

**Company No. 42637 H**

**LION METAL INDUSTRIES SDN BHD  
(Incorporated in Malaysia)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2008**

Company No. 42637 H

**LION METAL INDUSTRIES SDN BHD**  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT**

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The Directors have pleasure in presenting their report and the audited financial statements of the Company for the financial year ended 30 June 2008.

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is provision of storage facilities.

There has been no significant change in the activity of the Company during the financial year.

### **FINANCIAL RESULTS**

|                                   |           |
|-----------------------------------|-----------|
|                                   | <b>RM</b> |
| Net profit for the financial year | 957,724   |

### **DIVIDENDS**

The Company has paid preference dividend of RM0.01 per preference share less 26% income tax amounting to RM51,793 for the financial year ended 30 June 2008.

The Company has also paid an interim dividend of RM0.10 per ordinary share less 26% income tax amounting to RM592,000 for the financial year ended 30 June 2008.

### **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

### **DIRECTORS**

The Directors who have held office since the date of the last report are:

Wang Wing Ying  
Anthony Julian Chin Yoke Sheng

### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit 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.

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.

**LION METAL INDUSTRIES SDN BHD**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT (cont'd)**

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, none of the Directors holding office at the end of the financial year held any shares in the Company during and at the end of the financial year.

The Directors' interests in shares in the related companies are as follows:

|                                  | Number of ordinary shares of RM1.00 each |           |           |                   |
|----------------------------------|--|-----------|-----------|-------------------|
|                                  | As at<br>01/07/07                        | Additions | Disposals | As at<br>30/06/08 |
| <b>Direct interest in shares</b> |  |           |           |                   |
| <b>Wang Wing Ying</b>            |  |           |           |                   |
| Amsteel Corporation Berhad       | 100                                      | -         | -         | 100               |

|                                    | Number of ordinary shares of RM1.00 each |           |           |                   |
|------------------------------------|--|-----------|-----------|-------------------|
|                                    | As at<br>15/08/07                        | Additions | Disposals | As at<br>30/06/08 |
| <b>Indirect interest in shares</b> |  |           |           |                   |
| <b>Wang Wing Ying</b>              |  |           |           |                   |
| Amsteel Corporation Berhad         | 100                                      | -         | -         | 100               |

Other than as disclosed above, the other Director in office at the end of the financial year does not have any interest in shares in the related companies during and at the end of the financial year.

**OTHER STATUTORY INFORMATION**

Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps:

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

Company No. 42637 H

**LION METAL INDUSTRIES SDN BHD**  
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**DIRECTORS' REPORT (cont'd)**

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

- (a) which would render the amounts written off for bad receivables or the amount of the allowance for doubtful receivables in the financial statements of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements 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 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 Company misleading.

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

- (a) any charge on the assets 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 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 Company to meet its obligations as and when they fall due.

In the opinion of the Directors:

- (a) the results 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) 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 Company for the financial year in which this report is made.

Company No. 42637 H

**LION METAL INDUSTRIES SDN BHD**  
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**DIRECTORS' REPORT (cont'd)**

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**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 16 September 2008.



**WANG WING YING**  
Director



**ANTHONY JULIAN CHIN YOKE SHENG**  
Director

Kuala Lumpur

Company No. 42637 H

**LION METAL INDUSTRIES SDN BHD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

We, WANG WING YING and ANTHONY JULIAN CHIN YOKE SHENG, being the Directors of LION METAL INDUSTRIES SDN BHD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 8 to 27 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 Company as at 30 June 2008 and of the results and cash flows of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 16 September 2008.



**WANG WING YING**  
Director



**ANTHONY JULIAN CHIN YOKE SHENG**  
Director

Kuala Lumpur

**STATUTORY DECLARATION**

I, TAI LEE SING, the officer primarily responsible for the financial management of LION METAL INDUSTRIES SDN BHD, do solemnly and sincerely declare that the financial statements set out on pages 8 to 27 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed TAI LEE SING at Kuala Lumpur in the Federal Territory on 16 September 2008.



**TAI LEE SING**

Before me



Commissioner for Oaths  
Kuala Lumpur



LOT 5.28-5.30, TINGKAT 5  
WISMA CENTRAL  
JALAN AMPANG  
50450 KUALA LUMPUR

# ONG BOON BAH & CO

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LION METAL INDUSTRIES SDN BHD

Company No. 42637 H

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### Report on the Financial Statements

We have audited the accompanying financial statements of LION METAL INDUSTRIES SDN BHD, which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 27.

