LION INDUSTRIES CORPORATION

LION INDUSTRIES CORPORATION BERHAD (415-D)

Laporan Tahunan
Annual Report
2013

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eighty-Third Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 19 December 2013 at 2.00 pm for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2013. **Note 3**

2. To approve the payment of a first and final single-tier dividend of 1%. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM265,000 (2012 : RM265,000). **Resolution 2**

4. To re-elect Directors:

   In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Cheng Yong Kim retires by rotation and, being eligible, offers himself for re-election. **Resolution 3**

   In accordance with Article 99 of the Company's Articles of Association, Y. M. Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin who was appointed subsequent to the financial year retires and, being eligible, offers himself for re-election. **Resolution 4**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**

6. To re-appoint Mr Chong Jee Min as an independent non-executive Director of the Company. **Resolution 6**

7. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 7**

8. Special Business

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

8.1.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 8**

8.1.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A(I) of the Circular to Shareholders of the Company dated 27 November 2013 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 9**

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

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

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

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

whichever is the earlier; and

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

8.1.3 Proposed Renewal of Authority for Share Buy-Back

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements, and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to buy-back such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: **Resolution 10**

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

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

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

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

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

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

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

whichever occurs first; and

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares of RM1.00 each in the Company so purchased by the Company as treasury shares and/or cancel them and to distribute the treasury shares as share dividends and/or resell the treasury shares; and

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

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

Proposed Amendment to the Articles of Association of the Company

"THAT the existing Articles of Association of the Company be amended by the relevant additions and deletions as specifically set out in the Annexure of Part A(II) of the Circular to Shareholders dated 27 November 2013 which has been despatched to the shareholders of the Company. **Resolution 11**

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

DIVIDEND ENTITLEMENT

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

(a) shares deposited into the depositor's securities account before 12.30 pm on 27 December 2013 in respect of shares exempted from mandatory deposit;

(b) shares transferred into the depositor's securities account before 4.00 pm on 31 December 2013 in respect of transfers; and

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

The dividend, if approved, will be paid on 16 January 2014 to shareholders on the Register of Members and the Record of Depositors of the Company at the close of business on 31 December 2013.

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
27 November 2013

Notes:

1. Proxy

- *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 11 December 2013 shall be eligible to attend the Meeting.*
- *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*
- *The instrument of proxy shall be deposited at the Office of the Registrar of the Company, Level 13, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*
- *Completed Form of Proxy sent through facsimile transmission shall not be accepted.*

2. Circular to Shareholders dated 27 November 2013 ("Circular")

Details on the following are set out in the Circular enclosed together with the 2013 Annual Report:

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

(ii) Part A(II) - Proposed Amendment to the Articles of Association of the Company

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

Notes: (continued)

3. *Agenda Item 1*

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

4. *Resolution 6*

   The Nomination Committee has assessed the independence of Mr Chong Jee Min who has served on the Board as an independent non-executive Director of the Company for a cumulative term of more than nine years and the Board has recommended that the approval of the shareholders be sought to re-appoint Mr Chong as an independent non-executive Director as he possesses the following attributes necessary in discharging his roles and functions as an independent non-executive Director of the Company:

   (i) Fulfills the criteria of an independent Director as defined in the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

   (ii) Understands the Group's activities and corporate history.

   (iii) Performs his duties as a Director without being subject to influence of management.

   (iv) Participates in Board and Board committees deliberations and is objective in decision-making.

   (v) Vast experience in the legal profession and as such could provide the Board with relevant legal advice where necessary.

   (vi) Exercises due care in all undertakings of the Group and carries out his professional duties in the interest of the Company and minority shareholders.

5. *Resolution 8*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 12 December 2012 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 9*

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

7. *Resolution 10*

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

8. *Resolution 11*

   This approval will allow amendments to be made to the Articles of Association of the Company ("AA") to bring the AA in line with the Bursa Malaysia Securities Berhad Main Market Listing Requirements, to facilitate some administrative issues and to ensure consistency throughout the AA.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Eighty-Third Annual General Meeting of the Company are set out in the Directors' Profile on pages 6 to 8 of the 2013 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. A. Bhg. Tun Musa Hitam *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. M. Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Chong Jee Min Mr Cheng Yong Liang Mr Heah Sieu Lay
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No	:	415-D
Registered Office	:	Level 14, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : http://www.lion.com.my/lionind
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
Principal Bankers	:	Malayan Banking Berhad RHB Investment Bank Berhad Alliance Bank Berhad Affin Investment Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONIND
Bursa Securities Stock No	:	4235
Reuters Code	:	LLBM.KL
ISIN Code	:	MYL4235OO007

DIRECTORS' PROFILE

Tun Musa Hitam
Independent Non-Executive Chairman

Y. A. Bhg. Tun Musa Hitam, a Malaysian, aged 79, was appointed a Director and Chairman of the Board on 10 August 1995. He is also the Chairman of the Company's Nomination Committee.

Tun Musa Hitam received his Bachelor of Arts degree from the University of Malaya and Masters Degree in International Relations from the University of Sussex, United Kingdom. He also holds Honorary Doctorates from the University of Sussex, Universiti Malaysia Sabah, University of Malaya and University Technology MARA. He was a Fellow at the Centre for International Affairs, Harvard University, the United States of America and is currently a Fellow of the Malaysian Institute of Management.

Tun Musa Hitam had held various posts at international level. Before becoming Malaysia's fifth Deputy Prime Minister and Minister of Home Affairs from 1981 to 1986, he was a Senior Lecturer at the University of Malaya, Chairman of Federal Land Development Authority (FELDA), Deputy Minister of Trade and Industry, Minister of Primary Industries and Minister of Education. Between 1990 and 1991, he was Malaysia's Special Envoy to the United Nations and from 1995 to 2002, the Prime Minister's Special Envoy to the Commonwealth Ministerial Action Group (CMAG). Tun Musa Hitam also led the Malaysian delegation to the United Nations Commission on Human Rights from 1993 to 1998 and was elected Chairman of the 52nd Session of the Commission in 1995. At national level, Tun Musa Hitam had served as the Chairman of Suhakam, the Malaysian National Commission on Human Rights from 2000 to 2002.

Tun Musa Hitam is the Chairman of United Malayan Land Berhad, a public company. He is also the founding Chairman of the CIMB Group's International Advisory Panel, a Joint-Chairman of the Malaysia-China Business Council, the Chairman of the World Islamic Economic Forum, Joint-Chairman of the Indonesia-Malaysia Eminent Persons Group, a member of the International Committee of the Red Cross (ICRC) International Advisors Group for Asia, the Chairman of the Eminent Persons Group on the ASEAN Charter, the Chairman of the Yayasan Sime Darby, Special Envoy of the Commonwealth Secretary-General to the Maldives, a member of the Advisory Board of the Malaysian "Journal of Diplomacy and Foreign Relations" and the Advisory Panel of the Iskandar Regional Development Authority.

Tun Musa Hitam attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2013.

Tun Musa Hitam who retires pursuant to Section 129(6) of the Companies' Act, 1965 at the forthcoming Annual General Meeting of the Company, does not seek re-appointment as Director of the Company.

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 63, was appointed the Managing Director of the Company on 16 January 1995. Tan Sri Cheng is also a member of the Remuneration Committee and Executive Share Option Scheme Committee of the Company.

Tan Sri Cheng obtained a Bachelor of Business Administration (Honours) degree from the University of Singapore in 1971. He has more than 35 years of experience in the business operations of The Lion Group encompassing retail, property development, mining, oil and gas, steel, agriculture and computer. For a period of seven years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President Director in P T Lion Metal Works Tbk, a public company listed on the Indonesia Stock Exchange, which is a manufacturer of steel furniture, building material and stamping products in Indonesia. He took on the position of Managing Director of the Company in 1995 and in 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

In 2010, Tan Sri Cheng was appointed a council member of the Federation of Malaysian Manufacturers. In 2013, he was appointed the First Director of Malaysia Steel Institute, a company limited by guarantee established with the primary objective of coordinating and collaborating with the relevant Government agencies and private entities to address issues pertaining to the iron and steel industry and provide support and the necessary environment for a sustainable iron and steel industry.

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

- Managing Director of Lion Diversified Holdings Berhad, a public listed company
- Director of Lion Corporation Berhad, a public listed company
- Director of Lion AMB Resources Berhad and Hy-Line Berhad

Tan Sri Cheng has a direct shareholding of 9,253,289 ordinary shares of RM1.00 each and an indirect interest in 76,159,640 ordinary shares of RM1.00 each in the Company.

Tan Sri Cheng is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company, and his brother, Mr Cheng Yong Liang, is also a Director of the Company.

Tan Sri Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2013.

Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin
Independent Non-Executive Director

Y. M. Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin, a Malaysian, aged 60, was appointed to the Board on 29 August 2013. He is also a member of the Audit Committee of the Company.

Dato' Raja Nong Chik received his Bachelor of Economics (Honours) degree from the University College of Wales, Aberystwyth. He is also a Fellow of the Chartered Institute of Management Accountants and an Associate member of the Institute of Chartered Secretaries and Administrators as well as a member of the Malaysian Institute of Accountants.

Dato' Raja Nong Chik started his career as an accountant at FELCRA (Federal Land Consolidation and Rehabilitation Authority) in 1978 and thereafter as the Assistant Financial Controller and Manager, Corporate Planning at Kumpulan FIMA Bhd. He then joined the OYL Group as an Executive Director and was instrumental in setting a joint-venture company which pioneered a local brand of air conditioners and fridge under the brand name, ACSON, which is now exported throughout the world. In 1986, he was instrumental in getting OYL Industries Bhd listed on the Kuala Lumpur Stock Exchange (now Bursa Malaysia Securities Berhad). In 1991, he left the OYL Group after disposing a strategic stake to the Hong Leong Group to establish his own RASMA Group of Companies as an engineering based investment company which is actively involved in mechanical and electrical engineering, construction and property investment and previously involved in manufacturing. Until April 2009, he was also on the Board of Pharmaniaga Bhd and iCapital.biz Bhd.

Dato' Raja Nong Chik also served as a committee member of the Selangor Federation of Malaysian Manufacturers for a number of years and before becoming a Minister, was a President of the Bumiputra Manufacturers and Services Industry Association, President of Persatuan Kontraktor Jentera Melayu Malaysia (PKJMM) and member of the National Innovation Council of Malaysia. In April 2009, he was appointed a Senator and the Minister of Federal Territories and Urban Well-being by the Prime Minister. He resigned as a Minister and Senator in May 2013.

Dato' Kamaruddin @ Abas bin Nordin
Non-Independent Non-Executive Director

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, aged 75, was appointed to the Board on 20 July 1994. He is also the Chairman of the Executive Share Option Scheme Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

Dato' Kamaruddin graduated from the University of Canterbury, New Zealand in 1966 with a Master of Arts degree majoring in Economics. He joined the Malaysian civil service upon his graduation and served until his retirement in 1993. During his tenure in the civil service, he held various senior positions, among them as Director, Bumiputra Participation and Industries Divisions in the Ministry of International Trade and Industry (MITI), Deputy Secretary-General (Development) in the Ministry of Works and the Director-General, Registration Department, Ministry of Home Affairs.

He is also a Director of APM Automotive Holdings Berhad and Tan Chong Motor Holdings Berhad, both public listed companies.

Dato' Kamaruddin has a direct shareholding of 28,000 ordinary shares of RM1.00 each in the Company.

Dato' Kamaruddin attended six of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2013.

Chong Jee Min
Independent Non-Executive Director

Mr Chong Jee Min, a Malaysian, aged 54, was appointed to the Board on 5 May 2004. He is the Chairman of the Company's Audit Committee and Remuneration Committee and also a member of the Nomination Committee of the Company.

Mr Chong graduated from the University of Leeds, England in 1984 with an Honours degree in law. He obtained his Certificate of Legal Practice, Malaya in 1985. He was admitted as an advocate and solicitor at the High Court of Malaya in 1986. He established the firm of J.M. Chong, Vincent Chee & Co in December 1986 and has been practising since, concentrating on banking, property and corporate matters. Mr Chong is the Chairman of the Legal Affairs Committee for the Klang Chinese Chamber of Commerce & Industry and also for The Associated Chinese Chamber of Commerce & Industry of Coastal Selangor, and the Deputy Chairman of the Legal Committee for The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor.

Mr Chong is also a Director of Jaks Resources Berhad, Autoair Holdings Berhad and YKGI Holdings Berhad, all public listed companies.

Mr Chong attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2013.

Cheng Yong Liang
Non-Independent Non-Executive Director

Mr Cheng Yong Liang, a Singaporean, aged 56, was appointed to the Board on 6 April 1994.

Mr Cheng holds a Diploma in Building from Singapore Polytechnic and a Bachelor of Science degree in Business Administration from the University of San Francisco, the United States of America. Mr Cheng has been with The Lion Group for more than 20 years. He is primarily involved in the Property Division of The Lion Group.

Mr Cheng is also a Director of Syarikat Pekan Baru Kemajuan Berhad, a public company, and has a direct shareholding of 47,880 ordinary shares of RM1.00 each in the Company.

He is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company, and his brother, Y. Bhg. Tan Sri Cheng Yong Kim, is the Managing Director and a major shareholder of the Company.

Mr Cheng attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2013.

Heah Sieu Lay
Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 60, was appointed to the Board on 6 June 2001. He is also a member of the Audit Committee of the Company.

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

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

He is also a Director of Lion Diversified Holdings Berhad, a public listed company.

Mr Heah attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2013.

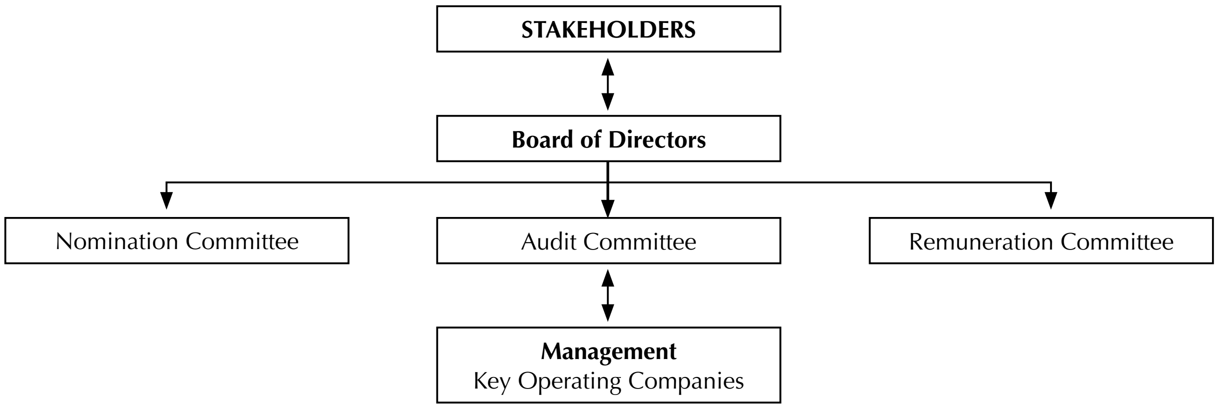
Save as disclosed above, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") recognises the importance of practising and maintaining sound corporate governance to direct the businesses and practices of the Group towards enhancing business prosperity, sustainability and on-going value creation for its stakeholders. The Board is fully committed in ensuring that a high standard of corporate governance is practised and maintained throughout the Group as the underlying principles in discharging its roles and responsibilities.

The Board is pleased to present below the Governance Framework and how the Group has applied the guiding principles of good governance and the extent to which it has complied with the Principles and Recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG"). The principles and recommended best practices have been applied consistently throughout the financial year ended 30 June 2013 except where otherwise rationalised herein. The Board has also taken into account the requirements issued by the Bursa Malaysia Securities Berhad ("Bursa Securities") – Guidelines for Directors of Listed Issuers on the Statement on Risk Management & Internal Control.

Governance Framework



1. THE BOARD OF DIRECTORS ("BOARD")

Roles and Responsibilities

The Board is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders' values. The Board retains full and effective control of the Group's strategic plans, overseeing the conduct of the Group's businesses, implementing, reviewing and maintaining an appropriate system of risk, control and compliance management and ensuring the adequacy and integrity of the Group's system of internal control. The Board is also responsible in ensuring financial integrity, setting the Group's risk appetite, reviewing and approving material contracts or transactions including related party transactions, capital financing and succession planning and for the implementation of shareholders' communications.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2013, seven (7) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Charter

The Board has established a Board Charter which is available on the corporate website. The Board Charter clearly sets out the principal role of the Board, the demarcation of the roles, functions, responsibilities and powers of the Board, the Board Committees and the management. It also defines the specific accountabilities and responsibilities of the Board to enhance coordination, communication and facilitation between the management and the Board and ultimately, to reinforce the overall accountability of both the Board and the management towards the Company and the stakeholders as well as to serve as reference criteria for the Board in the assessment of its own performance and of its individual Directors.

Directors' Code of Ethics

The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia, the provisions of the Companies Act, 1965 and the principles of the MCCG.

The Group has put in place a Code of Ethics for all employees of the Group, including the Whistleblower Policy of the Group and such codes, policies and ethics are briefed to all employees and accessible for reference within the Group.

Board Composition, Independence and Diversity Balance

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

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

In promoting diversity, gender and opportunities, the Board in its appointments and composition pays due recognition and weightage to the skills, experience and business acumen of the Directors. The Board reviews the appropriate mix of skills, experience and knowledge required of its members, in the context of the needs of the Group's businesses and strategies. The Board reviews its composition and size from time to time for appropriateness and the fulfillment of the gender diversity representation. The Board acknowledges the recommendation of MCCG pertaining to the establishment of boardroom gender diversity policy. The Board currently has no female Director.

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

In line with the MCCG, the Board has adopted a nine-year policy for independent Directors. The tenure of an independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine years, an independent Director may continue to serve on the Board subject to the Director's re-designation as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval.

The Board, assisted by the Nomination Committee assessed the independent Directors on an annual basis with a view to ensuring that the independent Directors bring independent and objective judgement to the Board deliberations. The Board with the assistance of the Nomination Committee also assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director, including independent Directors, on an annual basis. All assessments and evaluation carried out by the Nomination Committee in discharging its duties were also properly documented.

In respect of the assessment for the financial year ended 30 June 2013, the Board was satisfied that the Board and the Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in term of size, the balance between executive, non-executive and independent Directors and mix of skills and experience was adequate.

Board Committees

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

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

Supply of Information

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

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

Company Secretaries

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

The appointment and removal of Company Secretaries are subject to the approval of the Board.

Appointments to the Board

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board. Newly appointed Directors will be given a familiarisation programme to familiarise themselves with the Group's operations to better understand the Group's businesses.

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

The members and terms of reference of the Nomination Committee are presented on page 23 of this Annual Report.

Directors' Remuneration

The Company has adopted the objective as recommended by the MCCG in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing a formal and transparent remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 23 of this Annual Report.

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

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

The aggregate remuneration of Directors who served during the financial year ended 30 June 2013 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	25	914	939
Non-executive Directors	240	24	264
	265	938	1,203

The number of Directors whose total remuneration falls into the respective bands is as follows:

Range of Remuneration (RM)	Number of Directors Executive	Number of Directors Non-executive
25,000 & below	–	2
25,001 – 50,000	–	3
50,001 – 100,000	–	1
900,001 – 950,000	1	–

Re-election of Directors

In accordance with the Articles of Association of the Company, one-third (1/3) of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointment.

Directors' Training

All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme.

The Directors are also encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates.

During the financial year, the Directors had participated in the following seminars, workshop and forums ("Programmes") on topics/subjects in relation to corporate governance, business opportunities and prospects in various industries and countries, risk management and internal controls, economic and regional issues, management and entrepreneurship, corporate social responsibility, regulatory updates and requirements, finance and environmental issues:

Name of Directors	Programmes
Tun Musa Hitam	• 8th World Islamic Economic Forum ("WIEF") - Changing Trends, New Opportunities • 2nd Regional WIEF Online Marketing Workshop (as speaker) • WIEF Young Fellows Durban 2013 - A Holistic Leadership Development Programme
Tan Sri Cheng Yong Kim	• Khazanah Megatrends Forum 2012 - The Big Shift Traversing the Complexities of a New World • The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010
Dato' Kamaruddin @ Abas bin Nordin	• Bursa - Governance Advocacy Session on "Making the most of the Chief Financial Officer Role: Everyone's Responsibility?" • Bursa Malaysia's Half Day Governance Programme on: 1. The key components of establishing and maintaining world-class audit committee reporting capabilities 2. What keeps an audit committee up at night? • Bursa Malaysia - Sustainability Training for Directors & Practitioners • Inaugural Lecture entitled "Social Business" • The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010 • Bursa - Nominating Committee Programme
Chong Jee Min	• Bursa Malaysia's Half Day Governance Programme on "Governance, Risk Management and Compliance: What Directors Should Know" • Bursa Malaysia - Sustainability Training for Directors & Practitioners • Bursa Malaysia's Half Day Governance Programme "Corporate Integrity System Malaysia : CEO Dialogue Session" • The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010
Cheng Yong Liang	• Bursa Malaysia - Sustainability Training for Directors & Practitioners • The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010
Heah Sieu Lay	• The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010

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

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

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

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

Newly appointed Directors are required to attend a familiarisation programme. This includes meeting key senior management to be briefed on the core businesses and operations of the Group. It also serves as a platform to establish effective channel of communication and interaction with management.

2. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board has oversight over the implementation and maintenance of the required effective communications and engagements with shareholders.

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

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

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

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

3. SUSTAINABILITY

The Board in discharging its governance role should be guided to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance aspects of the businesses and operations which underpin sustainability. The sustainability activities carried out by the Group are set out in the Corporate Social Responsibility section of the Chairman's Statement on pages 28 to 29 of this Annual Report.

