

## FINANCIAL STATEMENTS

# 2011

For The Financial Year Ended 30 June 2011

## DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2011.

### PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 48 to the financial statements.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year except as disclosed in Note 18 to the financial statements.

### SIGNIFICANT AND SUBSEQUENT CORPORATE EVENTS

Significant corporate events and events subsequent to the end of the financial year are disclosed in Notes 2 and 50 to the financial statements respectively.

### RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	<b>The Group RM'000</b>	<b>The Company RM'000</b>
Profit for the year from continuing operations	108,310	27,301
Profit for the year from discontinued operations	173,762	–
Profit for the year	<u>282,072</u>	<u>27,301</u>
Profit attributable to:		
Owners of the Company	232,090	
Non-controlling interests	49,982	
	<u>282,072</u>	

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except for discontinued operations as disclosed in Note 12 to the financial statements.

### DIVIDENDS

A first and final dividend of 1%, less 25% tax, amounting to RM5.4 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the current financial year.

The Directors propose a first and final dividend of 3%, less 25% tax and a single-tier dividend of 1%, amounting to RM23.3 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM715,344,265 divided into 715,344,265 ordinary shares of RM1.00 each to RM717,909,365 divided into 717,909,365 ordinary shares of RM1.00 each by the issuance of 164,700 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 2,400,400 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the Executive Share Option Scheme of the Company.

The resulting share premium of RM798,226 arising from the issue of shares has been credited to the share premium account.

The new ordinary shares issued ranked *pari passu* in all material respects with the then existing ordinary shares in the Company.

The Company did not issue any debenture during the financial year.

## TREASURY SHARES

During the financial year, the Company repurchased 50,000 of its ordinary shares from the open market at an average price of RM1.85 per share. The total consideration paid for the repurchase was RM92,500. The repurchase transactions were financed by internally generated funds.

As of 30 June 2011, the Company held 150,000 treasury shares at a carrying amount of RM239,000. Further relevant details are disclosed in Note 31 to the financial statements.

## EXECUTIVE SHARE OPTION SCHEME (“ESOS”)

An ESOS which was implemented for the benefit of eligible executive employees and executive directors of the Group with effect from 1 September 2005, expired on 31 August 2010.

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

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

Date of grant	As of 1.7.2010	Number of options		As of 30.6.2011	Subscription price per share RM
		Exercised	Lapsed		
9.5.2006	232,200	(164,700)	(67,500)	–	1.037
26.2.2007	1,414,900	(1,414,900)	–	–	1.330
23.8.2007	2,005,800	(985,500)	(1,020,300)	–	1.330
23.7.2008	3,199,100	–	(3,199,100)	–	2.050
	<u>6,852,000</u>	<u>(2,565,100)</u>	<u>(4,286,900)</u>	<u>–</u>	

During the financial year, a new ESOS was approved by the shareholders at an Extraordinary General Meeting held on 10 January 2011 and implemented on 2 February 2011 for a period of 5 years ("New ESOS"). The main features of the New ESOS are as disclosed in Note 30 to the financial statements.

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

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

## **OTHER STATUTORY INFORMATION**

Before the income statements, the statements of comprehensive income and the statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts 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 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 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 liability 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 except as disclosed in Note 45 to the financial statements.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and the Company for the financial year in which this report is made other than the subsequent corporate events as disclosed in Note 50 to the financial statements.

## DIRECTORS

The following Directors served on the Board of the Company since the date of the last report:

Tun Musa Hitam  
 Tan Sri Cheng Yong Kim  
 Tan Sri Asmat bin Kamaludin  
 Dato' Kamaruddin @ Abas bin Nordin  
 Cheng Yong Liang  
 Heah Sieu Lay  
 Chong Jee Min

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Asmat bin Kamaludin and Mr Cheng Yong Liang retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. A. Bhg. Tun Musa Hitam and Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin retire and offer themselves for re-appointment as Directors of the Company to hold office until the next Annual General Meeting.

## DIRECTORS' INTERESTS

The shareholdings in the Company of those who were Directors at the end of the financial year are as follows:

	Number of ordinary shares of RM1.00 each			As of 30.6.2011
	As of 1.7.2010	Additions	Disposals	
<b>Direct interest</b>				
Tan Sri Cheng Yong Kim	2,888,789	406,000	–	<b>3,294,789</b>
Dato' Kamaruddin @ Abas bin Nordin	68,800	71,200	(60,000)	<b>80,000</b>
Cheng Yong Liang	47,880	–	–	<b>47,880</b>
<b>Indirect interest</b>				
Tan Sri Cheng Yong Kim	199,429,446	–	(80,388)	<b>199,349,058</b>

In addition, the following Directors are also deemed to have interests in shares in the Company by virtue of the options granted to them pursuant to the ESOS of the Company which expired on 31 August 2010 as follows:

	As of 1.7.2010	Number of options		As of 30.6.2011
		Granted	Exercised	
Tan Sri Cheng Yong Kim	406,000	–	(406,000)	–
Dato' Kamaruddin @ Abas bin Nordin	71,200	–	(71,200)	–

The shareholdings in the related corporations of those who were Directors at the end of the financial year are as follows:

	Nominal value per ordinary share	As of 1.7.2010	Number of shares		As of 30.6.2011
			Additions	Disposals	
<b>Tan Sri Cheng Yong Kim</b>					
<b>Direct interest</b>					
Lion Forest Industries Berhad	RM1.00	130	–	–	<b>130</b>
<b>Indirect interest</b>					
Lion Forest Industries Berhad	RM1.00	183,629,259	–	(1,068,408)	<b>182,560,851</b>
LLB Enterprise Sdn Bhd	RM1.00	690,000	–	–	<b>690,000</b>
Marvenel Sdn Bhd	RM1.00	100	–	–	<b>100</b>
Ototek Sdn Bhd	RM1.00	1,050,000	–	–	<b>1,050,000</b>
Posim EMS Sdn Bhd	RM1.00	800,000	–	–	<b>800,000</b>
P.T. Lion Intimung Malinau	USD1.00	4,750,000	–	–	<b>4,750,000</b>
Lion AMB Resources Berhad	RM1.00	286,173,498	10,422,662	–	<b>296,596,160</b>
Soga Sdn Bhd	RM1.00	4,332,078	170,311	–	<b>4,502,389</b>
Steelcorp Sdn Bhd	RM1.00	99,750	–	–	<b>99,750</b>
Holdsworth Investment Pte Ltd	*	4,500,000	–	–	<b>4,500,000</b>
Lion Rubber Industries Pte Ltd	*	10,000,000	–	–	<b>10,000,000</b>
Lion AMB Holdings Pte Ltd	*	25,400,080	–	–	<b>25,400,080</b>
Willet Investment Pte Ltd	*	45,954,450	–	–	<b>45,954,450</b>
Zhongsin Biotech Pte Ltd	*	1,000,000	–	–	<b>1,000,000</b>
<b>Investments in the People's Republic of China</b>					
	Currency	As of 1.7.2010	Additions	Disposals	As of 30.6.2011
<b>Tan Sri Cheng Yong Kim</b>					
<b>Indirect interest</b>					
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	–	–	<b>5,000,000</b>
Tianjin Hua Shi Auto Meter Co Ltd (in voluntary liquidation)	USD	10,878,944	–	–	<b>10,878,944</b>

	Nominal value per preference share	As of 1.7.2010	Number of shares		As of 30.6.2011
			Additions	Disposals	
<b>Tan Sri Cheng Yong Kim</b>					
<b>Indirect interest</b>					
Lion AMB Resources Berhad	RM0.01	16,902,569	839,443	–	<b>17,742,012</b>

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

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

#### **DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest save and except for any 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 43 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted pursuant to the Company's ESOS as disclosed above.

#### **AUDITORS**

The auditors, Messrs Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

**TAN SRI CHENG YONG KIM**

**DATO' KAMARUDDIN @ ABAS BIN NORDIN**

Kuala Lumpur  
21 October 2011

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

### **Report on the Financial Statements**

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the statements of financial position as of 30 June 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 153.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, 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 towards any other person for the contents of this report.

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

We believe that the audit evidence that 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 2011 and of their financial performance and cash flows for the year then ended.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Notes 5(ii)(f) and 39 to the financial statements, which further explain an uncertainty regarding the provision for damages arising from a litigation claim; and to Note 5(ii)(d) regarding the significant concentration of credit risk with a related party.

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

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

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) we have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 48 to the financial statements;
- (c) we are satisfied that the accounts of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations as required by us for these purposes; and
- (d) the auditors' reports on the accounts of the subsidiary companies were not subject to any qualification or any adverse comment made under Subsection (3) of Section 174 of the Act.

### **Other Reporting Responsibilities**

The supplementary information set out on page 154 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIS Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**DELOITTE KASSIMCHAN**  
**AF 0080**  
**Chartered Accountants**

**KEK AH FONG**  
**Partner - 1880/04/12 (J)**  
**Chartered Accountant**

Petaling Jaya  
21 October 2011



## INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	The Group		The Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Continuing operations</b>					
Revenue	6	4,949,134	4,471,664	56,459	11,894
Other income		112,715	184,146	12,802	23,955
Net change in inventories		(33,238)	25,416	–	–
Raw materials and consumables used		(3,659,950)	(3,494,485)	–	–
Purchase of trading merchandise		(632,473)	(185,004)	–	–
Property development costs	17(b)	(22,756)	(15,974)	–	–
Staff costs	7	(144,626)	(139,174)	(5,763)	(5,927)
Directors' remuneration	8	(1,122)	(1,148)	(1,007)	(1,027)
Depreciation of property, plant and equipment	14	(108,463)	(105,743)	(438)	(432)
Amortisation of prepaid land lease payments	16	(1,838)	(1,933)	–	–
Other expenses		(362,612)	(312,715)	(26,758)	(18,004)
Investment income	9	31,255	24,467	2,223	2,871
Finance costs	10	(88,717)	(93,012)	(7,267)	(6,582)
Profit from operations	7	37,309	356,505	30,251	6,748
Share in results of:					
Associated companies		54,579	101,320	–	–
Jointly controlled entity		14,088	6,233	–	–
Negative goodwill arising from acquisition of a subsidiary company	18	–	2,132	–	–
<b>Profit before tax</b>		<b>105,976</b>	<b>466,190</b>	<b>30,251</b>	<b>6,748</b>
Tax credit/(expense)	11	2,334	(81,688)	(2,950)	1,422
Profit for the year from continuing operations		<b>108,310</b>	384,502	<b>27,301</b>	8,170
<b>Discontinued operations</b>					
Profit for the year from discontinued operations	12	173,762	32,668	–	–
<b>Profit for the year</b>		<b>282,072</b>	417,170	<b>27,301</b>	8,170

(Forward)



	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to:		
Owners of the Company	<b>232,090</b>	361,469
Non-controlling interests	<b>49,982</b>	55,701
	<hr/>	<hr/>
	<b>282,072</b>	417,170
	<hr/> <hr/>	<hr/> <hr/>

	<b>Note</b>	<b>The Group</b>	
		<b>2011</b>	<b>2010</b>
<b>Earnings per ordinary share attributable to owners of the Company (sen):</b>			
Basic			
For continuing operations		<b>17.38</b>	47.81
For discontinued operations		<b>14.97</b>	2.86
		<hr/>	<hr/>
	13(a)	<b>32.35</b>	50.67
		<hr/> <hr/>	<hr/> <hr/>
Diluted			
For continuing operations		<b>17.38</b>	47.77
For discontinued operations		<b>14.97</b>	2.86
		<hr/>	<hr/>
	13(b)	<b>32.35</b>	50.63
		<hr/> <hr/>	<hr/> <hr/>

The accompanying Notes form an integral part of the Financial Statements.



## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Profit for the year</b>	<b>282,072</b>	<b>417,170</b>	<b>27,301</b>	<b>8,170</b>
<b>Other comprehensive income/(loss)</b>				
Exchange differences on translation of foreign operations	(16,811)	(14,674)	–	–
Net (loss)/gain on fair value changes on available-for-sale financial assets	(7,673)	–	161	–
Other comprehensive (loss)/gain for the year, net of tax	(24,484)	(14,674)	161	–
Total comprehensive income for the year	<b>257,588</b>	<b>402,496</b>	<b>27,462</b>	<b>8,170</b>

	The Group	
	2011 RM'000	2010 RM'000
Profit attributable to:		
Owners of the Company	210,749	352,187
Non-controlling interests	46,839	50,309
	<b>257,588</b>	<b>402,496</b>

The accompanying Notes form an integral part of the Financial Statements.

## STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2011

	Note	The Group		The Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	14	<b>1,316,699</b>	1,657,652	<b>3,006</b>	3,065
Investment properties	15	<b>44,226</b>	66,334	<b>42,500</b>	61,000
Prepaid land lease payments	16	<b>53,389</b>	102,380	–	–
Land held for property development	17(a)	<b>34,839</b>	35,210	<b>113</b>	113
Investment in subsidiary companies	18	–	–	<b>182,550</b>	179,771
Investment in associated companies	19	<b>789,431</b>	782,400	<b>38,740</b>	20,141
Investment in jointly controlled entity	20	<b>20,321</b>	6,233	–	–
Long-term investments	21	<b>84,767</b>	87,699	<b>13,485</b>	18,360
Deferred tax assets	22	<b>46,603</b>	49,907	–	1,126
Goodwill	23	<b>130,443</b>	130,443	–	–
<b>Total Non-Current Assets</b>		<b>2,520,718</b>	2,918,258	<b>280,394</b>	283,576
<b>Current Assets</b>					
Property development costs	17(b)	<b>20,536</b>	42,738	–	–
Inventories	24	<b>1,153,575</b>	1,449,890	<b>43</b>	43
Short-term investments	25	<b>20,726</b>	10,552	<b>3,270</b>	–
Trade receivables	26(a)	<b>846,271</b>	464,723	–	–
Other receivables, deposits and prepayments	26(b)	<b>395,631</b>	309,032	<b>25,205</b>	42,983
Accrued billings for property development projects		–	2,761	–	–
Amount owing by jointly controlled entity	20	<b>24,383</b>	18,766	–	–
Amount owing by subsidiary companies	27(a)	–	–	<b>1,046,972</b>	1,076,243
Deposits, cash and bank balances	28	<b>1,030,016</b>	838,597	<b>31,661</b>	19,266
		<b>3,491,138</b>	3,137,059	<b>1,107,151</b>	1,138,535
Assets classified as held for sale	29	<b>14,264</b>	404	<b>9,500</b>	–
<b>Total Current Assets</b>		<b>3,505,402</b>	3,137,463	<b>1,116,651</b>	1,138,535
<b>Total Assets</b>		<b>6,026,120</b>	6,055,721	<b>1,397,045</b>	1,422,111

(Forward)

	Note	The Group		The Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital	30	<b>717,909</b>	715,344	<b>717,909</b>	715,344
Reserves	31	<b>2,540,013</b>	2,323,059	<b>434,660</b>	411,703
Equity attributable to owners of the Company		<b>3,257,922</b>	3,038,403	<b>1,152,569</b>	1,127,047
Non-controlling interests		<b>382,582</b>	382,016	–	–
<b>Total Equity</b>		<b>3,640,504</b>	3,420,419	<b>1,152,569</b>	1,127,047
<b>Non-Current and Deferred Liabilities</b>					
BalDS	33	–	130,000	–	–
RCCPS	34	<b>12,833</b>	13,672	–	–
Long-term borrowings	35	<b>527,831</b>	366,175	–	–
Finance lease payables	36	<b>135,003</b>	71,596	–	–
Hire-purchase obligations	37	<b>4,290</b>	5,675	<b>372</b>	135
Deferred tax liabilities	22	<b>20,467</b>	47,124	–	–
<b>Total Non-Current and Deferred Liabilities</b>		<b>700,424</b>	634,242	<b>372</b>	135
<b>Current Liabilities</b>					
Trade payables	38(a)	<b>748,832</b>	653,322	<b>169</b>	441
Other payables, deposits and accrued expenses	38(b)	<b>552,399</b>	916,349	<b>3,262</b>	2,718
Provisions	39	<b>15,000</b>	15,000	–	–
Advance billings of property development projects		<b>1,597</b>	–	–	–
Amount owing to subsidiary companies	27(a)	–	–	<b>143,725</b>	234,613
Finance lease payables	36	<b>12,497</b>	6,004	–	–
Hire-purchase obligations	37	<b>2,661</b>	2,439	<b>123</b>	76
Short-term borrowings	40	<b>331,827</b>	231,514	<b>95,000</b>	–
LICB Bonds and USD Debts	32	–	49,138	–	57,081
BalDS	33	–	110,000	–	–
Tax liabilities		<b>20,379</b>	17,294	<b>1,825</b>	–
<b>Total Current Liabilities</b>		<b>1,685,192</b>	2,001,060	<b>244,104</b>	294,929
<b>Total Liabilities</b>		<b>2,385,616</b>	2,635,302	<b>244,476</b>	295,064
<b>Total Equity and Liabilities</b>		<b>6,026,120</b>	6,055,721	<b>1,397,045</b>	1,422,111

The accompanying Notes form an integral part of the Financial Statements.



## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

The Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Non-Distributable Reserves			Distributable reserve - Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
					Share capital RM'000	Share premium RM'000	Treasury shares RM'000				
<b>As of 1 July 2009</b>		712,967	527,312	-	12,030	8,013	1,419,602	2,695,548	332,957	3,028,505	
Profit for the year		-	-	-	-	-	361,469	361,469	55,701	417,170	
Other comprehensive loss		-	-	-	(9,282)	-	-	(9,282)	(5,392)	(14,674)	
Total comprehensive income/(loss) for the year		-	-	-	(9,282)	-	361,469	352,187	50,309	402,496	
Issue of shares	30	2,377	565	-	-	-	-	2,942	-	2,942	
Purchase of treasury shares	31	-	-	(147)	-	-	-	(147)	-	(147)	
Acquisition of non-controlling interests		-	-	-	-	-	-	-	(1,250)	(1,250)	
Share-based payments		-	1,829	-	-	(1,649)	-	314	494	494	
Effect of dilution on equity interest in a subsidiary company		-	-	-	-	-	-	(7,272)	-	(7,272)	
Dividend paid	41	-	-	-	-	-	(5,349)	(5,349)	-	(5,349)	
<b>As of 30 June 2010</b>		715,344	529,706	(147)	2,748	6,364	1,775,722	3,038,403	382,016	3,420,419	

(Forward)



The Group	Note	Non-Distributable Reserves				Distributable			Non-controlling interests	Total equity		
		Share capital	Share premium	Treasury shares	Translation adjustment account	Equity compensation reserve	Capital reserve	Fair value reserve			Retained earnings	Attributable to owners of the Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 July 2010												
As previously reported		715,344	529,706	(147)	2,748	6,364	8,666	–	1,775,722	3,038,403	382,016	3,420,419
Effects from adoption of FRS 139	3	–	–	–	–	–	–	6,176	2,012	8,188	–	8,188
As restated		715,344	529,706	(147)	2,748	6,364	8,666	6,176	1,777,734	3,046,591	382,016	3,428,607
Profit for the year		–	–	–	–	–	–	–	232,090	232,090	49,982	282,072
Other comprehensive loss		–	–	–	(13,668)	–	–	(7,673)	–	(21,341)	(3,143)	(24,484)
Total comprehensive income/(loss) for the year		–	–	–	(13,668)	–	–	(7,673)	232,090	210,749	46,839	257,588
Issue of shares	30	2,565	798	–	–	–	–	–	–	3,363	–	3,363
Purchase of treasury shares	31	–	–	(92)	–	–	–	–	–	(92)	–	(92)
Effect of discontinued operations		–	–	–	(2,608)	–	–	–	3,452	844	(42)	802
Acquisition of non-controlling interests		–	–	–	–	–	–	–	1,671	1,671	(18,986)	(17,315)
Share-based payments		–	2,123	–	–	(6,364)	4,420	–	–	179	(86)	93
Effect of dilution on equity interest in a subsidiary company		–	–	–	–	–	–	–	–	–	573	573
Dividend paid	41	–	–	–	–	–	–	–	(5,383)	(5,383)	–	(5,383)
Dividend paid by subsidiary companies		–	–	–	–	–	–	–	–	–	(27,732)	(27,732)
<b>As of 30 June 2011</b>		<b>717,909</b>	<b>532,627</b>	<b>(239)</b>	<b>(13,528)</b>	<b>–</b>	<b>13,086</b>	<b>(1,497)</b>	<b>2,009,564</b>	<b>3,257,922</b>	<b>382,582</b>	<b>3,640,504</b>

(Forward)



The Company	Non-Distributable Reserves							Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Fair value reserve RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	
<b>As of 1 July 2009</b>	712,967	527,312	-	-	8,013	468	(127,823)	1,120,937
Profit for the year	-	-	-	-	-	-	8,170	8,170
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	8,170	8,170
Issue of shares	2,377	565	-	-	-	-	-	2,942
Purchase of treasury shares	-	-	(147)	-	-	-	-	(147)
Share-based payments	-	1,829	-	-	(1,649)	314	-	494
Dividend paid	-	-	-	-	-	-	(5,349)	(5,349)
<b>As of 30 June 2010</b>	715,344	529,706	(147)	-	6,364	782	(125,002)	1,127,047
<b>As of 1 July 2010</b>	715,344	529,706	(147)	-	6,364	782	(125,002)	1,127,047
As previously reported	-	-	-	(1,234)	-	-	1,284	50
Effects from adoption of FRS 139	-	-	-	(1,234)	-	-	(123,718)	1,127,097
As restated	715,344	529,706	(147)	(1,234)	6,364	782	(123,718)	1,127,097
Profit for the year	-	-	-	-	-	-	27,301	27,301
Other comprehensive income	-	-	-	161	-	-	-	161
Total comprehensive income for the year	-	-	-	161	-	-	27,301	27,462
Issue of shares	2,565	798	-	-	-	-	-	3,363
Purchase of treasury shares	-	-	(92)	-	-	-	-	(92)
Share-based payments	-	2,123	-	-	(6,364)	4,363	-	122
Dividend paid	-	-	-	-	-	-	(5,383)	(5,383)
<b>As of 30 June 2011</b>	717,909	532,627	(239)	(1,073)	-	5,145	(101,800)	1,152,569

The accompanying Notes form an integral part of the Financial Statements.



## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

The Group	2011 RM'000	2010 RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit for the year	282,072	417,170
Adjustments for:		
Depreciation of property, plant and equipment	129,670	134,500
Finance costs	89,647	94,923
Impairment loss on:		
Property, plant and equipment	10,743	6,248
Investment properties	9,300	–
Long-term investments	609	1,271
Assets classified as held for sale	312	–
Allowance for:		
Doubtful trade and other receivables	5,603	14,006
Obsolescence of inventories	4,065	30,891
Amortisation of prepaid land lease payments	1,956	2,081
Tax expense recognised in profit or loss	1,533	98,611
Property, plant and equipment written off	1,275	4,811
Inventories written off	1,030	9,273
Share-based payments	93	494
Overprovision of development costs in prior years	–	179
Deposits written off	–	87
(Gain)/Loss on disposal/partial disposal of:		
Subsidiary company (Note 12)	(171,407)	2,139
Prepaid land lease payments	(6,856)	–
Property, plant and equipment	(615)	917
Associated companies	–	(23,919)
Long-term investments	–	(72)
Assets classified as held for sale	–	(1)
Share in results of:		
Associated companies	(54,579)	(101,320)
Jointly controlled entity	(14,088)	(6,233)
Interest income	(31,954)	(24,848)
Unrealised gain on foreign exchange	(11,498)	(30,151)
Allowance no longer required for:		
Cost of completion	(8,879)	–
Obsolescence of inventories	(1)	(2,084)
Doubtful trade and other receivables	(927)	(1,813)
Gain on acquisition of RCCPS issued by a subsidiary company	(797)	–
Fair value adjustments on investment properties	(740)	1,636
Gain on discount on acquisition from third party holders of SCB Bonds and USD Debts	–	(52,941)
Gain on SCB Bonds and USD Debts restructuring	–	(11,117)
Overprovision of accrued expenses in prior years	–	(6,626)
Negative goodwill arising from acquisition of a subsidiary company	–	(2,132)
Impairment loss no longer required for long-term investments	–	(15)
Operating Profit Before Working Capital Changes	<b>235,567</b>	<b>555,965</b>

(Forward)

<b>The Group</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Movements in working capital:		
(Increase)/Decrease in:		
Property development costs	<b>22,051</b>	9,312
Inventories	<b>193,756</b>	(695,203)
Amount due by contract customers	<b>2,761</b>	(2,368)
Trade and other receivables, deposits and prepayments	<b>(590,633)</b>	(179,635)
Amount owing by jointly controlled entity	<b>(5,617)</b>	(5,705)
 Increase/(Decrease) in:		
Trade and other payables, deposits and accrued expenses	<b>21,731</b>	642,200
Amount due to contract customers	<b>1,597</b>	(6,821)
Movements in translation adjustment account	<b>7,633</b>	16,342
 Cash (Used In)/Generated From Operations	<b>(111,154)</b>	334,087
 Finance costs paid	<b>(5,058)</b>	(4,605)
Tax (paid)/refunded	<b>(4,537)</b>	7,518
 Net Cash (Used In)/From Operating Activities	<b>(120,749)</b>	337,000
 <b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		
Net cash inflow/(outflow) from disposal of subsidiary companies (Notes 12 and 18)	<b>483,167</b>	(701)
Dividends received from associated companies	<b>64,560</b>	70,254
Interest received	<b>20,753</b>	11,140
Proceeds from disposal/partial disposal of:		
Prepaid land lease payments	<b>13,405</b>	–
Property, plant and equipment	<b>1,287</b>	2,728
Investment in associated companies	–	57,907
Assets classified as held for sale	–	125
Long-term investments	–	94
Proceeds from disposal/redemption of investments	<b>8,642</b>	3,881
Purchase of:		
Associated companies	<b>(20,599)</b>	–
Non-controlling interests	<b>(24,510)</b>	(1,250)
Property, plant and equipment (Note)	<b>(8,981)</b>	(8,183)
Other investments	–	(56,847)
Increase in land held for property development	<b>(100)</b>	(15)
Net cash inflow from acquisition of a subsidiary company (Note 18)	–	694
 Net Cash From Investing Activities	<b>537,624</b>	79,827

(Forward)

<b>The Group</b>	<b>Note</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Repayment of:			
BaIDS		(240,000)	(90,000)
Short-term borrowings		(145,320)	(196,178)
Finance lease liabilities		(12,660)	(5,527)
Hire-purchase obligations		(2,886)	(3,153)
(Decrease)/Increase in security deposits received from customers		(119,923)	34,061
Redemption/Repayment of:			
LICB Bonds and USD Debts		(51,751)	(18,802)
SCB Bonds and USD Debts		–	(12,473)
RCCPS		–	(144)
Decrease in cash and cash equivalents – restricted		(32,555)	(37,649)
Dividend paid to non-controlling interests of the Group		(27,732)	–
Interest and profit element of BaIDS paid		(12,858)	(21,735)
Dividend paid to equity holders of the Company		(5,383)	(5,349)
Purchase of treasury shares		(92)	(147)
Proceeds from borrowings		393,238	–
Proceeds from issue of shares		3,363	2,942
<b>Net Cash Used In Financing Activities</b>		<b>(254,559)</b>	<b>(354,154)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>162,316</b>	<b>62,673</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>295,540</b>	<b>234,622</b>
Effects of changes in exchange rates		(473)	(1,755)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	42	<b>457,383</b>	<b>295,540</b>

Note: Purchase of property, plant and equipment is financed through:

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Cash	8,981	8,183
Finance lease	69,906	80,000
Hire-purchase	1,420	41
	<b>80,307</b>	<b>88,224</b>

<b>The Company</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		
Profit for the year	27,301	8,170
Adjustments for:		
Allowance for doubtful:		
Amount owing by subsidiary companies	12,943	33
Other receivables	–	11,056
Finance costs	7,267	6,582
Impairment loss on:		
Investment properties	9,300	–
Assets classified as held for sale	312	–
Investment in subsidiary companies	6	468
Long-term investments	–	644
Tax expense/(credit) recognised in profit or loss	2,950	(1,422)
Depreciation of property, plant and equipment	438	432
Share-based payments	122	494
Loss/(Gain) on disposal of property, plant and equipment	5	(3)
Dividend income	(54,374)	(9,239)
Allowance no longer required for:		
Doubtful amount owing by subsidiary companies	(4,118)	(8,086)
Cost of completion	(1,594)	–
Doubtful other receivables	(90)	(510)
Unrealised gain on foreign exchange	(3,444)	(5,920)
Impairment loss no longer required for investment in subsidiary companies	(2,728)	–
Interest income	(2,223)	(2,978)
Fair value adjustments on investment properties	(612)	1,742
Investment in a subsidiary company written off	–	2,525
Overprovision of development costs in prior years	–	179
Bad debts written off on amount owing by a subsidiary company	–	17
Property, plant and equipment written off	–	10
Overprovision of accrued expenses in prior years	–	(6,626)
Waiver of debts by a subsidiary company	–	(2,526)
Operating Loss Before Working Capital Changes	<b>(8,539)</b>	(4,958)
Movements in working capital:		
Decrease in other receivables, deposits and prepayments	20,566	7,013
Increase/(Decrease) in trade and other payables, deposits and accrued expenses	1,884	(559)
Cash Generated From Operations	<b>13,911</b>	1,496
Finance costs paid	<b>(3,840)</b>	(30)
Tax paid	<b>(81)</b>	(38)
Net Cash From Operating Activities	<b>9,990</b>	1,428

(Forward)

<b>The Company</b>	<b>Note</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Decrease in amount owing by subsidiary companies		<b>20,523</b>	11,067
Dividends received		<b>21,877</b>	8,770
Proceeds from redemption of investments		<b>3,246</b>	2,085
Interest received		<b>377</b>	325
Proceeds from disposal of property, plant and equipment		<b>41</b>	7
Purchase of:			
An associated company		<b>(18,599)</b>	–
Property, plant and equipment (Note)		<b>(65)</b>	(794)
Net Cash From Investing Activities		<b>27,400</b>	21,460
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Proceeds from borrowings		<b>100,000</b>	–
Proceeds from issue of shares		<b>3,363</b>	2,942
Decrease in cash and cash equivalents - restricted		<b>721</b>	2,225
Redemption/Repayment of LICB Bonds and USD Debts		<b>(60,357)</b>	(21,731)
Decrease in amount owing to subsidiary companies		<b>(57,441)</b>	(4,956)
Dividend paid to owners of the Company		<b>(5,383)</b>	(5,349)
Repayment of borrowings		<b>(5,000)</b>	–
Purchase of treasury shares		<b>(92)</b>	(147)
Repayment of hire-purchase obligations		<b>(85)</b>	(164)
Net Cash Used In Financing Activities		<b>(24,274)</b>	(27,180)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>13,116</b>	(4,292)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>16,137</b>	20,429
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	42	<b>29,253</b>	16,137

Note: Purchase of property, plant and equipment is financed through:

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Cash	<b>65</b>	794
Hire-purchase	<b>360</b>	–
	<b>425</b>	794

The accompanying Notes form an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

### 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 48.

There have been no significant changes in the nature of the activities of the Company and of its subsidiary companies during the financial year.

The registered office of the Company is located at Level 14, Office Tower, No.1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur.

The principal place of business of the Company is located at Level 2-5, Office Tower, No.1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 21 October 2011.

### 2. SIGNIFICANT CORPORATE EVENTS

- (a) On 21 October 2010, Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad) ("Lion AMB"), an 84.16% owned subsidiary of Lion Forest Industries Berhad ("LFIB"), which in turn is a 72% owned subsidiary of the Group, entered into a share sale agreement with Toyo Tire & Rubber Co Ltd ("Toyo Tire"), to dispose of its entire 100% equity interest in Silverstone Berhad for a cash consideration of RM462 million. The disposal was completed on 10 December 2010.

Consequent thereupon, Silverstone Berhad and its subsidiary companies ceased to be subsidiary companies of LFIB.

- (b) On 19 January 2011, LFIB completed the acquisition of the remaining 25% equity interest in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) ("Shandong Silverstone") for a cash consideration of USD6.60 million (equivalent to RM20.34 million).

Consequent thereupon, Shandong Silverstone became a wholly-owned subsidiary of LFIB.

On 12 April 2011, LFIB entered into agreements with Toyo Tire in respect of:

- (i) Conditional Share and Receivable Transfer Agreement ("SRTA")

Disposal of 75% equity interest in Shandong Silverstone for a cash consideration of USD21.60 million (RM65.30 million).

- (ii) Put and Call Option Agreement pursuant to which:

- LFIB was granted a put option by Toyo Tire to require Toyo Tire to acquire the remaining 25% stake in Shandong Silverstone for a duration of one year, after a holding period of 3 years from the fulfillment of all conditions under the SRTA; and
- LFIB had granted Toyo Tire a call option to require LFIB to dispose of the remaining 25% stake in Shandong Silverstone at any time after the completion of the SRTA.

On 29 June 2011, LFIB completed the disposal of 75% equity interest in Shandong Silverstone. Consequent thereupon, Shandong Silverstone ceased to be a subsidiary company of LFIB.

At the end of the reporting date, neither LFIB nor Toyo Tire had exercised its option.

## 2. SIGNIFICANT CORPORATE EVENTS (continued)

(c) On 3 March 2011, the Company announced the following proposals:

- (i) Proposed joint-venture in the blast furnace project (“Project”) among the Company, Lion Diversified Holdings Berhad and LFIB in the equity participation of 29:51:20 by way of a subscription of new ordinary shares of RM1.00 each at par for cash in the capital of Lion Blast Furnace Sdn Bhd (“LBF”) to the value of USD92 million (RM281 million);
- (ii) Proposed disposal by Amsteel Mills Sdn Bhd (a 99% owned subsidiary of the Company) to LBF of a parcel of freehold land located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres, for a cash consideration of approximately RM16.22 million for the Project; and
- (iii) Proposed provision of corporate guarantee and pledge of securities by the Group and the Company in favour of LBF on the loan of USD740 million (RM2,257 million) granted to LBF in relation to the Project proportionate to the Group’s and the Company’s shareholding of 49% and 29% in LBF amounting to USD363 million (RM1,107 million) and USD215 million (RM656 million) respectively.

As of the date of this report, the proposals are pending the approvals from the shareholders and other relevant authorities.

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (“FRS”) and the Companies Act, 1965 in Malaysia.

### Adoption of New and Revised Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the new and revised Standards and Issues Committee Interpretations (“IC Interpretations”) issued by the Malaysian Accounting Standards Board (“MASB”) that are effective for annual periods beginning on or after 1 July 2010 as follows:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations)
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)
FRS 3	Business Combinations (Revised in 2010)
FRS 4	Insurance Contracts
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary)
FRS 7	Financial Instruments: Disclosures
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets - effective date and transition)
FRS 101	Presentation of Financial Statements (Revised in 2009)
FRS 123	Borrowing Costs (Revised)
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 127	Consolidated and Separate Financial Statements (Revised in 2010)
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation)
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue)

### 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

#### Adoption of New and Revised Financial Reporting Standards (continued)

FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from FRS 3)
FRS 139	Financial Instruments: Recognition and Measurement
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets - effective date and transition, embedded derivatives and revised FRS 3 and Revised FRS 127)
Improvements to FRSs (2009)	
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives)
IC Interpretation 9	Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and revised FRS 3)
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

The adoption of these new and revised FRSs and IC Interpretations did not result in significant changes in the accounting policies of the Group and of the Company and have no significant effect on the financial performance or position of the Group and of the Company except for those discussed below.

#### Standards affecting presentation and disclosure

##### FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and process for managing capital.

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

##### FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position in the event that the entity has applied new accounting policies retrospectively. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

There is no impact on the Group's and the Company's financial statements as this change in accounting policy affects only the presentation of the Group's and the Company's financial statements.

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

### 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

#### Standards affecting the reported results or financial position

##### FRS 3 Business Combinations (Revised in 2010)

The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority interests') either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree;
- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss;
- requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and
- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

##### FRS 127 Consolidated and Separate Financial Statements (Revised in 2010)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiary companies that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiary companies were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiary companies regardless of whether the disposals would result in the Group losing control over the subsidiary companies, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Under FRS 127 (Revised in 2010), increases or decreases in ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are dealt with in equity and attributed to the owners of the parent, with no impact on goodwill or profit or loss. When control of a subsidiary company is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amounts. Any retained interest in the former subsidiary company is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in profit or loss.

This standard was adopted prospectively by the Group and the Company.

### 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

#### Standards affecting the reported results or financial position (continued)

##### FRS 123 Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. This principal change in the Standard has no impact on the financial statements of the Group and of the Company in the period of initial application as it has always been the Group's and the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.

##### FRS 139 Financial Instruments: Recognition and Measurement

The Group and the Company adopted FRS 139 prospectively on 1 July 2010 in accordance with the transitional provisions in FRS 139. On that date, financial assets were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities were either classified as financial liabilities at fair value through profit or loss or other financial liabilities (i.e. those financial liabilities which are not held for trading or designated as at fair value through profit or loss upon initial recognition). The accounting policies for financial assets and financial liabilities are as disclosed in Note 4 to the financial statements.

The effects arising from the adoption of this Standard have been accounted for by adjusting respective opening balance as at 1 July 2010, as shown below and comparatives are not restated.

Statements of financial position	As of 1 July 2010 RM'000	Effects of adopting FRS 139 RM'000	Restatement as of 1 July 2010 RM'000
<b>The Group</b>			
<b>Capital and Reserves</b>			
Other reserves	17,631	6,176	23,807
Retained earnings	1,775,722	2,012	1,777,734
<b>Non-Current Assets</b>			
Long-term investments	87,699	(87,699)	–
Available-for-sale investments	–	44,233	44,233
Held-to-maturity investments	–	13,625	13,625
Loans and receivables	–	38,029	38,029
<b>Current Assets</b>			
Short-term investments	10,552	(10,552)	–
Held-to-maturity investments	–	2,185	2,185
Loans and receivables	–	8,367	8,367
<b>The Company</b>			
<b>Capital and Reserves</b>			
Other reserves	6,999	(1,234)	5,765
Accumulated losses	(125,002)	1,284	(123,718)
<b>Non-Current Assets</b>			
Long-term investments	18,360	(18,360)	–
Available-for-sale investments	–	1,494	1,494
Loans and receivables	–	16,866	16,866

### 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

#### FRSs, Amendments to FRSs and IC Interpretations issued but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and IC Interpretations which were issued but not yet effective and not early adopted by the Group and the Company are as listed below:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters) <sup>1</sup>
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for First-time Adopters) <sup>1</sup>
FRS 2	Share-based Payment (Amendments relating to group cash-settled share based payment transaction) <sup>1</sup>
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments) <sup>1</sup>
FRS 124	Related Party Disclosure (Revised) <sup>2</sup>
Improvements to FRSs 2010	
IC Interpretation 4	Determining whether an arrangement contains a lease <sup>1</sup>
IC Interpretation 15	Agreements for the Construction of Real Estate <sup>3</sup>
IC Interpretation 18	Transfers of Assets from Customers <sup>4</sup>
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> Original effective date of 1 July 2010 deferred to 1 January 2012 via amendment issued by MASB on 31 August 2010

<sup>4</sup> Applies prospectively to transfers of assets from customers received on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2011

Consequential amendments were also made to various FRSs as a result of these new/revised FRSs.

The Directors anticipate that the adoption of the above standards and interpretations, when they become effective, are not expected to be relevant or have material impact on the financial statements of the Group and of the Company in the period of initial application.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

#### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiary companies) as mentioned in Note 48 made up to the end of the reporting period.

The results of subsidiary companies acquired or disposed of during the financial year are included in the statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. The financial statements of the subsidiary companies are prepared for the same reporting date as the Company.

All significant intercompany transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Uniform accounting policies are adopted in the Group's financial statements for like transactions and events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combinations (see below) and the non-controlling interest's share of changes in equity since the date of combination.

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

##### **Business Combinations**

The acquisition of subsidiary companies is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3, Business Combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the excess is recognised immediately in the statements of comprehensive income.

The interest of non-controlling shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

##### **Revenue and Revenue Recognition**

Revenue is measured at the fair value of consideration received and receivable in the normal course of business.

Revenue of the Group consists of the sales invoice value of goods supplied to third parties, net of discounts and returns, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed, sales value of land under development and completed property units, gross rental income and dividend income receivable from quoted and unquoted investments.

Revenue of the Company consists of gross rental income and gross dividend income from the subsidiary companies and associated companies.

The revenue recognition policies of the Group and of the Company are as follows:

##### **(i) Steel Division**

Gross invoice value of goods sold - upon delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

##### **(ii) Property Development Division**

Property development projects - upon signing of the individual sale and purchase agreements, based on the percentage of completion method.

Sales of land under development and completed property units - when the significant risks and rewards of ownership have passed to the buyer.

Rental income - on accrual basis.

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

##### Revenue and Revenue Recognition (continued)

###### (iii) Tyre Division

Gross invoice value of goods sold - upon delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

###### (iv) Building Materials Division

Gross invoice value of goods sold - upon delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

###### (v) Other Divisions

Gross invoice value of goods sold - upon delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

Gross dividend income - where the shareholders' right to receive payment is established.

##### Foreign Currency

###### (i) Functional and Presentation Currencies

The individual financial statements of each entity in the Group are presented in Ringgit Malaysia, United States Dollar, Renminbi or Singapore Dollar, the currency of the primary economic environment in which the entities operate (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity, are expressed in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

###### (ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rate prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation adjustment account. Such translation differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

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

##### Employee Benefits

###### (i) Short-term Employee Benefits

Salaries, wages, bonuses, social security contributions and annual leave are accrued for in the year in which the associated services are rendered by the employees of the Group and of the Company.

###### (ii) Defined Contribution Plans

The Company, its subsidiary companies incorporated in Malaysia and their eligible employees are required by law to make monthly contributions to the Employees Provident Fund (“EPF”), a local statutory defined contribution plans, at certain prescribed rates based on the employees’ salaries. The Group’s foreign incorporated subsidiary companies and their eligible employees also make contributions to their respective countries’ statutory pension scheme. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, there are no further payment obligations.

###### (iii) Equity Compensation Benefits

The Group’s ESOS allows the employees to acquire shares in the Company. The total fair value of share options granted to eligible employees is recognised as an employee cost in profit or loss with a corresponding increase in the equity compensation reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of the share options is measured at grant date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

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

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

##### Income Tax

Income tax expense on profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax is accounted for, using the “liability” method, on temporary differences at the end of the reporting period 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 future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

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

##### **Income Tax (continued)**

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is charged or credited to profit or loss, 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, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The tax effects of the unutilised reinvestment allowances are recognised only upon actual realisation.

##### **Impairment of Assets Excluding Goodwill**

At the end of each reporting period, the Group and the Company review the carrying amounts of their non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

##### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land has unlimited useful life and therefore is not depreciated. Construction work-in-progress is not depreciated as this asset is also not available for use. All other property, plant and equipment are depreciated on a straight-line method at rates based on the estimated useful lives of the various assets.

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

##### Property, Plant and Equipment (continued)

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Other buildings	2% - 5%
Plant, machinery and equipment	2% - 20%
Prime movers and trailers	15%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Floating cranes	5%
Tug boats and barges	10%
Infrastructure	7%
Renovations	2% - 10%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 43 to 86 years (2010: 44 to 87 years).

##### Capitalisation of Borrowing Cost

Borrowing cost incurred on the construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of borrowing cost will cease when the assets are ready for their intended use and is suspended during extended period in which active development is interrupted.

##### Investment Properties

Investment properties, comprising certain freehold and leasehold land and buildings, are properties held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group and the Company.

Investment properties are stated at fair value, representing open-market value determined by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statements of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

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

##### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread evenly over the lease term.

##### **Property, Plant and Equipment under Finance Leases**

Assets acquired by way of 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 end of the reporting period as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. 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 as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

##### **Property, Plant and Equipment under Hire-Purchase**

Property, plant and equipment acquired under hire-purchase are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase obligations.

##### **Land held for Property Development**

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

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities are expected to be completed within the Group's normal operating cycle.

##### **Non-Current Assets Classified as Held for Sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

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

##### **Subsidiary Companies**

Subsidiary companies are those companies in which the Group has power to exercise control through the power to govern the financial and operating policies of the companies so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than one half of the voting rights of the companies.

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost less any accumulated impairment losses.

##### **Associated Companies**

Associated companies are entities in which the Group has significant influence, directly or indirectly and that is neither a subsidiary company nor a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decision of the investee but not in control or joint control over those policies.

Investment in associated companies is stated in the Company's separate financial statements at cost less any accumulated impairment losses.

The Group's investment in associated companies is accounted for under the equity method of accounting based on the audited or management-prepared financial statements of the associated company made up to the end of the reporting period. Under this method of accounting, the Group's interest in the post-acquisition profit/loss and reserves of the associated company is included in the consolidated results while dividend received is reflected as a reduction of the cost of investment in the consolidated financial statements.

The associated companies are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated companies. Unrealised profits and losses arising from transactions between the Group and its associated companies are eliminated to the extent of the Group's equity interest in the associated companies except where unrealised losses provide evidence of an impairment of the asset transferred.

##### **Jointly Controlled Entity**

A jointly controlled entity is an entity in which the Group has joint control over its economic activity established under a contractual arrangement.

Investments in jointly controlled entities are accounted for in the consolidated financial statements by the equity method of accounting based on the management-prepared financial statements of the jointly controlled entity. Under the equity method of accounting, the Group's share of profits or losses of jointly controlled entity during the financial year is included in profit or loss.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Unrealised losses are eliminated unless cost cannot be recovered.

##### **Goodwill on Consolidation**

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

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

##### **Goodwill on Consolidation (continued)**

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

##### **Property Development Activities**

Property development revenue is recognised for all units sold using the percentage of completion method, by reference to the stage of completion of the property development projects at the end of the reporting period as measured by the proportion that development costs incurred for work performed to-date bear to the estimated total property development costs on completion.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised to the extent of property development costs incurred that are probable of recovery.