#### 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 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.

# ONG BOON BAH & CO

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LION METAL INDUSTRIES SDN BHD (cont'd)

Company No. 42637 H

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### 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 Company as of 30 June 2008 and of its financial performance and cash flows for the year then ended.

### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

### Other Matters

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



ONG BOON BAH & CO  
AF:0320  
Chartered Accountants



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

Kuala Lumpur  
16 September 2008

**LION METAL INDUSTRIES SDN BHD**  
(Incorporated in Malaysia)

**BALANCE SHEET**  
**AS AT 30 JUNE 2008**

|  | Note | 2008<br>RM               | 2007<br>RM<br>Restated   |
|--|------|--------------------------|--------------------------|
| <b>ASSETS</b>  |      |                          |                          |
| <b>Non-current assets</b>                                  |      |                          |                          |
| Property, plant and equipment                              | 4    | 6,005,709                | 6,168,414                |
| Prepaid land lease payments                                | 5    | 5,086,278                | 5,149,856                |
|  |      | <u>11,091,987</u>        | <u>11,318,270</u>        |
| <b>Current assets</b>                                      |      |                          |                          |
| Trade receivables  | 6    | 916,966                  | 653,825                  |
| Deposits and prepayments                                   | 7    | 32,626                   | 23,115                   |
| Amount due from related companies                          | 8    | 2,759,593                | 2,759,593                |
| Tax recoverable  |      | 12,317                   | 19,642                   |
| Fixed deposit with a licensed bank                         | 9    | 80,587                   | 77,712                   |
| Cash at banks  |      | 1,892,860                | 993,055                  |
|  |      | <u>5,694,949</u>         | <u>4,526,942</u>         |
| <b>TOTAL ASSETS</b>  |      | <u><u>16,786,936</u></u> | <u><u>15,845,212</u></u> |
| <b>EQUITY AND LIABILITIES</b>                              |      |                          |                          |
| <b>Equity attributable to equity holder of the Company</b> |      |                          |                          |
| Share capital  | 10   | 8,069,990                | 8,069,990                |
| Accumulated profits  |      | 3,484,000                | 3,170,069                |
| <b>Total equity</b>  |      | <u>11,553,990</u>        | <u>11,240,059</u>        |
| <b>Non-current liability</b>                               |      |                          |                          |
| Deferred tax liabilities                                   | 11   | 445,160                  | 461,160                  |
| <b>Current liabilities</b>                                 |      |                          |                          |
| Other payable and accruals                                 | 12   | 517,197                  | 517,197                  |
| Amount due to ultimate holding company                     | 8    | 2,392,408                | 1,800,408                |
| Amount due to a related company                            | 8    | 1,878,181                | 1,826,388                |
|  |      | <u>4,787,786</u>         | <u>4,143,993</u>         |
| <b>Total liabilities</b>                                   |      | <u>5,232,946</u>         | <u>4,605,153</u>         |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        |      | <u><u>16,786,936</u></u> | <u><u>15,845,212</u></u> |

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

Company No. 42637 H

**LION METAL INDUSTRIES SDN BHD**  
(Incorporated in Malaysia)

**INCOME STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

|   | Note | 2008<br>RM | 2007<br>RM |
|---|------|------------|------------|
| Revenue                                     | 13   | 1,623,649  | 1,617,797  |
| Other operating income                      |      | 2,875      | 35,609     |
| Depreciation                                |      | (162,705)  | (175,727)  |
| Amortisation of prepaid land lease payments |      | (63,578)   | (63,578)   |
| Other operating expenses                    |      | (300,595)  | (286,095)  |
| Profit from operations                      | 14   | 1,099,646  | 1,128,006  |
| Finance cost                                |      | -          | -          |
| Profit before taxation                      |      | 1,099,646  | 1,128,006  |
| Taxation                                    | 15   | (141,922)  | (432,919)  |
| Net profit for the financial year           |      | 957,724    | 695,087    |