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced and clear assessment of the Group's position, financial performance and future prospects to the Company's stakeholders through the annual financial statements, quarterly financial reports and corporate announcements which are in accordance with the Listing Requirements. The Board is also responsible in ensuring that the accounting records of the Group are properly kept. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the financial statements of the Group and of the Company, including timely and quality disclosure through appropriate corporate disclosure policies and procedures adopted.

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 19 to 22 of this Annual Report.

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2013, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 17 and 18 of this Annual Report.

Relationship with the External Auditors

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

5. RECOGNISE AND MANAGE RISKS

Risk Management Framework

The Board regards risk management as an integral part of business operations. A Corporate Risk Management System implementing an Enterprise Wide Risk Management Framework (CRMS-ERM) was developed, enhanced and documented. The CRMS-ERM Manual sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, treatment, risks appetite setting, control, tracking and monitoring of strategic, business, financial and operational risks. The Risk Management Committee plays a pivotal role in overseeing the implementation of the risk management framework, periodically reviewing the risk management scorecards and reporting the status to the Audit Committee. The Risk Management Committee also assesses all material and key risks associated with the Group's businesses and operations as well as corporate proposals.

Internal Audit Function

The Board has established an internal audit function within the Group. The internal audit function is led by a Chief Internal Auditor who reports directly to the Audit Committee. The internal auditors attend all meetings of the Audit Committee and the detailed internal audit function is set out in the Audit Committee Report on pages 19 to 22 of this Annual Report.

Compliance Function

The Board has approved a Compliance Framework which lays down mechanisms and tools to ensure consistency and efficiency in identifying, managing and mitigating compliance risks within the Group. Reviews are conducted by the Group Compliance Function to assess the degree of compliance with statutory, regulatory and codes of ethics/standards requirements and internal standard operating procedures aligned to the business objectives. The Audit Committee is provided with compliance reports at agreed intervals to facilitate the Board with a holistic and overview of all compliance matters.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

Board Responsibility

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

The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the management. The process has been put in place for the year and is reviewed periodically by the Board through its Audit Committee's activities detailed in the Audit Committee Report.

The Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model and structure established by the Group.

Risk Management

The Board regards risk management as an integral part of business operations. A Corporate Risk Management System encompassing an Enterprise Wide Risk Management Framework (CRMS-ERM) was developed and enhanced to set out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring as well as in determining the Group's risks appetite. The Risk Management Committee continues to play a pivotal role in overseeing the implementation of the risk management framework, periodically reviewing the risk management processes and ensuring that on-going measures taken were adequate to manage, address or mitigate the identified risks and reporting the status to the Audit Committee.

Control and Monitoring Process

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

- An operational structure and organisational chart with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability

- Internal policies and standard operating procedures that are regularly updated to reflect changing risks or resolve operational deficiencies including to clearly define limits of authority

- A detailed budgeting process which requires all business units to prepare budget and business plan on an annual basis

- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the Audit Committee

- Confirmation of the effectiveness of internal control and risk assessment process by the General Manager or other Senior Management staff of key operating companies by way of completion of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis

- A compliance programme reviewed by the Audit Committee on an annual basis addressing all the critical and high risk compliance areas of statutory, regulatory, codes and internal ethics/standards/policies and procedures. Periodically reported by the compliance function to the Compliance Committee to monitor and address on-going changes and implementations in the legislative and regulatory requirements affecting the Group

- Periodic examination of business processes and system of internal control by the internal audit function which regularly submits its reports to the Audit Committee

- Adequate insurance and physical safeguards on major assets are in place to ensure assets of the Group are sufficiently covered

- A Code of Ethics for all employees which defines the ethical standards and conduct at work

- A Whistleblower Policy established under the Human Resource Policy Manual which defines the rights of informants and also the protections accorded them. The channels of escalation are also documented to encourage and enable concerned parties to report any wrongdoings so that they can be properly addressed

- A Competition Policy and Risk Assessment addressing the Competition Act 2010 and the Personal Data Protection Act 2010, and training programmes in place under the compliance function to address these recent legislations requirements impacting the Group's businesses and operations

- A Crisis Management Communication Policy and process established under the Corporate Communication to guide the handling of external communications in the events of crisis/disasters

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Mr Chong Jee Min (elected as the Chairman on 3 October 2013)
  (Chairman, Independent Non-Executive Director)

  Y. M. Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin (appointed on 29 August 2013)
  (Independent Non-Executive Director)

  Mr Heah Sieu Lay
  (Independent Non-Executive Director)

  Y. Bhg. Tan Sri Asmat bin Kamaludin who was the Chairman of the Audit Committee during the financial year under review, resigned as the Chairman of the Audit Committee upon his resignation as a member of the Board on 30 June 2013.

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

- **Secretaries**

  The Secretaries of Lion Industries Corporation Berhad, Ms Wong Phooi Lin and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit Committee.

- **Membership**

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

- **Meetings and Minutes**

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

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

TERMS OF REFERENCE

- **Responsibilities**

  (a) Assessing the risks and control environment.
  (b) Overseeing financial reporting.
  (c) Evaluating the internal and external audit process.
  (d) Reviewing conflict of interest situations and related party transactions.

- **Authority**

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

(a) the authority to investigate any matter within its terms of reference.
(b) full and unrestricted access to any information pertaining to the Company and the Group including the right to invite other Directors and/or Management of the Company to attend any particular Audit Committee meeting to discuss specific issues.
(c) direct communication channels with the external and internal auditors.
(d) the right to obtain independent professional or other advice as necessary.

- **Duties**

The duties of the Audit Committee are:

(a) To consider the appointment, resignation and dismissal of external auditors, their audit fee, review their suitability, competence, independence and non-audit engagement services.

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

(c) To review and assess the financial statements prior to the approval of the Board, ensuring:

- going concern assumption
- compliance with accounting standards, timeliness disclosure and regulatory compliance requirements
- changes in accounting policies and practices and ensuring a true and fair view of the Group's and the Company's financial position and performance
- significant issues arising from audit
- understanding of Management's representations

(d) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss, and to discuss with the Independent Non-Executive Directors in private (excluding the attendance of other Directors and Management/Executive of the Company) arising from the above matters.

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

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

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

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

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

(i) To assess the quality and effectiveness of the system of internal control and efficiency of operations, and to review the risk policy and implementation of the risk management framework. Continually, reviewing and monitoring the effectiveness of control systems and sound risk management.

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit Committee Meetings were held. Except for Y. Bhg. Tan Sri Asmat bin Kamaludin and Mr Heah Sieu Lay who were absent for one (1) Meeting, the other member attended all the seven (7) Meetings held in the financial year.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM437,000.

NOMINATION COMMITTEE

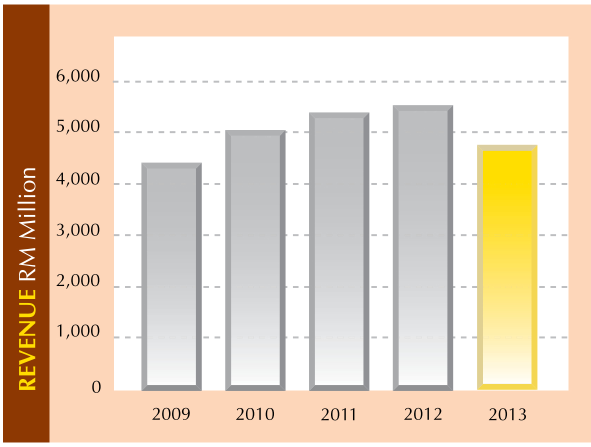
Chairman	:	Y. A. Bhg. Tun Musa Hitam *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)* Mr Chong Jee Min *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Industries Corporation Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder • To recommend to the Board, Directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board

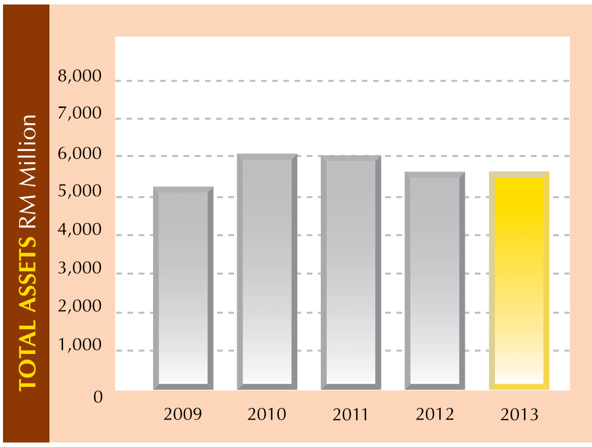
REMUNERATION COMMITTEE

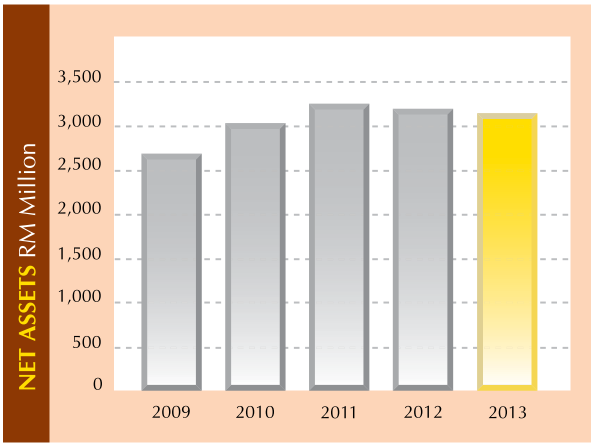
Chairman	:	Mr Chong Jee Min *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Cheng Yong Kim *(Non-Independent Executive Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary • To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

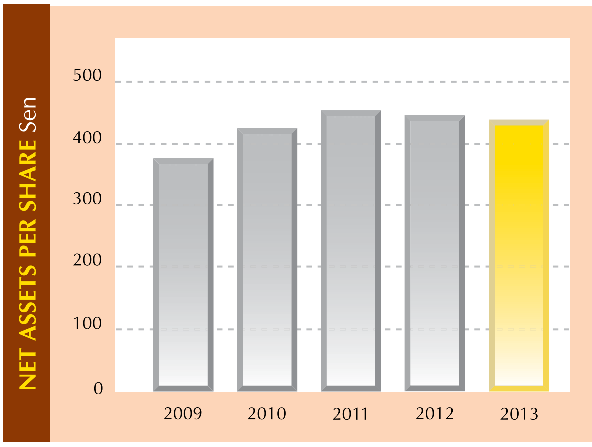
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2009	2010	2011	2012	2013
Revenue	(RM'000)	4,419,256	5,057,773	5,393,001	5,544,080	**4,748,470**
Profit/(Loss) before tax	(RM'000)	(374,767)	515,781	283,605	(12,832)	**(30,377)**
Profit/(Loss) after tax	(RM'000)	(242,778)	417,170	282,072	(30,113)	**(31,604)**
Net profit/(loss) attributable to owners of the Company	(RM'000)	(278,298)	361,469	232,090	(38,221)	**(34,497)**
Total assets	(RM'000)	5,275,657	6,055,721	6,026,120	5,654,210	**5,662,078**
Net assets	(RM'000)	2,695,548	3,038,403	3,257,922	3,198,420	**3,153,208**
Total borrowings	(RM'000)	1,297,128	986,213	1,026,942	920,398	**842,995**
Earnings/(Loss) per share	(Sen)	(39.0)	50.7	32.4	(5.3)	**(4.8)**
Net assets per share	(Sen)	378	425	454	446	**439**
Dividends (Paid and Proposed):						
Rate	(Sen)	1.0	1.0	4.0	1.0	**1.0**
Amount	(RM'000)	5,349	5,383	23,326	7,177	**7,177**

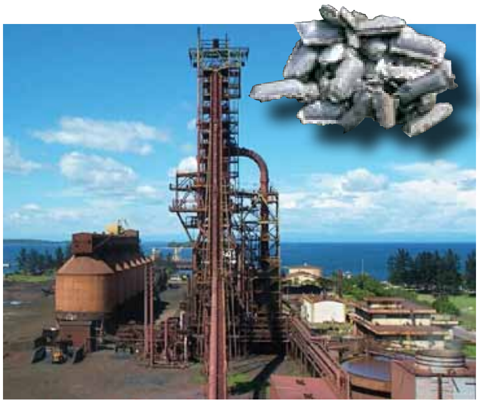








THE GROUP'S BUSINESSES



- The Hot Briquetted Iron (HBI) plant operated by Antara Steel Mills Sdn Bhd in Labuan, with a close-up of the finished product (inset).
- *Kilang besi briket panas (HBI) dikendalikan oleh Antara Steel Mills Sdn Bhd di Labuan, (gambar kecil) HBI dari jarak dekat.*




- Amsteel Mills Sdn Bhd in Banting produces long steel products namely billets, bars and wire rods for specialised applications.
- *Amsteel Mills Sdn Bhd di Banting menghasilkan produk besi panjang iaitu bilet, bar dan rod wayar untuk aplikasi khusus.*




- St Mary Residences CBD, a joint-venture with the Eastern & Oriental Group, which comprises 3 towers of 28-storey apartments, with retail, food and beverage theme outlets in the Kuala Lumpur Central Business District, has been completed during the financial year under review.
- *St Mary Residences CBD, usahasama dengan Kumpulan Eastern & Oriental, terdiri daripada 3 menara pangsapuri 28-tingkat, dengan outlet runcit, makanan dan minuman bertema di Kuala Lumpur Central Business District, telah siap sepenuhnya pada tahun kewangan.*


- The Promenade at Bandar Bayan Baru, Penang, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza was launched during the financial year and is expected to be completed in 2016.
- *The Promenade di Bandar Bayan Baru, Pulau Pinang terdiri daripada 336 unit suite perkhidmatan dengan 37 unit kedai butik gaya hidup dan plaza jalanan telah dilancarkan pada tahun kewangan dan dijangka siap sepenuhnya pada tahun 2016.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Industries Corporation Berhad ("LICB" atau "Kumpulan" atau "Syarikat") bagi tahun kewangan berakhir 30 Jun 2013.

PRESTASI KEWANGAN

Pada tahun kewangan dalam kajian, perolehan Kumpulan jatuh sebanyak 14% kepada RM4.7 bilion, berbanding RM5.5 bilion yang dicatatkan pada tahun sebelumnya. Kejatuhan ini berpunca daripada sumbangan perniagaan keluli yang rendah. Purata harga jualan produk keluli kekal lemah manakala kos bahan mentah pula agak tinggi. Ketidakpastian tentang pemulihan ekonomi di Amerika Syarikat dan Eropah, dan sentimen lebih lemah di China juga menyebabkan kejatuhan harga keluli di peringkat antarabangsa manakala harga bahan mentah pula tidak menentu. Lambakan produk keluli secara berterusan pada harga murah oleh para pengeluar asing telah menjejaskan lagi pasaran tempatan. Jualan yang lebih rendah dan kemerosotan margin keuntungan Bahagian Keluli telah menyebabkan Kumpulan mencatat kerugian operasi lebih tinggi sebanyak RM39.8 juta berbanding RM1.2 juta pada tahun lalu.

Sementara itu, syarikat-syarikat sekutu dan entiti kawalan bersama oleh Kumpulan terus memberikan sumbangan yang positif apabila masing-masing mencatat keuntungan sebanyak RM62.2 juta dan RM31.5 juta.

Dalam tahun kewangan, Kumpulan mengiktiraf kerugian yang berpunca daripada penilaian adil ke atas pelaburan Kumpulan yang disebut harga, perdagangan belum terima dan penebusan pelaburan-pelaburan yang tidak disebut harga berjumlah RM84.2 juta.

Secara keseluruhan, Kumpulan telah mencatat kerugian sebelum cukai lebih tinggi sebanyak RM30.4 juta dalam tahun kewangan berbanding RM12.8 juta setahun lalu. Setakat 30 Jun 2013, aset bersih Kumpulan kekal pada paras RM3.2 bilion atau RM4.39 sesaham manakala kadar gearan bersih atau nisbah hutang berbanding ekuiti bersih selepas ditolak tunai dan bersamaan tunai kekal rendah pada 0.13 kali.

PERKEMBANGAN KORPORAT

(i) Seperti yang dilaporkan sebelum ini, LFIB Plantations Sdn Bhd (sekarang dikenali sebagai Lion Agriculture (Indonesia) Sdn Bhd) ("LFIB Plantations"), sebuah syarikat subsidairi milik penuh yang dimiliki oleh Lion Forest Industries Berhad ("LFIB"), pada 5 Oktober 2012, telah memeterai perjanjian jual beli bersyarat dengan pihak ketiga untuk memiliki 100% kepentingan ekuiti dalam PT Varita Majutama ("PT Varita"), sebuah syarikat yang diperbadankan di Indonesia, yang memiliki 52,641 hektar tanah pertanian di Wilayah Teluk Bintuni, Papua Barat, Indonesia, melibatkan pertimbangan tunai berjumlah AS$63.75 juta (bersamaan RM197.63 juta) ("Cadangan Pengambilalihan").

    Sebelum Cadangan Pengambilalihan itu dimuktamadkan, LFIB, pada 26 Februari 2013, telah memeterai perjanjian penjualan saham untuk melupuskan keseluruhan kepentingan ekuitinya dalam LFIB Plantations kepada Akurjaya Sdn Bhd ("Akurjaya"), pihak yang berkenaan pada pertimbangan tunai sebanyak RM2. Pelupusan itu dimutamadkan pada 27 Februari 2013 dan berikutan dengan ini, LFIB Plantations tidak lagi menjadi syarikat subsidairi LFIB. Pelupusan itu tidak mempunyai sebarang kesan kewangan kepada Kumpulan.

    Berikutan pelupusan LFIB Plantations, perjanjian jual beli berhubung pengambilalihan PT Varita dilaksanakan oleh Akurjaya.

(ii) Pada 29 Ogos 2013, cadangan-cadangan berikut telah ditamatkan dengan persetujuan bersama oleh semua pihak:

    (a) Cadangan usahasama antara LICB, Lion Diversified Holdings Berhad dan LFIB dalam Lion Blast Furnace Sdn Bhd ("LBF") dengan pegangan saham masing-masing sebanyak 29%, 51% dan 20%;

    (b) Cadangan Amsteel Mills Sdn Bhd, sebuah anak syarikat yang mana 99% kepentingannya dimiliki Kumpulan, untuk melupuskan sebidang tanah pegangan bebas dengan pertimbangan bayaran tunai kira-kira RM16.2 juta kepada LBF; dan

    (c) Cadangan LICB mengadakan peruntukan bantuan kewangan yang memihak kepada LBF dalam bentuk jaminan korporat dan sandaran sekuriti mengikut kadar pemegangan sahamnya dalam LBF untuk kemudahan pinjaman yang akan diperolehi oleh LBF dan syarikat subsidairinya berkaitan projek relau bagas.

    Penamatan itu tidak mempunyai sebarang kesan kewangan kepada Kumpulan.

Butiran penuh perkembangan korporat di atas terkandung dalam muka surat 53 hingga 54 dan 144 Laporan Tahunan ini.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan akhir peringkat satu sebanyak 1% atau 1 sen sesaham (2012: 1% atau 1 sen sesaham) bagi tahun kewangan berakhir 30 Jun 2013. Jumlah dividen bersih, jika diluluskan di Mesyuarat Agung Tahunan akan berjumlah RM7.2 juta (2012: RM7.2 juta).

TANGGUNGJAWAB SOSIAL KORPORAT

Kami mengakui kepentingan Tanggungjawab Sosial Korporat ("CSR") sebagai sebahagian daripada perniagaan dan komited untuk menyokong inisiatif CSR yang memberi kesan positif kepada masyarakat dan alam sekitar.

Komuniti

Dalam melaksanakan operasi perniagaan, Kumpulan sedar akan tanggungjawabnya sebagai warga korporat dalam menyumbang kepada masyarakat, di samping meningkatkan keuntungan dan nilai pemegang saham. Kumpulan memberi tumpuan dalam membantu masyarakat untuk mencapai kemajuan melalui pendidikan dan rawatan perubatan melalui dua Yayasan yang ditubuhkan oleh Syarikat-Syarikat Kumpulan Lion di mana Kumpulan adalah ahli.

Yayasan Lion-Parkson mengagihkan dana untuk pelbagai keperluan seperti pendidikan, kebajikan dan penyelidikan saintifik, dan menawarkan biasiswa kepada pelajar di universiti tempatan setiap tahun. Tabung Bantuan Perubatan Kumpulan Lion menyediakan bantuan kewangan kepada golongan kurang bernasib baik yang menderita penyakit kritikal yang memerlukan rawatan perubatan termasuk pembedahan, pembelian peralatan perubatan dan ubat-ubatan. Tabung turut menaja program kesihatan masyarakat seperti kem perubatan, dan pembelian mesin dialisis untuk Pusat Dialisis yang menyediakan subsidi rawatan untuk mereka yang menderita kegagalan buah pinggang.

Alam Sekitar

Kumpulan sentiasa prihatin terhadap isu alam sekitar dengan menekankan kepada penggunaan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam, mengoptimumkan penggunaan sumber dan menggalakkan penggunaan tenaga secara cekap. Operasi-operasi Kumpulan dikendalikan mengikut peruntukan undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri kendaliannya. Ini termasuk pengurusan pelepasan asap, pengurangan sisa buangan dan usaha-usaha pemulihan yang dilakukan oleh loji-loji perkilangan serta mengadakan landskap kawasan dipenuhi pokok-pokok hijau dan kemudahan taman dalam projek-projek hartanah.

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

PROSPEK

Persekitaran operasi industri keluli dijangka kekal mencabar disebabkan oleh ketidakpastian yang menyelubungi pemulihan ekonomi global, terutamanya pertumbuhan ekonomi di China, yang membawa kepada berlakunya kejatuhan harga keluli di peringkat antarabangsa dan harga bahan mentah yang tidak menentu.