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

Inventories of unsold completed development units are stated at the lower of cost and net realisable value.

Accrued billings represent the excess of property development revenue recognised in profit or loss over the billings to purchasers while advance billings represent the excess of billings to purchasers over property development revenue recognised in profit or loss.

##### **Inventories**

Trading merchandise, finished goods, work-in-progress, raw materials and other products are valued at the lower of cost and net realisable value. Cost is determined principally on the 'weighted average' method. The costs of raw materials comprise the original purchase price plus the incidental cost incurred in bringing the inventories to their present locations and conditions. The cost of work-in-progress and finished goods comprise the cost of raw materials, direct labour, direct charges and an appropriate proportion of production overheads.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

Goods-in-transit are valued at the lower of cost and net realisable value.

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.

In arriving at net realisable value, due allowance is made for damaged, obsolete or slow moving inventories.

##### **Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") and Islamic Securities Programme ("Sukuk")**

The BaIDS and Sukuk are bonds issued in accordance with the Islamic finance concept of Bai' Bithaman Ajil. In accordance with such concept, the Group sold certain assets to a trustee, and repurchased them at the same price together with an agreed profit margin. The Group's payment of the purchase price is deferred in accordance with the maturities of these bonds, whilst the profit element is paid half-yearly.

The bonds are initially recognised at cost, being the fair value of the consideration received. After initial recognition, the profit element attributable to the bonds in each period is recognised as an expense on a straight-line basis to the maturity of each series respectively. The BaIDS were fully repaid during the current financial year.

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

##### **RM Denominated Bonds (“LICB Bonds”) and USD Consolidated and Rescheduled Debts (“USD Debts”)**

The LICB Bonds and USD Debts are stated at the net present value plus accreted interest and net of amortised issuance expenses. The accretion of interest on LICB Bonds and USD Debts are recognised as finance costs on the basis of their underlying cash yield to maturity. The LICB Bonds and USD Debts were fully redeemed/repaid during the current financial year.

##### **Redeemable Cumulative Convertible Preference Shares (“RCCPS”)**

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

The RCCPS are classified as non-current liabilities in the statements of financial position and the preferential dividends are recognised as finance costs in profit or loss in the year in which they are incurred.

##### **Provisions**

Provisions are recognised when the Group or the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors’ best estimate of the amount required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the Directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligations.

##### **Financial Instruments**

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

##### **Financial Assets**

Financial assets are classified into the following specified categories: financial asset ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’ (“AFS”) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

##### Financial Assets (continued)

###### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in profit or loss.

###### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group and the Company have the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment, with revenue recognised on an effective yield basis.

###### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

###### Available-for-sale financial assets

Available-for-sale financial assets are those that are designated as available for sale or are not classified in any of the three preceding categories.

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

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's and the Company's right to receive the dividends is established.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

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

##### Financial Assets (continued)

###### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

###### (a) Loans and receivables

Receivables assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In respect of receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

###### (b) Available-for-sale ("AFS") financial assets

For equity instruments classified as AFS, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are classified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previous recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

###### Derecognition of financial assets

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

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

##### **Financial Liabilities and Equity Instruments**

###### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

###### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of direct attributable transactions costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

###### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

###### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group and the Company manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statements of comprehensive income/profit or loss.

###### Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and accrued expenses, amount owing to subsidiary companies and borrowings.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

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

##### Financial Liabilities and Equity Instruments (continued)

###### Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire.

###### Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise deposits, cash and bank balances, and bank overdrafts are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

#### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

##### (i) Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies, which are described in Note 4 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

##### (ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period except for the following:

###### (a) Impairment of Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. During the current financial year, the Group and the Company recognised impairment losses in respect of the following:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property, plant and equipment	10,743	6,248	–	–
Investment properties	9,300	–	9,300	–
Assets classified as held for sale	312	–	312	–
Long-term investments	609	1,271	–	644
Investment in subsidiary companies	–	–	6	468
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

**(ii) Key sources of estimation uncertainty (continued)**

**(a) Impairment of Assets (continued)**

Management exercises its judgement in estimating the recoverable amounts of these 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.

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 require significant judgements. While the Group believes these estimates and assumptions of VIU could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact the Group's financial position and results.

**(b) Impairment of Goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2010: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 23.

**(c) Deferred Tax Assets**

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profit together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group and the Company amounted to RM46,603,000 (2010: RM49,907,000) and RM Nil (2010: RM1,126,000) respectively.

**(d) Allowances for Doubtful Debts**

Allowance for doubtful debts is made based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group deals were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

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

### (ii) Key sources of estimation uncertainty (continued)

#### (d) Allowances for Doubtful Debts (continued)

As mentioned in Note 26(a), the Group has a significant concentration of credit risk as trade receivable of RM454,737,000 due by a related party, Megasteel Sdn Bhd ("Megasteel") as of 30 June 2011 constitutes approximately 53% of the Group's trade receivables, of which RM174,613,000 is past due but not impaired. Megasteel is in the process of undertaking proposed settlement agreements with its creditors (which include the Group) and Megasteel has also entered into discussions with various interested third party investors to inject additional working capital to Megasteel via a proposed issuance of new shares. The Directors have noted the aforesaid proposals by Megasteel to improve cash flows and to meet its obligations to creditors and are of the opinion that no allowance for doubtful debts is necessary in respect of the amount owing by Megasteel. The ability of Megasteel to improve cash flows and to meet its obligations to its creditors and hence be able to continue in operational existence for the foreseeable future is dependent on the approval and successful implementation of its proposed settlement agreements with its creditors and also its success in obtaining additional working capital.

#### (e) 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. The Group 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.

#### (f) Provisions

As mentioned in Note 39, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of Lion Forest Industries Berhad, the Group has provided for damages arising from litigation claim amounting to RM15,000,000. The provision is made based on the management's best estimate using information currently available. As the legal case is to be remitted to the High Court of Kota Kinabalu for the assessment of damages payable by SFI, the ultimate amount of damages that will be awarded by the High Court may differ from the provision made and the difference may be material.

## 6. REVENUE

An analysis of revenue from continuing operations is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Sales of goods	4,912,128	4,437,472	–	–
Revenue from:				
Property development	34,553	30,498	–	–
Sales of land under development and completed property units	368	1,039	–	–
Gross rental income	2,085	2,655	2,085	2,655
Gross dividend income from:				
Associated companies (quoted in Malaysia)	–	–	7,692	2,639
Subsidiary companies	–	–	46,682	6,600
	<b>4,949,134</b>	<b>4,471,664</b>	<b>56,459</b>	<b>11,894</b>

## 7. PROFIT FROM OPERATIONS

Profit from operations from continuing operations is arrived at after crediting/(charging) the following income/(expenses):

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Impairment loss on:				
Investment properties (Note 15)	<b>(9,300)</b>	–	<b>(9,300)</b>	–
Property, plant and equipment (Note 14)	<b>(7,510)</b>	(1)	–	–
Assets classified as held for sale (Note 29)	<b>(312)</b>	–	<b>(312)</b>	–
Long-term investments (Note 21)	<b>(609)</b>	(1,271)	–	(644)
Investment in subsidiary companies (Note 18)	–	–	<b>(6)</b>	(468)
Allowance for:				
Doubtful trade and other receivables	<b>(4,798)</b>	(14,006)	–	(11,056)
Obsolescence of inventories	<b>(2,323)</b>	(30,810)	–	–
Doubtful amount owing by subsidiary companies (Note 27)	–	–	<b>(12,943)</b>	(33)
Rental expense of:				
Jetties and leasehold land	<b>(4,188)</b>	(4,188)	–	–
Premises	<b>(466)</b>	(599)	–	(3)
Plant, machinery and equipment	<b>(6,966)</b>	(8,324)	–	–
Premises payable to related parties	<b>(1,348)</b>	(1,071)	–	–
Property, plant and equipment written off	<b>(1,135)</b>	(4,810)	–	(10)
Inventories written off	<b>(1,030)</b>	(9,273)	–	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	<b>(794)</b>	(631)	<b>(85)</b>	(75)
Underprovision in prior years	<b>(108)</b>	(15)	<b>(10)</b>	(5)
Other auditors:				
Current year	<b>(22)</b>	(75)	–	–
Non-audit services:				
Auditors of the Company	<b>(330)</b>	(90)	<b>(316)</b>	(8)
Other auditors	<b>(438)</b>	(112)	<b>(55)</b>	–
Gain on foreign exchange (net):				
Realised	<b>50,057</b>	19,573	–	–
Unrealised	<b>9,695</b>	29,953	<b>3,444</b>	5,920
Rental income from premises	<b>9,519</b>	2,636	–	–
Allowance no longer required for:				
Cost of completion	<b>8,879</b>	–	<b>1,594</b>	–
Doubtful trade and other receivables	<b>927</b>	1,813	<b>90</b>	510
Obsolescence of inventories	<b>1</b>	219	–	–
Doubtful amount owing by subsidiary companies (Note 27)	–	–	<b>4,118</b>	8,086
Gain/(Loss) on disposal/partial disposal of:				
Prepaid land lease payments	<b>6,856</b>	–	–	–
Property, plant and equipment	<b>537</b>	(981)	<b>5</b>	3
Subsidiary company (Note 18)	–	(2,139)	–	–
Associated companies (Note 19)	–	23,919	–	–
Long-term investments	–	72	–	–
Assets classified as held for sale	–	1	–	–
Gain on acquisition of RCCPS issued by a subsidiary company	<b>797</b>	–	–	–

**7. PROFIT FROM OPERATIONS (continued)**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fair value adjustments on investment properties (Notes 12 and 15)	769	(1,636)	612	(1,742)
Interest income from Housing Development Accounts	607	381	174	107
Bad debts recovered	453	154	-	-
Overprovision of development costs in prior years (Note 17(a))	-	(179)	-	(179)
Deposits written off	-	(87)	-	-
Bad debts written off in respect of amount owing by subsidiary companies	-	-	-	(17)
Investment in subsidiary company written off	-	-	-	(2,525)
Gain on discount on acquisition from third party holders of SCB Bonds and USD Debts	-	52,941	-	-
Gain on SCB Bonds and USD Debts restructuring	-	11,117	-	-
Overprovision of accrued expenses in prior years	-	6,626	-	6,626
Impairment loss no longer required for: Long-term investments	-	15	-	-
Investment in subsidiary companies (Note 18)	-	-	2,728	-
Waiver of debts by a subsidiary company	-	-	-	2,526
	<b>769</b>	<b>(1,636)</b>	<b>612</b>	<b>(1,742)</b>

Analysis of staff costs is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Salaries, bonuses and allowances	131,260	120,800	5,132	4,967
Defined contribution plans	13,299	17,940	564	800
Share-based payments	67	434	67	160
	<b>144,626</b>	<b>139,174</b>	<b>5,763</b>	<b>5,927</b>

Included in staff costs are the remuneration of members of key management, other than the Directors of the Group and of the Company as disclosed in Note 8, as follows:

	The Group	
	2011 RM'000	2010 RM'000
Salaries, bonuses and allowances	2,549	2,240
Defined contribution plans	211	220
Share-based payments	-	82
	<b>2,760</b>	<b>2,542</b>

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group as disclosed in Note 8, otherwise than in cash from the Group amounted to RM136,503 (2010: RM138,658).

## 8. DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company classified into executive and non-executive Directors are as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Executive Director:</b>				
Fee	25	20	25	20
Salary and other emoluments	631	660	631	660
Defined contribution plans	61	79	61	79
Share-based payments	26	54	26	54
	743	813	743	813
<b>Non-executive Directors:</b>				
Fees	240	190	240	190
Salary and other emoluments	127	127	24	24
Defined contribution plans	12	12	–	–
Share-based payments	–	6	–	–
	379	335	264	214
Total	1,122	1,148	1,007	1,027

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM97,529 (2010: RM97,495).

## 9. INVESTMENT INCOME

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest income from:				
Fixed deposits	20,060	10,759	377	218
Related parties	427	5,564	416	384
Long-term investments	3,752	3,021	1,430	2,263
Subsidiary companies	–	–	–	6
Associated companies	3,588	1,160	–	–
Others	3,428	3,963	–	–
	31,255	24,467	2,223	2,871

**10. FINANCE COSTS**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest expense on:				
Term loans	26,639	33,049	3,840	–
Security deposits received from customers	13,559	12,024	–	–
Bills payable	7,621	5,535	–	–
SCB Bonds and USD Debts	–	4,535	–	–
Bank overdrafts	1,892	3,983	–	–
Finance lease and hire-purchase	13,144	3,783	9	10
LICB Bonds and USD Debts	736	3,654	1,406	4,239
RCCPS	389	144	–	–
Advances from subsidiary companies	–	–	135	427
Others	3,751	2,212	–	30
Product financing liabilities	6,251	482	–	–
Profit element on BalDS	12,858	21,735	–	–
Borrowing costs	1,877	1,876	1,877	1,876
	<b>88,717</b>	<b>93,012</b>	<b>7,267</b>	<b>6,582</b>

**11. TAX CREDIT/(EXPENSE)**

Tax credit/(expense) for the Group and the Company consists of:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>From continuing operations</b>				
Estimated tax payable:				
Current year	(16,484)	(14,414)	(1,825)	(82)
(Under)/Over provision in prior years	(652)	606	1	–
	<b>(17,136)</b>	<b>(13,808)</b>	<b>(1,824)</b>	<b>(82)</b>
Deferred taxation (Note 22):				
Current year	18,004	(45,510)	(718)	1,013
Over/(Under)provision in prior years	1,466	(22,370)	(408)	491
	<b>19,470</b>	<b>(67,880)</b>	<b>(1,126)</b>	<b>1,504</b>
Total tax credit/(expense) relating to continuing operations	<b>2,334</b>	<b>(81,688)</b>	<b>(2,950)</b>	<b>1,422</b>
<b>From discontinued operations</b>				
Estimated tax payable:				
Current year	–	(399)	–	–
Overprovision in prior years	41	–	–	–
	<b>41</b>	<b>(399)</b>	<b>–</b>	<b>–</b>
Deferred tax (Note 22)	<b>(3,908)</b>	<b>(16,524)</b>	<b>–</b>	<b>–</b>
Total tax expense relating to discontinued operations (Note 12)	<b>(3,867)</b>	<b>(16,923)</b>	<b>–</b>	<b>–</b>
Total tax (expense)/credit	<b>(1,533)</b>	<b>(98,611)</b>	<b>(2,950)</b>	<b>1,422</b>

**11. TAX CREDIT/(EXPENSE) (continued)**

The tax (expense)/credit varied from the amount of tax (expense)/credit determined by applying the applicable income tax rate to profit before tax as a result of the following differences:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before tax				
Continuing operations	<b>105,976</b>	466,190	<b>30,251</b>	6,748
Discontinued operations	<b>177,629</b>	49,591	–	–
	<b>283,605</b>	515,781	<b>30,251</b>	6,748
Tax at statutory tax rate of 25% (2010: 25%)	<b>(70,901)</b>	(128,945)	<b>(7,563)</b>	(1,687)
Effect of differential tax rates in other countries	<b>21</b>	12	–	–
Tax effects of:				
Non-taxable income	<b>64,495</b>	51,377	<b>14,083</b>	7,758
Non-deductible expenses	<b>(42,187)</b>	(42,550)	<b>(7,047)</b>	(5,140)
Utilisation of investment tax allowances	–	18,364	–	–
Tax effect on share in results of associated companies and jointly controlled entity	<b>17,167</b>	26,888	–	–
Deferred tax assets not recognised	<b>(2,388)</b>	(1,993)	<b>(2,016)</b>	–
Realisation of deferred tax assets previously not recognised	<b>31,405</b>	–	–	–
(Under)/Overprovision in prior years:				
Current tax	<b>(611)</b>	606	<b>1</b>	–
Deferred taxation	<b>1,466</b>	(22,370)	<b>(408)</b>	491
	<b>(1,533)</b>	(98,611)	<b>(2,950)</b>	1,422

As of 30 June 2011, two subsidiary companies have tax exempt income accounts of RM451,712,000 (2010: RM451,712,000) arising from investment tax allowances claimed under the Promotion of Investments Act, 1986 and reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967. These tax exempt income accounts, which are subject to approval by the tax authorities, are available for distribution as tax-exempt dividends to the shareholder.

The Company has the following tax-exempt accounts:

	The Company	
	2011 RM'000	2010 RM'000
Tax-exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	<b>21,170</b>	21,170
Tax-exempt dividends received	<b>63,581</b>	18,234
Total	<b>84,751</b>	39,404

Subject to agreement with the tax authorities, these tax-exempt accounts are available for distribution as tax-exempt dividends up to the same amounts. As of 30 June 2011, the Company has not distributed any of its tax-exempt accounts as tax-exempt dividends.

## 12. DISCONTINUED OPERATIONS

On 10 December 2010, 28 February 2011 and 29 June 2011, the Group completed the disposals of its entire 100% equity interest in Silverstone Berhad, Lion Motor Sdn Bhd and 75% equity interest in Shandong Silverstone LuHe Rubber & Tyre Co., Ltd (now known as Toyo Tire (Zhucheng) Co., Ltd), respectively.

The combined results of the discontinued operations included in profit or loss are set out below. The comparative profit or loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current financial year.

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue - sales of goods and services	<b>443,867</b>	586,109
Gain on disposal of discontinued operations	<b>171,407</b>	–
Other operating income	<b>9,327</b>	2,576
Changes in inventories of finished goods, trading merchandise and work-in-progress	<b>(18,024)</b>	7,440
Raw materials and consumables used	<b>(292,959)</b>	(333,843)
Purchase of trading merchandise	<b>(1,365)</b>	(3,511)
Staff costs	<b>(37,676)</b>	(54,914)
Depreciation of property, plant and equipment (Note 14)	<b>(21,207)</b>	(28,757)
Amortisation of prepaid land lease payments (Note 16)	<b>(118)</b>	(148)
Other operating expenses	<b>(74,693)</b>	(123,450)
Finance costs	<b>(930)</b>	(1,911)
Profit before tax	<b>177,629</b>	49,591
Tax expense (Note 11)	<b>(3,867)</b>	(16,923)
Profit for the year	<b>173,762</b>	32,668
<b>Profit attributable to:</b>		
Owners of the Company	<b>107,420</b>	20,387
Non-controlling interests	<b>66,342</b>	12,281
	<b>173,762</b>	32,668
<b>Cash flows from discontinued operations:</b>		
Net cash from operating activities	<b>73,113</b>	106,052
Net cash from/(used in) investing activities	<b>12,280</b>	(78,830)
Net cash used in financing activities	<b>(36,644)</b>	(31,056)
Net cash from/(used in) discontinued operations	<b>48,749</b>	(3,834)

**12. DISCONTINUED OPERATIONS (continued)**

The following amounts have been included in arriving at the profit before tax of the discontinued operations:

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Gain on foreign exchange:		
Realised	<b>2,875</b>	256
Unrealised	<b>1,803</b>	198
Interest income on:		
Fixed deposits with licensed banks	<b>86</b>	174
Others	<b>6</b>	19
Gain on disposal of property, plant and equipment	<b>78</b>	64
Impairment loss on property, plant and equipment (Note 14)	<b>(3,233)</b>	(6,247)
Allowance for:		
Slow-moving and obsolete inventories	<b>(1,742)</b>	(81)
Doubtful debts of trade receivables	<b>(805)</b>	–
Rental of premises payable to third parties	<b>(1,723)</b>	(3,489)
Finance costs:		
Interest on bank overdrafts and other borrowings	<b>(918)</b>	(1,883)
Interest on hire-purchase obligations	<b>(12)</b>	(28)
Property, plant and equipment written off	<b>(140)</b>	(1)
Auditors' remuneration:		
Statutory audit:		
Current year	<b>(66)</b>	(126)
Underprovision in prior year	<b>(21)</b>	(4)
Non-statutory audit	<b>(3)</b>	(6)
Fair value adjustments on investment properties	<b>(29)</b>	–
Hire of plant and machinery	<b>(27)</b>	(55)
Allowance no longer required for slow-moving and obsolete inventories	<b>–</b>	1,865
	<b>–</b>	<b>1,865</b>

## 12. DISCONTINUED OPERATIONS (continued)

Details of the assets, liabilities and net cash inflow arising from the disposals of the above subsidiary companies are as follow:

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	307,251	320,979
Prepaid land lease payments	8,430	8,661
Deferred tax assets	-	208
<b>Current Assets</b>		
Inventories	98,087	96,188
Trade and other receivables	117,377	63,773
Tax recoverable	41	-
Deposits, cash and bank balances	75,846	29,201
<b>Non-Current Liabilities</b>		
Hire-purchase obligations	(52)	(92)
Deferred tax liabilities	(7,791)	(3,883)
<b>Current Liabilities</b>		
Trade and other payables	(184,898)	(73,118)
Tax liabilities	(941)	(982)
Bank borrowings and hire-purchase obligations	(12,434)	(20,140)
	<u>400,916</u>	<u>420,795</u>
Non-controlling interests	(13,147)	<u><u>420,795</u></u>
Net assets disposed	387,769	
Transfer to other reserve	(163)	
Gain on disposal of discontinued operations	171,407	
	<u>559,013</u>	
Net proceeds from disposal of discontinued operations	<u><u>559,013</u></u>	
Proceeds from disposals of discontinued operations:		
As per agreements	530,300	
Adjustments on completion of disposals	35,400	
	<u>565,700</u>	
Less: Incidental costs incurred directly attributable to the disposals	(6,687)	
	<u>559,013</u>	
Less: Cash and cash equivalents	(75,846)	
Net cash inflow from disposal of discontinued operations	<u><u>483,167</u></u>	

### 13. EARNINGS PER ORDINARY SHARE

#### (a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company:		
From continuing operations	<b>124,670</b>	341,082
From discontinued operations	<b>107,420</b>	20,387
	<b>232,090</b>	361,469
	<b>2011</b>	<b>2010</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares:		
Issued shares at beginning of year	<b>715,244</b>	712,967
Effect of the exercise of ESOS	<b>2,233</b>	446
Effect of treasury shares	<b>(29)</b>	(8)
	<b>717,448</b>	713,405
	<b>2011</b>	<b>2010</b>
Basic earnings per share (sen):		
From continuing operations	<b>17.38</b>	47.81
From discontinued operations	<b>14.97</b>	2.86
	<b>32.35</b>	50.67

**13. EARNINGS PER ORDINARY SHARE (continued)**
**(b) Diluted earnings per share**

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit attributable to owners of the Company:		
From continuing operations	<b>124,670</b>	341,082
From discontinued operations	<b>107,420</b>	20,387
	<b>232,090</b>	361,469
	<b>2011</b>	<b>2010</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares in issue	<b>717,448</b>	713,405
Effect of dilution:		
Share options	–	547
Adjusted weighted average number of ordinary shares in issue and issuable	<b>717,448</b>	713,952
	<b>2011</b>	<b>2010</b>
Diluted earnings per share (sen)		
From continuing operations	<b>17.38</b>	47.77
From discontinued operations	<b>14.97</b>	2.86
	<b>32.35</b>	50.63

The basic and diluted earnings per share are the same for 2011 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

The main features of the ESOS are set out in Note 30.