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

**LION METAL INDUSTRIES SDN BHD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

|                                   | Note | Share<br>capital<br>RM | Accumulated<br>profits<br>RM | Total<br>equity<br>RM |
|-----------------------------------|------|------------------------|------------------------------|-----------------------|
| Balance at 1 July 2006            |      | 8,069,990              | 3,110,075                    | 11,180,065            |
| Net profit for the financial year |      | -                      | 695,087                      | 695,087               |
| Dividends                         | 16   | -                      | (635,093)                    | (635,093)             |
| Balance at 30 June 2007           |      | 8,069,990              | 3,170,069                    | 11,240,059            |
| Net profit for the financial year |      | -                      | 957,724                      | 957,724               |
| Dividends                         | 16   | -                      | (643,793)                    | (643,793)             |
| Balance at 30 June 2008           |      | 8,069,990              | 3,484,000                    | 11,553,990            |

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

Company No. 42637 H

**LION METAL INDUSTRIES SDN BHD**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

|  | Note | 2008<br>RM | 2007<br>RM  |
|--|------|------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |      |            |             |
| Profit before taxation                                       |      | 1,099,646  | 1,128,006   |
| Adjustments for:   |      |            |             |
| Depreciation   |      | 162,705    | 175,727     |
| Amortisation of prepaid land lease payments                  |      | 63,578     | 63,578      |
| Interest income  |      | (2,875)    | (35,609)    |
| Operating profit before working capital changes              |      | 1,323,054  | 1,331,702   |
| (Increase)/Decrease in trade and other receivables           |      | (272,652)  | 1,200,780   |
| Decrease in other payables                                   |      | -          | (16,115)    |
| Cash generated from operations                               |      | 1,050,402  | 2,516,367   |
| Tax paid   |      | (150,597)  | (312,000)   |
| Net cash inflow from operating activities                    |      | 899,805    | 2,204,367   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |      |            |             |
| Purchase of property, plant and equipment                    |      | -          | (56,000)    |
| Repayments from related companies                            |      | -          | 153,238     |
| Interest received  |      | 2,875      | 8,286       |
| Net cash inflow from investing activities                    |      | 2,875      | 105,524     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |      |            |             |
| Increase in fixed deposit pledged                            |      | (2,875)    | (2,773)     |
| Advances from/(Repayment to) ultimate holding company        |      | 592,000    | (6,656,223) |
| Advances from related company                                |      | 51,793     | 51,093      |
| Dividend paid  |      | (643,793)  | (635,093)   |
| Net cash outflow from financing activities                   |      | (2,875)    | (7,242,996) |
| Net increase/(decrease) in cash and cash equivalents         |      | 899,805    | (4,933,105) |
| Cash and cash equivalents at beginning of the financial year |      | 993,055    | 5,926,160   |
| Cash and cash equivalents at the end of the financial year   | 17   | 1,892,860  | 993,055     |

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRSs") in Malaysia. At the beginning of the current financial year, the Company had adopted new and revised FRSs as described in Note 2 to the financial statements.

The financial statements of the Company have also been prepared on a historical basis unless otherwise indicated in this summary of significant accounting policies.

The financial statements are presented in Ringgit Malaysia (RM).

**(b) Property, plant and equipment**

Property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

|                        |        |
|------------------------|--------|
| Buildings              | 2%     |
| Furniture and fittings | 10%    |
| Plant and machinery    | 5%-20% |

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

**1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(c) Leases**

**(i) Classification**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. All lease that do not transfer substantially all the risks and rewards are classified as operating leases.

**(ii) Operating lease**

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.

**(d) Income tax**

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unutilised 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, unutilised tax losses and unused tax credits can be utilised.

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

**1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(e) Impairment of assets**

The carrying values of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net selling price of an asset and its value in use, which is measured by reference to the present value of estimated future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

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

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

**(f) Financial instruments**

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company 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 statement, cash and cash equivalents include cash on hand and at bank and deposit at call which have insignificant risk of changes in value, net of outstanding bank overdraft.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)

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**1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(f) Financial instruments (cont'd)**

**(ii) Receivables**

Receivables are carried at anticipated realisable value. Bad receivables are written off in the period in which they are identified. Allowance for bad and doubtful receivables is made based on estimates of possible losses which may arise from non-collection of certain receivables.

**(iii) 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.

**(vi) Equity instruments**

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

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.

**(g) Revenue recognition**

Rental income is accounted for on an accrual basis in accordance with the substance of the relevant agreement.