Dalam pasaran domestik, permintaan keluli dijangka dipacu oleh pertumbuhan dalam sektor pembinaan disokong terutamanya oleh projek infrastruktur di bawah Program Transformasi Ekonomi serta projek-projek sektor swasta. Bagaimanapun, pengeluar-pengeluar keluli tempatan hanya akan mendapat manfaat sepenuhnya daripada pertumbuhan permintaan terhadap keluli jika duti anti-lambakan dan dasar keluli yang dikenakan oleh Kerajaan dilaksanakan dengan berkesan.

Sehubungan itu, prestasi Kumpulan akan terus berdepan dengan cabaran untuk tahun kewangan yang akan datang.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan dan ucapan terima kasih kepada Y. Bhg. Tan Sri Asmat bin Kamaludin yang telah meletak jawatan dalam Lembaga Pengarah pada 30 Jun 2013, atas sumbangan beliau sebagai Pengarah Syarikat dan Pengerusi Jawatankuasa Audit dan Jawatankuasa Ganjaran dan Ahli Jawatankuasa Penamaan Syarikat.

Saya juga ingin mengalu-alukan pelantikan YM Dato' Raja Nong Chik Bin Dato' Raja Zainal Abidin sebagai Pengarah Bebas dan Bukan Eksekutif Syarikat. Lembaga Pengarah percaya bahawa Syarikat akan mendapat faedah daripada pengalaman dan kepakaran YM Dato' Raja Nong Chik.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin menyampaikan ucapan terima kasih kepada semua pemegang saham yang dihargai, para pelanggan, pembiaya kewangan, sekutu perniagaan dan pihak berkuasa kerajaan dan pengawal selia atas sokongan dan keyakinan mereka terhadap Kumpulan sepanjang tempoh yang mencabar ini.

Saya juga ingin merakamkan setinggi-tinggi penghargaan ikhlas dan terima kasih kepada rakan-rakan Pengarah atas untuk bimbingan, sokongan dan sumbangan mereka yang tidak ternilai sepanjang tahun kewangan.

Akhir sekali, saya ingin mengucapkan terima kasih dengan penuh keikhlasan kepada pihak pengurusan dan kakitangan atas dedikasi dan komitmen mereka kepada Kumpulan.

TUN MUSA HITAM
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad ("LICB" or "the Group" or "the Company") for the financial year ended 30 June 2013.

FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a 14% lower revenue of RM4.7 billion as against RM5.5 billion recorded in the previous year. This was attributed primarily to the lower contribution from our steel business. Average selling prices for steel products were persistently weak while raw material costs remained relatively high. The uncertainties in the economic recovery of the United States and Europe, and the weaker sentiments in China had led to softening of international steel prices and volatile raw material prices. The continued dumping of cheap steel products by foreign producers had further depressed the local market condition. The lower sales tonnage together with deteriorated profit margins from the steel division had resulted in the Group posting a higher operating loss of RM39.8 million compared with RM1.2 million for last year.

Meanwhile, the Group's associated companies and jointly controlled entity continued to contribute positively with profits of RM62.2 million and RM31.5 million respectively.

During the year, the Group recognised losses arising from fair valuation on the Group's quoted investments and receivables, and redemption of unquoted investments totalling RM84.2 million.

Overall, the Group posted a higher loss before tax of RM30.4 million for the year as compared with RM12.8 million a year ago. As at 30 June 2013, the Group's net assets stood at RM3.2 billion or RM4.39 per share while net gearing after deducting cash and cash equivalent remained low at 0.13 times.

CORPORATE DEVELOPMENTS

(i) As previously reported, LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd) ("LFIB Plantations"), a wholly-owned subsidiary company of Lion Forest Industries Berhad ("LFIB"), had on 5 October 2012 entered into a conditional sale and purchase agreement ("SPA") with third parties to acquire 100% equity interest in PT Varita Majutama ("PT Varita"), a company incorporated in Indonesia, which owns 52,641 hectares of land for plantation in Teluk Bintuni Regency, Papua Barat, Indonesia, for a consideration of USD63.75 million (equivalent to RM197.63 million) ("Proposed Acquisition").

Prior to the completion of the Proposed Acquisition, LFIB has on 26 February 2013 entered into a share sale agreement with Akurjaya Sdn Bhd ("Akurjaya"), a related party, for the disposal of its entire equity interest in LFIB Plantations for a cash consideration of RM2. The disposal was completed on 27 February 2013 and consequent thereupon, LFIB Plantations ceased to be a subsidiary company of LFIB. The disposal does not have any financial impact to the Group.

Following the disposal of LFIB Plantations, the SPA in relation to the acquisition of PT Varita was undertaken by Akurjaya.

(ii) On 29 August 2013, the following proposals were terminated with mutual agreement by all the parties:

(a) Proposed joint venture among LICB, Lion Diversified Holdings Berhad and LFIB in Lion Blast Furnace Sdn Bhd ("LBF") with the shareholding of 29%, 51% and 20% respectively;

(b) Proposed disposal by Amsteel Mills Sdn Bhd, a 99%-owned subsidiary company of the Group, to LBF of a parcel of freehold land for a cash consideration of approximately RM16.2 million; and

(c) Proposed provision of financial assistance by LICB in favour of LBF in the form of a corporate guarantee and pledge of security proportionate to its shareholding in LBF to secure a loan facility to be obtained by LBF and its subsidiary company in relation to the blast furnace project.

The termination does not have any financial impact to the Group.

Full details of the corporate developments above are contained in pages 53 to 54 and 144 of this Annual Report.

DIVIDEND

The Board of Directors is pleased to recommend a first and final single-tier dividend of 1% or 1 sen per share (2012: 1% or 1 sen per share) for the financial year ended 30 June 2013. Total net dividend payable, if approved at the Annual General Meeting, will amount to RM7.2 million (2012: RM7.2 million).

CORPORATE SOCIAL RESPONSIBILITY

We recognise the importance of Corporate Social Responsibility ("CSR") as an integral part of business and are committed to supporting CSR initiatives with positive impact on our community and the environment.

Community

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

The Lion-Parkson Foundation disburses funds for various needs such as education, charity and scientific research; and offers scholarships to undergraduates in the local universities annually. The Lion Group Medical Assistance Fund provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery, purchase of medical equipment and medication. The Fund also sponsors community health programmes such as medical camps, and the purchase of dialysis machines for Dialysis Centres providing subsidised treatment to those suffering from kidney failure.

Environment

The Group continues to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimise the use of resources and promote energy efficiency. The Group's operations comply with the environmental laws and regulations governing the industries in which it operates. This includes emissions management and waste reduction and recovery by our manufacturing plants, and carrying out landscaping with lush greenery and park facilities in our property projects.

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

PROSPECTS

The operating environment for the steel industry is expected to remain challenging due to uncertainties surrounding the recovery of the global economy, particularly the economic growth in China, which has led to softening of international steel prices and volatile raw material prices.

On the domestic front, steel demand is expected to be driven by the growth in the construction sector supported mainly by infrastructure projects under the Economic Transformation Programme as well as private sector projects. However, local steel producers will only fully benefit from the growth in demand of steel if the anti-dumping duties and steel policy imposed by the Government are implemented effectively.

Under such circumstances, the Group's performance would remain challenging for the next financial year.

BOARD OF DIRECTORS

On behalf of the Board, I would like to record a vote of thanks and appreciation to Y. Bhg. Tan Sri Asmat bin Kamaludin who resigned from the Board on 30 June 2013, for his contribution during his tenure as a Director of the Company and Chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee of the Company.

I would also like to extend a warm welcome to YM Dato' Raja Nong Chik Bin Dato' Raja Zainal Abidin on his appointment as an Independent and Non-Executive Director of the Company. The Board believes that the Company will benefit from his invaluable experience and expertise.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our heartfelt appreciation to all our valued shareholders, customers, financiers, business associates and the various governmental and regulatory authorities for their continued support and confidence in the Group throughout these challenging times.

I would also like to convey my deepest appreciation and gratitude to my fellow Directors for their invaluable guidance, support and contribution throughout the year.

Last but not least, I would like to place on record my sincere thanks to the management and staff for their dedication and commitment to the Group.

TUN MUSA HITAM
Chairman

主席报告

我仅代表董事部，欣然提呈截至2013年6月30日的会计年度，金狮工业机构有限公司 (Lion Industries Corporation Berhad) 的常年报告及经审核财务报告。

业绩

检讨的会计年度内，本集团的营业额减少14%至47亿令吉，比较之前一年则为55亿令吉。这主要是因为钢铁业务较低的贡献所造成。钢铁产品的平均售价维持疲弱，而原料成本却处于相对的高水平。美国和欧洲经济复苏的变数，及中国市场的疲弱情绪，皆导致国际钢铁价格趋软及原料价格起伏波动。外国产商持续抛售廉价钢铁产品进一步打压本地市场情况。钢铁业务面对较低的销售和恶化的利润情况，造成本集团蒙受3千980万令吉的更高营运亏损，比较去年则为120万令吉。

另一方面，本集团的联号公司与联合控制的企业表现出色，分别取得6千220万令吉和3千150万令吉的盈利。

检讨年度内，本集团认可了从上市投资与贸易应收账项合理估值，及赎回非上市投资所产生的8千420万令吉亏损。

整体而言，本集团在检讨年度内蒙受3千40万令吉的更高税前亏损，比较前一年则为1千280万令吉。截至2013年6月30日，本集团的净资产总值为32亿令吉或每股4令吉39仙，扣除现金和现金等值的净负债率保持在0.13倍的低水平。

企业发展

(i) 正如之前所报告，金狮森林工业有限公司之独资子公司LFIB Plantations Sdn Bhd（现称Lion Agriculture (Indonesia) Sdn Bhd）（“LFIB Plantations”）于2012年10月5日与第三方签署有条件买卖合约，以6千380万美元（相等1亿9千763万令吉）的现金代价，收购PT Varita Majutama，一家在印尼注册成立的公司之100%股权。这家公司在印尼的西巴布亚省直落宾图尼县（Teluk Bintuni Regency, Papua Barat, Indonesia）拥有5万2千641公顷的种植地。

    在完成建议收购之前，金狮森林工业有限公司于2013年2月26日，和其关联公司Akurjaya Sdn Bhd签署一项股票售卖合约，以2令吉的现金代价，脱售LFIB Plantations。这项脱售计划是于2013年2月27日完成，LFIB Plantations过后不再是其子公司。这项脱售计划对本集团没有产生任何财务影响。

    随着LFIB Plantations的脱售，收购PT Varita相关的买卖合约，将由Akurjaya负责进行。

(ii) 2013年8月29日，以下建议在获得各方的同意下被终止：

(a) 建议金狮工业机构有限公司（Lion Industries Corporation Berhad），金狮多元化控股有限公司（Lion Diversified Holdings Berhad）与金狮森林工业有限公司（LFIB）各持29%，51%与20%的股权联营金狮高炉私人有限公司-Lion Blast Furnace Sdn Bhd（“LBF ”）；

(b) 建议本集团持有99%股权的子公司合营制钢私人有限公司（Amsteel Mills Sdn Bhd）建议以现金约1千620万令吉的代价，脱售一块永久地契的土地给LBF；及

(c) 建议金狮工业机构有限公司按其在LBF的股权比例，以企业保证及提供担保的方式，为LBF提供财务协助，以便LBF及子公司能够为其高炉计划取得贷款便利。

这些建议的终止对本集团没有任何财务影响。

以上企业发展的详情，包含在本常年报告书第53页至第54页及第144页。

股息

董事部欣然建议，在截至2013年6月30日止会计年度内，发出第一次兼最终股息1%或每股1仙的股息（2012：1%或每股1仙）。如果在即将召开的常年股东大会上获得批准，需付的净股息总额为720万令吉（2012年：720万令吉）。

企业社会责任

我们意识到企业社会责任（Corporate Social Responsibility）的重要性，并认为它是商业活动中不可割舍的一部分，并将继续承诺支持那些对社会与环境带来积极影响的企业社会责任活动。

社会

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

金狮百盛基金（Lion-Parkson Foundation）拨款供作教育，福利及科学研究用途；每年都提供奖学金给在本地大学深造的在籍大学本科生。金狮集团医药援助基金则为迫切需要医疗的马来西亚人提供财务援助，包括手术，购置器仪和药物。这项基金也赞助社区保健计划如医疗营，并且为那些向不幸社群提供津贴治疗服务的洗肾中心添购洗肾机。

环境

本集团继续寻求通过专注于采用全新技术与业界最具环保效益的准则来关心环境保护，充分利用资源与促进能源效益。本集团的业务运作严格遵守其所在领域的环境法律及条例管制。这包括工厂落实的排放管理与废料减少与重复使用计划，及产业发展计划进行的园艺街景计划，涵盖绿色与公园设施。

本集团有系统地通过定期培训和有效的监管，来落实安全，卫生及环保条例，以确保员工的安全和福利获得照顾。

展望

钢铁业的运作环境依然艰巨，主要是因为全球经济复苏仍然存有变数，尤其是中国经济成长的情况，已造成国际钢铁价格趋软及原料价格波动。

国内市场方面，钢铁需求预料将受建筑业的成长推动，主要是获得经济转型计划下所进行的基建计划及私人领域计划的支持。不过，只要政府实施的反倾销税与钢铁政策能够有效执行，本地钢铁厂商才能从钢铁需求成长中受惠。

有鉴于此，本集团在下个会计年度的表现，仍然面对重重挑战。

董事部

我谨代表董事部，至诚感谢在2013年6月30日辞去董事职务的Y. Bhg. Tan Sri Asmat bin Kamaludin，在其担任公司董事与公司审核委员会和薪酬委员会主席，及公司提名委员会委员期间，所做出的贡献。

我也要热诚欢迎YM Dato' Raja Nong Chik Bin Dato' Raja Zainal Abidin受委出任公司独立兼非执行董事职。董事部相信，公司将受惠于其珍贵的经验和专业知识。

鸣谢

我谨代表董事部，衷心感谢珍贵的股东，顾客，银行机构，商业伙伴及各政府与执法机构，在这些具挑战的时刻继续给予本集团支持与信心。

我也至诚感谢董事部成员，感谢他们所给予的珍贵指导，支持与贡献。

最后，我要真诚地感谢管理层和全体职员对集团尽忠职守和为工作献身的精神。

主席
TUN MUSA HITAM

REVIEW OF OPERATIONS

Note: "Profit or loss before interests, share of associates and taxation" is hereinafter referred to as "profit" or "loss".

Steel

	2013 RM Million	2012 RM Million
Revenue	**4,152**	4,744
Profit/(Loss)	**(30.3)**	15.1

Product	Annual Rated Capacity (Million Metric Tons)
HBI	0.9
Billets/Molten Steel	3.1
Steel Bars and Wire Rods	2.4

Malaysia's apparent steel consumption rose by 8.3% from 8.24 million metric tonnes in 2011 to 8.92 million metric tonnes in 2012 mainly due to mega infrastructure projects under the Economic Transformation Programme. However, domestic output declined by 3.1% to 4.95 million metric tonnes. Imports of steel products surged significantly by 15.6% to 5.42 million metric tonnes while exports declined by 7% to 1.45 million metric tonnes in 2012. The importation of cheap steel products, mainly from China, had severely affected the local steel producers. Although anti-dumping duties on steel wire rods had been imposed on selected companies in China, Taiwan, South Korea and Indonesia since February 2013, the dumping activities remained rampant. This was further compounded by the uncertainties in the economic recovery of the United States and Europe as well as the slowdown in the economic growth in China, the world's largest steel producer; which led to the softening of international steel prices and volatile raw material prices.

For the financial year under review, the Group's Steel Division recorded a 12% lower revenue of RM4.2 billion compared to RM4.7 billion in the same period last year. With lower sales tonnage and profit margin, the Division recorded an operating loss of RM30.3 million this year.

Hot Briquetted Iron ("HBI")

HBI is a steel scrap supplement produced from iron ore pellet which is mostly sourced from South America and is used in the production of high purity steel. Our HBI is produced by Antara Steel Mills Sdn Bhd at its plant located in the Federal Territory of Labuan and is largely for the export market. The price of iron ore had been volatile throughout the year with significant de-stocking and re-stocking activities by international steel millers driven by uncertainties in the global economy and the slowdown of economic growth in China, the world's largest importer of iron ore. Likewise, the selling price of HBI followed a similar pattern but with some lag time. The extent of the time lag between the changes in the selling prices and raw materials was one of the main factors affecting the profit margin of our HBI operation. Despite achieving a higher sales tonnage of 14% over the previous year, the HBI operation saw its revenue reduced to RM742.9 million this year from RM805.4 million a year ago. Operating profit was reduced to RM48.0 million from RM86.9 million as selling price and profit margin were lower compared to a year ago.

Long Products (Molten Steel, Billets, Steel Bars & Wire Rods)

During the financial year, the long products performance was adversely affected by the uncertainties in the global economy and the dumping of imported steel products in the local market. Our molten steel and wire rods were the most affected, recording lower sales tonnage compared to last year although steel bars registered higher sales for the year on the back of robust growth in the construction sector in Malaysia. However, profit margin was squeezed by the relatively higher cost of scrap metal compared to the selling price of long products. Under such difficult market conditions, the long products operations recorded a lower revenue of RM3.4 billion and a loss of RM102.4 million (2012: Revenue of RM3.9 billion and loss of RM102.7 million).

The inland waterway transportation system ("IWTS") project undertaken by the Division to transport raw materials to our steel complex in Banting via Sungai Langat river had contributed positively to the Division albeit with lower revenue and operating profit of RM43.8 million and RM24.1 million respectively (2012: Revenue of RM50.0 million and profit of RM30.9 million).

Property Development

	2013 RM Million	2012 RM Million
Revenue	**24.5**	14.6
Profit (included profit from jointly controlled entity)	**27.7**	33.8

The main contributor to the performance of the Division was the St Mary Residences CBD, a joint-venture with the Eastern & Oriental Group. This joint-venture mixed integrated development project comprises 3 towers of 28-storey apartments each, with retail, food and beverage theme outlets, located at the site of the former St Mary's School in the Kuala Lumpur Central Business District. Since its launch in 2009, the project, offering 457 apartment units, has been well received with a take-up rate of over 90% due to its strategic location in the prime CBD-KLCC area, competitive pricing, developers' track record and attractive end-financing package. The St Mary Residences project has been completed during the financial year.

During the financial year, the Group has launched a new development project at Bandar Bayan Baru, Penang, known as "The Promenade", comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza. It recorded a take-up rate of over 80% upon launching due to its strategic location and competitive pricing. The expected date of completion of the whole development is July 2016.

Building Materials

	2013 RM Million	2012 RM Million
Revenue	**910.9**	955.1
Profit	**32.1**	28.5

Our Building Materials Division trades in and distributes a wide range of building materials and steel related products in the domestic market. The Division sells and distributes building materials such as steel bars, cement, tiles and bricks, to the construction sector. It also sells and distributes steel related products such as iron ore pellets, steel scraps and hot rolled coils, to the local steel producers for use as feed stock or semi-finished goods for downstream manufacturing steel products.

For the financial year under review, the Division achieved an increase of 5% in its building materials sales to the local construction sector. The growth in the local construction sector was driven by the implementation of the various massive infrastructure projects under the Economic Transformation Programme and private sector projects.

On the other hand, sales of steel related products were lower due to the low take-up rate by the local steel producers whose operations were adversely affected by the rampant imports of steel products at dumping prices.

Collectively, the Division recorded a revenue of RM910.9 million, a 5% decrease from RM955.1 million a year ago. Nonetheless, the Division remained profitable at a profit of RM32.1 million for the financial year under review.

Petroleum, Lubricants And Automotive Products

	2013 RM Million	2012 RM Million
Revenue	**78.7**	73.6
Profit	**14.4**	10.5

Our Petroleum, Lubricants and Automotive Products Division continued to grow its businesses for the financial year under review despite intensified competition. During the year, the Division invested approximately RM3.8 million to upgrade the lubricants production facilities, mainly in the extension of the production area, the commissioning of a high speed rotary filling and capping machine, tank storage expansion and acquisition of handling equipment. With this upgrading, our production capacity is targeted to achieve 3,200 metric tons per month. This enlarged capacity will enable us to serve larger orders and expand our existing businesses overseas.

Our wide sales network in the domestic market continued to attract consistent demand for our lubricants and hence, a steady income stream for the Division. We remain focused on our objective to build long term relationships with our valued customers by engaging and offering marketing initiatives and programs that add value to their businesses.

In line with our intention to actively reach out to a wider end-user market, we have broadened our brand presence by connecting with our customers virtually through our website www.hi-rev.com.my and e-commerce platform, www.hi-revjunction.com.my. As we grow our presence and businesses via this medium, we hope to make available in-house products that meet the demands of this dynamic market and consequently be able to add value to the Division.

FINANCIAL STATEMENTS 2013

For The Financial Year Ended 30 June 2013

DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are disclosed in Note 46 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 17 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 48 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:

	The Group RM'000	The Company RM'000
(Loss)/Profit for the year	(31,604)	7,967
(Loss)/Profit attributable to:		
Owners of the Company	(34,497)	
Non-controlling interests	2,893	
	(31,604)	

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 other than as disclosed in the financial statements.

DIVIDENDS

A first and final single-tier dividend of 1%, amounting to RM7.2 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report were paid by the Company during the current financial year.

The Directors propose a first and final single-tier dividend of 1%, amounting to RM7.2 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

The Company did not issue any new shares or debentures during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased a total of 150,000 of its ordinary shares from the open market at an average price of RM1.02 per share. The total consideration paid for the repurchase including transaction costs was RM152,506. The repurchase transactions were financed by internally generated funds.

As of 30 June 2013, the Company held 369,900 treasury shares at a carrying amount of RM494,000. Further relevant details are disclosed in Note 30 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

An ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group was implemented on 2 February 2011 for a period of five years. The main features of the ESOS are disclosed in Note 29 to the financial statements.