**14. PROPERTY, PLANT AND EQUIPMENT**
**The Group**

	COST							
	As of 1 July 2009 RM'000	Additions RM'000	Exchange differences RM'000	Disposals RM'000	Transfer to investment properties (Note 15) RM'000	Write-offs RM'000	Reclass- ification RM'000	As of 30 June 2010 RM'000
Freehold land	84,694	–	–	(329)	–	–	–	84,365
Freehold buildings	379,305	1,121	–	–	–	–	179	380,605
Buildings under long lease	128,283	1,947	(4,036)	–	(646)	–	802	126,350
Buildings under short lease	7,357	–	–	–	–	–	–	7,357
Plant, machinery and equipment	1,852,884	18,789	(7,807)	(12,006)	–	(5)	128,532	1,980,387
Prime movers and trailers	27,862	5,326	–	(1,111)	–	–	–	32,077
Motor vehicles	18,179	72	(73)	(1,304)	–	(1)	–	16,873
Furniture and office equipment	79,710	3,876	(43)	(207)	–	(387)	61	83,010
Computer equipment	8,629	281	(298)	(56)	–	(36)	–	8,520
Floating cranes	32,911	–	–	–	–	–	–	32,911
Tug boats and barges	38,895	9,716	–	–	–	–	22,969	71,580
Infrastructure	–	2,726	–	–	–	–	104,374	107,100
Renovations	4,754	639	–	–	–	(3,838)	–	1,555
Construction work-in-progress	307,831	43,731	–	–	–	(4,757)	(256,917)	89,888
Total	2,971,294	88,224	(12,257)	(15,013)	(646)	(9,024)	–	3,022,578



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

The Group

	COST										As of 30 June 2011 RM'000	
	As of 1 July 2010 RM'000	Additions RM'000	Exchange differences RM'000	Disposals RM'000	Effect of discontinued operations RM'000	Transfer to investment properties (Note 15) RM'000	Transfer to assets held for sale (Note 29) RM'000	Transfer from prepaid land lease payments (Note 16) RM'000	Write-offs RM'000	Reclass- ification RM'000		
Freehold land	84,365	-	-	-	(6,570)	-	-	-	-	-	-	77,795
Freehold buildings	380,605	258	-	-	(77,424)	-	-	-	-	72	-	303,511
Buildings under long lease	126,350	706	(1,423)	-	(55,057)	(886)	(908)	31,943	(3)	6,891	-	107,613
Buildings under short lease	7,357	-	-	-	-	-	-	-	-	(6,891)	-	466
Plant, machinery and equipment	1,980,387	11,937	(2,889)	(5,431)	(514,070)	-	-	-	(1,687)	6,060	-	1,474,307
Prime movers and trailers	32,077	-	-	(380)	-	-	-	-	-	-	-	31,697
Motor vehicles	16,873	1,970	(25)	(1,933)	(6,287)	-	-	-	-	-	-	10,598
Furniture and office equipment	83,010	3,237	(15)	(421)	(14,164)	-	-	-	(1,616)	-	-	70,031
Computer equipment	8,520	686	(106)	(32)	(3,188)	-	-	-	(980)	-	-	4,900
Floating cranes	32,911	-	-	-	-	-	-	-	-	54,705	-	87,616
Tug boats and barges	71,580	-	-	-	-	-	-	-	-	-	-	71,580
Infrastructure	107,100	-	-	-	-	-	-	-	-	-	-	107,100
Renovations	1,555	-	-	-	-	-	-	-	-	-	-	1,555
Construction work-in-progress	89,888	61,513	-	-	(10,119)	-	-	-	-	(60,837)	-	80,445
<b>Total</b>	<b>3,022,578</b>	<b>80,307</b>	<b>(4,458)</b>	<b>(8,197)</b>	<b>(686,879)</b>	<b>(886)</b>	<b>(908)</b>	<b>31,943</b>	<b>(4,286)</b>	<b>-</b>	<b>-</b>	<b>2,429,214</b>



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

**The Group**

	ACCUMULATED DEPRECIATION							
	As of 1 July 2009 RM'000	Charge for the year RM'000	Exchange differences RM'000	Disposals RM'000	Transfer to investment properties (Note 15) RM'000	Write-offs RM'000	Reclass- ification RM'000	As of 30 June 2010 RM'000
Freehold land	–	–	–	–	–	–	–	–
Freehold buildings	98,669	17,007	–	–	–	–	–	115,676
Buildings under long lease	81,851	5,796	(486)	–	(409)	–	–	86,752
Buildings under short lease	466	–	–	–	–	–	–	466
Plant, machinery and equipment	937,194	90,154	(2,721)	(8,797)	–	(4)	(66)	1,015,760
Prime movers and trailers	11,691	1,883	–	(1,111)	–	–	–	12,463
Motor vehicles	13,393	1,081	(36)	(1,203)	–	–	608	13,843
Furniture and office equipment	62,520	3,626	(47)	(194)	–	(345)	(542)	65,018
Computer equipment	3,307	787	(69)	(53)	–	(36)	–	3,936
Floating crane	1,954	1,563	–	–	–	–	–	3,517
Tug boats and barges	7,030	5,397	–	–	–	–	–	12,427
Infrastructure	–	7,140	–	–	–	–	–	7,140
Renovations	4,699	66	–	–	–	(3,828)	–	937
Construction work-in-progress	–	–	–	–	–	–	–	–
<b>Total</b>	<b>1,222,774</b>	<b>134,500</b>	<b>(3,359)</b>	<b>(11,358)</b>	<b>(409)</b>	<b>(4,213)</b>	<b>–</b>	<b>1,337,935</b>

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

The Group	ACCUMULATED DEPRECIATION									
	As of 1 July 2010 RM'000	Charge for the year RM'000	Exchange differences RM'000	Disposals RM'000	Effects of discontinued operations RM'000	Transfer to investment properties (Note 15) RM'000	Transfer to assets held for sale (Note 29) RM'000	Write-offs RM'000	Reclass- ification RM'000	As of 30 June 2011 RM'000
Freehold land	-	-	-	-	-	-	-	-	-	-
Freehold buildings	115,676	15,912	-	-	(32,185)	-	-	-	-	99,403
Buildings under long lease	86,752	5,503	(228)	-	(11,351)	(549)	(621)	-	-	79,506
Buildings under short lease	466	-	-	-	-	-	-	-	-	466
Plant, machinery and equipment	1,015,760	84,832	(1,194)	(5,072)	(290,302)	-	-	(528)	-	803,496
Prime movers	12,463	1,921	-	(54)	-	-	-	-	-	14,330
and trailers	13,843	1,037	(17)	(1,802)	(5,489)	-	-	(15)	-	7,557
Motor vehicles	65,018	3,339	(17)	(563)	(13,044)	-	-	(1,587)	-	53,146
Furniture and office equipment	3,936	663	(34)	(29)	(731)	-	-	(881)	-	2,924
Computer equipment	3,517	2,430	-	-	-	-	-	-	-	5,947
Floating crane	12,427	6,814	-	-	-	-	-	-	-	19,241
Tug boats and barges	7,140	7,140	-	-	-	-	-	-	-	14,280
Infrastructure	937	79	-	-	-	-	-	-	-	1,016
Renovations	-	-	-	-	-	-	-	-	-	-
Construction work-in-progress	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,337,935</b>	<b>129,670</b>	<b>(1,490)</b>	<b>(7,520)</b>	<b>(353,102)</b>	<b>(549)</b>	<b>(621)</b>	<b>(3,011)</b>	<b>-</b>	<b>1,101,312</b>



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

The Group	ACCUMULATED IMPAIRMENT LOSSES					NET BOOK VALUE			
	As of 1 July 2009 RM'000	Charge for the year RM'000	As of 30 June 2010 RM'000	Charge for the year RM'000	Effect of discontinued operations RM'000	Disposals RM'000	As of 30 June 2011 RM'000	As of 30 June 2010 RM'000	As of 30 June 2011 RM'000
Freehold land	-	-	-	1,754	-	-	1,754	84,365	76,041
Freehold buildings	-	-	-	-	-	-	-	264,929	204,108
Buildings under long lease	-	-	-	-	-	-	-	39,598	28,107
Buildings under short lease	-	-	-	-	-	-	-	6,891	-
Plant, machinery and equipment	17,528	6,248	23,776	1,818	(25,111)	(5)	478	940,851	670,333
Prime movers and trailers	3,215	-	3,215	-	-	-	3,215	16,399	14,152
Motor vehicles	-	-	-	-	-	-	-	3,030	3,041
Furniture and office equipment	-	-	-	18	(18)	-	-	17,992	16,885
Computer equipment	-	-	-	-	-	-	-	4,584	1,976
Floating crane	-	-	-	-	-	-	-	29,394	81,669
Tug boats and barges	-	-	-	-	-	-	-	59,153	52,339
Infrastructure	-	-	-	-	-	-	-	99,960	92,820
Renovations	-	-	-	-	-	-	-	618	539
Construction work-in-progress	-	-	-	7,153	(1,397)	-	5,756	89,888	74,689
Total	20,743	6,248	26,991	10,743	(26,526)	(5)	11,203	1,657,652	1,316,699



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

**The Company**

	COST				As of 30 June 2010 RM'000
	As of 1 July 2009 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	
Plant, machinery and equipment	2,105	–	–	–	2,105
Motor vehicles	1,651	–	(5)	–	1,646
Furniture and office equipment	1,295	147	(13)	–	1,429
Computer equipment	2,687	8	(24)	–	2,671
Renovations	3,837	639	–	(3,838)	638
<b>Total</b>	<b>11,575</b>	<b>794</b>	<b>(42)</b>	<b>(3,838)</b>	<b>8,489</b>

	COST				As of 30 June 2011 RM'000
	As of 1 July 2010 RM'000	Additions RM'000	Disposals RM'000	Write off RM'000	
Plant, machinery and equipment	2,105	–	–	–	<b>2,105</b>
Motor vehicles	1,646	379	(110)	–	<b>1,915</b>
Furniture and office equipment	1,429	2	–	–	<b>1,431</b>
Computer equipment	2,671	44	–	–	<b>2,715</b>
Renovations	638	–	–	–	<b>638</b>
<b>Total</b>	<b>8,489</b>	<b>425</b>	<b>(110)</b>	<b>–</b>	<b>8,804</b>

	ACCUMULATED DEPRECIATION				As of 30 June 2010 RM'000
	As of 1 July 2009 RM'000	Charge for the year RM'000	Disposals RM'000	Write off RM'000	
Plant, machinery and equipment	2,105	–	–	–	2,105
Motor vehicles	617	157	(1)	–	773
Furniture and office equipment	1,221	25	(13)	–	1,233
Computer equipment	1,087	207	(24)	–	1,270
Renovations	3,828	43	–	(3,828)	43
<b>Total</b>	<b>8,858</b>	<b>432</b>	<b>(38)</b>	<b>(3,828)</b>	<b>5,424</b>

	ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As of 1 July 2010 RM'000	Charge for the year RM'000	Disposals RM'000	Write off RM'000	As of 30 June 2010 RM'000	As of 30 June 2011 RM'000
Plant, machinery and equipment	2,105	–	–	–	<b>2,105</b>	–
Motor vehicles	773	157	(64)	–	<b>866</b>	873
Furniture and office equipment	1,233	29	–	–	<b>1,262</b>	196
Computer equipment	1,270	188	–	–	<b>1,458</b>	1,401
Renovations	43	64	–	–	<b>107</b>	595
<b>Total</b>	<b>5,424</b>	<b>438</b>	<b>(64)</b>	<b>–</b>	<b>5,798</b>	<b>3,065</b>

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

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Depreciation charge for the year:				
Continuing operations	<b>108,463</b>	105,743	<b>438</b>	432
Discontinued operations (Note 12)	<b>21,207</b>	28,757	–	–
	<b>129,670</b>	134,500	<b>438</b>	432
Impairment loss for the year:				
Continuing operations	<b>7,510</b>	1	–	–
Discontinued operations (Note 12)	<b>3,233</b>	6,247	–	–
	<b>10,743</b>	6,248	–	–

As of 30 June 2011, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,191.7 million (2010: RM1,139.4 million) have been charged as collaterals to certain financial institutions for the LICB Bonds and USD Debts, BaIDS, finance lease payables and borrowings granted to the Group (Notes 32, 33, 35, 36 and 40).

Included in property, plant and equipment of the Group and of the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM149,767,000 (2010: RM72,804,000) and RM675,000 (2010: RM803,000) respectively.

**15. INVESTMENT PROPERTIES**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At beginning of year	<b>66,334</b>	68,078	<b>61,000</b>	62,742
Fair value adjustments during the year (Note 7)	<b>740</b>	(1,636)	<b>612</b>	(1,742)
Transfer from property, plant and equipment (Note 14)	<b>337</b>	237	–	–
Transfer to assets classified as held for sale (Note 29)	<b>(13,885)</b>	(345)	<b>(9,812)</b>	–
Impairment loss (Note 7)	<b>(9,300)</b>	–	<b>(9,300)</b>	–
At end of year	<b>44,226</b>	66,334	<b>42,500</b>	61,000

The fair values of the investment properties have been arrived at on the basis of valuations carried out by independent valuers that are not related to the Group and the Company. Valuations were based on current prices in an active market for the properties.

The rental income earned by the Group and the Company from their investment properties amounted to RM2,128,000 (2010: RM2,925,000) and RM2,085,000 (2010: RM2,655,000) respectively. Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM522,000 (2010: RM625,000) and RM521,000 (2010: RM617,000) respectively.

Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM40,200 (2010: RM42,600) and RM12,000 (2010: RM10,000) respectively.

## 15. INVESTMENT PROPERTIES (continued)

As of 30 June 2011, all freehold and leasehold land and buildings of the Group and of the Company included as part of investment properties with fair values totalling RM4,364,000 (2010: RM66,282,000) and RMNil (2010: RM61,000,000) respectively have been charged as collaterals to certain local banks for the LICB Bonds and USD Debts, BalDS, bank overdrafts and other credit facilities granted to the Group (Notes 32, 33, 35 and 40).

As of 30 June 2011, the titles to all parcels of leasehold land and buildings of the Company included as part of investment properties with carrying values totalling RM42,500,000 (2010: RM61,000,000) have not been registered in the name of the Company.

Investment properties amounting to RM42,950,000 (2010: RM65,376,000) and RM42,500,000 (2010: RM61,000,000) for the Group and the Company respectively are held under leasehold interest.

Subsequent to the financial year, the Company had entered into a conditional agreement to dispose of the investment properties for a cash consideration of RM42,500,000.

## 16. PREPAID LAND LEASE PAYMENTS

	The Group	
	2011 RM'000	2010 RM'000
Cost:		
At beginning of year	133,854	134,208
Exchange differences	(122)	(354)
Effect of discontinued operations	(9,758)	–
Transfer to property, plant and equipment (Note 14)	(31,943)	–
Disposal during the year	(8,282)	–
At end of year	83,749	133,854
Cumulative amortisation:		
At beginning of year	31,474	29,416
Exchange differences	(9)	(23)
Amortisation for the year	1,956	2,081
Effect of discontinued operations	(1,328)	–
Disposal during the year	(1,733)	–
At end of year	30,360	31,474
Unamortised portion:		
At beginning of year	102,380	104,792
At end of year	53,389	102,380

Amortisation of prepaid land lease payments charge for the year is allocated as follows:

	The Group	
	2011 RM'000	2010 RM'000
Continuing operations	1,838	1,933
Discontinued operations (Note 12)	118	148
	1,956	2,081

## 16. PREPAID LAND LEASE PAYMENTS (continued)

Prepaid land lease payments relate to:

- (a) Lease of land for the Group's factory buildings, office complexes and warehouses located in the Mukim of Bukit Raja, Klang, Selangor, Pasir Gudang Industrial Estate, Johor and Kamunting, Perak, and the leases will expire between the years 2025 and 2097. The Group does not have an option to purchase the leased land upon the expiry of the lease period; and
- (b) Land use rights paid to government authorities of the People's Republic of China for factory buildings, office complex and warehouse located in the LuHe Industrial Zone, Zhucheng, Shandong Province, and the lease will expire in year 2054.

Prepaid land lease payments are amortised over the lease terms of the land/rights.

As of 30 June 2011, certain parcels of leasehold land of the Group with carrying values totalling RM53.4 million (2010: RM93.7 million) have been charged as collaterals to certain financial institutions for the LICB Bonds and USD Debts, BalDS and borrowings granted to the Group (Notes 32, 33, 35 and 40).

## 17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land Held for Property Development

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At beginning of year:				
Land costs	45,196	45,912	53	53
Development costs	7,717	8,087	60	239
	<b>52,913</b>	53,999	<b>113</b>	292
Development costs incurred	<b>100</b>	15	–	–
Overprovision of development costs in prior years (Note 7)	–	(179)	–	(179)
Cost transferred to property development costs – net (Note 17(b))	<b>(2,208)</b>	(922)	–	–
At end of year	<b>50,805</b>	52,913	<b>113</b>	113
Accumulated impairment losses:				
At beginning of year	(17,703)	(18,458)	–	–
Transferred to property development costs (Note 17(b))	<b>1,737</b>	755	–	–
At end of year	<b>(15,966)</b>	(17,703)	–	–
Net	<b>34,839</b>	35,210	<b>113</b>	113

**17. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (continued)**
**b) Property Development Costs**

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of year:		
Land cost	<b>32,791</b>	32,774
Development costs	<b>47,697</b>	42,377
	<b>80,488</b>	75,151
Costs incurred:		
Land cost	–	17
Development costs	<b>705</b>	9,545
	<b>705</b>	9,562
Transfer from land held for property development - net (Note 17(a))	<b>2,208</b>	922
	<b>83,401</b>	85,635
Costs recognised as expenses in profit or loss:		
Previous years	<b>(36,774)</b>	(20,800)
Current year	<b>(22,756)</b>	(15,974)
Eliminated due to completion of projects	<b>26,542</b>	–
	<b>(32,988)</b>	(36,774)
Cost transferred to completed units	<b>(376)</b>	(1,627)
Cost eliminated due to completion of project	<b>(27,297)</b>	(3,520)
Accumulated impairment losses:		
At beginning of year	<b>(976)</b>	(3,135)
Transfer from land held for property development (Note 17(a))	<b>(1,737)</b>	(755)
Transfer to completed units	<b>(246)</b>	960
Closed out due to completion of projects	<b>755</b>	1,954
At end of year	<b>(2,204)</b>	(976)
Net	<b>20,536</b>	42,738

As of 30 June 2011, certain parcels of land of the Group with carrying values totalling RMNil (2010: RM39.5 million) have been charged as collaterals for the LICB Bonds and USD Debts (Note 32).

## 18. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2011 RM'000	2010 RM'000
Shares quoted in Malaysia:		
At beginning and end of year	42,232	42,232
Unquoted shares in Malaysia:		
At cost	285,359	285,359
Deemed capital contribution	13,629	13,572
	<b>298,988</b>	298,931
Accumulated impairment losses	<b>(158,670)</b>	(161,392)
	<b>140,318</b>	137,539
Total	<b>182,550</b>	179,771
Market value of quoted shares	<b>72,204</b>	56,860

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that the recoverable amounts of certain subsidiary companies are in excess of their carrying values. Accordingly, the Directors made a reversal of impairment loss amounting to RM2,722,000 (2010: recognised impairment loss of RM468,000), in respect of the investment in these subsidiary companies.

As of 30 June 2011, the investment in a quoted subsidiary company of the Company with carrying value of RMNil (2010: RM42,232,000) has been charged as collaterals to certain financial institutions for the LICB Bonds and USD Debts (Note 32).

### Acquisition of subsidiary companies

During the current financial year, the Lion Forest Industries Berhad ("LFIB") Group completed the following acquisitions:

- (i) On 5 August 2010, LFIB entered into an agreement with Shandong LuHe Group Co Ltd to acquire the remaining 25% of the equity interest in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) ("Shandong Silverstone") for a final cash consideration of USD6.60 million (equivalent to RM20.34 million).

The said acquisition was completed on 19 January 2011 and thereafter, Shandong Silverstone became a wholly-owned subsidiary company of the LFIB Group.

- (ii) On 23 March 2011, Harta Impiana Sdn Bhd ("Harta Impiana"), a wholly-owned subsidiary company of LFIB subscribed for one ordinary share of USD1.00 in each of Elite Image Investments Limited ("Elite Image") and Eminent Elite Investments Limited ("Eminent Elite"). Consequent thereupon, Elite Image and Eminent Elite became wholly-owned subsidiary companies of the LFIB Group.

- (iii) On 12 April 2011, Harta Impiana subscribed for one ordinary share of USD1.00 in each of Distinct Harvest Limited ("Distinct Harvest"), Radiant Elite Holdings Limited ("Radiant Elite") and Ultra Strategy Limited ("Ultra Strategy"). Consequent thereupon, Distinct Harvest, Radiant Elite and Ultra Strategy became wholly-owned subsidiary companies of the LFIB Group.

The post acquisition results and fair values of the assets acquired and liabilities assumed of Elite Image, Eminent Elite, Distinct Harvest, Radiant Elite and Ultra Strategy are not material to the Group for the current financial year.

## 18. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

### Acquisition of subsidiary companies (continued)

During the previous financial year, LFIB completed the following acquisitions:

- (i) On 26 August 2009, LFIB acquired the entire issued and paid-up capital of Harta Impiana, for a cash consideration of RM2.
- (ii) On 17 June 2010, LFIB acquired 51% equity interest comprising 51 Class B ordinary shares of USD1 each in Jadeford International Limited ("Jadeford") for a cash consideration of RM143,000.

The post acquisition results of Harta Impiana and Jadeford are not material to the results of the Group for the previous financial year.

The fair values of the assets acquired and liabilities assumed from the acquisition of Harta Impiana and Jadeford during the previous financial year were as follows:

	Fair value recognised on acquisition RM'000	Carrying value RM'000
Investments in bonds and RCCPS	86,016	86,016
Other investments	4,118	4,118
Short term deposits	806	806
Cash and bank balances	31	31
Other payables and accruals	(86,511)	(86,511)
	<hr/>	<hr/>
Provisional fair value of net assets acquired	4,460	4,460
	<hr/> <hr/>	<hr/> <hr/>
Share of net assets acquired	2,275	
Total cost of investment in Harta Impiana and Jadeford	(143)	
	<hr/>	
Net negative goodwill	2,132	
	<hr/> <hr/>	
Cash and cash equivalent acquired	837	
Less : Consideration paid	(143)	
	<hr/>	
Cash flows on acquisition, net of cash and cash equivalents acquired	694	
	<hr/> <hr/>	

### Disposal of subsidiary companies

During the current financial year, the LFIB Group completed the following disposals:

- (i) On 10 December 2010, LFIB completed the disposal of Silverstone Berhad, as disclosed in Note 2(a). Consequent thereupon, Silverstone Berhad and its subsidiary companies ceased to be subsidiary companies of LFIB.
- (ii) On 28 February 2011, LFIB completed the disposal of Lion Motor Sdn Bhd ("Lion Motor") for a total cash consideration of RM4 and a cash settlement of inter-company debts amounting to approximately RM3 million. Consequent thereupon, Lion Motor ceased to be a subsidiary company of LFIB.
- (iii) On 29 June 2011, LFIB completed the disposal of Shandong Silverstone, as disclosed in Note 2(b). Consequent thereupon, Shandong Silverstone ceased to be a subsidiary company of LFIB.

