11,995	18,692	31,587
Utilised during the financial year	-	-	(11,218)	(20,925)	(32,143)
Balance at 30 June 2008	-	2,900	1,167	5,795	9,862
Additions during the financial year	402	3,566	1,118	8,939	14,025
Utilised during the financial year	-	(2,866)	(729)	(8,016)	(11,611)
Write back	-	-	(1,018)	(47)	(1,065)
Balance at 30 June 2009	<b>402</b>	<b>3,600</b>	<b>538</b>	<b>6,671</b>	<b>11,211</b>

#### Retrenchment benefits

Provision for retrenchment benefits is made based on the management decision to reduce number of employees of a subsidiary company based on the voluntary separation scheme. The employees participate in the scheme will be compensated based on the number of years service rendered and the last drawn basic salary of the employees.

The amount will be utilised in the next twelve months.

#### Warranties

The provision for warranties relates to tyres sold. The provision is based on historical warranty data and a weighting of all possible outcomes against the associated probabilities. The Group expects to incur the liability over the next 4 years as tyres are guaranteed for 4 years from the production date.

### 31. PROVISIONS (continued)

#### Advertising and sales promotion

The provision for advertising and sales promotion relates to expenses incurred for a subsidiary company's day-to-day advertising and promotions and also motorsports events. The provision is made based on contractual arrangements and commitments entered into by the subsidiary company. The subsidiary company expects to settle the liability over the next year.

#### Special price discounts and incentives

The provision for special price discounts and incentives is made by a subsidiary company and is given to dealers and relates to their purchases and sales of tyres. The provision is made based on a relevant percentage of purchases and sales made by them during the year. The subsidiary company expects to settle the liability over the next year.

### 32. SHORT TERM BORROWINGS

#### (a) Bank overdrafts

	GROUP	
	2009 RM'000	2008 RM'000
Secured (Note 36(d))	5,623	17,854

#### (b) Other borrowings

	GROUP	
	2009 RM'000	2008 RM'000
Secured:		
Bills payable	14,020	30,580
Export credit refinancing	1,136	9,766
Revolving credits	5,185	8,091
	<b>20,341</b>	48,437
Unsecured:		
Term loan - repayable within one year	22,496	20,786
	<b>42,837</b>	69,223

The secured borrowings of the Group are secured by way of floating charges over all present and future current assets of certain subsidiary companies.

Included in the term loan is an amount due to a related company of RM7.5 million (2008: Nil).

### 32. SHORT TERM BORROWINGS (continued)

The range of interest rates for the respective borrowings are as follows:

	GROUP	
	2009	2008
	%	%
Bank overdrafts	7.9	8.3 - 10.0
Bills payable	3.3 - 5.5	5.1 - 6.1
Export credit refinancing	3.3	4.5
Revolving credits	8.3	4.5 - 8.8
Term loan	4.3 - 6.0	4.2 - 8.1

The major financial covenants of the secured banking facilities are as follows:

- (i) minimum level of ratio of the subsidiary company's consolidated earnings before interest, tax, depreciation and amortisation to the sum of interest, fees and all financing charges is 1.25.
- (ii) minimum level of the subsidiary company's consolidated current ratio is 0.8.
- (iii) minimum subsidiary company's consolidated tangible net worth is RM185 million.
- (iv) ratio of the subsidiary company's consolidated total liabilities and bank borrowings to the subsidiary company's consolidated tangible net worth is limited to 1.0 and 0.9 respectively.

As at 30 June 2009, the ratio in (ii) above has not been met. However, the lenders have continued to support the subsidiary company and waiver of non-compliance will be sought if necessary.

### 33. SIGNIFICANT RELATED PARTY/COMPANY TRANSACTIONS

- (a) Related parties are entities in which Directors and/or substantial shareholders of the Company or its subsidiary companies or persons connected to such Directors or substantial shareholders have an interest.

Related companies represent subsidiary companies of Lion Forest Industries Berhad and Lion Industries Corporation Berhad.