No options were granted or exercised pursuant to the 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 42 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 of the Company for the financial year in which this report is made other than the subsequent corporate event as disclosed in Note 48 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
Dato' Kamaruddin @ Abas bin Nordin
Cheng Yong Liang
Heah Sieu Lay
Chong Jee Min
Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin (appointed on 29 August 2013)
Tan Sri Asmat bin Kamaludin (resigned with effect from 30 June 2013)

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Cheng Yong Kim retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 99 of the Company's Articles of Association, Y. M. Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin who was appointed subsequent to the financial year retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. A. Bhg. Tun Musa Hitam retires at the forthcoming Annual General Meeting.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin retires and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

Mr Chong Jee Min who has served on the Board as an independent non-executive Director for more than nine years, retires and the Company shall seek shareholders' approval for his re-appointment as an independent non-executive Director.

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 1.7.2012	**Additions**	**Disposals**	**As of 30.6.2013**
Direct interest				
Tan Sri Cheng Yong Kim	7,246,989	2,006,300	–	**9,253,289**
Dato' Kamaruddin @ Abas bin Nordin	8,000	20,000	–	**28,000**
Cheng Yong Liang	47,880	–	–	**47,880**
Indirect interest				
Tan Sri Cheng Yong Kim	9,359,433	74,472,627	(7,672,420)	**76,159,640**

The shareholdings in the related corporations 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 1.7.2012	**Additions**	**Disposals**	**As of 30.6.2013**
Tan Sri Cheng Yong Kim				
Lion Forest Industries Berhad				
Direct interest	130	–	–	**130**
Indirect interest	2,417,821	–	(2,262,851)	**154,970**

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 have interests as disclosed in Note 40 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.

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

CHENG YONG LIANG

Kuala Lumpur
29 October 2013

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 of the Group and of the Company as of 30 June 2013, 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 41 to 144.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible 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. 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 give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 5(ii)(f) and Note 36 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 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 46 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 those purposes; and

(d) the audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out on page 145 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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

NG YEE HONG
Partner - 2886/04/15 (J)
Chartered Accountant

29 October 2013

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Revenue	6	**4,748,470**	5,544,080	**33,323**	18,824
Other income		**64,819**	60,480	**335**	2,320
Net change in inventories		**12,971**	39,331	**–**	–
Raw materials and consumables used		**(3,466,860)**	(4,040,981)	**–**	–
Purchase of trading merchandise		**(921,136)**	(977,879)	**–**	–
Property development costs	16(b)	**(13,991)**	(10,227)	**–**	–
Staff costs	7	**(163,212)**	(156,627)	**(7,414)**	(7,187)
Directors' remuneration	8	**(1,203)**	(1,293)	**(1,203)**	(1,173)
Depreciation of property, plant and equipment	13	**(114,577)**	(112,999)	**(657)**	(685)
Amortisation of prepaid land lease payments	15	**(1,838)**	(1,838)	**–**	–
Other expenses		**(155,203)**	(310,037)	**(4,303)**	(21,618)
Investment income	9	**35,843**	38,648	**1,788**	2,442
Finance costs	10	**(63,917)**	(71,891)	**(7,229)**	(7,046)
(Loss)/Profit from operations	7	**(39,834)**	(1,233)	**14,640**	(14,123)
Share in results of:					
Associated companies		**62,164**	82,691	**–**	–
Jointly controlled entity		**31,497**	36,420	**–**	–
Gain on disposal of associated companies	18	**–**	39,800	**–**	26,072
Settlement arising from litigation claim against a former subsidiary company	17(iii)(b) & 42(b)	**–**	(40,000)	**–**	–
Impairment losses on:					
Quoted investments	20	**(25,299)**	(122,042)	**(132)**	(1,848)
Trade and other receivables	25	**(50,146)**	(5,083)	**–**	–
Loss on redemption of unquoted investments	20	**(8,759)**	–	**(3,357)**	–
Log extraction premium paid to the State Government of Sabah		**–**	(3,385)	**–**	–
(Loss)/Profit before tax		**(30,377)**	(12,832)	**11,151**	10,101
Tax expense	11	**(1,227)**	(17,281)	**(3,184)**	(22)
(Loss)/Profit for the year		**(31,604)**	(30,113)	**7,967**	10,079

(Forward)

	The Group	
	2013	2012
	RM'000	RM'000
(Loss)/Profit attributable to:		
Owners of the Company	**(34,497)**	(38,221)
Non-controlling interests	**2,893**	8,108
	(31,604)	(30,113)

		The Group	
		2013	2012
	Note		
Loss per ordinary share attributable to owners of the Company (sen):			
- Basic and diluted	12	**(4.81)**	(5.32)

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(Loss)/Profit for the year	**(31,604)**	(30,113)	**7,967**	10,079
Other comprehensive (loss)/income				
Items that will not be reclassified subsequently to profit or loss	**–**	–	**–**	–
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	**(165)**	15,323	**–**	–
Net (loss)/gain on fair value changes on available-for-sale financial assets and assets classified as held for sale	**(3,370)**	510	**19**	1,072
Other comprehensive (loss)/income for the year, net of tax	**(3,535)**	15,833	**19**	1,072
Total comprehensive (loss)/income for the year	**(35,139)**	(14,280)	**7,986**	11,151

	The Group	
	2013 RM'000	2012 RM'000
(Loss)/Profit attributable to:		
Owners of the Company	**(37,903)**	(30,284)
Non-controlling interests	**2,764**	16,004
	(35,139)	(14,280)

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2013

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	**1,252,613**	1,288,871	**2,250**	2,686
Investment properties	14	**4,012**	4,627	**–**	–
Prepaid land lease payments	15	**49,713**	51,551	**–**	–
Land held for property development	16(a)	**34,223**	79,001	**113**	113
Investment in subsidiary companies	17	**–**	–	**190,545**	166,409
Investment in associated companies	18	**840,919**	822,845	**105,421**	56,269
Investment in jointly controlled entity	19	**88,238**	56,741	**–**	–
Long-term investments	20	**86,691**	133,641	**4,476**	12,087
Deferred tax assets	21	**70,520**	56,367	**–**	–
Goodwill	22	**130,443**	130,443	**–**	–
Total Non-Current Assets		**2,557,372**	2,624,087	**302,805**	237,564
Current Assets					
Property development costs	16(b)	**59,893**	14,426	**–**	–
Inventories	23	**1,043,575**	1,030,604	**43**	43
Short-term investments	24	**20,887**	20,063	**3,460**	4,414
Trade receivables	25(a)	**905,230**	849,609	**–**	–
Other receivables, deposits and prepayments	25(b)	**493,685**	479,545	**26,050**	33,042
Accrued billings for property development projects		**1,006**	1,398	**–**	–
Amount owing by associated company	26(b)	**5,398**	–	**–**	–
Amount owing by jointly controlled entity	19	**1,551**	27,247	**–**	–
Amount owing by subsidiary companies	26(a)	**–**	–	**1,033,761**	1,058,405
Deposits, cash and bank balances	27	**573,011**	584,838	**13,244**	14,469
		3,104,236	3,007,730	**1,076,558**	1,110,373
Assets classified as held for sale	28	**470**	22,393	**–**	–
Total Current Assets		**3,104,706**	3,030,123	**1,076,558**	1,110,373
Total Assets		**5,662,078**	5,654,210	**1,379,363**	1,347,937

(Forward)

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	29	**717,909**	717,909	**717,909**	717,909
Reserves	30	**2,435,299**	2,480,511	**423,039**	422,382
Equity attributable to owners of the Company		**3,153,208**	3,198,420	**1,140,948**	1,140,291
Non-controlling interests		**388,309**	386,828	**–**	–
Total Equity		**3,541,517**	3,585,248	**1,140,948**	1,140,291
Non-Current and Deferred Liabilities					
Long-term borrowings	32	**248,228**	297,762	**–**	–
Finance lease payables	33	**106,338**	121,408	**–**	–
Hire-purchase obligations	34	**2,829**	3,486	**353**	443
Deferred tax liabilities	21	**22,232**	16,268	**–**	–
Total Non-Current and Deferred Liabilities		**379,627**	438,924	**353**	443
Current Liabilities					
Trade payables	35(a)	**576,766**	548,663	**166**	169
Other payables, deposits and accrued expenses	35(b)	**635,806**	542,016	**2,055**	1,647
Provisions	36	**15,000**	15,000	**–**	–
Advance billings of property development projects		**7,513**	1,200	**–**	–
Amount owing to subsidiary companies	26(a)	**–**	–	**117,823**	120,240
Finance lease payables	33	**15,070**	13,717	**–**	–
Hire-purchase obligations	34	**1,413**	2,883	**95**	147
Short-term borrowings	37	**469,117**	468,754	**117,923**	85,000
Redeemable cumulative convertible preference shares ("RCCPS")	31	**–**	12,388	**–**	–
Tax liabilities		**20,249**	25,417	**–**	–
Total Current Liabilities		**1,740,934**	1,630,038	**238,062**	207,203
Total Liabilities		**2,120,561**	2,068,962	**238,415**	207,646
Total Equity and Liabilities		**5,662,078**	5,654,210	**1,379,363**	1,347,937

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

The Group	Note	Non–Distributable Reserves						Distributable			
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment account RM'000	Capital reserve RM'000	Fair value reserve RM'000	reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non–controlling interests RM'000	Total equity RM'000
As of 1 July 2011		717,909	532,627	(239)	(13,528)	13,086	(1,497)	2,009,564	3,257,922	382,582	3,640,504
(Loss)/Profit for the year		–	–	–	–	–	–	(38,221)	(38,221)	8,108	(30,113)
Other comprehensive income		–	–	–	7,427	–	510	–	7,937	7,896	15,833
Total comprehensive income/ (loss) for the year		–	–	–	7,427	–	510	(38,221)	(30,284)	16,004	(14,280)
Purchase of treasury shares	30	–	–	(103)	–	–	–	–	(103)	–	(103)
Disposal of associated companies		–	–	–	11,325	–	–	(17,848)	(6,523)	6,523	–
Acquisition of non-controlling interests		–	–	–	–	–	–	734	734	(10,904)	(10,170)
Dividend paid	38	–	–	–	–	–	–	(23,326)	(23,326)	–	(23,326)
Dividend paid by subsidiary companies		–	–	–	–	–	–	–	–	(7,377)	(7,377)
As of 30 June 2012		717,909	532,627	(342)	5,224	13,086	(987)	1,930,903	3,198,420	386,828	3,585,248

(Forward)

The Group

	Note		← Non–Distributable Reserves				→ Distributable			
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment account RM'000	Capital reserve RM'000	Fair value reserve RM'000	reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non–controlling interests RM'000	Total equity RM'000
As of 1 July 2012		717,909	532,627	(342)	5,224	13,086	(987)	1,930,903	3,198,420	386,828	3,585,248
(Loss)/Profit for the year		–	–	–	–	–	–	(34,497)	(34,497)	2,893	(31,604)
Other comprehensive loss		–	–	–	(36)	–	(3,370)	–	(3,406)	(129)	(3,535)
Total comprehensive (loss)/income for the year		–	–	–	(36)	–	(3,370)	(34,497)	(37,903)	2,764	(35,139)
Purchase of treasury shares	30	–	–	(152)	–	–	–	–	(152)	–	(152)
Acquisition of non-controlling interests		–	–	–	–	–	–	20	20	(27)	(7)
Redemption of RCCPS in a subsidiary company		–	–	–	–	271	–	(271)	–	–	–
Dividend paid	38	–	–	–	–	–	–	(7,177)	(7,177)	–	(7,177)
Dividend paid by subsidiary companies		–	–	–	–	–	–	–	–	(1,256)	(1,256)
As of 30 June 2013		**717,909**	**532,627**	**(494)**	**5,188**	**13,357**	**(4,357)**	**1,888,978**	**3,153,208**	**388,309**	**3,541,517**

(Forward)

The Company

	Note	Share capital RM'000	← Non-Distributable Reserves → Share premium RM'000	Treasury shares RM'000	Fair value reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2011		717,909	532,627	(239)	(1,073)	5,145	(101,800)	1,152,569
Profit for the year		–	–	–	–	–	10,079	10,079
Other comprehensive income		–	–	–	1,072	–	–	1,072
Total comprehensive income for the year		–	–	–	1,072	–	10,079	11,151
Purchase of treasury shares	30	–	–	(103)	–	–	–	(103)
Dividend paid	38	–	–	–	–	–	(23,326)	(23,326)
As of 30 June 2012		717,909	532,627	(342)	(1)	5,145	(115,047)	1,140,291

	Note	Share capital RM'000	← Non-Distributable Reserves → Share premium RM'000	Treasury shares RM'000	Fair value reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2012		717,909	532,627	(342)	(1)	5,145	(115,047)	1,140,291
Profit for the year		–	–	–	–	–	7,967	7,967
Other comprehensive income		–	–	–	19	–	–	19
Total comprehensive income for the year		–	–	–	19	–	7,967	7,986
Purchase of treasury shares	30	–	–	(152)	–	–	–	(152)
Dividend paid	38	–	–	–	–	–	(7,177)	(7,177)
As of 30 June 2013		**717,909**	**532,627**	**(494)**	**18**	**5,145**	**(114,257)**	**1,140,948**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

The Group	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(31,604)**	(30,113)
Adjustments for:		
Depreciation of property, plant and equipment	**114,577**	112,999
Finance costs	**63,917**	71,891
Impairment loss on:		
Property, plant and equipment	**2,196**	2,196
Investment properties	**98**	–
Long-term investments	**25,299**	122,042
Trade and other receivables	**50,146**	5,083
Loss on redemption of unquoted investments	**8,759**	–
Allowance for obsolescence of inventories	**905**	4,433
Amortisation of prepaid land lease payments	**1,838**	1,838
Tax expense recognised in profit or loss	**1,227**	17,281
Property, plant and equipment written off	**1,071**	1,780
Gain on disposal/partial disposal of:		
Assets held for sale	**(931)**	–
Property, plant and equipment	**(1,001)**	(8,300)
Associated companies (Note 18)	**–**	(39,800)
Investment properties	**–**	(3,329)
Share in results of:		
Associated companies	**(62,164)**	(82,691)
Jointly controlled entity	**(31,497)**	(36,420)
Interest income	**(36,453)**	(39,141)
Unrealised loss on foreign exchange	**5,405**	7,557
Bargain purchase gain	**(303)**	–
Settlement arising from litigation claim against a former subsidiary company	**–**	40,000
Log extraction premium paid to the State Government of Sabah	**–**	3,385
Allowance no longer required for:		
Obsolescence of inventories	**(127)**	–
Doubtful trade and other receivables	**(1,567)**	(670)
Gain on acquisition of RCCPS issued by a subsidiary company	**–**	(13)
Fair value adjustments on investment properties	**32**	(61)
Impairment loss no longer required for property development cost	**(56)**	(191)
Operating Profit Before Working Capital Changes	**109,767**	149,756
Movements in working capital:		
(Increase)/Decrease in:		
Property development costs	**17,685**	9,851
Inventories	**(13,749)**	118,538
Trade and other receivables, deposits and prepayments	**(121,411)**	(287,804)
Amount owing by jointly controlled entity	**25,696**	(2,864)
Amount owing by an associated company	**(5,398)**	–
Increase/(Decrease) in:		
Trade and other payables, deposits and accrued expenses	**116,345**	(203,194)
Cash Generated From/(Used In) Operations	**128,935**	(215,717)
Tax paid	**(2,883)**	(21,585)
Net Cash From/(Used In) Operating Activities	**126,052**	(237,302)

(Forward)

The Group	Note	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiary companies (Note 17)		**(23,449)**	–
Dividends received from associated companies		**45,123**	42,531
Interest received		**35,933**	36,868
Proceeds from disposal/partial disposal of:			
Property, plant and equipment		**1,221**	10,287
Investment in associated companies		**–**	86,824
Investment properties		**–**	47,000
Proceeds from disposal/redemption of investments		**24,246**	10,515
Purchase of:			
Associated companies		**–**	(29,455)
Non-controlling interests		**(27)**	(10,170)
Property, plant and equipment (Note)		**(57,160)**	(89,163)
Increase in land held for property development		**(18,318)**	(47,712)
Log extraction premium paid to the State Government of Sabah		**–**	(3,385)
Settlement arising from litigation claim against a former subsidiary company		**–**	(40,000)
Net Cash From Investing Activities		**7,569**	14,140
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of:			
Short-term borrowings		**(168,186)**	(123,508)
Finance lease liabilities		**(13,717)**	(25,567)
Hire-purchase obligations		**(2,658)**	(3,144)
Redemption of RCCPS		**(8,611)**	(432)
Decrease in cash and cash equivalents - restricted		**79,855**	299,335
Interest and profit element paid		**(42,720)**	(32,214)
Dividend paid to equity holders of the Company		**(7,177)**	(23,326)
Dividend paid to non-controlling interests of the Group		**(1,256)**	(7,377)
Purchase of treasury shares		**(152)**	(103)
Proceeds from borrowings		**98,880**	–
Net Cash (Used In)/From Financing Activities		**(65,742)**	83,664
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**67,879**	(139,498)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**317,741**	457,383
Effects of changes in exchange rates		**–**	(144)
CASH AND CASH EQUIVALENTS AT END OF YEAR	39	**385,620**	317,741

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

	2013 RM'000	2012 RM'000
Cash	**57,160**	89,163
Hire-purchase	**820**	2,122
	57,980	91,285

(Forward)

The Company	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**7,967**	10,079
Adjustments for:		
Allowance for doubtful amount owing by subsidiary companies	**592**	–
Finance costs	**7,229**	7,046
Impairment loss on:		
Investment in subsidiary companies	**–**	16,141
Quoted investments	**132**	1,848
Loss on redemption of unquoted investments	**3,357**	–
Tax expense recognised in profit or loss	**3,184**	22
Depreciation of property, plant and equipment	**657**	685
Gain on disposal of an associated company	**–**	(26,072)
Loss on disposal of property, plant and equipment	**2**	6
Dividend income	**(33,323)**	(18,824)
Allowance no longer required for amount owing by subsidiary companies	**–**	(2,100)
Unrealised (gain)/loss on foreign exchange	**(49)**	1,588
Interest income	**(1,911)**	(2,611)
Operating Loss Before Working Capital Changes	**(12,163)**	(12,192)
Movements in working capital:		
Decrease in other receivables, deposits and prepayments	**11,759**	960
Increase/(Decrease) in trade and other payables, deposits and accrued expenses	**405**	(1,765)
Cash Generated From/(Used In) Operations	**1**	(12,997)
Finance costs paid	**(7,122)**	(6,858)
Tax (paid)/refunded	**(4,131)**	716
Net Cash Used In Operating Activities	**(11,252)**	(19,139)

(Forward)

The Company	Note	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in amount owing by subsidiary companies		**24,058**	(9,333)
Dividends received		**20,310**	15,290
Interest received		**1,097**	741
Proceeds from disposal of an associated company		**–**	27,997
Proceeds from disposal of property, plant and equipment		**–**	43
Purchase of:			
An associated company		**(49,152)**	(19,454)
Property, plant and equipment (Note)		**(223)**	(117)
A subsidiary company		**(24,136)**	–
Proceeds from disposal/redemption of investments		**2,089**	328
Proceeds from disposal of investment property		**–**	42,000
Net Cash (Used In)/From Investing Activities		**(25,957)**	57,495
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from borrowings		**84,230**	–
Decrease/(Increase) in cash and cash equivalents - restricted		**1,881**	(2,247)
Increase/(Decrease) in amount owing to subsidiary companies		**10,561**	(21,879)
Dividend paid to owners of the Company		**(7,177)**	(23,326)
Repayment of borrowings		**(51,307)**	(10,000)
Repayment of hire-purchase obligations		**(171)**	(240)
Purchase of treasury shares		**(152)**	(103)
Net Cash From/(Used In) Financing Activities		**37,865**	(57,795)
NET INCREASE/(DECREASE) IN CASH CASH EQUIVALENTS		**656**	(19,439)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**9,814**	29,253
CASH AND CASH EQUIVALENTS AT END OF YEAR	39	**10,470**	9,814

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

	2013 RM'000	2012 RM'000
Cash	**223**	117
Hire-purchase	**–**	297
	223	414

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 46.

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 29 October 2013.

2. SIGNIFICANT CORPORATE EVENTS

(a) On 24 October 2012, the Company announced the proposed acquisition of 100% equity interest in Lion Metal Industries Sdn Bhd ("Lion Metal Industries"), a company incorporated in Malaysia, comprising 8,000,000 ordinary shares from Limbungan Emas Sdn Bhd for a cash consideration of RM24,136,000. The principal activity of Lion Metal Industries is provision of storage facility. The acquisition was completed on 31 January 2013.

(b) Harta Impiana Sdn Bhd ("Harta Impiana"), a wholly-owned subsidiary company of Lion Forest Industries Berhad ("LFIB"), had on 7 July 2011 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 planting rubber and/or oil palm ("Proposed Acquisition of Land").

The LFIB Group had on 14 September 2012 mutually agreed with Seng Enterprise, to cancel and terminate the Instruction Notices issued for identified parcel of land for the benefit of the Cambodian subsidiary companies, in respect of 4 of the 10 parcels of ELC.

(c) LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd) ("LFIB Plantations"), a wholly-owned subsidiary company of the LFIB Group, had on 5 October 2012 entered into a conditional sale and purchase agreement ("SPA") with third parties to acquire 100% equity interest in PT Varita Majutama ("PT Varita"), a company incorporated in Indonesia, for a cash consideration of USD63.75 million (equivalent to RM197.63 million) ("Proposed Acquisition").

Prior to the completion of the Proposed Acquisition, LFIB had on 26 February 2013, entered into a share sale agreement with Akurjaya Sdn Bhd ("Akurjaya"), a related party, for the disposal of its entire equity interest in LFIB Plantations for a cash consideration of RM2. The disposal was completed on 27 February 2013 and consequent thereupon, LFIB Plantations ceased to be a subsidiary of LFIB. The disposal does not have any financial impact to the Group.