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

On 1 July 2007, the Company adopted the following new and revised FRSs, Amendment to FRSs and Interpretations issued by the Malaysian Accounting Standards Board ("MASB"):

**(i) FRSs that are mandatory for financial periods beginning on or after 1 October 2006:**

FRS 117: Leases  
FRS 124: Related Party Disclosures

**(ii) FRS and Amendment to FRS that are mandatory for financial periods beginning on or after 1 January 2007:**

FRS 6: Exploration for and Evaluation of Mineral Resources  
Amendment to FRS 119<sup>2004</sup>: Employee Benefits - Actuarial Gains and Losses,  
Group Plans and Disclosures

**2. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)**

**(iii) FRSs, Amendment to FRS and Interpretations that are mandatory for financial periods beginning on or after 1 July 2007:**

- FRS 107: Cash Flow Statements
- FRS 111: Construction Contracts
- FRS 112: Income Taxes
- FRS 118: Revenue
- FRS 120: Accounting for Government Grants and Disclosure of Government Assistance
- Amendment to FRS 121 - The Effects of Changes in Foreign Exchange Rates
  - Net Investment in a Foreign Operation
- FRS 134: Interim Financial Reporting
- FRS 137: Provisions, Contingent Liabilities and Contingent Assets
- IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6: Liabilities arising from Participating in a Specific Market
  - Waste Electrical and Electronic Equipment
- IC Interpretation 7: Applying the Restatement Approach under FRS 129
  - Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8: Scope of FRS 2

At the date of authorisation of issue of the financial statements of the Company, accounting standard which has been issued but not yet effective for the Company is FRS 139: Financial Instruments: Recognition and Measurement. FRS 139 is effective for accounting periods beginning on or after 1 January 2010. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company will apply this standard from financial year ending 30 June 2011.

By virtue of the exemption in paragraph 103AB of FRS 139, the impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

The adoption of FRS 6, FRS 111, FRS 120, FRS 134, Amendment to FRS 121 and Interpretations No. 1, 2, 5, 6, 7 and 8 are not applicable to the Company's operations. The adoption of the revised FRS 124 and Amendment to FRS 119<sup>2004</sup> gave rise to additional disclosures but did not result in significant changes in accounting policies of the Company.

**2. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)**

The adoption of the other new and revised FRSs does not have any significant impact on the financial statements of the Company except for FRS 117: Leases as discussed below:

**FRS 117: Leases**

**Leasehold land held for own use**

Prior to 1 July 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Company has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The effects on the balance sheet as at 30 June 2008 are as follow:

|   | <b>2008<br/>RM</b> |
|---|--------------------|
| Decrease in property, plant and equipment | (5,086,278)        |
| Increase in prepaid land lease payments   | <u>5,086,278</u>   |

There was no effect on the income statement for the financial year ended 30 June 2008.

The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as such, certain comparatives have been restated.

|                               | <b>As previously<br/>reported<br/>RM</b> | <b>Reclassification<br/>RM</b> | <b>As restated<br/>RM</b> |
|-------------------------------|--|--------------------------------|---------------------------|
| Property, plant and equipment | 11,318,270                               | (5,149,856)                    | 6,168,414                 |
| Prepaid land lease payments   | <u>-</u>                                 | <u>5,149,856</u>               | <u>5,149,856</u>          |

**3. SIGNIFICANT 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) Depreciation of property, plant and equipment**

The cost of property, plant and equipment 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.

**(ii) Allowance for doubtful receivables**

The Company 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.

LION METAL INDUSTRIES SDN BHD  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)