	GROUP	
	2009	2008
	RM'000	RM'000
(i) Sales of goods and services to:		
Amsteel Mills Sdn Bhd – related company	143	149
Singa Logistics Sdn Bhd – related company	110	421
KMA Marketing Sdn Bhd	415	457
Megasteel Sdn Bhd	123	182
Posim Petroleum Marketing Sdn Bhd – related company	109	640
Shandong Silverstone LuHe Rubber & Tyre Co Ltd – related company	13,026	18,305

**33. SIGNIFICANT RELATED PARTY/COMPANY TRANSACTIONS (continued)**

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
(ii) Purchase of goods and services from:		
Secom (Malaysia) Sdn Bhd	<b>165</b>	160
Posim Petroleum Marketing Sdn Bhd – related company	<b>872</b>	884
KMA Marketing Sdn Bhd	<b>712</b>	754
Kinabalu Motor Assembly Sdn Bhd	<b>145</b>	112
	<b>1,994</b>	1,900

KMA Marketing Sdn Bhd, Kinabalu Motor Assembly Sdn Bhd and Megasteel Sdn Bhd are subsidiary companies of Lion Corporation Berhad, a company in which certain Directors of the Company have interests.

Secom (Malaysia) Sdn Bhd is a subsidiary company of Amsteel Corporation Berhad, a company in which certain Directors of the Company have interests.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no more favourable to the related parties than those arranged with independent third parties.

**(b) Compensation of key management personnel**

The remuneration of other member of key management personnel, other than the Director, of the Group during the financial year are as follows:

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries, allowances and bonuses	<b>1,073</b>	1,280
Defined contribution plans	<b>137</b>	171
	<b>1,210</b>	1,451

**34. COMMITMENTS**

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

	<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure for property, plant and equipment:		
- approved and contracted for	<b>2,854</b>	15,115
- approved but not contracted for	<b>13,121</b>	32,756
	<b>15,975</b>	47,871

### 35. SEGMENTAL INFORMATION - GROUP

The Group is organised into two major business segments:

- (i) Tyre - Manufacture, sale and distribution of tyres, retreading tyres, rubber compounds and other related rubber products.
- (ii) Motor - Sales and distribution of motor vehicles and manufacturing of motorcycle parts.

Other business segments include investment holding, treasury business and provision of training services.

The Directors are of the opinion that all inter-segment transactions have been established on terms and conditions that are no more favourable to the related parties than those arranged with unrelated parties.

#### (a) Business segments

	Motor RM'000	Tyre RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>2009</b>					
<b>Revenue</b>					
External	26,865	404,071	1,215	-	432,151
Inter-segment	1	11	88	(100)	-
<b>Total revenue</b>	<b>26,866</b>	<b>404,082</b>	<b>1,303</b>	<b>(100)</b>	<b>432,151</b>
<b>Results</b>					
Segment results	(4,441)	21,513	(12,610)	-	4,462
Interest income					2,594
Profit from operations					7,056
Finance costs					(26,948)
Share in results of associated companies					(46,837)
Loss before taxation					(66,729)
Taxation					(2,727)
Loss after taxation					(69,456)
Minority interests					26,194
Net loss for the year					(43,262)
<b>Assets</b>					
Segment assets	11,011	634,608	103,809	(343,769)	405,659
Investment in associated companies					196,489
Unallocated corporate assets					42,374
					644,522
<b>Liabilities</b>					
Segment liabilities	42,429	39,778	309,729	(343,769)	48,167
Unallocated corporate liabilities					571,371
					619,538
<b>Other information</b>					
Capital expenditure	129	19,383	10	-	19,522
Depreciation and amortisation	1,475	20,422	58	-	21,955
Other non-cash expenses	1,261	38,731	688	-	40,680

**35. SEGMENTAL INFORMATION – GROUP (continued)**
**(a) Business segments (continued)**

	<b>Motor RM'000</b>	<b>Tyre RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
<b>2008</b>					
<b>Revenue</b>					
External	122,307	430,295	1,273	-	553,875
Inter-segment	103	-	102	(205)	-
Total revenue	122,410	430,295	1,375	(205)	553,875
<b>Results</b>					
Segment results	(11,041)	18,291	27,567	-	34,817
Interest income					2,455
Profit from operations					37,272
Finance costs					(27,433)
Allowance for losses on quoted and unquoted investments					(3,882)
Share in results of associated companies					(11,552)
Loss before taxation					(5,595)
Taxation					(2,109)
Loss after taxation					(7,704)
Minority interests					3,485
Net loss for the year					(4,219)
<b>Assets</b>					
Segment assets	59,821	672,570	94,842	(342,455)	484,778
Investment in associated companies					231,052
Unallocated corporate assets					64,121
					779,951
<b>Liabilities</b>					
Segment liabilities	51,184	56,680	303,088	(342,455)	68,497
Unallocated corporate liabilities					605,185
					673,682
<b>Other information</b>					
Capital expenditure	950	23,026	436	-	24,412
Depreciation and amortisation	5,900	19,035	51	-	24,986
Other non-cash expenses	3,533	47,562	6,180	-	57,275