Following the disposal of LFIB Plantations, the SPA in relation to the acquisition of PT Varita was undertaken by Akurjaya.

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 provisions of the Companies Act, 1965 in Malaysia.

In the current financial year, the Group and the Company have adopted all the revised Standards issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual periods beginning on or after 1 July 2012 as follows:

FRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures – Transfers of Financial Assets)
FRS 7	Financial Instruments: Disclosures (Amendments relating to Mandatory effective date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and transition disclosures)
FRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)
FRS 112	Income Taxes (Amendments relating to Deferred Tax – Recovery of Underlying Assets)
FRS 124	Related Party Disclosure (revised)

The adoption of these revised FRSs has not affected the amounts reported on the financial statements of the Group and of the Company.

On 19 November 2011, the MASB has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including its parents, significant investors and venturers were given a transitional period of two years, within which the MFRS Framework is mandatory to be adopted by the TEs. Following the announcement by the MASB on 7 August 2013, the transitional period for TEs has been extended for an additional year. Therefore, the mandatory adoption date of the MFRS Framework for TEs has been extended from annual periods beginning on or after 1 January 2014 to annual periods beginning on or after 1 January 2015.

The Group and the Company being TEs have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of their financial statements. Accordingly, the Group and the Company will be required to apply MFRS 1 First-time adoption of Malaysian Financial Reporting Standards in their financial statements for the financial year ending 30 June 2016, being the first set of financial statements prepared in accordance with new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

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

Standards and IC Interpretations in issue 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 are as listed below:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to Government loans)[1]
FRS 1	First-time Adoption of Financial Reporting Standards [Amendments relating to Repeated application of FRS 1 and Borrowing Costs][1]
FRS 7	Financial Instruments: Disclosures (Amendments relating to disclosures - offsetting financial assets and financial liabilities)[1]
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[2]
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[2]
FRS 10	Consolidated Financial Statements[1]
FRS 10	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)[1]
FRS 11	Joint Arrangements[1]
FRS 11	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)[1]
FRS 12	Disclosures of Interests in Other Entities[1]
FRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to FRS 10, FRS 11 and FRS 12)[1]
FRS 13	Fair Value Measurement[1]
FRS 101	Presentation of Financial Statements [Amendments relating to clarification of the requirements for comparative information][1]
FRS 101	Presentation of Financial Statements [Amendments relating to Business Combinations for Improvements to FRSs (2012)][1]
FRS 116	Property, Plant and Equipment [Amendments relating to Business Combinations for Improvements to FRSs (2012)][1]
FRS 116	Property, Plant and Equipment [Amendments relating to classification of servicing equipment][1]
FRS 119	Employee Benefits (2011)[1]
FRS 127	Separate Financial Statements (2011)[1]
FRS 128	Investment in Associates and Joint Ventures (2011)[1]
FRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[3]
FRS 132	Financial Instruments: Presentation [Amendments relating to Business Combinations for Improvements to FRSs (2012)][1]
FRS 132	Financial Instruments: Presentation [Amendments relating to tax effect of distribution to holders of equity instruments][1]
FRS 134	Interim Financial Reporting (Amendments relating to interim financial reporting and segment information for total assets and liabilities)[1]
FRS 136	Recoverable Amount Disclosures for Non-Financial Assets[3]
FRS 139	Novation of Derivatives and Continuation of Hedge Accounting[3]
IC Int. 20	Stripping Costs in the Production Phase of a Surface Mine[1]
IC Int. 21	Levies[3]

[1] Effective for annual periods beginning on or after 1 January 2013

[2] Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to FRS 9 (IFRS 9 issued by IASB on November 2009 and October 2010 respectively) and FRS 7 relating to "Mandatory Effective Date of FRS 9 and Transition Disclosure" on 1 March 2012

[3] Effective for annual periods beginning on or after 1 January 2014

The Directors anticipate that the abovementioned Standards and IC Int. will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and IC Int. will have no material impact on the amounts reported in the financial statements of the Group and of the Company in the period of initial application, except as discussed below.

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

Standards and IC Interpretations in issue but not yet effective (continued)

FRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. FRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of FRS 9 are described as follows:

(a) FRS 9 requires all recognised financial assets that are within the scope of FRS 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under FRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(b) Under FRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that FRS 9 will be adopted in the Group's and Company's financial statements for the annual period beginning 1 July 2015 and that the application of FRS 9 may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In November 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including FRS 10, FRS 11, FRS 12, FRS 127 (as revised in 2011) and FRS 128 (as revised in 2011).

Key requirements of these five Standards are described below.

FRS 10 replaces the parts of FRS 127 Consolidated and Separate Financial Statements (revised in 2010) that deal with consolidated financial statements. IC Int. 112 Consolidation - Special Purpose Entities has been withdrawn upon the issuance of FRS 10. Under FRS 10, there is only one basis for consolidation, that is control. In addition, FRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in FRS 10 to deal with complex scenarios.

FRS 11 replaces FRS 131 Interests in Joint Ventures. FRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. IC Int. 113 Jointly Controlled Entities - Non-monetary Contributions by Venturers has been withdrawn upon the issuance of FRS 11. Under FRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under FRS 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under FRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under FRS 131 can be accounted for using the equity method of accounting or proportionate accounting.

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

Standards and IC Interpretations in issue but not yet effective (continued)

FRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in FRS 12 are more extensive than those in the current standards.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 July 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of FRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. Under FRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. The Group is currently assessing the impact of adoption of FRS 10 and FRS 11.

FRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of FRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in FRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 7 Financial Instruments: Disclosures will be extended by FRS 13 to cover all assets and liabilities within its scope.

The Directors anticipate that FRS 13 will be adopted in the Group's and the Company's financial statements for the annual period beginning 1 July 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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 Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results from subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each 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. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 112 Income Taxes and FRS 119 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 2 Share-based Payment; and

- 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 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

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 and services 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 dividend income from the subsidiary companies and associated companies.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

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.

(iii) 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.

(iv) Other Divisions

Gross invoice value of goods sold and services rendered - upon performance of services and 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 at 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency (continued)

(ii) Foreign Currency Transactions (continued)

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.

Employee Benefits

(i) Short-term Employee Benefits

Salaries, wages, bonuses, social security contributions and annual leaves 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realised, 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 reporting date, to recover or settle the carrying amount of their 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.

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

Impairment of Assets Excluding Goodwill (continued)

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.

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Other buildings	2% - 18%
Plant, machinery and equipment	2% - 25%
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% - 20%

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 41 to 84 years (2012: 42 to 85 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 at 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Islamic Securities Programme ("Sukuk")

The Sukuk is bond 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.

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. The RCCPS were fully redeemed during the financial year ended 30 June 2013.

Provisions

Provisions are recognised when the Group or the Company have 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.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingent Liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

<u>Effective interest rate method</u>

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.

<u>Financial assets at FVTPL</u>

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.

<u>Held-to-maturity investments</u>

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.

<u>Loans and receivables</u>

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective interest rate method (continued)

<u>AFS financial assets</u>

AFS 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, AFS 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 AFS equity instruments are recognised in profit or loss when the Group's and the Company's right to receive the dividends is established.

AFS 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.

<u>Impairment of financial assets</u>

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective interest rate method (continued)

Impairment of financial assets (continued)

(b) 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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities and Equity Instruments (continued)

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.

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 which 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. As of 30 June 2013, the Group and the Company recognised impairment losses in respect of the following:

	The Group		The Company	
	2013	2012	**2013**	2012
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**15,595**	13,399	**–**	–
Investment properties	**98**	–	**–**	–
Land held for property development	**9,478**	14,229	**–**	–
Property development cost	**8,445**	3,750	**–**	–
Long-term investments	**70,287**	70,287	**–**	–
Investment in subsidiary companies	**–**	–	**174,811**	174,811
Goodwill on consolidation	**1,201**	1,201	**–**	–

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 the recoverable amounts involves a number of 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 VIU of the cash-generating units to which goodwill has been allocated. The VIU 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 (2012: 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 22.

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

(ii) Key sources of estimation uncertainty (continued)

(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 amounted to RM70,520,000 (2012: RM56,367,000).

(d) Impairment of Trade and Other Receivables

Impairment of trade and other receivables 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.

As of 30 June 2013, the Group has trade receivables of RM433,817,000 (2012: RM477,160,000) due by a related party, Megasteel Sdn Bhd ("Megasteel"), which constitutes approximately 45% (2012: 55%) of the Group's trade receivables, of which RM370,826,000 (2012: RM346,773,000) is past due but not impaired.

Included in other receivables of the Group is an amount of RM48,588,000 (2012: RM53,099,000) receivable from Megasteel by 30 June 2014 (2012: 31 December 2012), representing deferred cash payment from a settlement scheme implemented to settle its outstanding trade amount in the previous financial year. Repayment of the said amount was rescheduled from 31 December 2012 to 30 June 2014 during the current financial year.

During the previous financial year ended 30 June 2012, Megasteel implemented a settlement scheme to settle its outstanding trade amounts. Currently, Megasteel is working with an independent consultant and authorities to conduct a study on turnaround action plans. Megasteel has also entered into discussions with various interested third party investors to inject new working capital into Megasteel via additional issuance of share capital. Management believes that Megasteel is making its best efforts to realise the action plans and will be able to continue in operational existence for the foreseeable future.

During the current financial year, the Group recognised an impairment loss amounting to RM47,504,000 on the trade and other receivables due from Megasteel. Based on the management's assessment, Megasteel may require a longer period to fully settle its outstanding trade amounts due to the weak international market sentiments and the local market condition for the steel industry. The impairment loss represents the time value of money, calculated based on discounted future cash flow, on the collection of the said trade and other receivables.

(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 reporting period 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.

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

(ii) Key sources of estimation uncertainty (continued)

(f) Provisions

As mentioned in Note 36, 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 at the time the litigation claim was made, the Group has provided for liquidated damages from the litigation claims amounting to RM15,000,000. The provision is made based on the management's best judgement and estimate using information currently available. As the legal case has been 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 is as follows:

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Sales of goods	**4,662,815**	5,467,132	**–**	–
Revenue from:				
Property development	**15,883**	9,072	**–**	–
Sales of land under development and completed property units	**8,032**	5,564	**–**	–
Gross rental income	**580**	–	**–**	–
Service rendered	**61,158**	62,312	**–**	–
Gross dividend income from:				
Associated companies (quoted in Malaysia)	**–**	–	**16,491**	9,763
Subsidiary companies	**–**	–	**16,832**	9,061
Other investments	**2**	–	**–**	–
	4,748,470	5,544,080	**33,323**	18,824

7. (LOSS)/PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Impairment losses on:				
Investment properties (Note 14)	**(98)**	–	**–**	–
Property, plant and equipment (Note 13)	**(2,196)**	(2,196)	**–**	–
Investment in subsidiary companies (Note 17)	**–**	–	**–**	(16,141)
Allowance for:				
Obsolescence of inventories	**(905)**	(4,433)	**–**	–
Doubtful amount owing by subsidiary companies (Note 26)	**–**	–	**(592)**	–
Rental expense of:				
Jetties and leasehold land	**(7,941)**	(4,221)	**–**	–
Premises	**(1,135)**	(1,109)	**–**	–
Plant, machinery and equipment	**(3,637)**	(6,307)	**–**	–
Premises payable to related parties	**–**	(1,114)	**–**	–
Property, plant and equipment written off	**(1,071)**	(1,780)	**–**	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	**(838)**	(786)	**(107)**	(95)
Underprovision in prior years	**(33)**	(61)	**(12)**	(10)
Other auditors:				
Current year	**(18)**	(3)	**–**	–
Gain/(Loss) on foreign exchange (net):				
Realised	**30,076**	26,216	**–**	–
Unrealised	**(5,405)**	(7,557)	**49**	(1,588)
Rental income from premises	**10,822**	9,190	**–**	–
Impairment losses no longer required for:				
Trade and other receivables (Note 25)	**1,567**	670	**–**	–
Property development cost (Note 16)	**56**	191	**–**	–
Allowance no longer required for:				
Obsolescence of inventories	**127**	–	**–**	–
Doubtful amount owing by subsidiary companies (Note 26)	**–**	–	**–**	2,100
Gain/(Loss) on disposal/partial disposal of:				
Property, plant and equipment	**1,001**	8,300	**(2)**	(6)
Investment properties	**–**	3,329	**–**	–
Assets held for sale	**931**	–	**–**	–
Gain on acquisition of RCCPS issued by a subsidiary company	**–**	13	**–**	–
Fair value adjustments on investment properties (Notes 14)	**(32)**	61	**–**	–
Interest income from Housing Development Accounts	**610**	493	**123**	169
Bad debts written off	**2**	–	**–**	–
Bad debts recovered	**9**	91	**–**	–
Bargain purchase gain on acquisition of a subsidiary company (Note 17)	**303**	–	**–**	–

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

Analysis of staff costs is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries, bonuses and allowances	**148,615**	142,736	**6,704**	6,511
Defined contribution plans	**14,597**	13,891	**710**	676
	163,212	156,627	**7,414**	7,187

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	
	2013 RM'000	2012 RM'000
Salaries, bonuses and allowances	**3,454**	2,931
Defined contribution plans	**283**	248
	3,737	3,179

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 RM80,425 (2012: RM95,318).

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive Director:				
Fee	**25**	25	**25**	25
Salary and other emoluments	**816**	816	**816**	816
Defined contribution plans	**98**	68	**98**	68
	939	909	**939**	909
Non-executive Directors:				
Fees	**240**	240	**240**	240
Salary and other emoluments	**24**	131	**24**	24
Defined contribution plans	**–**	13	**–**	–
	264	384	**264**	264
Total	**1,203**	1,293	**1,203**	1,173

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 RM96,570 (2012: RM97,620).

9. INVESTMENT INCOME

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Interest income from:				
Fixed deposits	**12,336**	24,575	**256**	428
Related parties	**3,837**	1,109	**20**	1,020
Long-term investments	**1,753**	2,152	**794**	994
Associated companies	**1,410**	2,147	**–**	–
Others	**16,507**	8,665	**718**	–
	35,843	38,648	**1,788**	2,442

10. FINANCE COSTS

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Interest expense on:				
Term loans	**21,486**	26,045	**7,122**	6,858
Security deposits received from customers	**3,506**	4,621	**–**	–
Bills payable	**7,078**	8,440	**–**	–
Bank overdrafts	**1,506**	1,463	**–**	–
Finance lease and hire-purchase	**12,521**	13,632	**29**	38
RCCPS	**–**	124	**–**	–
Others	**3,559**	3,511	**78**	150
Product financing liabilities	**1,301**	2,391	**–**	–
Profit element on Sukuk	**12,960**	11,664	**–**	–
	63,917	71,891	**7,229**	7,046

11. TAX EXPENSE

Tax expense for the Group and the Company consists of:

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Estimated tax payable:				
Current year	**(5,269)**	(30,783)	**–**	–
Underprovision in prior years	**(4,147)**	(461)	**(3,184)**	(22)
	(9,416)	(31,244)	**(3,184)**	(22)
Deferred taxation (Note 21):				
Current year	**(5,581)**	(316)	**–**	–
Overprovision in prior years	**13,770**	14,279	**–**	–
	8,189	13,963	**–**	–
Total tax expense	**(1,227)**	(17,281)	**(3,184)**	(22)

11. TAX EXPENSE (continued)

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

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
(Loss)/Profit before tax	**(30,377)**	(12,832)	**11,151**	10,101
Tax at statutory tax rate of 25% (2012: 25%)	**7,594**	3,208	**(2,788)**	(2,525)
Tax effects of:				
Non-taxable income	**51,099**	41,928	**15,542**	10,885
Non-deductible expenses	**(72,343)**	(103,583)	**(3,157)**	(9,799)
Tax effect on share in results of associated companies and jointly controlled entity	**22,394**	27,799	**–**	–
Deferred tax assets not recognised	**(20,723)**	(705)	**(9,597)**	–
Realisation of deferred tax assets previously not recognised	**1,129**	254	**–**	1,439
(Under)/Overprovision in prior years:				
Income tax	**(4,147)**	(461)	**(3,184)**	(22)
Deferred taxation	**13,770**	14,279	**–**	–
	(1,227)	(17,281)	**(3,184)**	(22)

As of 30 June 2013, two subsidiary companies have tax exempt income accounts of RM450,712,000 (2012: RM450,712,000) 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 shareholders.

The Company has the following tax-exempt accounts:

	The Company	
	2013 RM'000	**2012 RM'000**
Tax-exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	**21,170**	21,170
Tax-exempt dividends received	**83,110**	65,092
Total	**104,280**	86,262

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 2013, the Company has not distributed any of its tax-exempt accounts as tax-exempt dividends.

12. LOSS PER ORDINARY SHARE

(a) Basic loss per share

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

	2013 RM'000	2012 RM'000
Loss attributable to owners of the Company	**(34,497)**	(38,221)

	2013 '000	2012 '000
Weighted average number of ordinary shares:		
Issued shares at beginning of year	**717,689**	717,759
Effect of treasury shares	**(76)**	(30)
	717,613	717,729

	2013	2012
Basic loss per share (sen)	**(4.81)**	(5.32)

(b) Diluted loss per share

	2013 RM'000	2012 RM'000
Loss attributable to owners of the Company	**(34,497)**	(38,221)

	2013 '000	2012 '000
Weighted average number of ordinary shares in issue	**717,613**	717,729

	2013	2012
Diluted loss per share (sen)	**(4.81)**	(5.32)

The basic and diluted loss per share are the same for 2013 and 2012 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 29.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	COST						
	As of 1 July 2011 RM'000	Additions RM'000	Disposals RM'000	Transfer to investment properties (Note 14) RM'000	Write-offs RM'000	Reclass-ification RM'000	As of 30 June 2012 RM'000
Freehold land	77,795	–	(694)	–	–	–	77,101
Freehold buildings	303,511	354	(447)	–	–	–	303,418
Buildings under long lease	107,613	53	–	(454)	–	203	107,415
Buildings under short lease	466	–	–	–	–	–	466
Plant, machinery and equipment	1,474,307	8,073	(17,832)	–	–	47,498	1,512,046
Prime movers and trailers	31,697	–	–	–	–	–	31,697
Motor vehicles	10,598	2,375	(1,087)	–	–	–	11,886
Furniture and office equipment	70,031	2,606	(432)	–	(757)	157	71,605
Computer equipment	4,900	347	(80)	–	(17)	–	5,150
Floating cranes	87,616	–	–	–	–	–	87,616
Tug boats and barges	71,580	–	–	–	–	–	71,580
Infrastructure	107,100	–	–	–	–	–	107,100
Renovations	1,555	72	(27)	–	–	–	1,600
Construction work-in-progress	80,445	77,405	–	–	(1,762)	(47,858)	108,230
Total	2,429,214	91,285	(20,599)	(454)	(2,536)	–	2,496,910

(Forward)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	COST							
	As of 1 July 2012 RM'000	**Additions RM'000**	**Disposals RM'000**	**Transfer to investment properties (Note 14) RM'000**	**Write-offs RM'000**	**Reclass-ification RM'000**	**Acquisition of subsidiary company RM'000**	**As of 30 June 2013 RM'000**
Freehold land	77,101	–	–	–	–	–	–	**77,101**
Freehold buildings	303,418	1,865	–	–	–	(316)	–	**304,967**
Buildings under long lease	107,415	148	–	(85)	–	81	27,461	**135,020**
Buildings under short lease	466	–	–	–	–	–	–	**466**
Plant, machinery and equipment	1,512,046	7,530	(2,901)	–	(5)	(1,712)	499	**1,515,457**
Prime movers and trailers	31,697	–	(3,245)	–	–	–	–	**28,452**
Motor vehicles	11,886	3,253	(1,226)	–	–	3,220	–	**17,133**
Furniture and office equipment	71,605	2,938	(35)	–	(154)	1,168	307	**75,829**
Computer equipment	5,150	364	(76)	–	–	–	–	**5,438**
Floating cranes	87,616	–	–	–	–	–	–	**87,616**
Tug boats and barges	71,580	35	–	–	–	–	–	**71,615**
Infrastructure	107,100	–	–	–	–	–	–	**107,100**
Renovations	1,600	124	–	–	–	–	–	**1,724**
Construction work-in-progress	108,230	41,723	–	–	(1,055)	(2,754)	–	**146,144**
Total	2,496,910	57,980	(7,483)	(85)	(1,214)	(313)	28,267	**2,574,062**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED DEPRECIATION					
	As of 1 July 2011 RM'000	Charge for the year RM'000	Disposals RM'000	Transfer to investment properties (Note 14) RM'000	Write-offs RM'000	As of 30 June 2012 RM'000
Freehold land	–	–	–	–	–	–
Freehold buildings	99,403	14,872	–	–	–	114,275
Buildings under long lease	79,506	2,853	–	(303)	–	82,056
Buildings under short lease	466	–	–	–	–	466
Plant, machinery and equipment	803,496	68,769	(17,344)	–	–	854,921
Prime movers and trailers	14,330	1,892	–	–	–	16,222
Motor vehicles	7,557	1,459	(1,002)	–	–	8,014
Furniture and office equipment	53,146	4,498	(162)	–	(741)	56,741
Computer equipment	2,924	463	(77)	–	(15)	3,295
Floating cranes	5,947	4,162	–	–	–	10,109
Tug boats and barges	19,241	6,814	–	–	–	26,055
Infrastructure	14,280	7,140	–	–	–	21,420
Renovations	1,016	77	(27)	–	–	1,066
Construction work-in-progress	–	–	–	–	–	–
Total	1,101,312	112,999	(18,612)	(303)	(756)	1,194,640