The effects on net profit and net assets contributed by the above disposals are disclosed in Note 12.

## 18. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

### Disposal of subsidiary companies (continued)

During the previous financial year, Jadedford ceased to be a subsidiary company of LFIB upon the completion of the disposal of 51% equity interest in Jadedford comprising 51 Class B ordinary shares of USD1 each fully paid, for a cash consideration of RM136,000.

Assets and liabilities disposed of were as follows:

	<b>The Group RM'000</b>
Investments in bonds and RCCPS	60,416
Other investments	4,118
Short term deposits	806
Cash and bank balances	31
Other payables and accruals	(60,911)
	<hr/>
Net assets disposed	4,460
	<hr/> <hr/>
Sales proceeds received	136
Share of net assets disposed	(2,275)
	<hr/>
Loss on disposal of a subsidiary company (Note 7)	(2,139)
	<hr/> <hr/>
Cash and cash equivalents disposed	(837)
Less: Sales proceeds received	136
	<hr/>
Cash flows on disposal, net of cash and cash equivalents disposed	(701)
	<hr/> <hr/>

## 19. INVESTMENT IN ASSOCIATED COMPANIES

	<b>The Group</b>		<b>The Company</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>	<b>2011 RM'000</b>	<b>2010 RM'000</b>
At cost:				
Quoted investments	<b>380,404</b>	380,404	<b>20,141</b>	20,141
Unquoted investments	<b>164,746</b>	152,418	<b>18,599</b>	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>545,150</b>	532,822	<b>38,740</b>	20,141
Share in post-acquisition results less dividends received	<b>244,281</b>	249,578	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>789,431</b>	782,400	<b>38,740</b>	20,141
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Market value of quoted investments	<b>1,299,771</b>	1,177,534	<b>297,164</b>	265,529
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 19. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The summarised financial information in respect of the Group's associated companies are set out below:

	The Group	
	2011 RM'000	2010 RM'000
<b>Assets and Liabilities</b>		
Current assets	5,984,752	5,065,680
Non-current assets	5,856,032	6,503,014
Total Assets	<u>11,840,784</u>	<u>11,568,694</u>
Current liabilities	4,727,770	4,399,870
Non-current liabilities	1,391,285	2,095,838
Total Liabilities	<u>6,119,055</u>	<u>6,495,708</u>
<b>Results</b>		
Revenue	<u>5,393,542</u>	<u>5,167,152</u>
Profit for the year	<u>298,361</u>	<u>617,302</u>

The carrying value of the Group's investment in associated companies is represented by:

	The Group	
	2011 RM'000	2010 RM'000
Share of net assets (excluding goodwill)	570,688	546,313
Share of goodwill of associated companies	218,743	236,087
	<u>789,431</u>	<u>782,400</u>

The Group's share in losses of certain associated companies has been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of profit/(losses) are as follows:

	The Group	
	2011 RM'000	2010 RM'000
At beginning of year	(114,900)	(137,700)
Current year	4,815	22,800
At end of year	<u>(110,085)</u>	<u>(114,900)</u>

As of 30 June 2011, the investment in quoted associated companies of the Company with carrying value of RM17,167,000 (2010: RM20,141,000) has been pledged as collaterals to certain financial institutions for borrowings and LICB Bonds and USD Debts (Notes 32 and 40).

During the previous financial year, the Group disposed of certain equity interest with carrying value amounting to RM33,988,000 in an associated company, Parkson Holdings Berhad, for a total consideration of RM57,907,000. This disposal gave rise to a gain on disposal of RM23,919,000 to the Group (Note 7).

**20. INVESTMENT IN JOINTLY CONTROLLED ENTITY**

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares:		
At cost	125	125
Share in post-acquisition results	20,196	6,108
	<u>20,321</u>	<u>6,233</u>

Details of the jointly controlled entity, which is incorporated in Malaysia, are as follows:

<b>Name of Jointly Controlled Entity</b>	<b>Financial Year End</b>	<b>Effective Percentage Ownership</b>		<b>Principal Activities</b>
		<b>2011</b>	<b>2010</b>	
		%	%	
Mergexcel Property Development Sdn Bhd	31 March	49	49	Property development

The jointly controlled entity is audited by a firm of auditors other than the auditors of the Company.

The summarised financial information in respect of the Group's jointly controlled entity is set out below:

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets and Liabilities</b>		
Current assets	378,703	278,330
Non-current assets	1,005	8
Total Assets	<u>379,708</u>	<u>278,338</u>
Current liabilities	342,952	267,045
Non-current liabilities	-	-
Total Liabilities	<u>342,952</u>	<u>267,045</u>
<b>Results</b>		
Revenue	130,992	83,608
Profit for the year	<u>27,640</u>	<u>11,479</u>

Amount owing by jointly controlled entity arose mainly from advances granted and payments made on behalf of the jointly controlled entity. The said amount is interest-free (2010: interest-free) and repayable on demand.

**21. LONG-TERM INVESTMENTS**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Available-for-sale investments</b>				
Quoted investments in Malaysia:				
At fair value				
Shares	862	–	518	–
Warrants	1,656	–	698	–
ICULS*	30,015	–	–	–
	32,533	–	1,216	–
Quoted investments outside Malaysia:				
Shares - at fair value	157	–	39	–
Unquoted investments:				
At cost				
Ordinary shares	21,101	–	400	–
Total	53,791	–	1,655	–
<b>Held-to-maturity investments</b>				
At amortised cost				
Unquoted bonds, adjusted for accretion of interest	86,902	–	–	–
Less: Accumulated impairment losses	(70,287)	–	–	–
	16,615	–	–	–
Redeemable within one year (Note 25)	(11,265)	–	–	–
	5,350	–	–	–
<b>Loans and receivables</b>				
At amortised cost				
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLs")**	35,087	–	15,100	–
Redeemable within one year (Note 25)	(9,461)	–	(3,270)	–
	25,626	–	11,830	–
Total	84,767	–	13,485	–

**21. LONG-TERM INVESTMENTS (continued)**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Other investments</b>				
Quoted investments in Malaysia:				
At cost				
Shares	-	2,862	-	1,729
Warrants	-	56,972	-	37,302
ICULS*	-	30,015	-	-
	-	89,849	-	39,031
Accumulated impairment losses	-	(57,766)	-	(38,011)
	-	32,083	-	1,020
Quoted investments outside Malaysia:				
Shares - at cost	-	281	-	56
Accumulated impairment losses	-	(168)	-	(32)
	-	113	-	24
Unquoted investments:				
At cost				
Ordinary shares	-	1,593	-	400
Unquoted bonds, adjusted for accretion of interest	-	40,994	-	-
RCSLS**	-	39,561	-	16,916
	-	82,148	-	17,316
Accumulated impairment losses	-	(22,928)	-	-
	-	59,220	-	17,316
Less:				
Unquoted investments, redeemable within one year (Note 25)	-	(3,717)	-	-
	-	55,503	-	17,316
<b>Total</b>	<b>-</b>	<b>87,699</b>	<b>-</b>	<b>18,360</b>
Market value of quoted investments	-	40,628	-	1,094

\* Represents irredeemable convertible unsecured loan stocks issued by Lion Diversified Holdings Berhad.

\*\* Represents redeemable convertible secured loan stocks issued by Lion Corporation Berhad.

## 21. LONG-TERM INVESTMENTS (continued)

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have made an impairment loss amounting to RM609,000 (2010: RM1,271,000) and RMNil (2010: RM644,000) in profit or loss of the Group and of the Company respectively (Note 7).

Certain of the Group's investments with carrying values totalling RM11.44 million (2010: RM31.24 million) had been pledged as collaterals to certain financial institutions for the LICB Bonds, USD Debts and borrowings (Notes 32, 33, 35 and 40)

The investment in unquoted bonds, ICULS and RCSLS of the Company and of certain subsidiary companies bear a yield-to-maturity at rates ranging from 4.00% to 7.00% (2010: 4.00% to 7.00%) per annum.

Included in unquoted investments of the Group is an amount of RM19,733,000, representing 25% of the equity interest held by the LFIB Group in Shandong Silverstone LuHe Rubber & Tyre Co Ltd ("Shandong Silverstone") (now known as Toyo Tire (Zhucheng) Co Ltd). The Group does not exercise significant influence over Shandong Silverstone at the end of the reporting period.

On 12 April 2011, the LFIB Group entered into a Put and Call Option Agreement with Toyo Tire & Rubber Co Ltd ("Toyo Tire"). The terms and conditions of the said agreement are as follows:

- (a) The LFIB Group was granted a put option by Toyo Tire to require Toyo Tire to acquire the remaining 25% stake in Shandong Silverstone for a duration of one year, after a holding period of 3 years from the fulfillment of all conditions under the Share and Receivable Transfer Agreement ("SRTA") dated 12 April 2011 in relation to the disposal by the Group of 75% equity interest in Shandong Silverstone; and
- (b) The LFIB Group had granted Toyo Tire a call option to require the Group to dispose of the remaining 25% stake in Shandong Silverstone at any time after the completion of the SRTA.

At the end of the reporting period, neither the Group nor Toyo Tire had exercised its option.

## 22. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) of the Group and of the Company are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At beginning of year	<b>2,783</b>	87,187	<b>1,126</b>	(378)
Transfer to/(from) profit or loss (Note 11):				
Property, plant and equipment	<b>(18,529)</b>	(99,203)	<b>1,883</b>	(116)
Investment properties	<b>(305)</b>	(477)	<b>(305)</b>	(477)
Property development activities	<b>(1,252)</b>	-	<b>(1,218)</b>	-
Others	<b>2,184</b>	(1,054)	-	-
Unused tax losses and unabsorbed capital allowances	<b>33,464</b>	16,330	<b>(1,486)</b>	2,097
	<b>15,562</b>	(84,404)	<b>(1,126)</b>	1,504
Effect of discontinued operations	<b>7,791</b>	-	-	-
At end of year	<b>26,136</b>	2,783	-	1,126

**22. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's and the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statements of financial position purposes:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred tax assets	<b>46,603</b>	49,907	–	1,126
Deferred tax liabilities	<b>(20,467)</b>	(47,124)	–	–
	<b>26,136</b>	2,783	–	1,126

Deferred tax assets/(liabilities) presented in the statements of financial position are in respect of the tax effects of the following:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Deferred tax assets</b>				
Temporary differences arising from others	(15,400)	4,670	–	–
Unused tax losses and unabsorbed capital allowances	<b>201,385</b>	182,329	<b>12,075</b>	13,561
	<b>185,985</b>	186,999	<b>12,075</b>	13,561
Offsetting	<b>(139,382)</b>	(137,092)	<b>(12,075)</b>	(12,435)
Deferred tax assets (after offsetting)	<b>46,603</b>	49,907	–	1,126
<b>Deferred tax liabilities</b>				
Temporary differences arising from:				
Property, plant and equipment	<b>144,590</b>	178,733	<b>1,703</b>	3,586
Investment properties	<b>2,075</b>	1,770	<b>2,075</b>	1,770
Property development activities	<b>9,014</b>	760	<b>8,297</b>	7,079
Others	<b>4,170</b>	2,953	–	–
	<b>159,849</b>	184,216	<b>12,075</b>	12,435
Offsetting	<b>(139,382)</b>	(137,092)	<b>(12,075)</b>	(12,435)
Deferred tax liabilities (after offsetting)	<b>20,467</b>	47,124	–	–

## 22. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

As mentioned in Note 4, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2011, the estimated amount of temporary differences, unused tax losses and unabsorbed capital allowances, for which the tax effects is not recognised in the financial statements due to uncertainty of its realisation, is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Temporary differences arising from:				
Property, plant and equipment	–	811	–	–
Property development activities	2,533	(795)	–	–
Trade receivables	–	4,999	–	–
Others	(5,142)	(1,883)	–	–
Unused tax losses and unabsorbed capital allowances	62,713	173,040	12,568	4,504
	<b>60,104</b>	<b>176,172</b>	<b>12,568</b>	<b>4,504</b>

The availability of the unused tax losses and unabsorbed capital allowances for offsetting future taxable profit of the Company and respective subsidiary companies are subject to the agreement with the tax authorities.

## 23. GOODWILL

	The Group	
	2011 RM'000	2010 RM'000
Goodwill on consolidation:		
At beginning and end of year	131,644	131,644
Cumulative impairment loss:		
At beginning and end of year	(1,201)	(1,201)
Net	<b>130,443</b>	<b>130,443</b>

Goodwill acquired in business combinations is allocated, at acquisition date, to cash-generating units (“CGU”) that are expected to benefit from that business combination. Goodwill has been allocated to the steel operations of the Group.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 5% (2010: 4%) per annum. The discount rate used is 8% (2010: 8%) per annum.

## 24. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Property:				
Completed units for sale (net of provision for write down of RM3,718,000 (2010: RM3,908,000) for the Group)	9,495	9,689	43	43
Products at cost:				
Raw materials	222,407	457,752	-	-
Work-in-progress	-	10,354	-	-
Finished goods	398,219	521,165	-	-
General and consumable stores	171,432	210,972	-	-
Trading merchandise	58,517	21,748	-	-
Goods-in-transit	329,870	280,737	-	-
	<b>1,180,445</b>	1,502,728	-	-
Less: Allowance for inventory obsolescence	(36,365)	(62,527)	-	-
	<b>1,144,080</b>	1,440,201	-	-
Net	<b>1,153,575</b>	1,449,890	<b>43</b>	43

Certain of the Group's inventories with carrying values totalling RM1,079.3 million (2010: RM1,330.4 million) have been pledged as collaterals to certain financial institutions for the BaLDS and borrowings (Notes 33, 35 and 40) granted to the Group.

The following inventories have been pledged to a third party for financing arrangement as mentioned in Note 38(a):

	The Group	
	2011 RM'000	2010 RM'000
Finished goods	29,363	16,404
Raw materials	17,033	7,614
	<b>46,396</b>	24,018

**25. SHORT-TERM INVESTMENTS**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Held-to-maturity investments</b>				
At amortised cost				
Unquoted bonds, redeemable within one year (Note 21)	11,265	–	–	–
<b>Loans and receivables</b>				
At amortised cost				
RCSLS, redeemable within one year (Note 21)	9,461	–	3,270	–
<b>Other investments</b>				
Unquoted investments – redeemable within one year (Note 21)	–	3,717	–	–
Money market instruments (Note 42)	–	6,835	–	–
	<u>20,726</u>	<u>10,552</u>	<u>3,270</u>	<u>–</u>

**26. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**
**(a) Trade receivables**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables	861,676	478,239	–	–
Less: Allowance for doubtful debts	(16,329)	(15,941)	–	–
	<u>845,347</u>	<u>462,298</u>	<u>–</u>	<u>–</u>
Retention monies	924	2,425	–	–
	<u>846,271</u>	<u>464,723</u>	<u>–</u>	<u>–</u>

Trade receivables comprise amounts receivable for the sale of goods and services rendered. Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The credit period granted to customers ranges from 30 to 90 days (2010: 30 to 90 days). Allowances for doubtful debts are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group has trade receivables amounting to RM519,611,000 that are past due at the end of the reporting period but against which the Group has not recognised allowance for doubtful debts as the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The age for these receivables ranges from 31 to 150 days.

**26. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)**
**(a) Trade receivables (continued)**

As of 30 June 2011, the Group has a significant concentration of credit risk as trade receivable of RM454,737,000 due by a related party, Megasteel Sdn Bhd ("Megasteel"), constitutes approximately 53% of the Group's trade receivables, of which RM174,613,000 is past due but not impaired. Megasteel is in the process of undertaking proposed settlement agreements with its creditors (which include the Group) and Megasteel has also entered into discussions with various interested third party investors to inject additional working capital to Megasteel via a proposed issuance of new shares. The Directors have noted the aforesaid proposals by Megasteel to improve cash flows and to meet its obligations to creditors and are of the opinion that no allowance for doubtful debts is necessary in respect of the amount owing by Megasteel.

The table below is an analysis of trade receivables as of 30 June 2011:

	<b>The Group RM'000</b>	<b>The Company RM'000</b>
Neither past due nor impaired	326,660	–
31 - 60 days past due but not impaired	51,958	–
61 - 90 days past due but not impaired	239,901	–
91 - 120 days past due but not impaired	142,564	–
121 - 150 days past due but not impaired	85,188	–
	<hr/>	<hr/>
Past due and impaired	846,271	–
	16,329	–
	<hr/>	<hr/>
Total trade receivables	<b>862,600</b>	<b>–</b>
	<hr/> <hr/>	<hr/> <hr/>

Movement in the allowance for doubtful debts as of 30 June 2011 is as follows:

	<b>The Group 2011 RM'000</b>	<b>The Company 2011 RM'000</b>
Balance at beginning of the year	15,941	–
Impairment losses recognised on receivables	4,896	–
Effect of discontinued operations	(805)	–
Amount recovered during the year	(672)	–
Amount written off during the year as uncollectible	(3,031)	–
	<hr/>	<hr/>
Balance at end of year	<b>16,329</b>	<b>–</b>
	<hr/> <hr/>	<hr/> <hr/>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

**26. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)**
**(a) Trade receivables (continued)**

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	827,000	387,904	–	–
United States Dollar	11,394	50,508	–	–
Singapore Dollar	7,877	–	–	–
Chinese Renminbi	–	22,036	–	–
Others	–	4,275	–	–
	<b>846,271</b>	<b>464,723</b>	<b>–</b>	<b>–</b>

As of 30 June 2011, the trade receivables of the Group amounting to RM386.3 million (2010: RM225.4 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for borrowings obtained by the Group (Notes 35 and 40).

**(b) Other receivables, deposits and prepayments**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other receivables	299,405	181,140	27,185	48,672
Less: Allowance for doubtful debts	(31,105)	(30,653)	(11,996)	(12,086)
	<b>268,300</b>	<b>150,487</b>	<b>15,189</b>	<b>36,586</b>
Tax recoverable	5,652	6,127	4,902	2,563
Refundable deposits	8,697	23,943	689	678
Prepayments	112,982	128,475	4,425	3,156
	<b>395,631</b>	<b>309,032</b>	<b>25,205</b>	<b>42,983</b>

Movements in the allowance for doubtful debts are as follows:

	The Group 2011 RM'000	The Company 2011 RM'000
Balance at beginning of the year	30,653	12,086
Impairment losses recognised on receivables	707	–
Amount recovered during the year	(255)	(90)
Balance at end of year	<b>31,105</b>	<b>11,996</b>

**26. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)**
**(b) Other receivables, deposits and prepayments (continued)**

- (i) As of 30 June 2011, other receivables, deposits and prepayments of the Group with carrying value of RM208.8 million (2010: RM172.8 million) have been pledged as collaterals for the borrowings obtained by the Group (Notes 35 and 40).
- (ii) Included in other receivables of the Group is an amount of RM123,917,000 (2010: RM Nil) receivable from Toyo Tire & Rubber Co Ltd in respect of sales proceeds from the disposal of 75% equity interest in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) and settlement of intercompany debts.
- (iii) The currency profile of other receivables, deposits and prepayments is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	262,343	239,205	25,205	42,983
Chinese Renminbi	15,039	13,044	–	–
United States Dollar	115,197	55,666	–	–
Others	3,052	1,117	–	–
	<b>395,631</b>	<b>309,032</b>	<b>25,205</b>	<b>42,983</b>

**27. RELATED COMPANY TRANSACTIONS**
**(a) Amount owing by/to subsidiary companies**

Amount owing by/to subsidiary companies comprises:

	The Company	
	2011 RM'000	2010 RM'000
Amount owing by subsidiary companies	1,190,261	1,210,707
Less: Allowance for doubtful debts	(143,289)	(134,464)
Net	<b>1,046,972</b>	<b>1,076,243</b>
Amount owing to subsidiary companies	<b>143,725</b>	<b>234,613</b>

Movement in the allowance for doubtful debts for the current financial year is as follows:

	The Company 2011 RM'000
Balance at beginning of the year	134,464
Impairment losses recognised on receivables	12,943
Amounts recovered during the year	(4,118)
Balance at end of year	<b>143,289</b>

The amount owing by/to subsidiary companies arose mainly from inter-company advances, novation of debts and interest.

**27. RELATED COMPANY TRANSACTIONS (continued)**
**(a) Amount owing by/to subsidiary companies (continued)**

The amount owing by/to subsidiary companies is either interest-free or bears interest at 8% (2010: either interest-free or bears interest at 8%) per annum and repayable on demand.

The currency profile of amount owing by subsidiary companies is as follows:

	<b>The Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Ringgit Malaysia	<b>1,046,971</b>	1,076,242
Singapore Dollar	<b>1</b>	1
	<b>1,046,972</b>	<b>1,076,243</b>

The currency profile of amount owing to subsidiary companies is as follows:

	<b>The Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Ringgit Malaysia	<b>110,926</b>	168,201
United States Dollar	<b>14,849</b>	48,750
Singapore Dollar	<b>9,695</b>	9,192
Chinese Renminbi	<b>8,255</b>	8,470
	<b>143,725</b>	<b>234,613</b>

**(b) Amount owing by an associated company**

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount owing by an associated company	<b>24,465</b>	24,465
Less: Allowance for doubtful debts	<b>(24,465)</b>	(24,465)
Net	<b>-</b>	<b>-</b>

The amount owing by an associated company, which arose from advances, is denominated in United States Dollar, interest-free (2010: interest-free) and repayable on demand.

**28. DEPOSITS, CASH AND BANK BALANCES**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits with licensed banks and financial institutions:				
Restricted	<b>510,838</b>	470,459	<b>2,403</b>	2,342
Unrestricted (Note 42)	<b>381,417</b>	173,725	<b>13,200</b>	3,700
	<b>892,255</b>	644,184	<b>15,603</b>	6,042
Housing Development Accounts (Note 42)	<b>35,318</b>	34,402	<b>9,909</b>	9,735
Cash and bank balances:				
Restricted	<b>42,773</b>	50,597	<b>5</b>	787
Unrestricted (Note 42)	<b>59,670</b>	109,414	<b>6,144</b>	2,702
	<b>1,030,016</b>	838,597	<b>31,661</b>	19,266

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the Company and certain subsidiary companies upon the completion of the property development projects and after all property development expenditure have been fully settled.

Included in deposits with licensed banks and financial institutions, and cash and bank balances are the following:

- amounts totalling RM214.3 million (2010: RM193.8 million) and RM2.4 million (2010: RM3.1 million) for the Group and the Company, respectively, which have been earmarked for the purposes of repayment of the LICB Bonds, USD Debts, BalDS and borrowings (Notes 32, 33, 35 and 40) and pledged as collaterals for bank guarantees granted.
- an amount of RM339.3 million (2010: RM327.2 million) of the Group held under Escrow Account for the purpose of indemnifying Sabah Forest Industries Sdn Bhd ("SFI") and the purchasers of SFI for the legal claims as mentioned in Note 45(b).