## 4. PROPERTY, PLANT AND EQUIPMENT

| At 30 June 2008                 | Building<br>RM                                  | Plant and<br>machinery<br>RM | Furniture<br>and fittings<br>RM | Total<br>RM |
|---------------------------------|---|------------------------------|---------------------------------|-------------|
| <b>COST</b>                     |   |                              |                                 |             |
| At 1 July 2007/ 30 June 2008    | 7,854,998                                       | 498,896                      | 306,857                         | 8,660,751   |
| <b>ACCUMULATED DEPRECIATION</b> |   |                              |                                 |             |
| At 1 July 2007                  | 1,728,120                                       | 498,894                      | 265,323                         | 2,492,337   |
| Charge for the financial year   | 157,103   | 2                            | 5,600                           | 162,705     |
| At 30 June 2008                 | 1,885,223                                       | 498,896                      | 270,923                         | 2,655,042   |
| <b>NET BOOK VALUE</b>           |   |                              |                                 |             |
| At 30 June 2008                 | 5,969,775                                       | -                            | 35,934                          | 6,005,709   |
| <b>At 30 June 2007</b>          |   |                              |                                 |             |
|                                 | Long<br>leasehold<br>land and<br>building<br>RM | Plant and<br>machinery<br>RM | Furniture<br>and fittings<br>RM | Total<br>RM |
| <b>COST</b>                     |   |                              |                                 |             |
| At 1 July 2006                  |   |                              |                                 |             |
| - As previously reported        | 13,704,215                                      | 498,896                      | 250,857                         | 14,453,968  |
| - Effect of adopting FRS 117    | (5,849,217)                                     | -                            | -                               | (5,849,217) |
| - As restated                   | 7,854,998                                       | 498,896                      | 250,857                         | 8,604,751   |
| Additions                       | -   | -                            | 56,000                          | 56,000      |
| At 30 June 2007                 | 7,854,998                                       | 498,896                      | 306,857                         | 8,660,751   |
| <b>ACCUMULATED DEPRECIATION</b> |   |                              |                                 |             |
| At 1 July 2006                  |   |                              |                                 |             |
| - As previously reported        | 2,206,800                                       | 494,736                      | 250,857                         | 2,952,393   |
| - Effect of adopting FRS 117    | (635,783)                                       | -                            | -                               | (635,783)   |
| - As restated                   | 1,571,017                                       | 494,736                      | 250,857                         | 2,316,610   |
| Charge for the financial year   | 157,103   | 4,158                        | 14,466                          | 175,727     |
| At 30 June 2007                 | 1,728,120                                       | 498,894                      | 265,323                         | 2,492,337   |
| <b>NET BOOK VALUE</b>           |   |                              |                                 |             |
| At 30 June 2007                 | 6,126,878                                       | 2                            | 41,534                          | 6,168,414   |

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)

## 5. PREPAID LAND LEASE PAYMENTS

|                                     | 2008<br>RM | 2007<br>RM<br>Restated |
|-------------------------------------|------------|------------------------|
| <b>Cost</b>                         |            |                        |
| At 1 July                           | 5,849,217  | 5,849,217              |
| <b>Accumulated amortisation</b>     |            |                        |
| At 1 July                           | 699,361    | 635,783                |
| Amortisation for the financial year | 63,578     | 63,578                 |
| At 30 June                          | 762,939    | 699,361                |
| <b>Net book value</b>               |            |                        |
| At 30 June                          | 5,086,278  | 5,149,856              |
| Analysed as:                        |            |                        |
| Long term leasehold land            | 5,086,278  | 5,149,856              |

Prepaid land lease payments is amortised over the lease period of 92 years.

## 6. TRADE RECEIVABLES

|                                    | 2008<br>RM | 2007<br>RM |
|------------------------------------|------------|------------|
| Trade receivables                  | 1,397,067  | 1,133,926  |
| Allowance for doubtful receivables | (480,101)  | (480,101)  |
|                                    | 916,966    | 653,825    |

The Company's normal trade credit term is 30 days.

## 7. DEPOSITS AND PREPAYMENTS

|             | 2008<br>RM | 2007<br>RM |
|-------------|------------|------------|
| Deposits    | 16,000     | 8,000      |
| Prepayments | 16,626     | 15,115     |
|             | 32,626     | 23,115     |

**LION METAL INDUSTRIES SDN BHD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)**

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**8. AMOUNT DUE FROM/TO ULTIMATE HOLDING AND RELATED COMPANIES**

The amount due from related companies which arose mainly from trade transactions and novation of debts is unsecured, interest free (2007: 1% per annum) and is repayable on demand.

The amounts due to ultimate holding and related companies which arose mainly from inter-company advances and payments made on behalf are unsecured, interest free and are repayable on demand.

**9. FIXED DEPOSIT WITH A LICENSED BANK**

The fixed deposit has been pledged to a licensed bank for guarantee facility granted to the Company.

The weighted average effective interest rates of deposit at the balance sheet date is 3.7% (2007: 3.7%) per annum.

The average maturities of the deposit as at the end of the financial year is 365 days (2007: 365 days).