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

ACCUMULATED DEPRECIATION

	As of 1 July 2012 RM'000	Charge for the year RM'000	Disposals RM'000	Transfer to investment properties (Note 14) RM'000	Write-offs RM'000	Reclassi-fication RM'000	Acquisition of subsidiary company RM'000	As of 30 June 2013 RM'000
Freehold land	–	–	–	–	–	–	–	**–**
Freehold buildings	114,275	14,895	–	–	–	15,404	–	**144,574**
Buildings under long lease	82,056	2,669	–	(100)	–	–	3,660	**88,285**
Buildings under short lease	466	–	–	–	–	–	–	**466**
Plant, machinery and equipment	854,921	71,059	(2,730)	–	(3)	(15,668)	499	**908,078**
Prime movers and trailers	16,222	1,888	(3,243)	–	–	–	–	**14,867**
Motor vehicles	8,014	1,494	(1,199)	–	–	(21)	–	**8,288**
Furniture and office equipment	56,741	3,938	(17)	–	(140)	(28)	297	**60,791**
Computer equipment	3,295	434	(74)	–	–	–	–	**3,655**
Floating cranes	10,109	4,162	–	–	–	–	–	**14,271**
Tug boats and barges	26,055	6,815	–	–	–	–	–	**32,870**
Infrastructure	21,420	7,140	–	–	–	–	–	**28,560**
Renovations	1,066	83	–	–	–	–	–	**1,149**
Construction work-in-progress	–	–	–	–	–	–	–	**–**
Total	1,194,640	114,577	(7,263)	(100)	(143)	(313)	4,456	**1,305,854**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED IMPAIRMENT LOSSES					NET BOOK VALUE	
	As of 1 July 2011 RM'000	Charge for the year RM'000	As of 30 June 2012 RM'000	Charge for the year RM'000	As of 30 June 2013 RM'000	As of 30 June 2013 RM'000	As of 30 June 2012 RM'000
Freehold land	1,754	–	1,754	–	**1,754**	**75,347**	75,347
Freehold buildings	–	–	–	–	**–**	**160,393**	189,143
Buildings under long lease	–	–	–	–	**–**	**46,735**	25,359
Buildings under short lease	–	–	–	–	**–**	**–**	–
Plant, machinery and equipment	478	–	478	–	**478**	**606,901**	656,647
Prime movers and trailers	3,215	–	3,215	–	**3,215**	**10,370**	12,260
Motor vehicles	–	–	–	–	**–**	**8,845**	3,872
Furniture and office equipment	–	–	–	–	**–**	**15,038**	14,864
Computer equipment	–	–	–	–	**–**	**1,783**	1,855
Floating cranes	–	–	–	–	**–**	**73,345**	77,507
Tug boats and barges	–	–	–	–	**–**	**38,745**	45,525
Infrastructure	–	–	–	–	**–**	**78,540**	85,680
Renovations	–	–	–	–	**–**	**575**	534
Construction work-in-progress	5,756	2,196	7,952	2,196	**10,148**	**135,996**	100,278
Total	11,203	2,196	13,399	2,196	**15,595**	**1,252,613**	1,288,871

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	COST			
	As of 1 July 2011 RM'000	Additions RM'000	Disposals RM'000	As of 30 June 2012 RM'000
Plant, machinery and equipment	2,105	–	(2,105)	–
Motor vehicles	1,915	272	(144)	2,043
Furniture and office equipment	1,431	27	–	1,458
Computer equipment	2,715	43	(9)	2,749
Renovations	638	72	–	710
Total	8,804	414	(2,258)	6,960

	COST			
	As of 1 July 2012 RM'000	Additions RM'000	Disposals RM'000	As of 30 June 2013 RM'000
Plant, machinery and equipment	–	–	–	**–**
Motor vehicles	2,043	–	–	**2,043**
Furniture and office equipment	1,458	6	–	**1,464**
Computer equipment	2,749	93	(17)	**2,825**
Renovations	710	124	–	**834**
Total	6,960	223	(17)	**7,166**

	ACCUMULATED DEPRECIATION			
	As of 1 July 2011 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2012 RM'000
Plant, machinery and equipment	2,105	–	(2,105)	–
Motor vehicles	866	396	(97)	1,165
Furniture and office equipment	1,262	29	–	1,291
Computer equipment	1,458	190	(7)	1,641
Renovations	107	70	–	177
Total	5,798	685	(2,209)	4,274

	ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As of 1 July 2012 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2013 RM'000	As of 30 June 2013 RM'000	As of 30 June 2012 RM'000
Plant, machinery and equipment	–	–	–	**–**	**–**	–
Motor vehicles	1,165	348	–	**1,513**	**530**	878
Furniture and office equipment	1,291	32	–	**1,323**	**141**	167
Computer equipment	1,641	194	(15)	**1,820**	**1,005**	1,108
Renovations	177	83	–	**260**	**574**	533
Total	4,274	657	(15)	**4,916**	**2,250**	2,686

As of 30 June 2013, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,117.7 million (2012: RM1,168.9 million) have been charged as collaterals to certain financial institutions for the finance lease payables and borrowings granted to the Group (Notes 32, 33, 34 and 37).

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 RM125,428,000 (2012: RM138,750,000) and RM508,000 (2012: RM728,000) respectively.

14. INVESTMENT PROPERTIES

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At beginning of year	**4,627**	44,226	**–**	42,500
Fair value adjustments during the year (Note 7)	**(32)**	61	**–**	–
Transfer (to)/from property, plant and equipment (Note 13)	**(15)**	151	**–**	–
Transfer to assets classified as held for sale (Note 28)	**(470)**	–	**–**	–
Impairment loss (Note 7)	**(98)**	–	**–**	–
Disposal during the year	**–**	(39,811)	**–**	(42,500)
At end of year	**4,012**	4,627	**–**	–

The fair values of the investment properties have been arrived at on the basis that valuations carried out by independent valuers 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 from its investment properties amounted to RM30,400 (2012: RM12,000). Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM3,800 (2012: RM563,000) and RMNil (2012: RM561,900) respectively.

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM27,100 (2012: RM29,600).

As of 30 June 2013, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair values totalling RM3,965,000 (2012: RM4,576,000) have been charged as collaterals to certain local banks for the bank overdrafts and other credit facilities granted to the Group (Notes 32 and 37).

Investment properties amounting to RM3,362,000 (2012: RM3,380,000) for the Group are held under leasehold interest.

15. PREPAID LAND LEASE PAYMENTS

	The Group 2013 RM'000	The Group 2012 RM'000
Cost:		
At beginning and end of year	**83,749**	83,749
Cumulative amortisation:		
At beginning of year	**32,198**	30,360
Amortisation for the year	**1,838**	1,838
At end of year	**34,036**	32,198
Unamortised portion:		
At beginning of year	**51,551**	53,389
At end of year	**49,713**	51,551

Prepaid land lease payments relate to lease of land for the Group's factory buildings, office complexes and warehouses located in the Mukim of Bukit Raja, Klang, Selangor and Pasir Gudang Industrial Estate, Johor 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.

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

As of 30 June 2013, certain parcels of leasehold land of the Group with carrying values totalling RM49.7 million (2012: RM51.6 million) have been charged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 32 and 37).

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
At beginning of year:				
Land costs	**77,187**	43,552	**53**	53
Development costs	**16,043**	7,253	**60**	60
	93,230	50,805	**113**	113
Costs incurred:				
Land costs	**–**	35,279	**–**	–
Development costs	**15**	9,354	**–**	–
Cost transferred to property development costs – net (Note 16(b))	**(49,544)**	(2,208)	**–**	–
At end of year	**43,701**	93,230	**113**	113

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (continued)

(a) Land Held for Property Development (continued)

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Accumulated impairment losses:				
At beginning of year	**(14,229)**	(15,966)	**–**	–
Transferred to property development costs (Note 16(b))	**4,751**	1,737	**–**	–
At end of year	**(9,478)**	(14,229)	**–**	–
Net	**34,223**	79,001	**113**	113

(b) Property Development Costs

	The Group	
	2013 RM'000	**2012 RM'000**
At beginning of year:		
Land cost	**15,044**	11,407
Development costs	**46,347**	44,697
	61,391	56,104
Costs incurred:		
Land cost	**2,238**	1,993
Development costs	**16,065**	1,086
	18,303	3,079
Transfer from land held for property development - net (Note 16(a))	**49,544**	2,208
	129,238	61,391
Costs recognised as expenses in profit or loss:		
Previous years	**(43,215)**	(32,988)
Current year	**(13,991)**	(10,227)
	(57,206)	(43,215)
Cost transferred to completed units	**(3,694)**	–
Accumulated impairment losses:		
At beginning of year	**(3,750)**	(2,204)
Transfer from land held for property development (Note 16(a))	**(4,751)**	(1,737)
Reversal of impairment loss	**56**	191
At end of year	**(8,445)**	(3,750)
Net	**59,893**	14,426

17. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2013	2012
	RM'000	RM'000
Shares quoted in Malaysia:		
At beginning and end of year	**42,232**	42,232
Unquoted shares in Malaysia:		
At cost	**309,495**	285,359
Deemed capital contribution	**13,629**	13,629
	323,124	298,988
Accumulated impairment losses	**(174,811)**	(174,811)
	148,313	124,177
Total	**190,545**	166,409
Market value of quoted shares	**57,763**	61,373

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that no additional impairment loss is required.

Acquisition of subsidiary companies

(i) During the current financial year, the Company completed the acquisition of the entire issued and paid-up capital of Lion Metal Industries Sdn Bhd ("Lion Metal Industries") for a cash consideration of RM24.1 million. The fair value of the assets acquired and liabilities assumed from the acquisition of Lion Metal Industries are set out below:

	Fair value recognised on acquisition RM'000
Property, plant and equipment (Note 13)	**23,811**
Net-current assets	**628**
Fair value of identifiable net assets acquired	**24,439**
Share of assets acquired	**24,439**
Less: Total cost of investment	**(24,136)**
Gain on bargain purchase	**303**

The effect of the acquisition on cash flows are as follows:

	RM'000
Cash and cash equivalents acquired	**687**
Less: Consideration paid	**(24,136)**
Net cash outflows on acquisition, net of cash & cash equivalents	**(23,449)**

17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies (continued)

The acquisition has contributed the following results to the Group:

	RM'000
Revenue for the year	**580**
Loss for the year	**(143)**

If the acquisition had occurred on 1 July 2012, the Groups' results for the financial year would have increased as follows:

	RM'000
Revenue for the year	**1,378**
Loss for the year	**(6,069)**

(ii) Gama Harta Sdn Bhd, a wholly-owned subsidiary company of Lion Forest Industries Berhad ("LFIB"), had on 18 September 2012 completed the acquisition of the entire issued and paid-up capital of Brands Pro Management Sdn Bhd ("Brands Pro") for a cash consideration of RM2. Consequently, Brands Pro became a wholly-owned subsidiary company of the LFIB Group.

The LFIB Group's equity interest in Brands Pro has been diluted to 70% following the issuance and allotment of shares to the joint-venture partner during the financial year.

(iii) During the previous financial year, the LFIB Group completed the following acquisitions:

(a) Harta Impiana Sdn Bhd ("Harta Impiana"), a wholly-owned subsidiary company of LFIB, subscribed for one ordinary share of USD1.00 each in 20 companies in the British Virgin Islands ("BVI Companies") to hold investment in Cambodian companies ("Cambodian Companies"). Consequently, these BVI Companies became wholly-owned subsidiary companies of the LFIB Group.

During the previous financial year, 23 Cambodian Companies were incorporated by the 23 BVI Companies to undertake the Proposed Acquisition of Land as disclosed in Note 2(b). Consequently, these Cambodian Companies became wholly-owned subsidiary companies of the LFIB Group.

(b) LFIB had on 27 February 2012 completed the acquisition of the entire issued and paid-up capital of Harapan Permai Sdn Bhd ("Harapan Permai"). Consequently, Harapan Permai became a wholly-owned subsidiary company of LFIB.

Dissolution of a subsidiary company

Pursuant to Section 272(5) of the Companies Act, 1965, Harapan Permai was dissolved on 26 March 2013 pursuant to a members' voluntary winding-up.

Disposal of a subsidiary company

LFIB had on 27 February 2013, completed the disposal of its entire equity interest in LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd) ("LFIB Plantations") to Akurjaya Sdn Bhd, a related party, for a cash consideration of RM2. Consequently, LFIB Plantations ceased to be a subsidiary company of LFIB.

18. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At cost:				
Quoted investments	**378,479**	378,479	**67,367**	18,215
Unquoted investments	**138,041**	138,041	**38,054**	38,054
	516,520	516,520	**105,421**	56,269
Share in post-acquisition results less dividends received	**324,399**	306,325	**–**	–
	840,919	822,845	**105,421**	56,269
Market value of quoted investments	**823,853**	963,043	**219,496**	199,318

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

	The Group	
	2013 RM'000	2012 RM'000
Assets and Liabilities		
Current assets	**5,762,836**	5,686,570
Non-current assets	**6,487,417**	5,916,220
Total Assets	**12,250,253**	11,602,790
Current liabilities	**3,915,788**	3,910,102
Non-current liabilities	**2,299,655**	1,643,824
Total Liabilities	**6,215,443**	5,553,926
Results		
Revenue	**5,574,048**	5,607,626
Profit for the year	**273,231**	148,893

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

	The Group	
	2013 RM'000	2012 RM'000
Share of net assets (excluding goodwill)	**609,441**	598,659
Share of goodwill of associated companies	**231,478**	224,186
	840,919	822,845

18. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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 losses are as follows:

	The Group	
	2013	**2012**
	RM'000	**RM'000**
At beginning of year	**(171,012)**	(110,085)
Current year	**(54,487)**	(60,927)
At end of year	**(225,499)**	(171,012)

As of 30 June 2013, the investment in quoted associated companies of the Group and the Company with carrying value of RM116,142,000 and RM67,367,000 (2012: RM68,776,000 and RM15,242,000) respectively has been pledged as collaterals to certain financial institutions for borrowings granted to the Group (Notes 32 and 37).

During the previous financial year, the Group disposed of certain equity interest with carrying value amounting to RM18,945,000 in an associated company, Parkson Holdings Berhad, for a total consideration of RM27,997,000. This disposal gave rise to a gain of RM9,052,000 and RM26,072,000 to the Group and the Company respectively.

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 ("Nanjing Jincheng") for a cash consideration of Rmb120 million (equivalent to RM58.82 million). The said proposed disposal was completed on 30 December 2011 and thereafter, Nanjing Jincheng ceased to be an associated company of the LFIB Group. This disposal gave rise to a gain of RM30,748,000 to the Group.

19. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Unquoted shares:		
At cost	**125**	125
Share in post-acquisition results	**88,113**	56,616
	88,238	56,741

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

Name of Jointly Controlled Entity	Financial Year End	Effective Percentage Ownership		Principal Activity
		2013	2012	
		%	%	
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.

19. INVESTMENT IN JOINTLY CONTROLLED ENTITY (continued)

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

	The Group	
	2013 RM'000	2012 RM'000
Assets and Liabilities		
Current assets	**217,154**	413,292
Non-current assets	**36,430**	2,568
Total Assets	**253,584**	415,860
Current liabilities	**86,383**	313,267
Non-current liabilities	**9,250**	–
Total Liabilities	**95,633**	313,267
Results		
Revenue	**222,561**	303,490
Profit for the year	**56,936**	65,835

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 (2012: interest-free) and repayable on demand.

20. LONG-TERM INVESTMENTS

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Available-for-sale investments				
Quoted investments in Malaysia:				
At fair value				
Shares	**56,561**	81,556	**94**	129
Warrants	**506**	736	**213**	310
Irredeemable Convertible Unsecured Loan Stock ("ICULS")*	**25,213**	26,413	**–**	–
	82,280	108,705	**307**	439
Quoted investments outside Malaysia:				
Shares - at fair value	**237**	161	**59**	40
Unquoted investments:				
Shares - at cost	**1,313**	1,377	**400**	400
Total	**83,830**	110,243	**766**	879

20. LONG-TERM INVESTMENTS (continued)

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, adjusted for accretion of interest	**79,120**	81,175	**–**	–
Less: Accumulated impairment losses	**(70,287)**	(70,287)	**–**	–
	8,833	10,888	**–**	–
Redeemable within one year (Note 24)	**(8,833)**	(10,888)	**–**	–
	–	–	**–**	–
Loans and receivables				
At amortised cost				
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")**	**14,915**	32,573	**7,170**	15,622
Redeemable within one year (Note 24)	**(12,054)**	(9,175)	**(3,460)**	(4,414)
	2,861	23,398	**3,710**	11,208
Total	**86,691**	133,641	**4,476**	12,087

* Represents irredeemable convertible unsecured loan stocks issued by Lion Diversified Holdings Berhad.
** Represents redeemable convertible secured loan stocks issued by Lion Corporation Berhad ("LCB").

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 RM25,299,000 (2012: RM122,042,000) and RM132,000 (2012: RM1,848,000) in profit or loss of the Group and of the Company respectively.

Certain of the Group's investments with carrying values totalling RM45.97 million (2012: RM67.12 million) have been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 32 and 37).

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% (2012: 4.00% to 7.00%) per annum respectively.

During the current financial year, LCB, the issuer of the RCSLS, redeemed the RCSLS on a pro-rata basis at approximately RM0.231 for every RM1.00 RCSLS held. As a result, the Group and the Company recorded a loss on redemption amounting to RM8.8 million and RM3.3 million respectively.

20. LONG-TERM INVESTMENTS (continued)

The LFIB Group had on 12 April 2011 entered into a Put and Call Option Agreement with Toyo Tire & Rubber Co Ltd ("Toyo Tire"), pursuant to which:

(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 LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) ("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 LFIB Group of 75% equity interest in Shandong Silverstone; and

(b) the LFIB Group had granted Toyo Tire a call option to require the LFIB Group to dispose of the remaining 25% stake in Shandong Silverstone at any time after the completion of the SRTA.

On 30 May 2012, Toyo Tire exercised its call option to require the LFIB Group to dispose of the remaining 25% stake in Shandong Silverstone for a cash consideration of USD6,884,610 (equivalent to RM21,989,000). The said disposal was expected to be completed within 12 months from 30 May 2012. Accordingly, the abovementioned investment has been classified as assets held for sale as disclosed in Note 28. The said disposal was completed on 20 December 2012.

21. DEFERRED TAX ASSETS/(LIABILITIES)

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

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At beginning of year	**40,099**	26,136	**–**	–
Transfer to/(from) profit or loss (Note 11):				
Property, plant and equipment	**9,507**	15,731	**(39)**	1,381
Investment properties	**–**	2,075	**–**	2,075
Property development activities	**4**	9,010	**–**	8,297
Others	**2,504**	(2,917)	**385**	(397)
Provision	**(106)**	106	**(106)**	106
Unused tax losses and unabsorbed capital allowances	**(3,720)**	(10,042)	**(240)**	(11,462)
	8,189	13,963	**–**	–
At end of year	**48,288**	40,099	**–**	–

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 the statements of financial position purposes:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets	**70,520**	56,367	**–**	–
Deferred tax liabilities	**(22,232)**	(16,268)	**–**	–
	48,288	40,099	**–**	–

21. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets				
Temporary differences arising from:				
Others	**(18,299)**	(19,516)	**–**	–
Provision	**–**	106	**–**	106
Unused tax losses and unabsorbed capital allowances	**187,623**	191,343	**373**	613
	169,324	171,933	**373**	719
Offsetting	**(98,804)**	(115,566)	**(373)**	(719)
Deferred tax assets (after offsetting)	**70,520**	56,367	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**119,352**	128,859	**361**	322
Property development activities	**–**	4	**–**	–
Others	**1,684**	2,971	**12**	397
	121,036	131,834	**373**	719
Offsetting	**(98,804)**	(115,566)	**(373)**	(719)
Deferred tax liabilities (after offsetting)	**22,232**	16,268	**–**	–

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 2013, 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Temporary differences arising from:				
Property, plant and equipment	**(17)**	43	**–**	–
Property development activities	**6,683**	3,609	**–**	–
Others	**6,967**	1,855	**–**	–
Unused tax losses and unabsorbed capital allowances	**156,071**	85,820	**45,202**	6,813
	169,704	91,327	**45,202**	6,813

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

22. GOODWILL

	The Group	
	2013	**2012**
	RM'000	**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	**130,443**	130,443

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% (2012: 5%) per annum. The discount rate used is 8% (2012: 8%) per annum.

23. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property:				
Completed units for sale (net of provision for write down of RM Nil) (2012: RM3,072,000) for the Group)	**10,090**	8,727	**43**	43
Products at cost:				
Raw materials	**204,046**	206,456	**–**	–
Finished goods	**471,521**	403,125	**–**	–
General and consumable stores	**168,375**	165,971	**–**	–
Trading merchandise	**23,964**	34,548	**–**	–
Goods-in-transit	**181,095**	226,515	**–**	–
	1,049,001	1,036,615	**–**	–
Less: Allowance for inventory obsolescence	**(15,516)**	(14,738)	**–**	–
	1,033,485	1,021,877	**–**	–
Net	**1,043,575**	1,030,604	**43**	43

Certain of the Group's inventories with carrying values totalling RM1,003.9 million (2012: RM982.4 million) have been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 32 and 37) and for trade financing arrangement with a third party as disclosed in Note 35(a).