The average effective interest rates during the financial year are as follows:

	The Group		The Company	
	2011	2010	2011	2010
Deposits with licensed banks and financial institutions	<b>1.15%</b> <b>to 2.85%</b>	1.90% to 3.39%	<b>2.20%</b> <b>to 2.60%</b>	2.20% to 2.60%

Deposits of the Group and of the Company have an average maturity of 96 days (2010: 41 days).

**28. DEPOSITS, CASH AND BANK BALANCES (continued)**

The currency profile of deposits, cash and bank balances is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	1,018,919	816,520	31,661	19,266
Chinese Renminbi	7,467	16,981	–	–
United States Dollar	3,338	4,571	–	–
Indonesian Rupiah	267	504	–	–
Singapore Dollar	25	21	–	–
	<b>1,030,016</b>	<b>838,597</b>	<b>31,661</b>	<b>19,266</b>

The deposits, cash and bank balances denominated in Renminbi of the subsidiary companies in the People's Republic of China ("PRC") are subject to the exchange control restrictions of that country. The said deposits, cash and bank balances are available for use by the subsidiary companies in the PRC and the exchange control restrictions are applicable only if the monies are to be remitted to countries outside the PRC.

**29. ASSETS CLASSIFIED AS HELD FOR SALE**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At beginning of year	404	183	–	–
Transfer from investment properties (Note 15)	13,885	345	9,812	–
Impairment loss (Note 7)	(312)	–	(312)	–
Transfer from property, plant and equipment (Note 14)	287	–	–	–
Disposals	–	(124)	–	–
	<b>14,264</b>	<b>404</b>	<b>9,500</b>	<b>–</b>

During the current financial year, the Company and Antara Steel Mills Sdn Bhd ("Antara") entered into conditional Sale and Purchase Agreements to dispose of a parcel of land and building for a total cash consideration of RM9,500,000 and RM5,560,000 respectively. The said disposals are expected to be completed within one year from the date of the Sale and Purchase Agreements. Accordingly, the said disposal had been classified as non-current asset held for sale as of 30 June 2011.

### 30. SHARE CAPITAL

Share capital of Group and of the Company is presented by:

	<b>The Group and The Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Ordinary shares of RM1.00 each</b>		
<b>Authorised:</b>		
1,000,000,000 at beginning and end of year	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid:</b>		
At beginning of year:		
715,344,265 as of 1 July 2010; 712,967,165 as of 1 July 2009	<b>715,344</b>	712,967
Issued during the year:		
2,565,100 in 2011; 2,377,100 in 2010	<b>2,565</b>	2,377
At end of year:		
717,909,365 as of 30 June 2011; 715,344,265 as of 30 June 2010	<b>717,909</b>	715,344

During the current financial year, the issued and paid-up share capital of the Company was increased from RM715,344,265 divided into 715,344,265 ordinary shares of RM1.00 each to RM717,909,365 divided into 717,909,365 ordinary shares of RM1.00 each by the issuance of 164,700 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 2,400,400 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the Executive Share Option Scheme ("ESOS") of the Company.

During the previous financial year, the issued and paid-up share capital of the Company was increased from RM712,967,165 divided into 712,967,165 ordinary shares of RM1.00 each to RM715,344,265 divided into 715,344,265 ordinary shares of RM1.00 each by the issuance of 749,300 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 1,627,800 new ordinary shares of RM1.00 each at an issue price of RM1.330 per share for cash pursuant to the ESOS of the Company.

The resulting share premium of RM798,226 (2010: RM564,898) arising from the issue of shares in 2011 and 2010 has been credited to the share premium account.

The new ordinary shares issued ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

The ESOS, which was implemented for the benefit of eligible executive employees and executive Directors of the Group with effect from 1 September 2005, expired on 31 August 2010.

### 30. SHARE CAPITAL (continued)

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

Number of options over ordinary shares of RM1 each

Grant date	Number of options over ordinary shares of RM1 each				Exercisable as of 30.6.2011
	As of 1.7.2010	Exercised	Lapsed	As of 30.6.2011	
9.5.2006	232,200	(164,700)	(67,500)	–	–
26.2.2007	1,414,900	(1,414,900)	–	–	–
23.8.2007	2,005,800	(985,500)	(1,020,300)	–	–
23.7.2008	3,199,100	–	(3,199,100)	–	–
	<u>6,852,000</u>	<u>(2,565,100)</u>	<u>(4,286,900)</u>	<u>–</u>	<u>–</u>
WAEP	<u>1.656</u>	<u>1.311</u>	<u>1.863</u>	<u>–</u>	<u>–</u>

Grant date	Number of options over ordinary shares of RM1 each				Exercisable as of 30.6.2010
	As of 1.7.2009	Exercised	Lapsed	As of 30.6.2010	
9.5.2006	990,500	(749,300)	(9,000)	232,200	232,200
26.2.2007	2,290,900	(826,000)	(50,000)	1,414,900	1,414,900
23.8.2007	2,879,600	(801,800)	(72,000)	2,005,800	2,005,800
23.7.2008	3,382,600	–	(183,500)	3,199,100	3,199,100
	<u>9,543,600</u>	<u>(2,377,100)</u>	<u>(314,500)</u>	<u>6,852,000</u>	<u>6,852,000</u>
WAEP	<u>1.300</u>	<u>1.238</u>	<u>1.742</u>	<u>1.656</u>	<u>1.656</u>

The related weighted average share price at the date of exercise for share options exercised during the year was RM1.60 (2010: RM1.74). The options outstanding at the end of the year have a weighted average remaining contractual life of Nil years (2010: 0.16 years).

The fair value of share options granted during the financial year was estimated by the Directors using a Binomial Option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of share options measured at grant date and the assumptions are as follows:

	2011	2010
Expected life (years)	–	0.16
Expected volatility (%)	–	66.14
Risk-free interest rate (%)	–	4.03
Expected dividend yield (%)	–	1.00

### 30. SHARE CAPITAL (continued)

The expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of the options granted were incorporated into the measurement of the fair value.

During the financial year, a new ESOS was approved by the shareholders at an Extraordinary General Meeting held on 10 January 2011 and implemented on 2 February 2011 for a period of 5 years ("New ESOS").

The main features of the New ESOS are as follows:

- (a) Executive and non-executive Directors of the Company who had held office for at least six months, 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 New ESOS.
- (b) The aggregate number of options exercised and options offered and to be offered under the New ESOS shall not exceed 5% of the issued and paid-up share capital of the Company at any point of time during the duration of the New ESOS subject to the following being complied with:
  - (i) not more than 50% of the shares available under the New ESOS shall be allocated, in aggregate, to executive and non-executive Directors, and senior management; and
  - (ii) not more than 10% of the shares available under the New ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share capital of the Company.
- (c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment.
- (d) The subscription price of each ordinary share under the New ESOS shall be the weighted average market price of the shares for the five market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.
- (e) The New ESOS shall continue to be in force for a period of five years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the New ESOS for a further five years, without further approval of the relevant authorities.

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

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

### 31. RESERVES

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-distributable reserves:				
Share premium	532,627	529,706	532,627	529,706
Treasury shares	(239)	(147)	(239)	(147)
Equity compensation reserve	–	6,364	–	6,364
Capital reserve	13,086	8,666	5,145	782
Fair value reserve	(1,497)	–	(1,073)	–
Translation adjustment account	(13,528)	2,748	–	–
	530,449	547,337	536,460	536,705
Retained earnings/ (Accumulated losses)	2,009,564	1,775,722	(101,800)	(125,002)
	<b>2,540,013</b>	<b>2,323,059</b>	<b>434,660</b>	<b>411,703</b>

#### Share premium

Share premium arose from the premium on the issuance of new ordinary shares in current and prior financial years and also share-based payment transactions for options already exercised by employees being reclassified from the equity compensation reserve.

#### Treasury shares

This amount relates to the acquisition cost of treasury shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and its shareholders.

During the financial year, the Company repurchased 50,000 of its ordinary shares from the open market at an average price of RM1.85 per share. The total consideration paid for the repurchase was RM92,500. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

#### Equity compensation reserve

Equity compensation reserve, which relates to the equity-settled share options granted to eligible employees by the Company, is made up of the cumulative value of services received from employees recorded on grant of share options, net of the amount reclassified to share premium and capital reserve for options exercised and lapsed.

#### Capital reserve

Capital reserve, which is not available for the payment of dividends, arose from share options lapsed reclassified from equity compensation reserve and share of other reserves in Lion Forest Industries Berhad, a public listed subsidiary company, and associated companies.

#### Fair value reserve

Fair value reserve comprises fair value changes on revaluation of available-for-sale investments.

#### Translation adjustment account

Exchange differences arising from the translation of foreign controlled subsidiary and associated companies are taken to the translation adjustment account as described in the accounting policies.

### 32. LICB BONDS AND USD DEBTS - SECURED

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
LICB Bonds issued to:				
Scheme Creditors	–	36,764	–	36,764
Subsidiary/Associated companies	–	3,255	–	11,060
USD Debts issued to:				
Scheme Creditors	–	10,996	–	–
A subsidiary company, LLB Harta (L) Limited (“LICB Debts”)	–	–	–	11,134
	–	51,015	–	58,958
Borrowing costs*	–	(1,877)	–	(1,877)
	–	49,138	–	57,081
Portion payable within one year	–	(49,138)	–	(57,081)
Net	–	–	–	–

\* Borrowing costs (net of annual amortisation of RM1.9 million for the Group and the Company for 9 years) represent ordinary shares issued by the Company as a yield enhancement to the cash yield to maturity in order to enhance the return to the Scheme Creditors.

The currency profile of the LICB Bonds and USD Debts was as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	–	40,019	–	47,824
United States Dollar	–	10,996	–	11,134
	–	51,015	–	58,958

Pursuant to the implementation of the Group Wide Restructuring Scheme (“GWRS”) in 2003, the Group issued RM Denominated Bonds (“LICB Bonds”) and USD Denominated Consolidated and Rescheduled Debts (“USD Debts”) to the Scheme Creditors as part of the settlement of debts.

The LICB Debts issued by the Company to LLB Harta (L) Limited (“Harta (L)”), a subsidiary company, served as asset backing to Harta (L) for the repayment of the USD Debts issued by Harta (L) to the Scheme Creditors.

Both the LICB Bonds and USD Debts constituted direct, unsubordinated and secured obligations of the Group.

### 32. LICB BONDS AND USD DEBTS - SECURED (continued)

The principal terms and conditions of the LICB Bonds and USD Debts were as follows:

- (i) The LICB Bonds were only transferable to persons who were the first holders of the LICB Bonds issued by the Company whilst the USD Debts were freely transferable.
- (ii) The tranches of LICB Bonds and USD Debts were as follows:

	Class	Nominal Amount RM'000	Net Present Value RM'000	Tenure (years)	Cash Yield-to-Maturity (per annum)
<i>Issued by the Company:</i>					
<b>LICB Bonds</b>					
- to Scheme Creditors	A	89,620	78,728	2	6.00%
	B	325,390	249,669	9	5.75%
		415,010	328,397		
- to subsidiary companies	B	97,705	74,969	9	5.75%
		512,715	403,366		
		512,715	403,366		
<b>USD Debts ("LICB Debts")</b>					
- to a subsidiary company, Harta (L)	B	206,348	162,336	9	5.25%
		206,348	162,336		
<i>Issued by a subsidiary company, Harta (L):</i>					
<b>USD Debts</b>					
- to Scheme Creditors	B	204,463	162,334	9	5.00%
		204,463	162,334		

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

- (iii) The Security Trustee held the following securities ("Securities") for the benefit of the holders of the LICB Bonds and USD Debts issued by the Group:
  - (a) The assets included in the proposed divestment programme for the Group. If there was an existing charge on any such assets, the Security Trustee will take a lower priority security interest.
  - (b) The ACB Resources Berhad (formerly known as Amsteel Corporation Berhad) ("ACB") Bonds and ACB shares attached to the ACB Bonds received by the Company (Note 21).

### 32. LICB BONDS AND USD DEBTS - SECURED (continued)

- (c) The Redemption Account held by the Company. The Redemption Account will capture the “Dedicated Cash Flows”.

Dedicated Cash Flows means cash flows from the following sources:

- i. net surplus proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently a charge, if applicable;
- ii. net proceeds from the disposal of any assets in the proposed divestment programme for the Group over which there is presently no charge;
- iii. proceeds from the redemption of the ACB Bonds;
- iv. any Back-End Amount and Loyalty Payment received by the Company as a holder of the ACB Bonds;
- v. net proceeds from the disposal of ACB shares received by the Company pursuant to the GWRS for the Group;
- vi. net proceeds from the disposal of equity-kicker shares attached to the ACB Bonds;
- vii. dividend payments from Sabah Forest Industries Sdn Bhd from year 2002 to 2011; and
- viii. subject to the proportions allocated to holders of the LICB Bonds and the USD Debts, net proceeds from the disposal of any residual assets (other than assets in the proposed divestment programme for the Group) of the Group.

Monies captured in the Redemption Account can only be used towards redemption of the LICB Bonds and repayment of the USD Debts (including payment of taxes, fees and other costs relating to the GWRS) and cannot be utilised for any other purposes.

The LICB Bonds and USD Debts ranked *pari passu* amongst each other over the Securities held by the Security Trustee under items (a) to (c) above.

In addition, the following were securities provided in respect of the USD Debts issued by Harta (L), a subsidiary company:

- (a) assignment of all the rights attaching to the LICB Debts to Harta (L), including the rights to receive payments from the Company and rights to other entitlements;
- (b) a debenture over the LICB Debts of Harta (L);
- (c) a charge over the Redemption Account of Harta (L). The Redemption Account will capture the proceeds from the repayment of the LICB Debts; and
- (d) corporate guarantee by the Company to the Facility Agent for the benefit of holders of the USD Debts.

The LICB Bonds and USD Debts ranked *pari passu* with all other unsecured and unsubordinated creditors of the Company in respect of the Company's assets which are not part of the Securities and Dedicated Cash Flows and was fully settled during the current financial year.

### 33. BAI' BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS")

	The Group	
	2011 RM'000	2010 RM'000
Secured:		
BaIDS	–	240,000
Portion due within 12 months (shown under current liabilities)	–	(110,000)
	<hr/>	<hr/>
Non-current portion	–	130,000
	<hr/> <hr/>	<hr/> <hr/>

The non-current portion was repayable as follows:

	The Group	
	2011 RM'000	2010 RM'000
Financial year ending 30 June: 2012	–	130,000
	<hr/> <hr/>	<hr/> <hr/>

On 30 August 2005, Antara Steel Mills Sdn Bhd ("Antara"), a subsidiary company, issued RM500 million 6-year Bai' Bithaman Ajil Islamic Debt Securities:

- (i) to part finance the acquisition of the hot briquetted iron operations and assets in Labuan ("Labuan Operations") from its immediate holding company, Amsteel Mills Sdn Bhd ("AMSB");
- (ii) to upgrade the existing plant of Antara and the Labuan Operations; and
- (iii) for working capital purposes.

The BaIDS were issued with the following tenure from the date of the first issuance of the BaIDS and the face value of the BaIDS were computed based on the profit rates specified for each series of the BaIDS as follows:

Series	Amount (RM'000)	Tenure	Profit rates
A – issued	40,000	1	6.4%
B – issued	60,000	2	6.9%
C – issued	70,000	3	7.4%
D – issued	90,000	4	7.9%
E – issued	110,000	5	8.4%
F – issued	130,000	6	8.7%
	<hr/>		
	500,000		
	<hr/> <hr/>		

The implicit yield-to-maturity for this financing facility was repayable semi-annually commencing on 28 February 2006.

### 33. BAI' BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS") (continued)

The BaIDS were secured by the following:

- (a) National Land Code ("NLC") charges over three pieces of land and the lease of the land all located at Mukim Plentong, Daerah Johor Bahru, Negeri Johor ("BaIDS Charges") where Antara's existing fully-integrated steel plant is located ("Antara Steel Plant");

Prior to the utilisation of proceeds from the BaIDS, the BaIDS Charges shall rank after the existing charges under the NLC created in favour of the security agent for the lenders of AMSB ("Existing Charges"). On and subsequent to the utilisation of the proceeds from the BaIDS, the BaIDS Charges shall rank prior to the Existing Charges;

- (b) A debenture creating a fixed and floating charge over all existing and future assets of Antara ("BaIDS Debenture"). Prior to the utilisation of proceeds from the BaIDS, the BaIDS Debenture shall rank after the debenture created in favour of the security agent for the lenders of AMSB ("Existing Debenture"). On and subsequent to the utilisation of the proceeds from the BaIDS, the BaIDS Debenture shall rank prior to the Existing Debenture;
- (c) Assignment and first charge over the designated accounts opened and maintained by Antara in relation to the BaIDS;
- (d) Assignment of all performance and/or design bonds and all other guarantees and benefits to be issued in favour of Antara (if any) in relation to the capital expenditure/upgrading works for the Antara Steel Plant and the hot briquetted iron ("HBI") operations; and
- (e) Assignment of all insurance policies and contracts of insurance and reinsurance and all the benefits thereof received or receivable by Antara in relation to the Antara Steel Plant and the HBI operations.

In addition, the Company provided a corporate guarantee to the security agent in respect of the BaIDS.

The BaIDS were fully repaid during the current financial year.

### 34. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES ("RCCPS")

	The Group	
	2011 RM'000	2010 RM'000
Issued and fully paid:		
At beginning of year	137	137
Acquisition by the Group from third party holders	(8)	–
At end of year	<b>129</b>	137
Share premium:		
At beginning of year	13,535	13,535
Acquisition by the Group from third party holders	(831)	–
At end of year	<b>12,704</b>	13,535
	<b>12,833</b>	13,672

### 34. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES (“RCCPS”) (continued)

The subsidiary company, Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad) has in issue 30,575,000 RM0.01 RCCPS issued at a premium of RM0.99 each. As at the end of the financial year, approximately 58.03% (2010: 55.28%) of the RCCPS had been acquired by the LFIB Group. The above represents RCCPS held by third parties.

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 Lion AMB (“New Lion AMB Shares”) at any time after the third anniversary up to and including the tenth anniversary of the date of 14 March 2003, being the issue of the RCCPS.
- (ii) The conversion price of the RCCPS is fixed at RM1.10 per New Lion AMB Share to be satisfied solely by the tender of RCCPS by the registered holders for cancellation by Lion AMB.
- (iii) Unless converted into New Lion AMB Shares, Lion AMB 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 Lion AMB 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 Lion AMB 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 Lion AMB available for distribution.
- (v) The RCCPS carry no right to vote at general meetings of Lion AMB 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 Lion AMB.
- (vi) The registered holders of the RCCPS shall have no right to appoint any director to the Board of Lion AMB or to participate in the management of Lion AMB, but shall be entitled to attend meetings and receive all notices, audited accounts and reports which holders of ordinary shares in Lion AMB are entitled to.
- (vii) Save and except that the RCCPS shall rank in priority to all other classes of shares in Lion AMB 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 Lion AMB.
- (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 SCB Bonds issued by Lion AMB or lender of the USD Debts issued by AMB Harta (L) Limited, a subsidiary company of Lion AMB, both on 14 March 2003.

### 35. LONG-TERM BORROWINGS

	The Group	
	2011 RM'000	2010 RM'000
<b>Long-term borrowings</b>		
Outstanding loans (secured)	311,315	416,058
Less : Portion due within one year (Note 40)	(76,722)	(49,883)
	<b>234,593</b>	366,175
<b>Islamic Securities ("Sukuk")</b>		
Outstanding principal	300,000	–
Debts issuance cost	(6,762)	–
	<b>293,238</b>	–
Total non-current portion	<b>527,831</b>	366,175

The non-current portion is repayable as follows:

	The Group	
	2011 RM'000	2010 RM'000
Financial years ending 30 June:		
2012	–	122,113
2013	234,593	244,062
2014	58,648	–
2015 and thereafter	234,590	–
	<b>527,831</b>	366,175

#### (a) Long-term borrowings

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 14), investment properties (Note 15), leasehold land (Note 16), fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bear interest at rates ranging from 6.25% to 8.75% (2010: 5.80% to 7.06%) per annum.

The currency profile of the long-term borrowings is as follows:

	The Group	
	2011 RM'000	2010 RM'000
Ringgit Malaysia	93,812	200,595
United States Dollar	140,781	165,580
	<b>234,593</b>	366,175

### 35. LONG-TERM BORROWINGS (continued)

#### (b) Islamic Securities (“Sukuk”)

The Sukuk is denominated in Ringgit Malaysia and bears interest at rates ranging from 4.02% to 4.62% (2010: Nil) per annum.

On 28 and 29 June 2011, Antara Steel Mills Sdn. Bhd (“Antara”), a subsidiary company of the Company, issued RM300 million 7-year Islamic securities (“Sukuk”):

- i. to redeem the outstanding notes under Antara’s existing RM500 million BaIDS;
- ii. to finance the purchase of machinery and equipment as replacement parts;
- iii. to pre-fund the Finance Service Reserve Account; and
- iv. to finance the purchase of raw material.

The payment of profit which is assumed to be paid semi-annually commencing six months from the date of issue and the payment of redemption sum under the Sukuk are as follow:

Series	Redemption sum due (RM)	Tenure	Profit rates
A	60,000,000	3	4.02%
B	60,000,000	4	4.17%
C	60,000,000	5	4.32%
D	60,000,000	6	4.47%
E	60,000,000	7	4.62%
	<u>300,000,000</u>		

The Sukuk is secured by the following:

- (i) National Land Code (“NLC”) charges over three pieces of lands and the lease of the land all located at Mukim Plentong, Daerah Johor Bahru, Negeri Johor (“Charges”) where Antara’s existing fully-integrated steel plant is located (“Antara Steel Plant”).
- (ii) A debenture creating a fixed and floating charge over all existing and future assets of Antara (“Debenture”).
- (iii) Assignment and first charge over the designated accounts opened and maintained by Antara.
- (iv) Assignment of all insurance policies and contracts of insurance and reinsurance and all the benefits thereof received or receivable by Antara in relation to the Antara Steel Plant and the HBI operations.
- (v) Corporate guarantee from the Company.

**36. FINANCE LEASE PAYABLES**

	<b>The Group</b>			
	<b>Minimum lease payment</b>		<b>Present value of minimum lease payment</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amounts payable under finance lease:				
Within one year	<b>26,219</b>	13,180	<b>12,497</b>	6,004
In the second to third year inclusive	<b>176,339</b>	96,653	<b>135,003</b>	71,596
	<b>202,558</b>	109,833	<b>147,500</b>	77,600
Less: Future finance charges	<b>(55,058)</b>	(32,233)	<b>NA</b>	NA
Present value of lease payables	<b>147,500</b>	77,600	<b>147,500</b>	77,600
Less: Amount due within the next 12 months (shown under current liabilities)			<b>(12,497)</b>	(6,004)
Non-current portion			<b>135,003</b>	71,596

The non-current portion of the finance lease obligations are repayable as follows:

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial years ending 30 June:		
2012	–	6,550
2013	<b>13,702</b>	7,156
2014	<b>15,024</b>	7,818
2015 and thereafter	<b>106,277</b>	50,072
	<b>135,003</b>	71,596

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 9.80% (2010: 9.25% to 9.50%) per annum.

The finance lease obligations above are secured by charges on certain of the property, plant and equipment (Note 14).