**35. SEGMENTAL INFORMATION – GROUP (continued)**
**(b) Geographical Segments**

The Group's operations are mainly located in Malaysia and China. In Malaysia, its home country, the Group's business operations are principally in the manufacture and sale of "Silverstone" tyres, sale and distribution of motor vehicles, provision of training services and investments holding. In China, its business operations are principally in the manufacture of motorcycle parts.

	Revenue from		Total Assets		Capital	
	External customers				Expenditure	
	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	<b>311,459</b>	339,088	<b>418,912</b>	560,337	<b>19,393</b>	23,366
China	<b>22,349</b>	119,889	<b>81,437</b>	132,392	<b>129</b>	1,046
Others	<b>98,343</b>	94,898	<b>144,173</b>	87,222	-	-
	<b>432,151</b>	553,875	<b>644,522</b>	779,951	<b>19,522</b>	24,412

**36. CASH FLOW STATEMENTS**
**(a) Adjustments for non-cash items, interests and dividends:**

	GROUP		COMPANY	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment:				
- depreciation	<b>21,059</b>	24,749	<b>5</b>	13
- written off	<b>223</b>	451	-	-
- gain on disposal	<b>(254)</b>	(26)	-	-
- impairment losses	<b>17,051</b>	8,142	-	-
Interest expenses	<b>26,948</b>	27,433	<b>25,174</b>	25,335
Interest income	<b>(2,594)</b>	(2,455)	<b>(7,991)</b>	(8,010)
(Writeback)/Allowance for slow moving and obsolete inventories	<b>(806)</b>	4,659	-	-
Allowance for:				
- doubtful receivables	<b>4,344</b>	7,393	<b>688</b>	68,794
- doubtful receivables written back	<b>(4,009)</b>	(120)	-	(120)
Share in results of associated companies	<b>46,837</b>	11,552	-	-
Impairment in value of investment in quoted and unquoted shares	-	3,882	-	3,882
(Gain)/Loss on disposal of:				
- quoted investments	<b>(153)</b>	114	<b>(155)</b>	114
- subsidiary companies	<b>(12,911)</b>	(5,169)	-	-
Amortisation of prepaid land lease payments	<b>896</b>	238	-	-

**36. CASH FLOW STATEMENTS (continued)**

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

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Written off:				
- inventories	1,832	44	-	-
- bad receivables	-	403	-	395
Provision for:				
- advertising and sales promotion	100	11,995	-	-
- special price discounts and incentives	8,892	18,692	-	-
- warranties	3,566	900	-	-
- retrenchment benefits	402	-	-	-
Reversal of impairment loss in investment of an associated company	(4,223)	-	-	-
Unrealised foreign exchange loss/(gain)	28,924	(22,558)	39,131	(27,084)
Dividend income	(15)	(3,390)	(15)	(1,207)
Impairment loss on ACB Bonds	611	-	611	-
Reversal of impairment loss in value of unquoted investments	(783)	-	(783)	-
	<b>135,937</b>	<b>86,929</b>	<b>56,665</b>	<b>62,112</b>

(b) Purchase of property, plant and equipment:

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM19.52 million (2008: RM24.41 million) of which nil (2008: RM0.26 million) was acquired by means of hire purchase. In 2008, RM0.12 million of shop office was acquired by means of contra against trade receivables. Cash payments of RM19.52 million (2008: RM24.03 million) were made to purchase other property, plant and equipment.