24. SHORT-TERM INVESTMENTS

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, redeemable within one year (Note 20)	**8,833**	10,888	**–**	–
Loans and receivables				
At amortised cost				
RCSLS, redeemable within one year (Note 20)	**12,054**	9,175	**3,460**	4,414
	20,887	20,063	**3,460**	4,414

25. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Trade receivables	**966,862**	867,479
Less: Accumulated impairment losses	**(61,632)**	(18,794)
	905,230	848,685
Retention monies	**–**	924
	905,230	849,609

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 (2012: 30 to 90 days). Impairment losses 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 RM495,788,000 (2012: RM449,688,000) that are past due at the end of the reporting period but against which the Group has not recognised impairment losses as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As of 30 June 2013, the Group has trade receivables due from two related parties, Megasteel Sdn Bhd ("Megasteel") and Lion DRI Sdn Bhd ("Lion DRI") as follows:

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Megasteel	**433,817**	477,160
Lion DRI	**192,402**	105,583
	626,219	582,743
Concentration risk	**65%**	67%
<u>Past due but not impaired:</u>		
Megasteel	**370,826**	346,773
Lion DRI	**105,583**	2,444
	476,409	349,217

During the previous financial year, Megasteel implemented a settlement scheme to settle its outstanding trade amounts. Currently, Megasteel is working with an independent consultant and authorities to conduct a study on turnaround action plans. Megasteel has also entered into discussions with various interested third party investors to inject new working capital into Megasteel via additional issuance of share capital. Management believes that Megasteel is making its best efforts to realise the action plans and will be able to continue in operational existence for the foreseeable future.

On 26 August 2013, the outstanding balance of RM160,000,000 due from Lion DRI as at 30 June 2013 has been novated to a related party, Graimpi Sdn Bhd ("Graimpi") via a settlement arrangement. The said amount bears interest at 8.85% per annum and repayable by 12 monthly instalments commencing from 30 September 2013.

25. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) Trade receivables (continued)

The table below is an analysis of trade receivables at the end of the reporting period:

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Neither past due nor impaired	**409,442**	398,997
31 - 60 days past due but not impaired	**111,712**	64,408
61 - 90 days past due but not impaired	**77,605**	19,271
91 - 120 days past due but not impaired	**4,125**	24,619
More than 120 days past due but not impaired	**302,346**	341,390
	905,230	848,685
Past due and impaired	**61,632**	18,794
Total trade receivables	**966,862**	867,479

Movements in the accumulated impairment losses are as follows:

	The Group	
	2013	**2012**
	RM'000	**RM'000**
At beginning of the year	**18,794**	16,329
Impairment losses recognised on receivables	**45,539**	5,083
Amount recovered during the year	**(1,567)**	(578)
Amount written off during the year as uncollectible	**(1,134)**	(2,040)
At end of year	**61,632**	18,794

In determining the recoverability of trade receivables, 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.

During the current financial year, the Group recognised an impairment loss amounting to RM42,977,000 on the trade receivables due from Megasteel. Based on the management's assessment, Megasteel may require a longer period to fully settle its outstanding trade amounts due to the weak international market sentiments and the local market condition for the steel industry. The impairment loss represents the time value of money, calculated based on discounted future cash flow, on the collection of the said trade receivables.

The currency profile of trade receivables is as follows:

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Ringgit Malaysia	**855,431**	826,644
United States Dollar	**46,137**	14,923
Singapore Dollar	**3,662**	8,042
	905,230	849,609

As of 30 June 2013, the trade receivables of the Group amounting to RM245.0 million (2012: RM299.1 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Notes 32 and 37).

25. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(b) Other receivables, deposits and prepayments

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Other receivables	**322,686**	351,809	**17,497**	24,871
Less: Accumulated impairment losses	**(24,564)**	(19,957)	**(940)**	(940)
	298,122	331,852	**16,557**	23,931
Tax recoverable	**6,611**	18,312	**3,626**	2,679
Refundable deposits	**95,293**	50,197	**679**	689
Prepayments	**93,659**	79,184	**5,188**	5,743
	493,685	479,545	**26,050**	33,042

Movements in the accumulated impairment losses are as follows:

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
At beginning of the year	**19,957**	31,105	**940**	11,996
Impairment losses recognised on receivables	**4,607**	–	**–**	–
Amount recovered during the year	**–**	(92)	**–**	–
Amount written off during the year	**–**	(11,056)	**–**	(11,056)
At end of year	**24,564**	19,957	**940**	940

(i) As of 30 June 2013, other receivables, deposits and prepayments of the Group with carrying values of RM197.9 million (2012: RM209.6 million) have been pledged as collaterals for the borrowings obtained by the Group (Notes 32 and 37).

(ii) Included in other receivables of the Group is an amount of:

(a) RM109,545,000 (2012: RM130,133,000) due from a related party, Graimpi, representing debts novated from Lion DRI which bear interest at 8.85% per annum. These amounts which comprised RM11,729,000 and RM97,816,000 were scheduled to be fully settled on 28 February 2013 and 30 September 2013 respectively.

On 26 August 2013, these amounts have been rescheduled to a new repayment scheme which bears interest at a rate of 8.85% per annum and receivable in 12 monthly instalments commencing from 30 September 2013.

Graimpi undertakes to dispose of a sufficient number of its quoted investments and utilise the sales proceeds to meet the outstanding monthly instalments, in the event Graimpi fails to meet its obligation to the LFIB Group.

25. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

(ii) Included in other receivables of the Group is an amount of: (continued)

(b) RM8,063,000 due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, represents a reimbursement for amounts incurred by the Group in the proposed acquisition of PT Varita Majutama as of 30 June 2013. The amount is receivable within 3 months from 26 February 2013 pursuant to the share sale agreement entered into between Akurjaya and LFIB for the disposal of the entire equity interest in LFIB Plantations Sdn Bhd together with the proposed investment in PT Varita Majutama to Akurjaya.

On 28 May 2013, the amount was rescheduled to be receivable by 27 December 2013.

The said amount is also included in other receivables of the Group as of 30 June 2013.

(c) As of 30 June 2012, RM11,100,000 receivable from Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) was in respect of an intercompany debt. This debt has been fully settled during the financial year.

(d) Included in other receivables of the Group is an amount of RM48,588,000 (2012: RM53,099,000) receivable from Megasteel by 30 June 2014 (2012: 31 December 2012), representing deferred cash payment from a settlement scheme implemented to settle its outstanding trade amount in the previous financial year. Repayment of the said amount was rescheduled from 31 December 2012 to 30 June 2014 during the current financial year.

During the current financial year, the Group recognised an impairment loss amounting to RM4,527,000 on the other receivables due from Megasteel.

(iii) Included in deposits of the Group are deposits totalling RM89,283,000 (2012: RM44,838,000) for purchase of lands in Cambodia as disclosed in Note 2(b).

(iv) The currency profile of other receivables, deposits and prepayments is as follows:

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Ringgit Malaysia	**319,577**	336,938	**26,050**	33,042
Chinese Renminbi	**4,354**	11,203	**–**	–
United States Dollar	**166,456**	130,250	**–**	–
Others	**3,298**	1,154	**–**	–
	493,685	479,545	**26,050**	33,042

26. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company 2013 RM'000	The Company 2012 RM'000
Amount owing by subsidiary companies	**1,175,542**	1,199,594
Less: Allowance for doubtful debts	**(141,781)**	(141,189)
Net	**1,033,761**	1,058,405
Amount owing to subsidiary companies	**117,823**	120,240

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

	The Company 2013 RM'000	The Company 2012 RM'000
At beginning of the year	**141,189**	143,289
Impairment losses recognised on receivables	**592**	–
Amounts recovered during the year	**–**	(2,100)
At end of year	**141,781**	141,189

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

The amount owing by/to subsidiary companies is either interest-free or bears interest at 8% (2012: either interest-free or bore interest at 8%) per annum and repayable on demand.

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

	The Company 2013 RM'000	The Company 2012 RM'000
Ringgit Malaysia	**1,033,717**	1,058,367
Singapore Dollar	**44**	38
	1,033,761	1,058,405

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

	The Company 2013 RM'000	The Company 2012 RM'000
Ringgit Malaysia	**99,078**	101,206
United States Dollar	**10**	339
Singapore Dollar	**9,899**	9,859
Chinese Renminbi	**8,836**	8,836
	117,823	120,240

26. RELATED COMPANY TRANSACTIONS (continued)

(b) Amount owing by associated companies

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Amount owing by associated companies	**29,863**	24,465
Less: Allowance for doubtful debts	**(24,465)**	(24,465)
Net	**5,398**	–

The amount owing by associated companies, which arose from trade and advances, is denominated in Singapore Dollar, interest-free and repayable on demand.

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

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Singapore Dollar	**5,398**	–

27. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks and financial institutions:				
Restricted	**168,807**	214,302	**2,551**	4,456
Unrestricted (Note 39)	**247,892**	184,493	**4,031**	2,350
	416,699	398,795	**6,582**	6,806
Housing Development Accounts (Note 39)	**25,800**	25,747	**3,720**	7,079
Cash and bank balances:				
Restricted	**5,614**	39,974	**223**	199
Unrestricted (Note 39)	**124,898**	120,322	**2,719**	385
	573,011	584,838	**13,244**	14,469

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.

27. DEPOSITS, CASH AND BANK BALANCES (continued)

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

(a) amount totalling RM47.5 million (2012: RM131.2 million) and RM2.8 million (2012: RM4.7 million) of the Group and the Company, respectively, which have been earmarked for the purposes of repayment of the borrowings (Notes 32 and 37) and pledged as collaterals for bank guarantees granted.

(b) an amount of RM126.9 million (2012: RM123.1 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 42(b).

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

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
Deposits with licensed banks and financial institutions	**1.03% to 3.15%**	1.35% to 3.15%	**2.00% to 2.60%**	2.00% to 2.60%

Deposits of the Group and of the Company have an average maturity of 193 days (2012: 96 days).

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

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Ringgit Malaysia	**535,594**	538,563	**13,244**	14,469
Chinese Renminbi	**26,514**	5,172	**–**	–
United States Dollar	**10,536**	40,814	**–**	–
Singapore Dollar	**99**	20	**–**	–
Others	**268**	269	**–**	–
	573,011	584,838	**13,244**	14,469

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.

28. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**22,393**	14,264	**–**	9,500
Transfer from long-term investment (Note 20)	**–**	21,989	**–**	–
Transfer from investment properties (Note 14)	**470**	–	**–**	–
Disposals	**(22,393)**	(13,860)	**–**	(9,500)
	470	22,393	**–**	–

On 30 May 2012, Toyo Tire & Rubber Co Ltd ("Toyo Tire") exercised its call option to require the LFIB Group to dispose of the remaining 25% stake in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) ("Shandong Silverstone") for a cash consideration of USD6,884,610 (equivalent to RM21,989,000). The said disposal was completed on 20 December 2012.

In the previous financial year, the Company and Antara Steel Mills Sdn Bhd entered into conditional Sale and Purchase Agreements to dispose of a parcel of land and building for a cash consideration of RM9,500,000 and RM5,560,000 respectively. The said disposals have been completed as of 30 June 2012.

On 21 March 2013, LFIB entered into a Sale and Purchase Agreement with a third party for the disposal of a leasehold land and building for a cash consideration of RM470,000. The said disposal is expected to be completed within one year from the date of the Sale and Purchase Agreement. Accordingly, the said properties have been classified as non-current assets held for sale as of 30 June 2013. The said disposal was completed on 27 August 2013.

29. SHARE CAPITAL

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

	The Group and The Company	
	2013	**2012**
	RM'000	**RM'000**
Ordinary shares of RM1.00 each		
Authorised:		
1,000,000,000 at beginning and end of year	**1,000,000**	1,000,000
Issued and fully paid:		
717,909,365 at beginning and end of year	**717,909**	717,909

The Company had on 2 February 2011 implemented an Executive Share Option Scheme for the benefit of the executive and non-executive Directors of the Company and executive employees of the Group for a period of five years ("ESOS").

29. SHARE CAPITAL (continued)

The main features of the 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 ESOS.

(b) The aggregate number of options exercised and options offered and to be offered under the 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 ESOS subject to the following being complied with:

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

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

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment.

(d) The subscription price of each ordinary share under the 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 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 ESOS for a further five years, without further approval of the relevant authorities.

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

30. RESERVES

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-distributable reserves:				
Share premium	**532,627**	532,627	**532,627**	532,627
Treasury shares	**(494)**	(342)	**(494)**	(342)
Capital reserve	**13,357**	13,086	**5,145**	5,145
Fair value reserve	**(4,357)**	(987)	**18**	(1)
Translation adjustment account	**5,188**	5,224	**–**	–
	546,321	549,608	**537,296**	537,429
Retained earnings/(Accumulated losses)	**1,888,978**	1,930,903	**(114,257)**	(115,047)
	2,435,299	2,480,511	**423,039**	422,382

Share premium

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

30. RESERVES (continued)

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 a total of 150,000 (2012: 69,900) of its ordinary shares from the open market at an average price of RM1.02 (2012: RM1.48) per share. The total consideration paid for the repurchase including transaction costs was RM152,506 (2012: RM103,799). 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.

31. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES ("RCCPS")

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Issued and fully paid:		
At beginning of year	**124**	129
Acquired by the LFIB Group from third parties	**–**	(5)
Redeemed during the year	**(124)**	–
At end of year	**–**	124
Share premium:		
At beginning of year	**12,264**	12,704
Acquired by the LFIB Group from third parties	**–**	(440)
Redeemed during the year	**(12,264)**	–
At end of year	**–**	12,264
	–	12,388

A subsidiary company of the LFIB Group, Lion AMB Resources Berhad ("Lion AMB") had in issue 30,575,044 RCCPS of RM0.01 each issued at a premium of RM0.99 each. During the financial year, Lion AMB redeemed the entire outstanding RCCPS at a premium of RM0.99 per RCCPS. As of 30 June 2012, approximately 59.48% of the RCCPS were acquired by the LFIB Group and the amount outstanding as of 30 June 2012 represented RCCPS held by third parties.

31. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES ("RCCPS") (continued)

The main features of the RCCPS were 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 date 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) any of the RCCPS holders of Lion AMB.

32. LONG-TERM BORROWINGS

	The Group 2013 RM'000	The Group 2012 RM'000
Long-term borrowings		
Outstanding loans (secured)	**167,442**	240,590
Less : Portion due within one year (Note 37)	**(157,712)**	(240,590)
Non-current portion	**9,730**	–
Islamic Securities ("Sukuk")		
Outstanding principal	**300,000**	300,000
Debts issuance cost	**(1,877)**	(2,238)
	298,123	297,762
Less : Portion due within one year (Note 37)	**(59,625)**	–
Non-current portion	**238,498**	297,762
Total non-current portion	**248,228**	297,762

The non-current portion is repayable as follows:

	The Group 2013 RM'000	The Group 2012 RM'000
Financial years ending 30 June:		
2014	**–**	59,225
2015	**69,730**	57,498
2016 and thereafter	**178,498**	181,039
	248,228	297,762

(a) Long-term borrowings

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 13), investment properties (Note 14), leasehold land (Note 15), investment in quoted associated companies (Note 18), fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bear interest at rates ranging from 5.35% to 6.60% (2012: 5.85% to 6.60%) per annum.

Long-term borrowings are denominated in Ringgit Malaysia.

32. 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% (2012: 4.02% to 4.62%) 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 Bai' Bithaman Ajil Islamic Debt Securities;
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 materials.

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 follows:

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%
	300,000,000		

The Sukuk is secured by the following:

(i) 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 ("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 hot briquetted iron operations.

(v) Corporate guarantee from the Company.

33. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of minimum lease payment	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amounts payable under finance lease:				
Within one year	**25,949**	25,949	**15,070**	13,717
In the second to third year inclusive	**123,286**	149,234	**106,338**	121,408
	149,235	175,183	**121,408**	135,125
Less: Future finance charges	**(27,827)**	(40,058)	**NA**	NA
Present value of lease payables	**121,408**	135,125	**121,408**	135,125
Less: Amount due within the next 12 months (shown under current liabilities)			**(15,070)**	(13,717)
Non-current portion			**106,338**	121,408

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

	The Group	
	Minimum lease payment	
	2013 RM'000	2012 RM'000
Financial years ending 30 June:		
2014	**–**	15,070
2015	**16,556**	16,556
2016 and thereafter	**89,782**	89,782
	106,338	121,408

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 9.75% (2012: 9.25% to 9.75%) per annum.

The finance lease obligations above are secured by charges on certain of the property, plant and equipment (Note 13).

34. HIRE-PURCHASE OBLIGATIONS

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Total outstanding	**4,853**	7,017	**495**	666
Less: Interest-in-suspense	**(611)**	(648)	**(47)**	(76)
Principal outstanding	**4,242**	6,369	**448**	590
Less: Portion payable within one year (shown under current liabilities)	**(1,413)**	(2,883)	**(95)**	(147)
Non-current portion	**2,829**	3,486	**353**	443

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

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Financial years ending 30 June:				
2014	**–**	2,974	**–**	95
2015	**1,501**	512	**99**	348
2016 and thereafter	**1,328**	–	**254**	–
	2,829	3,486	**353**	443

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.20% to 5.55% (2012: 2.20% to 5.55%) and 2.47% to 2.50% (2012: 2.20% to 2.70%) per annum, respectively.

35. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

(a) Trade payables

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Trade payables	**573,301**	545,417	**139**	139
Retention monies	**3,465**	3,246	**27**	30
	576,766	548,663	**166**	169

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2012: 30 to 60 days).

35. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES (continued)

(a) Trade payables (continued)

The currency profile of trade payables is as follows:

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Ringgit Malaysia	**458,396**	513,670	**166**	169
United States Dollar	**106,752**	30,212	**–**	–
Singapore Dollar	**–**	929	**–**	–
Chinese Renminbi	**1,073**	165	**–**	–
Others	**10,545**	3,687	**–**	–
	576,766	548,663	**166**	169

Included in trade payables is an amount of RM139,015,791 (2012: RM129,167,735) 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 (2012: 30 to 90 days), with an average interest rate of 4% (2012: 4%) per annum.

(b) Other payables, deposits and accrued expenses

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Other payables and deposits	**251,499**	245,140	**1,791**	1,223
Accrued expenses	**384,307**	296,876	**264**	424
	635,806	542,016	**2,055**	1,647

Included in other payables of the Group, is an amount of RM36,540,000 (2012: RM59,663,000) representing security deposits received from customers, which bear interest at rates ranging from 9.50% to 9.75% (2012: 9.50% to 9.75%) per annum and have an average repayment period of 90 days (2012: 90 days).

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

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Ringgit Malaysia	**566,509**	499,421	**2,055**	1,647
United States Dollar	**61,258**	36,066	**–**	–
Chinese Renminbi	**5,719**	4,798	**–**	–
Others	**2,320**	1,731	**–**	–
	635,806	542,016	**2,055**	1,647

36. PROVISIONS

	The Group	
	2013 RM'000	2012 RM'000
Provision for damages arising from litigation claim	**15,000**	15,000

As part of the terms for the disposal of Sabah Forest Industries Sdn. Bhd. ("SFI") in 2007, Lion Forest Industries Berhad ("LFIB"), a subsidiary company of the Group, 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. In its statement of claim, UNP has claimed for an amount of RM128,874,435 or damages to be assessed 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 amount claimed in the statement of claim by UNP is disclosed as contingent liabilities in Note 42(b).

37. SHORT-TERM BORROWINGS

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term loans from financial institutions – Secured	**117,923**	85,000	**117,923**	85,000
Bank overdrafts – Secured (Note 39)	**12,970**	12,821	**–**	–
Bills payable	**120,887**	130,343	**–**	–
Portion of long-term loans due within one year – Secured (Note 32)	**157,712**	240,590	**–**	–
Portion of Sukuk due within one year – Secured (Note 32)	**59,625**	–	**–**	–
	469,117	468,754	**117,923**	85,000

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 13), investment properties (Note 14), prepaid land lease payments (Note 15) 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% (2.83% to 10.00%) per annum.

The short-term borrowings of the Company are secured by charges on the investment in associated companies (Note 18).

37. SHORT-TERM BORROWINGS (continued)

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

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Ringgit Malaysia	**396,861**	356,051	**117,923**	85,000
United States Dollar	**72,256**	112,703	**–**	–
	469,117	468,754	**117,923**	85,000

38. DIVIDENDS

	The Group and The Company	
	2013 RM'000	2012 RM'000
In respect of financial year ended 30 June 2011:		
A first and final dividend of 3%, less 25% tax and a single-tier dividend of 1%	**–**	23,326
In respect of financial year ended 30 June 2012:		
A first and final single-tier dividend of 1%	**7,177**	–

The Directors propose a first and final single-tier dividend of 1%, amounting to RM7.2 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.

39. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and bank balances (unrestricted) (Note 27)	**124,898**	120,322	**2,719**	385
Deposits with licensed banks and financial institutions (unrestricted) (Note 27)	**247,892**	184,493	**4,031**	2,350
Housing Development Accounts (Note 27)	**25,800**	25,747	**3,720**	7,079
Bank overdrafts (Note 37)	**(12,970)**	(12,821)	**–**	–
Total	**385,620**	317,741	**10,470**	9,814

40. 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 17, 18, 19 and 26.