### 37. HIRE-PURCHASE OBLIGATIONS

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total outstanding	7,671	9,111	570	236
Less: Interest-in-suspense	(720)	(997)	(75)	(25)
Principal outstanding	6,951	8,114	495	211
Less: Portion payable within one year (shown under current liabilities)	(2,661)	(2,439)	(123)	(76)
Non-current portion	4,290	5,675	372	135

The non-current portion of the hire-purchase obligations are payable as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Financial years ending 30 June:				
2012	–	2,442	–	76
2013	4,027	3,233	109	59
2014 and thereafter	263	–	263	–
	4,290	5,675	372	135

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.80% to 5.55% (2010: 2.80% to 8.72%) and 2.20% to 2.85% (2010: 2.20% to 2.85%) per annum, respectively.

### 38. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

#### (a) Trade payables

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	745,500	649,624	139	138
Retention monies	3,332	3,698	30	303
	748,832	653,322	169	441

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2010: 30 to 60 days).

**38. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES (continued)**
**(a) Trade payables (continued)**

The currency profile of trade payables is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	447,681	452,266	169	441
United States Dollar	278,950	171,869	–	–
Singapore Dollar	21,013	3,019	–	–
Chinese Renminbi	203	26,168	–	–
Others	985	–	–	–
	<b>748,832</b>	<b>653,322</b>	<b>169</b>	<b>441</b>

Included in trade payables is an amount of RM59,879,171 (2010: RM143,235,222) representing product financing liabilities which arose from trade financing arrangement with a third party where titles to the inventories pertaining to this arrangement are legally with the third party, and of which the subsidiary companies have obligation to purchase. The obligation to purchase ranges from 30 to 90 days (2010: 30 to 90 days), with an average interest rate of 4% (2010: 4%) per annum. The inventories under such arrangement are disclosed in Note 24.

**(b) Other payables, deposits and accrued expenses**

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other payables and deposits	264,713	350,677	2,698	823
Accrued expenses	287,686	565,672	564	1,895
	<b>552,399</b>	<b>916,349</b>	<b>3,262</b>	<b>2,718</b>

Included in other payables of the Group, is an amount of RM56,878,000 (2010: RM163,242,000) representing security deposits received from customers, which bear interest at rates ranging from 8.75% to 10.00% (2010: 8.75% to 10.00%) per annum and have an average repayment period of 90 days (2010: 90 days).

The currency profile of other payables, deposits and accrued expenses is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	422,252	696,052	3,262	2,718
United States Dollar	124,251	218,909	–	–
Chinese Renminbi	3,520	596	–	–
Others	2,376	792	–	–
	<b>552,399</b>	<b>916,349</b>	<b>3,262</b>	<b>2,718</b>

### 39. PROVISIONS

	The Group	
	2011 RM'000	2010 RM'000
Provision for damages arising from litigation claim	<u>15,000</u>	<u>15,000</u>

As part of the terms for the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI") in 2007, Lion Forest Industries Berhad ("LFIB") agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from litigation claims where the cause of action arose prior to the completion of the disposal of SFI.

On 27 February 2008, the Court of Appeal decided in favour of the plaintiff in one of the litigation claims, UNP Plywood Sdn. Bhd. ("UNP") and ordered damages to be assessed. UNP has claimed for an amount of RM128,874,435 for the termination of contracts for the extraction and sale of timber. SFI appealed against the decision of the Court of Appeal. On 11 September 2009, the Federal Court had dismissed SFI's appeal with costs ("Judgement"). On 11 February 2010, the Federal Court dismissed SFI's application for judicial review of the Judgement with costs.

The case has been remitted to the High Court of Kota Kinabalu for assessment of the damages payable by SFI.

Pending the assessment of damages by the court, LFIB had made a provision of RM15,000,000 for damages that may arise from the litigation claim by UNP based on management's best judgement and estimate using information currently available. The balance of the claim by UNP is disclosed as contingent liabilities in Note 45(b).

### 40. SHORT-TERM BORROWINGS

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short-term loans from financial institutions:				
Secured	95,000	–	95,000	–
Unsecured	–	13,707	–	–
	<u>95,000</u>	13,707	<u>95,000</u>	–
Bank overdrafts – Secured (Note 42)	19,022	28,836	–	–
Bills payable	141,083	139,088	–	–
Portion of long-term loans due within one year – Secured (Note 35)	76,722	49,883	–	–
	<u>331,827</u>	<u>231,514</u>	<u>95,000</u>	–

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 14), investment properties (Note 15), prepaid land lease payments (Note 16) and floating charges over the other assets of the subsidiary companies.

The short-term borrowings bear interest at rates ranging from 2.83% to 10.00% (2010: 3.90% to 10.00%) per annum.

The short-term borrowing of the Company are secured by charges on the investment in associated companies (Note 19).

#### 40. SHORT-TERM BORROWINGS (continued)

The currency profile of short-term borrowings is as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Ringgit Malaysia	263,671	211,049	95,000	–
United States Dollar	68,156	20,465	–	–
	<u>331,827</u>	<u>231,514</u>	<u>95,000</u>	<u>–</u>

#### 41. DIVIDEND

	The Group and The Company	
	2011 RM'000	2010 RM'000
First and final dividend of 1%, less 25% tax (2010: 1%, less 25% tax)	<u>5,383</u>	<u>5,349</u>

The Directors propose a first and final dividend of 3%, less 25% tax and a single-tier dividend of 1%, amounting to RM23.3 million in respect of the current financial year. These dividends are subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and have not been included as a liability in the financial statements.

#### 42. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances (unrestricted) (Note 28)	59,670	109,414	6,144	2,702
Deposits with licensed banks and financial institutions (unrestricted) (Note 28)	381,417	173,725	13,200	3,700
Housing Development Accounts (Note 28)	35,318	34,402	9,909	9,735
Bank overdrafts (Note 40)	(19,022)	(28,836)	–	–
Money market instruments (Note 25)	–	6,835	–	–
Total	<u>457,383</u>	<u>295,540</u>	<u>29,253</u>	<u>16,137</u>

#### 43. RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders have interest, excluding those parties disclosed in Notes 18, 19, 20 and 27.

The Group and the Company have the following transactions with related parties during the financial year, which were determined based on negotiation agreed between the parties:

##### (a) Sales and purchase of goods and services and interest

Name of Company	Nature	The Group		The Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Megasteel Sdn Bhd	Sales of goods	<b>850,027</b>	1,184,026	–	–
	Purchase of goods, raw materials and consumables	<b>752,377</b>	817,012	–	–
	Provision of transportation services	<b>18,348</b>	31,964	–	–
	Rental income	<b>935</b>	910	–	–
Angkasa Amsteel Pte Ltd	Sales of goods	<b>25,874</b>	21,929	–	–
Graimpi Sdn Bhd	Sales of goods	–	206	–	–
Lion DRI Sdn Bhd	Sales of goods	<b>191,672</b>	–	–	–
	Purchase of raw materials	<b>101,754</b>	286,166	–	–
	Rental income	<b>127</b>	–	–	–
Secomex Manufacturing (M) Sdn Bhd	Purchase of gas	<b>7,761</b>	13,925	–	–
Lion Blast Furnace Sdn Bhd	Sales of goods	–	118	–	–
	Rental income	<b>73</b>	–	–	–
Bright Steel Sdn Bhd	Sales of goods	<b>8,346</b>	9,556	–	–
Lion Tooling Sdn Bhd	Purchase of toolings	<b>2,387</b>	4,777	–	–
Likom Plastic Industries Sdn Bhd	Rental income	<b>1,515</b>	1,515	<b>1,515</b>	1,515
	Interest income	<b>113</b>	138	<b>113</b>	138
Likom CMS Sdn Bhd	Rental income	<b>570</b>	1,140	<b>570</b>	1,140

**43. RELATED PARTY TRANSACTIONS (continued)**
**(a) Sales and purchase of goods and services and interest (continued)**

Name of Company	Nature	The Group		The Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Parkson Corporation Sdn Bhd	Sales of goods	794	437	–	–
Compact Energy Sdn Bhd	Purchase of consumables	19,160	23,672	–	–
	Rental income	183	185	–	–
Lion Steelworks Sdn Bhd	Sales of goods	493	11	–	–
	Provision of transportation services	37	–	–	–
Panareno Sdn Bhd	Sales of goods	3,487	2,926	–	–
Lion Holdings Pte Ltd	Purchase of goods	28,565	–	–	–
Bright Steel Service Centre Sdn Bhd	Sales of goods	1,501	–	–	–
Lion Plate Mills Sdn Bhd	Sales of goods	4,137	63	–	–
	Provision of transportation services	385	–	–	–

The outstanding balances arising from the above transactions with related parties are as follows:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Receivables:				
Included in trade receivables	572,150	153,165	–	–
Included in other receivables	63,656	68,101	11,205	30,564
Payables:				
Included in trade payables	32,879	33,534	–	–
Included in other payables	23,896	23,903	–	–

The outstanding balances with related parties are either interest-free or bear interest at 8% (2010: either interest-free or bore interest at 8%) per annum and repayable on demand.

#### 43. RELATED PARTY TRANSACTIONS (continued)

##### (b) Share options granted and remuneration payable to Directors

The number of options over ordinary shares of RM1.00 each in the Company granted to the executive Directors of the Company and a subsidiary company pursuant to the Company's ESOS is as follows:

	Unexercised options	
	2011 '000	2010 '000
Tan Sri Cheng Yong Kim	–	406
Dato' Kamaruddin @ Abas bin Nordin*	–	71

\* Executive Director of a subsidiary company

The share options were granted to the Directors on the same terms and conditions as those offered to other eligible executives of the Group (Note 31).

The details of the remuneration of the Directors of the Company are disclosed in Note 8.

#### 44. SEGMENTAL INFORMATION

##### (a) Business Segments:

The Group's activities are classified into five (5) major business segments:

- Steel - manufacture and marketing of steel bars, wire rods, hot briquetted iron, steel related products and provision of chartering services;
- Property development - property development and management;
- Tyre - manufacture and sale of tyres and other related rubber products;
- Building materials - trading and distribution of building materials and other steel products; and
- Others - investment holding, treasury business, manufacture and trading of lubricants, spark plugs, sales and distribution of motor vehicles and provision of transportation services, none of which is of a sufficient size to be reported separately.

Inter-segment revenue comprises sales of goods and income from other business segments. These transactions are conducted on an arm's length basis under terms, conditions and prices not materially different from transactions with non-related parties.

Capital additions comprise additions to property, plant and equipment, investment properties and prepaid land lease payments.

**44. SEGMENTAL INFORMATION (continued)**
**(a) Business Segments: (continued)**

The Group 2011	Continuing operations					Discontinued operations		Eliminations and adjustments to exclude discontinued operations RM'000	Consolidated RM'000
	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Tyre RM'000	Others RM'000			
<b>Revenue</b>									
External revenue	4,138,399	37,008	688,805	84,922	440,698	3,169	(443,867)	4,949,134	
Inter-segment revenue	63,698	-	159,205	-	-	-	(222,903)	-	
Total revenue	4,202,097	37,008	848,010	84,922	440,698	3,169	(666,770)	4,949,134	
<b>Results</b>									
Segment results	79,625	(5,125)	17,768	6,925	8,994	(1,843)	(6,309)	100,035	
Unallocated costs								(5,264)	
Finance costs								(88,717)	
Share in results of:									
Associated companies	-	-	-	54,579	-	-	-	54,579	
Jointly controlled entity	-	14,088	-	-	-	-	-	14,088	
Investment income								31,255	
Profit before tax								105,976	
Tax expense								2,334	
Profit for the year from:									
Continuing operations								108,310	
Discontinued operations (Note 12)								173,762	
								282,072	

(Forward)



44. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group 2011	Continuing operations				Discontinued operations		Eliminations and adjustments to exclude discontinued operations RM'000	Consolidated RM'000
	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Tyre RM'000	Others RM'000		
<b>Consolidated Statement of Financial Position</b>								
Segment assets	3,822,400	270,410	399,869	228,875	-	-	-	4,721,554
Investment in associated companies and jointly controlled entity	-	20,321	-	789,431	-	-	-	809,752
Unallocated corporate assets								494,814
<b>Consolidated Total Assets</b>								<b>6,026,120</b>
<b>Liabilities</b>								
Segment liabilities	2,073,963	125,559	73,650	71,598	-	-	-	2,344,770
Unallocated liabilities								40,846
<b>Consolidated Total Liabilities</b>								<b>2,385,616</b>
<b>Other Information</b>								
Capital expenditure	62,857	709	387	2,410	13,944	-	-	80,307
Depreciation and amortisation	106,332	532	84	3,353	21,242	83	(21,325)	110,301
Other non-cash expenses/(income)	(3,743)	(3,433)	2,417	(1,338)	(165,748)	(1,591)	4,653	(168,783)

**44. SEGMENTAL INFORMATION (continued)**
**(a) Business Segments: (continued)**

The Group 2010	Continuing operations				Discontinued operations			Eliminations and adjustments to exclude discontinued operations RM'000	Consolidated RM'000
	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Tyre RM'000	Others RM'000	Others RM'000		
<b>Revenue</b>									
External revenue	4,149,265	34,193	204,570	83,636	578,523	7,586	(586,109)	4,471,664	
Inter-segment revenue	46,152	–	–	–	–	–	(46,152)	–	
<b>Total revenue</b>	<b>4,195,417</b>	<b>34,193</b>	<b>204,570</b>	<b>83,636</b>	<b>578,523</b>	<b>7,586</b>	<b>(632,261)</b>	<b>4,471,664</b>	
<b>Results</b>									
Segment results	331,866	19,396	4,097	74,902	55,835	(4,333)	(51,502)	430,261	
Unallocated costs								(5,211)	
Finance costs								(93,012)	
Share in results of:									
Associated companies		–	–	–	–	–	–	101,320	
Jointly controlled entity		–	–	101,320	–	–	–	6,233	
Negative goodwill arising from acquisition of a subsidiary company		6,233	–	–	–	–	–	–	
Investment income								2,132	
								24,467	
Profit before tax								466,190	
Tax expense								(81,688)	
Profit for the year from:									
Continuing operations								384,502	
Discontinued operations								32,668	
(Note 12)								417,170	



44. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group 2010	Continuing operations				Discontinued operations		Eliminations and adjustments to exclude discontinued operations RM'000	Consolidated RM'000
	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Tyre RM'000	Others RM'000		
<b>Consolidated Statement of Financial Position</b>								
Segment assets	3,791,445	302,384	184,951	86,064	513,296	5,714	-	4,883,854
Investment in associated companies and jointly controlled entity	-	6,233	-	782,400	-	-	-	788,633
Unallocated corporate assets								383,234
<b>Consolidated Total Assets</b>								<b>6,055,721</b>
<b>Liabilities</b>								
Segment liabilities	2,252,079	62,001	25,163	138,291	90,881	2,469	-	2,570,884
Unallocated liabilities								64,418
<b>Consolidated Total Liabilities</b>								<b>2,635,302</b>
<b>Other Information</b>								
Capital expenditure	56,126	803	6	6,626	24,651	12	-	88,224
Depreciation and amortisation	103,683	532	127	3,334	28,750	155	(28,905)	107,676
Other non-cash expenses/(income)	29,057	19,949	1,056	(100,414)	9,173	(949)	-	(42,128)

#### 44. SEGMENTAL INFORMATION (continued)

##### (b) Geographical Segments:

The Group operates in three (3) main geographical areas:

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron, steel related products and provision of chartering services, property development and management, trading and distribution of building materials and consumables, manufacture and trading of lubricants, spark plugs, manufacture and sales of tyres and other related rubber products, sales and distribution of motor vehicles and provision of transportation services;
- People's Republic of China - manufacture and sale of tyres; and
- Others countries which are not sizable to be reported separately.

	Revenue	
	2011 RM'000	2010 RM'000
<b>Continuing operations</b>		
Malaysia	3,806,186	3,442,614
Other countries	1,142,948	1,029,050
	<b>4,949,134</b>	4,471,664
<b>Discontinued operations</b>		
Malaysia	176,052	357,830
People's Republic of China	186,445	117,941
Other countries	81,370	110,338
	<b>443,867</b>	586,109
	<b>5,393,001</b>	5,057,773

	Total assets		Capital expenditure	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Continuing operations</b>				
Malaysia	5,862,488	5,325,652	66,363	63,561
People's Republic of China	67,683	59,494	–	–
Other countries	95,949	151,565	–	–
	<b>6,026,120</b>	5,536,711	<b>66,363</b>	63,561
<b>Discontinued operations</b>				
Malaysia	–	305,636	6,959	14,894
People's Republic of China	–	213,374	6,985	9,769
	–	519,010	<b>13,944</b>	24,663
	<b>6,026,120</b>	6,055,721	<b>80,307</b>	88,224

In determining the geographical segments of the Group, revenue is based on the country in which the customer is located. Total assets and capital additions are determined based on where the assets are located.

##### Information about major customers

Revenue of the Group for the current financial year amounting to RM1,041 million from the building materials and steel products division are derived from two related parties.

#### 45. CONTINGENT LIABILITIES

- (a) Contingent liabilities in respect of guarantees given by the Company for borrowings and other credit facilities obtained and utilised by a subsidiary company are as follows:

	<b>The Company</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Unsecured:		
Subsidiary company	<b>300,000</b>	240,000

- (b) As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), Lion Forest Industries Berhad ("LFIB") agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI. In this connection, the following are contingent liabilities of SFI:

	<b>The Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	<b>313,331</b>	313,331
Less: Provision (Note 39)	<b>(15,000)</b>	(15,000)
	<b>298,331</b>	298,331
Back pay labour claims from SFI's employees	<b>23,427</b>	23,427
	<b>321,758</b>	321,758

Litigation claims in respect of the termination of contracts for the extraction and sales of timber

Included in the litigation claims are as follows:

- (i) Claim by UNP Plywood Sdn Bhd for an amount of RM128,874,435 against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 39, the Federal Court had on 11 September 2009 dismissed SFI's appeal against the Court of Appeal's decision to enter judgement against SFI for damages to be assessed. Subject to the High Court of Kota Kinabalu deciding on the quantum of the damages at a later stage, the Group had made a provision of RM15,000,000 for damages that may arise from the said litigation claim. The balance of the claim is disclosed as a contingent liability. The parties are now complying with the directions of the High Court of Kota Kinabalu for hearing of assessment of damages on a date to be fixed.
- (ii) Claim by Harapan Permai Sdn Bhd ("Harapan Permai") against SFI for RM184,456,769 for alleged wrongful termination of the Timber Sale Agreement ("Timber Agreement") dated 9 November 1992 via Civil Suit No. K22-40-97 filed on 11 April 1997.

SFI had applied to strike out the claim on the ground that the Timber Agreement is illegal under the Sabah Forest Enactment 1968. The Deputy Registrar had on 12 September 2003 dismissed SFI's application to strike out Harapan Permai's claim. On SFI's appeal, the High Court Judicial Commissioner had on 15 December 2006 allowed SFI's appeal and accordingly struck out Harapan Permai's claim.

#### 45. CONTINGENT LIABILITIES (continued)

##### Litigation claims in respect of the termination of contracts for the extraction and sales of timber (continued)

Harapan Permai had on 12 January 2007 appealed to the Court of Appeal against the decision of the High Court. On 17 March 2010, the Court of Appeal had allowed Harapan Permai's appeal and remitted the case back to the High Court for trial.

On 14 April 2010, SFI applied for leave to appeal to the Federal Court against the decision of the Court of Appeal. On 29 November 2010, the Federal Court dismissed SFI's application for leave to appeal to the Federal Court.

On 22 March 2011, the Kota Kinabalu High Court allowed Harapan Permai to amend its statement of claim inter alia to increase the claim amount to "RM811,555,788 or damages to be assessed".

On 6 July 2011, the Court of Appeal ordered that all the amended prayers including the prayer to increase the amount claimed to RM811,555,788 be struck out. Following thereto, Harapan Permai applied for leave to appeal to the Federal Court against the decision of the Court of Appeal ("Leave Application").

The Federal Court has fixed 23 November 2011 for hearing of the Leave Application.

Indemnity contracts have also been signed between LFIB and Avenel Sdn Bhd ("Avenel"), the immediate holding company of SFI then, whereby Avenel agrees to indemnify LFIB in full for all losses, damages, liabilities, claims, costs and expenses whatsoever which LFIB may incur or sustain as a result of or arising from the litigation claims and any other claims brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise. However, the audited financial statements of Avenel does not indicate that it is able to fully discharge its obligations under the above mentioned indemnity.

##### Back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments.

On 15 April 2009, the Labour Court upheld SFI's preliminary objections and had dismissed the Complainants' claims. Upon appeal by the Complainants, the High Court had on 17 July 2009 allowed the appeal with costs to be taxed and ordered the Labour Court to proceed with the inquiry of the Complainants' claims.

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. The Court of Appeal has yet to fix a date to hear SFI's appeal.

The Labour Court is currently in the process of hearing the Complainants' claims.

The Directors of LFIB, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

#### 46. CAPITAL COMMITMENTS

As of the end of the financial year, the Group and the Company have the following capital commitments:

	The Group		The Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Approved and contracted for:				
Acquisition of plant and machinery	75,540	52,185	–	–
Additional investments	20,999	–	18,599	–
	<b>96,539</b>	52,185	<b>18,599</b>	–
Approved but not contracted for:				
Additional investments	475,000	–	281,000	–
Acquisition of prepaid land lease payments	79,917	–	–	–
Acquisition of plant and machinery	43,542	46,992	–	–
	<b>598,459</b>	46,992	<b>281,000</b>	–
Total	<b>694,998</b>	99,177	<b>299,599</b>	–

#### 47. FINANCIAL INSTRUMENTS

##### Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2010.

The capital structure of the Group and of the Company consists of net debts (borrowings offset by cash and cash equivalents) and equity of the Group and of the Company (comprising issued capital, reserves and non-controlling interests).

The Group's senior management reviews the capital structure of the Group on regular basis. As part of this review, senior management considers the cost of capital and risk associated with each class of capital.

##### Gearing Ratio

The gearing ratio at end of the reporting period was as follows:

	The Group 2011 RM'000	The Company 2011 RM'000
Debt (i)	1,026,942	95,495
Cash and cash equivalents (excluding bank overdrafts)	(476,405)	(29,253)
Net debt	550,537	66,242
Equity (ii)	3,640,504	1,152,569
Debt to equity ratio	15.12%	5.75%

(i) Debt is defined as RCCPS, finance lease, hire purchase obligations, long-term and short-term borrowings as disclosed in Notes 34, 35, 36, 37, and 40.

(ii) Equity includes issued capital, reserves and non-controlling interests.

#### 47. FINANCIAL INSTRUMENTS (continued)

##### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 4.