(c) Summary of effects on disposal of subsidiary companies:

	GROUP	
	2009 RM'000	2008 RM'000
Property, plant and equipment	22,865	38,967
Prepaid land lease payments	4,434	487
Investments	255	570
Inventories	4,381	25,097
Trade and other receivables	13,608	31,513
Cash and bank balances	2,849	8,412
Trade and other payables	(9,933)	(40,472)
Short term borrowings	-	(20,137)
Tax liabilities	(98)	(66)
Minority interests	(16,282)	(21,653)
Net assets disposed of	22,079	22,718
Transfer from translation reserve and other reserves	(11,667)	(9,165)
Gain on disposal	12,911	5,169
Total cash consideration	23,323	18,722
Receivables from associated company/other receivables	(17,995)	(18,722)
Cash and cash equivalents of subsidiary companies disposed of	(2,849)	(8,412)
Net cash inflow/(outflow)	<b>2,479</b>	<b>(8,412)</b>

**36. CASH FLOW STATEMENTS (continued)**

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

	GROUP		COMPANY	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and bank balances	15,184	3,664	591	470
Deposits with financial institutions	23,331	20,292	3,107	5,459
Short term borrowings				
- bank overdrafts (Note 32 (a))	(5,623)	(17,854)	-	-
	<b>32,892</b>	6,102	<b>3,698</b>	5,929
Deposits earmarked for AMB Bonds redemption and SPV Debts repayment (Note 23)	(3,180)	(5,490)	(3,107)	(5,459)
Deposits pledged to a financial institution (Note 23)	(18,529)	-	-	-
	<b>11,183</b>	612	<b>591</b>	470

**37. DISPOSAL OF A SUBSIDIARY COMPANY**

The Group had on 24 December 2008 disposed of its entire 60% equity interest in Nanjing Jingyi Casting Co Ltd ("Nanjing Jingyi") to Nanjing Jincheng Machinery Co Ltd for a cash consideration of Rmb43.99 million (approximately RM23.32 million). Upon the disposal, the Group ceased its ability to control the financial and operating policies of the subsidiary company. The details of the disposal are mentioned in Note 39. The results of Nanjing Jingyi had previously been reported under the motor segment.

(i) The effects of the disposal of Nanjing Jingyi on the financial results of the Group were as follows:

	Up to the date of disposal RM'000	Financial year ended 30.6.2008 RM'000
Revenue	22,349	39,306
Changes in inventories of finished goods and work-in-progress	(833)	1,064
Raw materials and consumables	(11,797)	(17,002)
Employee benefits expense	(3,548)	(3,285)
Depreciation	(1,299)	(2,417)
Other operating expense	(5,322)	(18,186)
Loss from operation	(450)	(520)
Finance costs	-	(3)
Loss before taxation	(450)	(523)
Taxation	-	(10)
Loss after taxation	(450)	(533)

### 37. DISPOSAL OF A SUBSIDIARY COMPANY (continued)

(ii) The effects of the disposal of Nanjing Jingyi on the financial position of the Group were as follows:

	Up to the date of disposal RM'000	Financial year ended 30.6.2008 RM'000
Assets and liabilities:		
Property, plant and equipment	22,865	22,583
Prepaid land lease payments	4,434	4,270
Investments	255	238
Inventories	4,381	3,907
Trade and other receivables	13,608	11,757
Cash and bank balances	2,849	1,983
Trade and other payables	(9,933)	(8,432)
Tax liabilities	(98)	(136)
Minority interests	(16,282)	(15,407)
	<hr/>	<hr/>
Net assets disposed of	<b>22,079</b>	<b>20,763</b>

### 38. FINANCIAL INSTRUMENTS

#### Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines on financial risk management and it is not the Group's policy to engage in speculative transactions.

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

#### (a) Foreign Currency Risk

The Group's exposure to currency risks is mainly in US Dollar. The Group attempts to limit its exposure in foreign currency by entering into forward contracts wherever possible.

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

	US Dollar RM'000	Sterling Pound RM'000	Euro RM'000	Others RM'000	Total RM'000
<b>As at 30 June 2009</b>					
<b>Functional currency</b>					
<b>Trade and other receivables</b>					
Ringgit Malaysia	7,363	2,290	2,148	-	11,801
<b>Trade and other payables</b>					
Ringgit Malaysia	1,336	28	4	124	1,492
<b>Bonds and debts</b>					
Ringgit Malaysia	353,845	-	-	-	353,845
<b>Borrowings</b>					
Ringgit Malaysia	2,712	-	-	-	2,712
Singapore Dollar	22,496	-	-	-	22,496