**10. SHARE CAPITAL**

|  | <b>2008</b>       | <b>2007</b>       |
|--|-------------------|-------------------|
|  | <b>RM</b>         | <b>RM</b>         |
| <b>Authorised:</b>                         |                   |                   |
| 6,999,000 preference shares of RM0.01 each | 69,990            | 69,990            |
| 9,930,010 ordinary shares of RM1.00 each   | 9,930,010         | 9,930,010         |
|  | <u>10,000,000</u> | <u>10,000,000</u> |
| <b>Issued and fully paid:</b>              |                   |                   |
| 6,999,000 preference shares of RM0.01 each | 69,990            | 69,990            |
| 8,000,000 ordinary shares of RM1.00 each   | 8,000,000         | 8,000,000         |
|  | <u>8,069,990</u>  | <u>8,069,990</u>  |

The preference shares shall carry the right to preference dividends (non-cumulative), which shall be not less than RM0.01 per preference share and shall not exceed RM100.00 per preference share per annum in priority to ordinary shares;

The preference shares shall rank both as regards dividend and return of capital in priority to the ordinary shares in the Company;

The preference shares shall not confer any right of voting at any general meeting of the Company nor receipt of any notices of meetings of the Company; and

The preference shares shall be redeemed at par by the Company by the payment of RM0.01 for every one preference share at any time at the option of the Company.

Company No. 42637 H

LION METAL INDUSTRIES SDN BHD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)

11. DEFERRED TAX LIABILITIES

|  | 2008<br>RM     | 2007<br>RM     |
|--|----------------|----------------|
| At beginning of the financial year                                 | 461,160        | 436,807        |
| Recognised in income statement (Note 15)                           | (16,000)       | 24,353         |
| At end of the financial year                                       | <u>445,160</u> | <u>461,160</u> |
| Deferred tax liabilities provided for in the financial statements: |                |                |
| - Excess of capital allowances over depreciation                   | <u>445,160</u> | <u>461,160</u> |

12. OTHER PAYABLE AND ACCRUALS

|               | 2008<br>RM     | 2007<br>RM     |
|---------------|----------------|----------------|
| Other payable | 516,197        | 516,197        |
| Accruals      | 1,000          | 1,000          |
|               | <u>517,197</u> | <u>517,197</u> |

13. REVENUE

Revenue of the Company represents rental income.

14. PROFIT FROM OPERATIONS

Profit from operations is arrived at:

|  | 2008<br>RM       | 2007<br>RM       |
|--|------------------|------------------|
| <b>After charging:</b>                 |                  |                  |
| Auditors' remuneration                 | <u>1,000</u>     | <u>1,000</u>     |
| <b>And crediting:</b>                  |                  |                  |
| Interest income from a related company | -                | 27,323           |
| Interest income from fixed deposit     | 2,875            | 8,286            |
| Rental income from:                    |                  |                  |
| - related companies                    | 189,171          | 192,436          |
| - holding company                      | 4,403            | 3,777            |
| - others                               | <u>1,430,075</u> | <u>1,421,584</u> |

**LION METAL INDUSTRIES SDN BHD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)**

**15. TAXATION**

|                                    | <b>2008<br/>RM</b> | <b>2007<br/>RM</b> |
|------------------------------------|--------------------|--------------------|
| Current year                       | 273,683            | 292,258            |
| Prior years                        | (115,761)          | 116,308            |
| Deferred tax liabilities (Note 11) | (16,000)           | 24,353             |
|                                    | <u>141,922</u>     | <u>432,919</u>     |

The numerical reconciliation between the average effective tax rate and the applicable tax rate are as follows:

|  | <b>2008<br/>RM</b> | <b>2007<br/>RM</b> |
|--|--------------------|--------------------|
| Profit before taxation                   | <u>1,099,646</u>   | <u>1,128,006</u>   |
|  | <b>%</b>           | <b>%</b>           |
| Applicable tax rate                      | 26                 | 27                 |
| Expenses not deductible for tax purposes | 5                  | 7                  |
| Utilisation of capital allowances        | (6)                | (6)                |
| Prior year                               | (11)               | 10                 |
| Deferred tax liabilities                 | (1)                | -                  |
| Average effective tax rate               | <u>13</u>          | <u>38</u>          |

With effect from year of assessment 2008, the corporate tax rate is at 26%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 25% with effect from year of assessment 2009. The computation of deferred tax as at 30 June 2008 has reflected these changes.