##### Categories of financial instruments

	The Group 2011 RM'000	The Company 2011 RM'000
<b>Financial assets</b>		
Available-for-sale investments	53,791	1,655
Held-to-maturity investments	16,615	–
Loans and receivables:		
Investments	35,087	15,100
Trade receivables	846,271	–
Other receivables and refundable deposits	276,997	15,878
Amount owing by subsidiary companies	–	1,046,972
Amount owing by jointly controlled entity	24,383	–
Deposits, cash and bank balances	1,030,016	31,661
Total	<u>2,283,160</u>	<u>1,111,266</u>
<b>Financial liabilities</b>		
At amortised cost:		
Redeemable cumulative convertible preference shares	12,833	–
Finance lease payables	147,500	–
Hire-purchase obligations	6,951	495
Trade payables	748,832	169
Other payables, deposits and accrued expenses	552,399	3,262
Amount owing to subsidiary companies	–	143,725
Borrowings	859,658	95,000
Total	<u>2,328,173</u>	<u>242,651</u>

##### Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group and the Company have formulated a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

Various risk management policies are made and approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

#### 47. FINANCIAL INSTRUMENTS (continued)

##### Foreign currency risk

The Group and the Company undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's and of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group		The Company	
	Assets 2011 RM'000	Liabilities 2011 RM'000	Assets 2011 RM'000	Liabilities 2011 RM'000
United States Dollar	129,929	612,138	–	14,849
Chinese Renminbi	22,506	3,723	–	8,255
Singapore Dollar	7,902	21,013	–	9,695
	<u>160,337</u>	<u>636,874</u>	<u>–</u>	<u>32,799</u>

##### Foreign currency sensitivity analysis

The Group and the Company are mainly exposed to the foreign currencies of United States Dollar, Chinese Renminbi and Singapore Dollar.

The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a profit where the Ringgit Malaysia strengthens 10% against the relevant currency. For a 10% weakening of the Ringgit Malaysia against the relevant currency, there would be a comparable impact on profit or loss, the balances below would be negative.

	The Group 2011 RM'000	The Company 2011 RM'000
United States Dollar	48,221	1,485
Chinese Renminbi	(1,878)	826
Singapore Dollar	1,311	970
	<u>47,654</u>	<u>3,281</u>

##### Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Notes 35 and 40 respectively.

The interest rates for the Sukuk, finance lease payables and hire-purchase obligations, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 35, 36 and 37 respectively.

#### 47. FINANCIAL INSTRUMENTS (continued)

##### Interest rate risk (continued)

##### Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analysis below have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 30 June 2011 would increase or decrease by as follows:

	<b>The Group 2011 RM'000</b>
<b>Floating rate liabilities</b>	
Bank overdrafts	95
Bills payable	705
Borrowings	1,557
	<hr/>
	<b>2,357</b> <hr/> <hr/>

The Group's and the Company's exposure to interest rate on certain borrowings, finance lease payables and hire-purchase obligations are limited because the interest rate is fixed upon inception.

##### **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk mainly from trade and other receivables. The Group extends credit to its customers based upon careful evaluation on the customers' financial condition and credit history.

The Company is exposed to credit risk mainly from subsidiary companies and related parties. The Company monitors on an ongoing basis the results of the subsidiaries and related parties, and repayments made by the subsidiaries and related parties.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 30 June 2011, is the carrying amount of these receivables as disclosed in the statements of financial position.

##### Credit risk concentration profile

As of 30 June 2011, the Group has a significant concentration of credit risk as trade receivable of RM454,737,000 due by a related party, Megasteel Sdn Bhd ("Megasteel") constitutes approximately 53% of the Group's trade receivables, of which RM174,613,000 is past due but not impaired. Megasteel is in the process of undertaking proposed settlement agreements with its creditors (which include the Group) and Megasteel has also entered into discussions with various interested third party investors to inject additional working capital to Megasteel via a proposed issuance of new shares. The Directors have noted the aforesaid proposals by Megasteel to improve cash flows and to meet its obligations to creditors and are of the opinion that no allowance for doubtful debts is necessary in respect of the amount owing by Megasteel.

#### 47. FINANCIAL INSTRUMENTS (continued)

##### Credit risk (continued)

###### Financial assets that are neither past due nor impaired

Information regarding trade receivables and other receivables that are neither past due nor impaired is disclosed in Note 26. Deposits and short-term placements with licensed banks and financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

###### Financial assets that are past due and impaired

Information regarding trade receivables that are past due and impaired is disclosed in Note 26.

##### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's and of the Company's short-term, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The tables include both interest and principal cash flows.

<b>The Group 2011</b>	<b>Less than 1 year RM'000</b>	<b>1 to 2 years RM'000</b>	<b>2 to 5 years RM'000</b>	<b>More than 5 years RM'000</b>	<b>Total RM'000</b>	<b>Contractual interest rate %</b>
<b>Financial liabilities</b>						
Non-interest bearing:						
Trade payables	688,953	–	–	–	688,953	–
Other payables, deposits and accrued expenses	495,521	–	–	–	495,521	–
Interest bearing:						
Trade payables	59,879	–	–	–	59,879	4.00
Other payables, deposits and accrued expenses	56,878	–	–	–	56,878	8.75 - 10.00
Hire-purchase obligations	2,661	5,010	–	–	7,671	2.80 - 5.55
Finance lease payables	26,219	26,219	120,662	29,458	202,558	9.25 - 9.80
RCCPS	–	12,833	–	–	12,833	1.00
Bank borrowings:						
Bank overdrafts	19,022	–	–	–	19,022	2.80 - 10.00
Bills payable	141,083	–	–	–	141,083	2.80 - 6.60
Borrowings	191,736	246,670	187,194	125,208	750,808	6.25 - 8.75
	<b>1,681,952</b>	<b>290,732</b>	<b>307,856</b>	<b>154,666</b>	<b>2,435,206</b>	

**47. FINANCIAL INSTRUMENTS (continued)**
**Liquidity risk (continued)**

<b>The Company 2011</b>	<b>Less than 1 year RM'000</b>	<b>1 to 2 years RM'000</b>	<b>2 to 5 years RM'000</b>	<b>More than 5 years RM'000</b>	<b>Total RM'000</b>	<b>Contractual interest rate %</b>
<b>Financial liabilities</b>						
Non-interest bearing:						
Trade payables	169	-	-	-	169	-
Other payables, deposits and accrued expenses	3,262	-	-	-	3,262	-
Amount owing to subsidiary companies	143,725	-	-	-	143,725	-
Interest bearing:						
Hire-purchase obligations	149	129	292	-	570	2.20 - 2.85
Borrowings	98,452	-	-	-	98,452	7.00
	<u>245,757</u>	<u>129</u>	<u>292</u>	<u>-</u>	<u>246,178</u>	

At the end of the reporting period, it was not probable that the counter parties to the financial guarantee contracts will claim under the contracts. Consequently, the amount included above is nil.

**Fair values of financial instruments**

Except as detailed in the following table, the Directors consider that the carrying amounts of the financial assets and the financial liabilities carried at amortised cost in the financial statements approximate their fair values.

<b>2011</b>	<b>The Group</b>		<b>The Company</b>	
	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>	<b>Carrying amount RM'000</b>	<b>Fair value RM'000</b>
<b>Financial assets</b>				
Available-for-sale investments:				
Quoted investments	32,690	32,690 ^	1,255	1,255 ^
Unquoted investments	21,101	- #	400	- #
Held-to-maturity investments:				
Unquoted bonds	16,615	- #	-	-
Loan and receivables:				
Unquoted Redeemable Convertible Secured Loan Stocks	35,087	35,087 +	15,100	15,100 +
<b>Financial liabilities</b>				
Redeemable cumulative convertible preference shares	12,833	12,770 *	-	-
Finance lease payables	147,500	147,373 *	-	-
Hire-purchase obligations	6,951	6,951 *	495	554 *
Borrowings	566,420	566,420 *	95,000	95,000

**47. FINANCIAL INSTRUMENTS (continued)**
**Fair values of financial instruments (continued)**

2010	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial asset</b>				
Long-term investments (quoted)	32,196	40,628	1,044	1,094
<b>Financial liabilities</b>				
Redeemable cumulative convertible preference shares	13,672	13,672 *	—	—
Finance lease payables	77,600	77,600 *	—	—
Hire-purchase obligations	8,114	8,114 *	211	232
Borrowings	597,689	597,689 *	—	—

^ The quoted market price of quoted investments as at the end of the reporting period is used to determine the fair value of these financial assets.

# It is not practical to determine the fair value of these unquoted investments and unquoted bonds due to the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

+ The fair values of RCSLS are estimated using discounted cash flow analysis based on current base lending rate.

\* The fair values of these financial instruments are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

No disclosure is made for balances with related companies and related parties as it is impractical to determine their fair values with sufficient reliability given these balances are repayable on demand.

No disclosure is made for Sukuk and BaIDS as it is not practical to determine the fair values of these borrowings because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs.

#### 48. SUBSIDIARY COMPANIES

The subsidiary companies, all incorporated in Malaysia except as otherwise indicated, are as follows:

Name of Company	Effective Percentage Ownership		Principal Activities
	2011 %	2010 %	
<b>Property Division</b>			
* Amble Legacy Sdn Bhd	100	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	98	94	Dormant
Berkat Timor Sdn Bhd	100	100	Dormant
Citibaru Sendirian Berhad	100	100	Dormant
* Crest Wonder Sdn Bhd	100	100	Investment holding
JOPP Builders Sdn Bhd	100	100	Contractor for construction and civil engineering works, and property development
Kisan Agency Sdn Bhd	100	100	Property development
Lion Courts Sdn Bhd	100	100	Property development
LLB Bina Sdn Bhd	100	100	Ceased operations
LLB Damai Holdings Sdn Bhd	100	100	Investment holding and management company
LLB Indah Permai Sdn Bhd	100	100	Property development
Malim Courts Property Development Sdn Bhd	100	100	Property development and investment holding
Malim Jaya (Melaka) Sdn Bhd	100	100	Property development
* Matrix Control Sdn Bhd	100	100	Investment holding
Mcken Sdn Bhd	100	100	Ceased operations
PM Holdings Sdn Bhd	100	100	Investment holding and property development
Projek Jaya Sdn Bhd	100	100	Investment holding
Seri Lalang Development Sdn Bhd	100	100	Ceased operations
Sharikat Pengangkutan East West Sdn Bhd	100	100	Ceased operations
Soga Sdn Bhd	98	94	Property development

**48. SUBSIDIARY COMPANIES (continued)**

Name of Company	Effective Percentage Ownership		Principal Activities
	2011 %	2010 %	
<b>Property Division</b>			
Sucorp Enterprise Sdn Bhd	<b>100</b>	100	Investment holding
Sumber Realty Sdn Bhd	<b>100</b>	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	<b>100</b>	100	Dormant
* Tianjin Baden Real Estate Development Co Ltd (incorporated in the People's Republic of China)	<b>95</b>	95	Property development
* Trial Jubilant Sdn Bhd (Dissolved on 23.11.2010)	–	100	Investment holding
<b>Steel Division</b>			
Amsteel Mills Sdn Bhd	<b>99</b>	99	Manufacture and marketing of steel bars and wire rods
Amsteel Mills Marketing Sdn Bhd	<b>99</b>	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	<b>99</b>	99	Investment holding
Antara Steel Mills Sdn Bhd	<b>99</b>	99	Manufacture and sale of steel and related products
Lion Waterway Logistics Sdn Bhd	<b>99</b>	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	<b>99</b>	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2011)
* LLB Steel Industries Sdn Bhd	<b>100</b>	100	Investment holding
* Steelcorp Sdn Bhd	<b>99</b>	99	Investment holding

**48. SUBSIDIARY COMPANIES (continued)**

Name of Company	Effective Percentage Ownership		Principal Activities
	2011 %	2010 %	
<b>Others</b>			
* Holdsworth Investment Pte Ltd (incorporated in Singapore)	<b>80</b>	80	Investment holding
Lion Forest Industries Berhad	<b>72</b>	72	Investment holding, trading and distribution of building materials, and trading of steel products
* Lion Motor Venture Sdn Bhd	<b>100</b>	100	Investment holding
LLB Enterprise Sdn Bhd	<b>69</b>	69	Dormant
LLB Harta (L) Limited	<b>100</b>	100	Treasury business
LLB Harta (M) Sdn Bhd	<b>100</b>	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies
LLB Nominees Sdn Bhd	<b>100</b>	100	Investment holding
LLB Strategic Holdings Berhad	<b>100</b>	100	Dormant
LLB Suria Sdn Bhd	<b>100</b>	100	Investment holding
* LLB Venture Sdn Bhd	<b>100</b>	100	Dormant
Marvenel Sdn Bhd	<b>70</b>	70	Investment holding
* Slag Aggregate Sdn Bhd	<b>100</b>	100	Investment holding
* Tianjin Hua Shi Auto Meter Co Ltd (incorporated in the People's Republic of China) (in voluntary liquidation)	<b>56</b>	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Worldwide Unilink Education and Consultancy Sdn Bhd	<b>100</b>	100	Ceased operations
* Zhongsin Biotech Pte Ltd (incorporated in Singapore)	<b>67</b>	67	Investment holding

**48. SUBSIDIARY COMPANIES (continued)**

Name of Company	Effective Percentage Ownership		Principal Activities
	2011 %	2010 %	
<b>Subsidiary Companies of Lion Forest Industries Berhad</b>			
<b>Tyre Division</b>			
* Toyo Tire (Zhucheng) Co Ltd (formerly known as Shandong Silverstone LuHe Rubber & Tyre Co Ltd) (incorporated in the People's Republic of China) (Included in long-term investments as of 30 June 2011 (Note 21))	<b>18</b>	54	Manufacturing and distribution of tyres
<b>Building Materials Division</b>			
Posim Marketing Sdn Bhd	<b>72</b>	72	Trading and distribution of building materials and consumer products
<b>Others</b>			
Gama Harta Sdn Bhd	<b>72</b>	72	Investment holding
Harta Impiana Sdn Bhd	<b>72</b>	72	Investment holding
Intra Inspirasi Sdn Bhd	<b>72</b>	72	Investment holding
^ Jedeford International Limited (incorporated in the British Virgin Islands)	<b>72</b>	72	Investment holding
LFIB Plantations Sdn Bhd	<b>72</b>	72	Investment holding
Lion Rubber Industries Sdn Bhd	<b>72</b>	72	Investment holding
Lion Petroleum Products Sdn Bhd	<b>72</b>	72	Manufacturing of petroleum products
Ototek Sdn Bhd	<b>51</b>	51	Trading and distribution of spark plugs, lubricants and automotive components
Posim EMS Sdn Bhd	<b>58</b>	58	Provision of energy management and conservation services
Posim Petroleum Marketing Sdn Bhd	<b>72</b>	72	Trading and distribution of petroleum products

**48. SUBSIDIARY COMPANIES (continued)**

Name of Company	Effective Percentage Ownership		Principal Activities
	2011 %	2010 %	
<b>Subsidiary Companies of Lion Forest Industries Berhad</b>			
<b>Others</b>			
* P.T. Lion Intimung Malinau (incorporated in the Republic of Indonesia)	<b>69</b>	69	Dormant
^ Elite Image Investments Limited (incorporated in the British Virgin Islands)	<b>72</b>	–	Investment holding
^ Eminent Elite Investments Limited (incorporated in the British Virgin Islands)	<b>72</b>	–	Investment holding
^ Radiant Elite Holdings Limited (incorporated in the British Virgin Islands)	<b>72</b>	–	Investment holding
^ Ultra Strategy Limited (incorporated in the British Virgin Islands)	<b>72</b>	–	Investment holding
^ Distinct Harvest Limited (incorporated in the British Virgin Islands)	<b>72</b>	–	Investment holding
^ Quay Class Ltd (incorporated in the British Virgin Islands)	<b>72</b>	72	Dormant
* Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad)	<b>63</b>	61	Investment holding
^ Silverstone (Hubei) Rubber And Tyre Co Ltd (incorporated in the People's Republic of China) (Dissolved)	–	72	Dormant
* Singa Logistics Sdn Bhd	<b>72</b>	72	Provision of transportation services

**48. SUBSIDIARY COMPANIES (continued)**

Name of Company	Effective Percentage Ownership		Principal Activities
	2011 %	2010 %	
<b>Subsidiary Companies of Lion AMB Resources Berhad</b>			
<b>Tyre Division</b>			
Silverstone Berhad	–	61	Manufacture and sale of tyres, rubber compounds and other related rubber products
Silverstone Marketing Sdn Bhd	–	61	Distribution of tyres, rubber compounds and other related rubber products
Silverstone Polymer Industries Sdn Bhd	–	61	Retreading tyres
<b>Others</b>			
^ AMB Aerovest Limited (incorporated in the British Virgin Islands)	<b>63</b>	61	Investment holding
AMB Harta (L) Limited	<b>63</b>	61	Treasury business
* AMB Harta (M) Sdn Bhd	<b>63</b>	61	Managing of debts novated from Lion AMB Resources Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Berhad and certain of its subsidiary companies
* AMB Venture Sdn Bhd	<b>63</b>	61	Investment holding
* CEDR Corporate Consulting Sdn Bhd	<b>63</b>	61	Provision of training services
* Chrome Marketing Sdn Bhd	<b>63</b>	61	Investment holding
^ iMpression Worldwide Inc (incorporated in the British Virgin Islands)	–	61	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
* Innovasi Istimewa Sdn Bhd	<b>63</b>	61	Investment holding
* Innovasi Selaras Sdn Bhd	<b>63</b>	61	Investment holding
* Lion Rubber Industries Pte Ltd (incorporated in Singapore)	<b>45</b>	44	Investment holding

**48. SUBSIDIARY COMPANIES (continued)**

Name of Company	Effective Percentage Ownership		Principal Activities
	2011 %	2010 %	
<b>Subsidiary Companies of Lion AMB Resources Berhad</b>			
<b>Others</b>			
* Lion Motor Sdn Bhd	–	61	Sale and distribution of motor vehicles
* Lion Tyre Venture Sdn Bhd	<b>63</b>	61	Investment holding
* Range Grove Sdn Bhd	<b>63</b>	61	Investment holding
* Seintasi Sdn Bhd	<b>63</b>	61	Investment holding
* Shanghai AMB Management Consulting Co. Ltd. (formerly known as Shanghai Silverstone Management Consulting Co. Ltd). (incorporated in the People's Republic of China)	<b>63</b>	61	Provision of management services
* Silverstone Tyreplus Pty Ltd (incorporated in Australia)	–	61	Dormant
* Lion AMB Holdings Pte Ltd (formerly known as Silverstone Tyre (S) Pte. Ltd.) (incorporated in Singapore)	<b>50</b>	49	Investment holding
* Willet Investment Pte Ltd (incorporated in Singapore)	<b>54</b>	52	Investment holding
* The financial statements of these companies are audited by auditors other than the auditors of the Company.			
^ The financial statements of these companies are examined for the purpose of consolidation.			

#### 49. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest		Principal Activities
			2011 %	2010 %	
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	49	49	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2011)
Kamiya Corporation Sdn Bhd	30 June	Malaysia	19	19	Property development (yet to commence operations as of 30 June 2011)
Lion Asia Investment Pte Ltd	30 June	Singapore	33	32	Investment holding
Lion Diversified Holdings Berhad	30 June	Malaysia	21	21	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	37	39	Captive insurance business
^ Parkson Holdings Berhad	30 June	Malaysia	17	18	Investment holding
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	50	50	Mixed commercial property development cum cash and carry retail business
Angkasa Amsteel Pte Ltd	30 June	Singapore	25	–	Manufacturing and distribution of fabricated steel reinforcement bars
Lion Titco Resources Sdn Bhd	30 June	Malaysia	40	–	Slag processing and metal extraction
<b>Associated Company of Lion Forest Industries Berhad</b>					
Kinabalu Motor Assembly Sendirian Berhad	30 June	Malaysia	–	14	Assembly and sale of commercial vehicles

#### 49. ASSOCIATED COMPANIES

Name of Company	Financial Year-end	Place of Incorporation	Effective Equity Interest		Principal Activities
			2011 %	2010 %	
<b>Associated Companies of Lion AMB Resources Berhad</b>					
Hunan Changfa Automobile Engine Co Ltd	31 December	People's Republic of China	<b>32</b>	30	Manufacture of automotive engine
Lion Asiapac Limited	30 June	Singapore	<b>23</b>	22	Investment holding
Nanjing Jincheng Machinery Co Ltd	31 December	People's Republic of China	<b>27</b>	26	Manufacture of motorcycles
Suzuki Motorcycle Malaysia Sdn Bhd	31 December	Malaysia	<b>13</b>	12	Investment holding

<sup>^</sup> Although the Group holds less than 20% of the equity interest in Parkson Holdings Berhad, the Group exercises significant influence by virtue that the substantial shareholders of the Company, namely Tan Sri Cheng Heng Jem and Tan Sri Cheng Yong Kim are also the substantial shareholders of Parkson Holdings Berhad and Tan Sri Cheng Heng Jem being a key member of the management of the steel division of the Group.

Except for Lion Insurance Company Limited and Lion Titco Resources Sdn Bhd, the financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

#### 50. SUBSEQUENT EVENTS

- (a) On 7 July 2011, Harta Impiana Sdn Bhd ("Harta Impiana"), a wholly-owned subsidiary company of Lion Forest Industries Berhad ("LFIB") had entered into a Master Service Agreement with Seng Enterprise Co Ltd ("Seng Enterprise") whereby Seng Enterprise shall assist to procure economic land concession ("ELC") in Cambodia for a concession period of not less than 70 years for the purposes of plantation of rubber and/or oil palm. Pursuant thereto, ten parcels of ELC for a total cost of USD41.5 million (equivalent to RM125.3 million) have been identified as at the reporting date.
- (b) The LFIB Group had on 14 October 2011 entered into an agreement with Jincheng Group Co., Ltd to dispose of its entire 47.73% equity interest in Nanjing Jincheng Machinery Co., Ltd for a cash consideration of RMB120 million (equivalent to RM56 million).

## SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of 30 June 2011 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	<b>30 June 2011</b>	
	<b>The Group RM'000</b>	<b>The Company RM'000</b>
<b>Total retained earnings/(accumulated losses) of the Company and its subsidiary companies</b>		
Realised	1,717,397	(105,856)
Unrealised	23,375	4,056
	<b>1,740,772</b>	<b>(101,800)</b>
<b>Total retained earnings/(accumulated losses) from associated companies and jointly controlled entity</b>		
Realised	267,893	–
Unrealised	(3,416)	–
	<b>264,477</b>	<b>–</b>
Consolidation adjustments	4,315	–
<b>Total retained earnings/(accumulated losses)</b>	<b>2,009,564</b>	<b>(101,800)</b>

Comparative information is not presented in the first financial year of application pursuant to the directive issued by Bursa Malaysia on 25 March 2010.

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements” as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or credit to profit or loss of a legal entity is deemed realised when it is resulting from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia Securities Berhad and is not made for any other purposes.

## STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out in page 154, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 'Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements' as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

**TAN SRI CHENG YONG KIM**

**DATO' KAMARUDDIN @ ABAS BIN NORDIN**

Kuala Lumpur  
21 October 2011

## DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements 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

**TAN SRI CHENG YONG KIM**

Subscribed and solemnly declared by the  
abovenamed **TAN SRI CHENG YONG KIM**  
at **KUALA LUMPUR** in the Federal Territory  
on the 21st day of October, 2011.

Before me,

**W259**  
**AHMAD B. LAYA**  
COMMISSIONER FOR OATHS  
Kuala Lumpur