**38. FINANCIAL INSTRUMENTS (continued)**
**(a) Foreign Currency Risk (continued)**

	US Dollar RM'000	Sterling Pound RM'000	Euro RM'000	Others RM'000	Total RM'000
<b>As at 30 June 2008</b>					
<b>Functional currency</b>					
<b>Trade and other receivables</b>					
Ringgit Malaysia	24,494	1,878	4,018	-	30,390
<b>Cash and bank balances</b>					
Chinese Renminbi	139	-	-	-	139
<b>Trade and other payables</b>					
Ringgit Malaysia	6,434	-	-	18	6,452
<b>Bonds and debts</b>					
Ringgit Malaysia	344,563	-	-	-	344,563
<b>Borrowings</b>					
Ringgit Malaysia	3,637	-	-	-	3,637
Singapore Dollar	20,786	-	-	-	20,786

**(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 deposits. Interest rates of the Group's borrowings are managed through fixed and floating rates. Investments in financial assets are short term in nature and are mostly placed as deposits with licensed financial institutions.

**(c) Credit Risk**

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

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

**(d) Market risk**

The Group has in place policies to manage the Group's exposure to fluctuation in the prices of the key raw materials used in the operations through close monitoring and buying ahead in anticipation of significant price increase, where possible. For market risk arising from changes in equity prices, the Group manages disposal of its investments to optimise returns on realisation.

**(e) Liquidity and cash flow risks**

The Group actively managed its debt maturity profile, operating cash flows and the availability of the funding so as to ensure that all financing, repayment and funding needs are met. As part of the overall prudent liquidity management, the Group endeavours to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

### 38. FINANCIAL INSTRUMENTS (continued)

#### Fair values

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

	GROUP		COMPANY	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>2009</b>				
<b>Financial assets</b>				
Investment in quoted shares	75	75	75	75
Investment in quoted warrants	783	783	783	783
<b>Financial liabilities</b>				
Redeemable cumulative convertible preference shares	30,575	28,271	30,575	28,271
<b>2008</b>				
<b>Financial assets</b>				
Investment in quoted shares	2,532	3,009	2,528	3,007
<b>Financial liabilities</b>				
Redeemable cumulative convertible preference shares	30,575	28,534	30,575	28,534

No disclosure is made for the other unquoted investments as it is not practical to determine the fair values of these investments because of the lack of market information and the inability to estimate fair value without incurring excessive costs. However, the Group does not expect the carrying amounts to be significantly different from the recoverable amounts.

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

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

- (ii) Quoted investments

The fair values of quoted shares and warrants are determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

- (iii) Investment in unquoted bonds

The fair value of the unquoted bonds has been determined by discounting the relevant cash flows using current interest rate for similar instrument at balance sheet date.

### 38. FINANCIAL INSTRUMENTS (continued)

#### Fair values (continued)

- (iv) Amounts due from/(to) subsidiary, associated and related companies

It is not practical to estimate the fair values of amounts due from/(to) subsidiary, associated and related companies due principally to the lack of fixed repayment terms between the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

- (v) Borrowings

The carrying amounts of short term borrowings approximate fair values because of the short maturity period.

- (vi) Redeemable cumulative convertible preference shares ("RCCPS")

The fair value is estimated by discounting the future cash flows of preference shares on the assumption that preference dividend will be declared every year and the RCCPS will be fully redeemed at par of RM0.01 per share with a premium of RM0.99 per RCCPS, 10 years from the date of issue of the RCCPS, based on the current market rate available to the Group for borrowing with similar maturity profile.

### 39. SIGNIFICANT EVENTS

1. The Company had on 28 May 2008, received a Notice of Conditional Take-Over Offer ("Offer") from Kenanga Investment Bank Berhad, for and on behalf of Lion Forest Industries Berhad ("LFIB") to acquire:
  - a) the remaining 99.95% of the Company's existing issued and paid-up ordinary share capital not already owned by LFIB and all new shares that may be allotted and issued prior to the closing date of the offer pursuant to the conversion of any remaining preference shares of RM0.01 each by the Company ("RCCPS") (collectively the "Offer Shares"), to be satisfied by the issue and allotment of one new ordinary share of RM1.00 in LFIB at an issue price of RM1.00 each ("Consideration Shares") for every fifteen existing shares held; and
  - b) the remaining 93.63% of the RCCPS in issue not already held by Jedeford International Limited, a wholly-owned subsidiary company of LFIB, to be satisfied by the issue and allotment of two Consideration Shares for every thirty-three existing RCCPS held.