The Company has tax credit amounting to RM69,110 (2007: RM184,900) under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its retained profits as at 30 June 2008.

These amounts are subject to agreement with the tax authority.

**LION METAL INDUSTRIES SDN BHD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)**

**16. DIVIDENDS**

|                          | 2008                           |                                      | 2007                           |                                      |
|--------------------------|--------------------------------|--------------------------------------|--------------------------------|--------------------------------------|
|                          | Gross dividend per share<br>RM | Amount of dividend, net of tax<br>RM | Gross dividend per share<br>RM | Amount of dividend, net of tax<br>RM |
| Preference dividend paid | 0.01                           | 51,793                               | 0.01                           | 51,093                               |
| Interim dividend paid    | 0.10                           | 592,000                              | 0.10                           | 584,000                              |
|                          |                                | <u>643,793</u>                       |                                | <u>635,093</u>                       |

**17. CASH FLOW STATEMENT**

**Cash and cash equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

|  | 2008<br>RM       | 2007<br>RM       |
|--|------------------|------------------|
| Cash at banks                            | 1,892,860        | 993,055          |
| Fixed deposit with a licensed bank       | 80,587           | 77,712           |
|  | <u>1,973,447</u> | <u>1,070,767</u> |
| Fixed deposit pledged to a licensed bank | (80,587)         | (77,712)         |
| Total cash and cash equivalents          | <u>1,892,860</u> | <u>993,055</u>   |

**18. CORPORATE INFORMATION**

- The Company is a private 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 principal activity of the Company is provision of storage facilities.
- The Company is a wholly-owned subsidiary of Amsteel Corporation Berhad, a public limited liability company incorporated in Malaysia, which is regarded by the Directors as the ultimate holding company.
- The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 September 2008.

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)

**19. RELATED PARTY TRANSACTIONS**

Related parties are entities in which a Director or a substantial shareholder of the Company or its subsidiary companies or person connected to such Director or substantial shareholder has an interest.

Related companies represent subsidiary companies of Amsteel Corporation Berhad.

The related party transactions are as follows:

|  | <b>2008</b>       | <b>2007</b>       |
|--|-------------------|-------------------|
|  | <b>RM</b>         | <b>RM</b>         |
| (a) Interest income received from a related company: |                   |                   |
| - Amsteel Harta (M) Sdn Bhd                          | -                 | 27,323            |
|  | <u>          </u> | <u>          </u> |
| (b) Rental income from:                              |                   |                   |
| Ultimate holding company                             | 4,403             | 3,777             |
|  | <u>          </u> | <u>          </u> |
| Related companies:                                   |                   |                   |
| - Lion Tooling Sdn Bhd                               | 187,200           | 187,200           |
| - Umatrac Enterprises Sdn Bhd                        | 354               | 354               |
| - Lion Seatings Sdn Bhd                              | 1,617             | 1,561             |
| - Singa Logistics Sdn Bhd                            | -                 | 3,321             |
|  | <u>          </u> | <u>          </u> |

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.

## **20. FINANCIAL INSTRUMENTS**

### **Financial risk management policies**

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its risks. The Company operates within clearly defined guidelines that are approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with the financing, investing and operating activities of the Company.

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

(a) Credit risk

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

(b) Interest rate risk

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

(c) Liquidity and cash flow risks

The Company 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 overall prudent liquidity management, the Company endeavours to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

### **Fair values**

The carrying amounts of financial assets and liabilities of the Company as at 30 June 2008 approximated their fair values except for balances with related and ultimate holding companies as it is impractical to determine their fair values in view of the uncertainty as to the timing of future cash flows. However, the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the value that would eventually be received or settled.

Company No. 42637 H

**LION METAL INDUSTRIES SDN BHD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2008 (cont'd)**

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**20. FINANCIAL INSTRUMENTS (cont'd)**

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(a) Deposits and cash at banks

The carrying amounts of deposits and cash at banks approximate fair value due to the relatively short term maturity of this instrument.

(b) Trade and other receivables and payables

The carrying amount of trade receivables subject to normal trade credit term approximate fair values. The carrying amount of other payables is reasonable estimates of fair values because of their short maturity period.