Upon the completion of the Offer on 28 November 2008, LFIB held in aggregate 286,173,498 ordinary shares of RM1.00 each in the Company representing 84.16% of the issued and paid-up capital of the Company and Jedeford International Limited, a wholly-owned subsidiary company of LFIB, held 16,226,329 RCCPS representing 53.07% of the RCCPS in issue. LFIB thus became the holding company of the Company.

2. On 24 December 2008, Innovasi Istimewa Sdn Bhd, a wholly-owned subsidiary company of the Company had entered into an agreement with Nanjing Jincheng Machinery Co Ltd to dispose of its entire 60% equity interest in Nanjing Jingyi Casting Co Ltd ("Nanjing Jingyi") for a cash consideration of Rmb43.99 million (approximately RM23.32 million) ("Proposed Disposal"). The Proposed Disposal was completed on 6 March 2009. Consequent thereupon, Nanjing Jingyi ceased to be a subsidiary company of the Company.

## STATEMENT BY DIRECTORS

We, **TAN SRI WILLIAM H.J. CHENG and NGAN YOW CHONG**, being two of the Directors of **SILVERSTONE CORPORATION BERHAD**, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 11 to 67 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2009 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 28 September 2009.

**TAN SRI WILLIAM H.J. CHENG**  
Chairman

Kuala Lumpur

**NGAN YOW CHONG**  
Executive Director

## STATUTORY DECLARATION

I, **NGAN YOW CHONG**, being the Director primarily responsible for the financial management of **SILVERSTONE CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 11 to 67 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 above-named **NGAN YOW CHONG** at Kuala Lumpur in the Federal Territory on 28 September 2009.

**NGAN YOW CHONG**

Before me

**W259**  
**AHMAD B. LAYA**  
Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERSTONE CORPORATION BERHAD

## Report on the Financial Statements

We have audited the accompanying financial statements of SILVERSTONE CORPORATION BERHAD, which comprise the balance sheets as at 30 June 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 67.

### Directors' Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's 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 Company'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 of 30 June 2009 and of their financial performance and cash flows of the Company for the year then ended.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which discloses the premises upon which the Group and Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred a net loss of RM69.4 million and RM57.3 million respectively during the financial year ended 30 June 2009 and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM397.6 million and RM54.6 million respectively. In addition, we draw attention to Note 27 which set forth the status of the Group's borrowings and management's plans to redress those conditions.

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERSTONE CORPORATION BERHAD**

## **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept accordance with the provisions of the Act.
- (b) we have considered the financial statements and the independent auditors' reports of all the subsidiary companies which we have not acted as auditors, which are indicated in Note 16 to the financial statements.
- (c) we are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanations as required by us for those purposes.
- (d) the independent auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment 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.

**ONG BOON BAH & CO**  
**AF: 0320**  
**Chartered Accountants**

**LIM KOK BENG**  
**588/02/11(J)**  
**Partner of the Firm**

Kuala Lumpur  
28 September 2009

## OTHER INFORMATION

### (I) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”)

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

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

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

#### 1. Organisation Structure

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

##### 1.1 Group Management Structure

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

##### 1.2 Silverstone Corporation Berhad (“SCB”) Management Structure

The SCB management structure is headed by a well-balanced and experienced Board of Directors who is responsible for the financial performance and profitability of SCB as well as the implementation of various strategic business plans and objectives of the SCB Group, including overseeing the divestment plans of the SCB Group.

##### 1.3 KOC Organisation Structure

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

#### 2. Financial Management

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

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

**(I) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC") (continued)**
**(b) Status of Proposed Divestments Programme ("PDP")**
**(i) Status of assets to be divested**

Stages of the assets to be divested	PDP (Per GWRS)	Completed up to Dec 2008	Divestment concluded subsequent to December 2008			
			Concluded Sales Total	Proceeds received/to be received (Jan – Dec 2009)		
				Actual Jan to June 2009	Projected for July to Dec 2009	Jan – Dec 2009
	RM million	RM million	RM million	RM million	RM million	RM million
<b>By 31 December 2002</b> Non-listed shares in automotive industry companies **	54.7	54.7	-	-	-	-
<b>By 31 December 2003</b> Wuxi Top Absorber Co Ltd (30% equity interest)	9.8	11.2	-	-	-	-
Non-listed shares in automotive industry companies	74.0	-	-	-	-	-
	83.8					
<b>By 31 December 2004</b> Wuhan Fortune Motor Co Ltd (refer to (ii) (1))	42.7	43.5	-	-	-	-
Jiangxi Fuqi Motor Co Ltd (refer to (ii) (2))	17.3	7.8	-	-	-	-
Nanjing Jingyi Casting Co Ltd (refer to (ii) (3))	9.4	-	15.0	3.4	3.6	7.0
Non-listed shares in automotive industry companies	4.0	-	-	-	-	-
	73.4					
<b>By 31 December 2005</b> Dong Feng Lion Tyre Co Ltd	75.6	23.0	-	-	-	-
<b>By 31 December 2006</b> Jiangxi Fuqi Motor Co Ltd (refer to (ii) (2))	11.5	7.8	-	-	-	-
Wuxi Top Absorber Co Ltd (25% equity interest)	3.1	7.5	-	-	-	-
Nanjing Jingyi Casting Co Ltd (refer to (ii) (3))	5.3	-	8.3	1.9	2.1	4.0
Non-listed shares in automotive industry companies	74.8	-	-	-	-	-
	94.7					
<b>Total</b>	<b>382.2</b>	<b>155.5</b>	<b>23.3</b>	<b>5.3</b>	<b>5.7</b>	<b>11.0</b>

\*\* The entire divestment proceeds of RM243.7 million was received by the Company, of which RM189 million had been utilised earlier by the Company to repay certain borrowings and the Security Providers of Avenel Sdn Bhd.

**(I) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”) (continued)**
**(b) Status of Proposed Divestment Programme (“PDP”) (continued)**
**(ii) Transactions completed and the details on the utilisation of the divestment proceeds received**

The details of the assets divested in the previous financial year are as follows:

Description of assets/businesses	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanation
	RM million	RM million	RM million	Amount	%	
<p>1 Disposal by Range Grove Sdn Bhd, a wholly-owned subsidiary of the Company, of its entire 50% equity interest in Wuhan Fortune Motor Co Ltd (“Wuhan Fortune”) to Tri-Ring Group Co (“Tri-Ring”) for a cash consideration of Rmb1 (equivalent to approximately RM0.46); and</p> <p>Settlement of inter-company advances to Wuhan Fortune amounting to Rmb167.56 million (equivalent to approximately RM76.93 million) by Tri-Ring for a cash consideration of Rmb94.66 million (equivalent to approximately RM43.46 million) and waiver of interest accrued thereon amounting to Rmb70.82 million (equivalent to approximately RM32.51 million).</p> <p>The disposal was completed on 24 April 2003.</p>						
(i) Estimated expenses	0.45	0.70	No requirement	-	-	-
(ii) Redemption/repayment of AMB Bonds/SPV Debts	43.01	38.86	No requirement	3.90	9.07%	RM3.80 million is pending repatriation from China
	<u>43.46</u>	<u>39.56</u>				
<p>2 Disposal by Chrome Marketing Sdn Bhd, a wholly-owned subsidiary of the Company, of its entire 50% equity interest in Jiangxi Fuqi Motor Co Ltd to Kau Hua Int’l Investment Co Ltd for a cash consideration of Rmb34.0 million (equivalent to approximately RM15.59 million).</p> <p>The disposal was completed on 6 April 2004.</p>						
(i) Estimated expenses	0.03	0.03	No requirement	-	-	-
(ii) Redemption/repayment of AMB Bonds/SPV Debts	15.56	5.91	No requirement	9.65	62.02%	RM9.65 million is pending repatriation from China
	<u>15.59</u>	<u>5.94</u>				

**(I) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION (“SC”) (continued)**
**(b) Status of Proposed Divestment Programme (“PDP”) (continued)**
**(ii) Transactions completed and the details on the utilisation of the divestment proceeds received (continued)**

The details of the assets divested in during the financial year are as follows:

Description of assets/businesses	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanation
	RM million	RM million	RM million	Amount	%	
3. On 24 December 2008, Innovasi Istimewa Sdn Bhd, a wholly-owned subsidiary company of the Company had entered into an agreement with Nanjing Jincheng Machinery Co Ltd to dispose of its entire 60% equity interest in Nanjing Jingyi Casting Co Ltd (“Nanjing Jingyi”) for a cash consideration of Rmb43.99 million (approximately RM23.32 million).						
The disposal was completed on 6 March 2009.						
(i) Redemption/repayment of AMB Bonds/SPV Debts	23.3	5.3	No requirement	18.0	77.3%	#

# (i) RM5.7 million, the second payment, has been received on 18 September 2009 and is deposited in the escrow accounts

(ii) The outstanding balance will be paid in the following manner:

a) Third payment of Rmb11.3 million (approximately RM6.4 million) is receivable within 180 days from the date of second payment

b) Final payment of Rmb11.3 million (approximately RM6.4 million) is receivable within 180 days from the date of third payment

**(iii) Plan to overcome any projected shortfall**

The Group is actively looking for potential buyers for its assets/companies identified for divestment under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the AMB Bonds/SPV Debts.

**(II) Status of the Turnaround Exercise for Loss-Making Operations**

The steps taken to turnaround the loss-making operations include, amongst others, the following:

- (i) Strengthening of key management personnel in respect of operational improvement;
- (ii) Implementation of stricter control mechanism to monitor operational cost efficiencies;
- (iii) Enhancing overall productivity efficiencies by restructuring the operational procedures through adoption of better industry practices; and
- (iv) Close monitoring of the progress of the loss-making companies, including regular review of the performance of the companies concerned, assessment of the effectiveness of the operations and management restructuring exercises and remedial actions required.

Steps taken or to be taken	Status and progress	Overall effectiveness of the exercise
<p><b>(a) Associated companies</b></p> <p><b>Nanjing Jincheng Machinery Co Ltd</b></p> <ul style="list-style-type: none"> <li>(i) Appointment of new key management staff including General Manager and reorganisation of the sales and marketing network tasks to meet stringent performance target.</li> <li>(ii) Introduction of new practices and procedures on sourcing of component parts to reduce cost of purchases.</li> <li>(iii) Maximisation of efficiency of existing production capabilities and divestment of idle assets.</li> </ul> <p><b>Suzuki Motorcycle Malaysia Sdn Bhd (“SMM”)</b></p> <p>With the greater participation from Suzuki Motor Corporation, Japan, a controlling shareholder in the business, there is stronger commitment and support to strengthen the Suzuki brand of motorcycle in the Malaysian market.</p> <p>(b) Similar steps are also being applied to other loss-making subsidiary and associated companies with the view to turning them around.</p>	<p>Implemented</p> <p>Implemented</p> <p>On-going</p> <p>Implemented</p> <p>On-going</p>	<p>Overall operational efficiency has improved with the appointment of key management staff and the management team is focussing towards productivity and cost control. However, the global economic downturn has adversely affected its performance and a loss was recorded for the financial year. Necessary steps has been undertaken by the management team to enable the company to return to its profitable position.</p> <p>SMM Group recorded a gain in the year under review arising from higher export of motorcycle spare parts.</p> <p>The management team is focussed towards productivity and cost control. Internal control procedures covering all areas of operation have been tightened whilst the timeliness and quality of management reports have been improved. The strengthening of the credit control function will enable the companies to reduce credit risks and improve its operating cash flow.</p>

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CDS ACCOUNT NUMBER

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# FORM OF PROXY

I/We .....

I.C. No./Company No. ....

of .....

being a member/members of SILVERSTONE CORPORATION BERHAD, hereby appoint .....

.....

I.C. No. ....

of .....

or failing whom, .....

I.C. No. ....

of .....

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-First Annual General Meeting of the Company to be held at the Meeting Hall, Level 48, Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur on 18 November 2009 at 9.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To receive the Directors' Report and Audited Financial Statements		
2. To approve Directors' fees		
3. To re-elect as Director, Mr Eow Kwan Hoong		
4. To re-appoint Auditors		
5. Authority to Directors to issue shares		

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

As witness my/our hand this ..... day of ..... 2009

No. of shares: .....

Signed: .....

**Representation at Meeting:**

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