The Group and the Company have the following transactions with related parties during the financial year, which were determined on terms not more favourable to the related parties than to third parties:

Sales and purchase of goods and services and interest

		The Group		The Company	
Name of Company	**Nature**	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Megasteel Sdn Bhd	Sales of goods	**561,313**	1,261,063	**–**	–
	Purchase of goods, raw materials and consumables	**550,797**	816,804	**–**	–
	Provision of transportation services	**24,711**	20,456	**–**	–
	Rental income	**928**	928	**–**	–
Angkasa Amsteel Pte Ltd	Sales of goods	**36,119**	59,397	**–**	–
Lion DRI Sdn Bhd	Sales of goods	**190,902**	248,373	**–**	–
	Purchase of raw materials	**14**	114,818	**–**	–
	Rental income	**253**	253	**–**	–
Secomex Manufacturing (M) Sdn Bhd	Purchase of gas	**6,903**	11,233	**–**	–
Lion Blast Furnace Sdn Bhd	Rental income	**146**	146	**–**	–
Bright Steel Sdn Bhd	Sales of goods	**10,115**	13,623	**–**	–
Lion Tooling Sdn Bhd	Purchase of toolings	**4,066**	1,664	**–**	–
Likom Plastic Industries Sdn Bhd	Interest income	**20**	121	**20**	121
Likom CMS Sdn Bhd	Interest income	**–**	544	**–**	544
Parkson Corporation Sdn Bhd	Sales of goods	**2,028**	1,353	**–**	–
Compact Energy Sdn Bhd	Purchase of consumables	**22,205**	25,148	**–**	–
	Rental income	**366**	320	**–**	–
Panareno Sdn Bhd	Sales of goods	**70**	167	**–**	–
Lion Holdings Pte Ltd	Purchase of goods	**–**	19,002	**–**	–

40. RELATED PARTY TRANSACTIONS (continued)

Sales and purchase of goods and services and interest (continued)

		The Group		The Company	
		2013	2012	2013	2012
Name of Company	**Nature**	RM'000	RM'000	RM'000	RM'000
Bright Steel Service Centre Sdn Bhd	Sales of goods	**10**	9	**–**	–
Lion Metal Industries Sdn Bhd (became a subsidiary company in 2013)	Rental expenses	**–**	1,114	**–**	–
Lion Plate Mills Sdn Bhd	Sales of goods	**34**	6,547	**–**	–
	Provision of transportation services	**338**	361	**–**	–

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

	The Group		The Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Receivables:				
Included in trade receivables	**654,209**	597,531	**–**	–
Included in other receivables	**234,265**	214,463	**–**	6,326
Payables:				
Included in trade payables	**10,531**	6,882	**–**	–
Included in other payables	**35,951**	51,236	**–**	–

The outstanding balances with related parties are either interest-free or bear interest at 8% (2012: either interest-free or bore interest at 8%) per annum and repayable on demand.

41. SEGMENTAL INFORMATION

Segment reporting is presented in respect of the Group's business segments in a manner consistent with the internal reporting provided to and regularly reviewed by the chief operating decision maker in order to allocate resources to a segment and to assess its performance.

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transaction are within the Group.

(a) Business Segments:

The Group's activities are classified into four major business segments:

- Steel - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, and provision of chartering services;

- Property development - property development and management;

- 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 and provision of transportation services, distributing and retailing of customer products, 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.

41. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2013

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	4,042,896	24,496	580,650	100,428	–	4,748,470
Inter-segment revenue	109,501	–	330,227	–	(439,728)	–
Total revenue	4,152,397	24,496	910,877	100,428	(439,728)	4,748,470
Results						
Segment results	(30,253)	(3,781)	32,100	(5,469)	–	(7,403)
Unallocated costs						(4,357)
Finance costs						(63,917)
Share in results of:						
Associated companies	16,072	–	–	46,092	–	62,164
Jointly controlled entity	–	31,497	–	–	–	31,497
Investment income						35,843
Impairment losses on:						
Quoted investments	(21,555)	(132)	(740)	(2,872)	–	(25,299)
Trade and other receivables	(23,509)	(80)	(23,530)	(3,027)	–	(50,146)
Loss on redemption of unquoted investments	(3,357)	–	(5,402)	–	–	(8,759)
Loss before tax						(30,377)
Tax expense						(1,227)
Loss for the year						(31,604)

41. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2013

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	3,382,045	239,337	615,140	282,837	–	4,519,359
Investment in associated companies and jointly controlled entity	66,291	88,238	–	774,628	–	929,157
Unallocated corporate assets						213,562
Consolidated Total Assets						5,662,078
Liabilities						
Segment liabilities	1,745,920	171,221	74,368	86,571	–	2,078,080
Unallocated liabilities						42,481
Consolidated Total Liabilities						2,120,561
Other Information						
Capital expenditure	52,069	245	348	5,318	–	57,980
Depreciation and amortisation	111,648	875	136	3,756	–	116,415
Other non-cash expenses	53,077	3,161	22,937	10,750	–	89,925

(Forward)

41. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2012

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	4,645,908	14,636	792,498	91,038	–	5,544,080
Inter-segment revenue	97,570	–	162,554	–	(260,124)	–
Total revenue	4,743,478	14,636	955,052	91,038	(260,124)	5,544,080
Results						
Segment results	15,081	(2,645)	28,508	(1,283)	–	39,661
Unallocated costs						(7,651)
Finance costs						(71,891)
Share in results of:						
Associated companies	8,903	–	–	73,788	–	82,691
Jointly controlled entity	–	36,420	–	–	–	36,420
Investment income						38,648
Gain on disposal of associated companies	–	–	–	39,800	–	39,800
Settlement arising from litigation claim against a former subsidiary company	–	–	–	(40,000)	–	(40,000)
Impairment losses on :						
Quoted investments	(103,101)	(1,848)	(3,516)	(13,577)	–	(122,042)
Trade and other receivables	(724)	–	(4,093)	(266)	–	(5,083)
Log extraction premium paid to the State Government of Sabah	–	–	–	(3,385)	–	(3,385)
Loss before tax						(12,832)
Tax expense						(17,281)
Loss for the year						(30,113)

41. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2012

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	3,411,502	241,968	631,326	289,266	–	4,574,062
Investment in associated companies and jointly controlled entity	46,957	56,741	–	775,888	–	879,586
Unallocated corporate assets						200,562
Consolidated Total Assets						5,654,210
Liabilities						
Segment liabilities	1,717,805	126,107	60,533	110,444	–	2,014,889
Unallocated liabilities						54,073
Consolidated Total Liabilities						2,068,962
Other Information						
Capital expenditure	88,681	424	33	2,147	–	91,285
Depreciation and amortisation	110,326	830	142	3,539	–	114,837
Other non-cash expenses/(income)	101,393	(10,400)	3,737	(14,134)	–	80,596

41. SEGMENTAL INFORMATION (continued)

(a) Geographical Segments:

The Group operates in two main geographical areas:

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, provision of chartering services, property development and management, trading and distribution of building materials and consumables, manufacture and trading of lubricants, spark plugs and provision of transportation services, distributing and retailing of customer products; and

- Others countries which are not sizable to be reported separately.

	Revenue	
	2013	**2012**
	RM'000	**RM'000**
Malaysia	**3,944,050**	4,528,940
Other countries	**804,420**	1,015,140
	4,748,470	5,544,080

	Total assets		Capital expenditure	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**5,473,926**	5,466,339	**57,980**	91,285
Other countries	**188,152**	187,871	**–**	–
	5,662,078	5,654,210	**57,980**	91,285

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 RM752 million (2012:RM1,509 million) from the steel divisions and building materials are derived from two related parties.

42. 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:

	The Company	
	2013	**2012**
	RM'000	**RM'000**
Unsecured:		
Subsidiary company	**300,000**	300,000

42. CONTINGENT LIABILITIES (continued)

(b) As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, 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:

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**128,874**	128,874
Less: Provision (Note 36)	**(15,000)**	(15,000)
	113,874	113,874
Back pay labour claims from SFI's employees	**23,427**	23,427
	137,301	137,301

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

Included in the litigation claims are as follows:

Litigation claim in 2013 and 2012 represents a claim by UNP Plywood Sdn Bhd for an amount of RM128,874,435 (as per statement of claim dated 6 May 1997) or damages to be assessed against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 36, 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, LFIB had made a provision of RM15,000,000 for damages that may arise from the said litigation claim. The balance of the amount claimed in the statement of claim is disclosed as a contingent liability. The High Court of Kota Kinabalu is currently in the process of hearing for assessment of damages.

Though indemnity contracts have 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, which LFIB may incur arising from the litigation brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise. However, Avenel was unable to discharge its obligation under the said indemnity and had on 11 June 2013 commenced winding-up process.

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.

42. CONTINGENT LIABILITIES (continued)

Back pay labour claims from SFI's employees (continued)

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. On 15 May 2012, the Court of Appeal dismiss SFI's appeal with costs. Thereafter, SFI had filed an application to the Federal Court on 13 June 2012 for leave to appeal against the decision of the Court of Appeal. On 27 March 2013, the application for leave to appeal was withdrawn in view of certain recent legal authorities which ruled that the Federal Court does not have jurisdiction to hear cases which originated from the Labour Court.

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.

43. CAPITAL COMMITMENTS

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

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Approved and contracted for:				
Acquisition of plant and machinery	**75,680**	61,573	**–**	–
Purchase of prepaid land lease payments	**–**	84,656	**–**	–
	75,680	146,229	**–**	–
Approved but not contracted for:				
Additional investments	**–**	475,000	**–**	281,000
Acquisition of plant and machinery	**60,935**	27,842	**–**	–
	60,935	502,842	**–**	281,000
Total	**136,615**	649,071	**–**	281,000

44. LEASE COMMITMENTS

As of 30 June 2013, lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

	The Group	
	2013 RM'000	**2012 RM'000**
Within one year	**10,162**	11,130
Within two to five years	**32,332**	32,097
After five years	**26,935**	35,132
	69,429	78,359

45. 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 2012.

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		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Debt (i)	**842,995**	920,398	**118,371**	85,590
Cash and cash equivalents (excluding bank overdrafts)	**(398,590)**	(330,562)	**(10,470)**	(9,814)
Net debt	**444,405**	589,836	**107,901**	75,776
Equity (ii)	**3,541,517**	3,585,248	**1,140,948**	1,140,291
Debt to equity ratio	**12.55%**	16.45%	**9.46%**	6.65%

(i) Debt is defined as RCCPS, finance lease, hire purchase obligations, long-term and short-term borrowings as disclosed in Notes 31, 32, 33, 34, and 37.

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

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.

45. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Available-for-sale investments	**83,830**	110,243	**766**	879
Held-to-maturity investments	**8,833**	10,888	**–**	–
Loans and receivables:				
Investments	**14,915**	32,573	**7,170**	15,622
Trade receivables	**905,230**	849,609	**–**	–
Other receivables and refundable deposits	**393,415**	382,049	**17,236**	24,620
Amount owing by subsidiary companies	**–**	–	**1,033,761**	1,058,405
Amount owing by associated companies/jointly controlled entity	**6,949**	27,247	**–**	–
Deposits, cash and bank balances	**573,011**	584,838	**13,244**	14,469
Total	**1,986,183**	1,997,447	**1,072,177**	1,113,995
Financial liabilities				
At amortised cost:				
RCCPS	**–**	12,388	**–**	–
Finance lease payables	**121,408**	135,125	**–**	–
Hire-purchase obligations	**4,242**	6,369	**448**	590
Trade payables	**576,766**	548,663	**166**	169
Other payables, deposits and accrued expenses	**635,806**	542,016	**2,055**	1,647
Amount owing to subsidiary companies	**–**	–	**117,823**	120,240
Borrowings	**717,345**	766,516	**117,923**	85,000
Total	**2,055,567**	2,011,077	**238,415**	207,646

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.

45. 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	
	Asset 2013 RM'000	Liabilities 2013 RM'000	Asset 2013 RM'000	Liabilities 2013 RM'000
United States Dollar	**223,129**	**240,266**	**–**	**–**
Chinese Renminbi	**30,868**	**6,792**	**–**	**8,836**
Singapore Dollar	**9,159**	**–**	**44**	**9,899**
	263,156	**247,058**	**44**	**18,735**

	The Group		The Company	
	Asset 2012 RM'000	Liabilities 2012 RM'000	Asset 2012 RM'000	Liabilities 2012 RM'000
United States Dollar	185,987	178,981	–	13,115
Chinese Renminbi	16,375	4,963	–	8,836
Singapore Dollar	8,062	929	38	9,859
	210,424	184,873	38	31,810

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		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
United States Dollar	**1,714**	(701)	**–**	1,312
Chinese Renminbi	**(2,408)**	(1,141)	**884**	884
Singapore Dollar	**(916)**	(713)	**986**	982
	(1,610)	(2,555)	**1,870**	3,178

45. FINANCIAL INSTRUMENTS (continued)

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 32 and 37 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 32, 33 and 34 respectively.

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 loss for the year ended 30 June 2013 would increase or decrease by as follows:

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Floating rate liabilities		
Bank overdrafts	**65**	64
Bills payable	**604**	652
Borrowings	**1,087**	1,203
	1,756	1,919

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 subsidiaries 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 2013, is the carrying amount of these receivables as disclosed in the statements of financial position.

45. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Credit risk concentration profile

As of 30 June 2013, the Group has trade receivables of RM626,219,000 (2012: RM582,473,000) due by two related parties, Megasteel and Lion DRI, which constitutes approximately 65% (2012: 67%) of the Group's trade receivables, of which RM476,409,000 (2012: RM349,217,000) is past due but not impaired.

As of 30 June 2013, the Group has other receivables of RM97,588,000 (2012: RM53,099,000) due by two related parties, Megasteel and Lion DRI, which constitutes approximately 30% (2012: 15%) of the Group's other receivables.

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 25. Deposits and short-term placements with licensed banks and financial insitutions 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 25.

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.

45. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The tables below summarise 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.

The Group 2013	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	**437,750**	**–**	**–**	**–**	**437,750**	**–**
Other payables, deposits and accrued expenses	**599,266**	**–**	**–**	**–**	**599,266**	**–**
Interest bearing:						
Trade payables	**139,016**	**–**	**–**	**–**	**139,016**	**4.00**
Other payables, deposits and accrued expenses	**36,540**	**–**	**–**	**–**	**36,540**	**9.50 – 9.75**
Hire-purchase obligations	**1,657**	**842**	**2,204**	**150**	**4,853**	**2.20 – 5.55**
Finance lease payables	**25,949**	**25,949**	**77,847**	**19,490**	**149,235**	**9.25 – 9.75**
Bank borrowings:						
Bank overdrafts	**12,970**	**–**	**–**	**–**	**12,970**	**2.83 – 10.00**
Bills payable	**120,887**	**–**	**–**	**–**	**120,887**	**2.83 – 6.60**
Borrowings	**348,219**	**70,173**	**195,146**	**–**	**613,538**	**5.35 – 8.60**
	1,722,254	**96,964**	**275,197**	**19,640**	**2,114,055**	

The Group 2012	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	419,495	–	–	–	419,495	–
Other payables, deposits and accrued expenses	482,352	–	–	–	482,352	–
Interest bearing:						
Trade payables	129,168	–	–	–	129,168	4.00
Other payables, deposits and accrued expenses	59,664	–	–	–	59,664	9.50 – 9.75
Hire-purchase obligations	2,883	4,134	–	–	7,017	2.20 – 5.55
Finance lease payables	25,949	25,949	123,285	–	175,183	9.25 – 9.75
RCCPS	12,388	–	–	–	12,388	1.00
Bank borrowings:						
Bank overdrafts	12,821	–	–	–	12,821	2.80 – 10.00
Bills payable	130,343	–	–	–	130,343	2.80 – 6.60
Borrowings	344,645	62,412	187,776	62,772	657,605	6.25 – 8.75
	1,619,708	92,495	311,061	62,772	2,086,036	

45. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Company 2013	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	**166**	**–**	**–**	**–**	**166**	**–**
Other payables, deposits and accrued expenses	**2,055**	**–**	**–**	**–**	**2,055**	**–**
Amount owing to subsidiary companies	**117,823**	**–**	**–**	**–**	**117,823**	**–**
Interest bearing:						
Hire-purchase obligations	**113**	**113**	**269**	**–**	**495**	**2.20 - 2.70**
Borrowings	**117,923**	**–**	**–**	**–**	**117,923**	**7.00 - 8.60**
	238,080	**113**	**269**	**–**	**238,462**	

The Company 2012	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	169	–	–	–	169	–
Other payables, deposits and accrued expenses	1,647	–	–	–	1,647	–
Amount owing to subsidiary companies	120,240	–	–	–	120,240	–
Interest bearing:						
Hire-purchase obligations	177	110	379	–	666	2.20 – 2.70
Borrowings	85,000	–	–	–	85,000	7.00 – 7.50
	207,233	110	379	–	207,722	

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.

45. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

	The Group			The Company		
2013	**Carrying amount RM'000**	**Fair value RM'000**		**Carrying amount RM'000**	**Fair value RM'000**	
Financial assets						
Held-to-maturity investments:						
Unquoted bonds	**8,833**	**–**	#	**–**	**–**	
Loan and receivables:						
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")	**14,915**	**14,915**	+	**7,170**	**7,170**	
Financial liabilities						
Finance lease payables	**121,408**	**121,408**	*	**–**	**–**	
Hire-purchase obligations	**4,242**	**4,242**	*	**448**	**495**	*
Borrowings	**717,345**	**717,345**	*	**117,923**	**117,923**	

	The Group			The Company		
2012	**Carrying amount RM'000**	**Fair value RM'000**		**Carrying amount RM'000**	**Fair value RM'000**	
Financial assets						
Held-to-maturity investments:						
Unquoted bonds	10,888	–	#	–	–	
Loan and receivables:						
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")	32,573	32,573	+	15,622	15,622	+
Financial liabilities						
RCCPS	12,388	12,291	*	–	–	
Finance lease payables	135,125	135,127	*	–	–	
Hire-purchase obligations	6,369	6,369	*	590	645	*
Borrowings	766,516	766,516	*	85,000	85,000	

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 the 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.

45. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2013				
Financial Assets				
Available-for-sale financial assets	**82,517**	**–**	**–**	**82,517**
The Company				
2013				
Financial Assets				
Available-for-sale financial assets	**366**	**–**	**–**	**366**
The Group				
2012				
Financial Assets				
Available-for-sale financial assets	108,866	–	–	108,866
The Company				
2012				
Financial Assets				
Available-for-sale financial assets	479	–	–	479

46. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Percentage Ownership 2013 %	2012 %	Principal Activities
Property Division				
* Amble Legacy Sdn Bhd	Malaysia	**100**	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	Malaysia	**98**	98	Dormant
Berkat Timor Sdn Bhd	Malaysia	**100**	100	Dormant
Citibaru Sendirian Berhad	Malaysia	**100**	100	Dormant
* Crest Wonder Sdn Bhd	Malaysia	**100**	100	Investment holding
Inspirasi Elit Sdn Bhd	Malaysia	**85**	85	Property development
JOPP Builders Sdn Bhd	Malaysia	**100**	100	Contractor for construction and civil engineering works, and property development
Kisan Agency Sdn Bhd	Malaysia	**100**	100	Property development
Lion Courts Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
* Lion Metal Industries Sdn Bhd	Malaysia	**100**	–	Provision of storage facilities
LLB Bina Sdn Bhd	Malaysia	**100**	100	Ceased operations
LLB Damai Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding company
LLB Indah Permai Sdn Bhd	Malaysia	**100**	100	Dormant
Malim Courts Property Development Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
Malim Jaya (Melaka) Sdn Bhd	Malaysia	**100**	100	Property development
* Matrix Control Sdn Bhd	Malaysia	**100**	100	Ceased operations
Mcken Sdn Bhd	Malaysia	**100**	100	Ceased operations
PM Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Projek Jaya Sdn Bhd	Malaysia	**100**	100	Investment holding
Seri Lalang Development Sdn Bhd	Malaysia	**100**	100	Ceased operations
Sharikat Pengangkutan East West Sdn Bhd	Malaysia	**100**	100	Dormant
Soga Sdn Bhd	Malaysia	**98**	98	Property development
Sucorp Enterprise Sdn Bhd	Malaysia	**100**	100	Investment holding
Sumber Realty Sdn Bhd	Malaysia	**100**	100	Investment holding and property development

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2013 %	2012 %	Principal Activities
Property Division				
Syarikat Pekan Baru Kemajuan Berhad	Malaysia	**100**	100	Dormant
* Tianjin Baden Real Estate Development Co Ltd	People's Republic of China	**95**	95	Property development
Steel Division				
Amsteel Mills Sdn Bhd	Malaysia	**99**	99	Manufacture and marketing of steel bars and wire rods
Amsteel Mills Marketing Sdn Bhd	Malaysia	**99**	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	Malaysia	**99**	99	Ceased operations
Antara Steel Mills Sdn Bhd	Malaysia	**99**	99	Manufacture and sale of steel and related products
Lion Waterway Logistics Sdn Bhd	Malaysia	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	Malaysia	**99**	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 2013)
* LLB Steel Industries Sdn Bhd	Malaysia	**100**	100	Investment holding
* Steelcorp Sdn Bhd	Malaysia	**99**	99	Investment holding
Others				
* Holdsworth Investment Pte Ltd	Singapore	**80**	80	Investment holding
Lion Forest Industries Berhad	Malaysia	**72**	72	Investment holding, trading and distribution of building materials, and trading of steel products
* Lion Motor Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Enterprise Sdn Bhd	Malaysia	**69**	69	Dormant
LLB Harta (L) Limited	Malaysia	**100**	100	Treasury business

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2013 %	2012 %	Principal Activities
Others				
LLB Harta (M) Sdn Bhd	Malaysia	**100**	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	Malaysia	**100**	100	Investment holding
LLB Strategic Holdings Berhad	Malaysia	**100**	100	Dormant
LLB Suria Sdn Bhd	Malaysia	**100**	100	Investment holding
* LLB Venture Sdn Bhd	Malaysia	**100**	100	Dormant
Marvenel Sdn Bhd	Malaysia	**70**	70	Investment holding
* Slag Aggregate Sdn Bhd	Malaysia	**100**	100	Investment holding
* Tianjin Hua Shi Auto Meter Co Ltd (in voluntary liquidation)	People's Republic of China	**56**	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Worldwide Unilink Education and Consultancy Sdn Bhd	Malaysia	**100**	100	Ceased operations
* Zhongsin Biotech Pte Ltd	Singapore	**67**	67	Investment holding
Subsidiary Companies of Lion Forest Industries Berhad				
Building Materials Division				
Posim Marketing Sdn Bhd	Malaysia	**72**	72	Trading and distribution of building materials and consumer products
Others				
^ Alpha Deal Group Limited	British Virgin Islands	**72**	72	Investment holding
^ Brilliant Elite Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Brilliant Elite (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Bright Triumph (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2013 %	Effective Percentage Ownership 2012 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Bright Triumph Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Brands Pro Management Sdn Bhd	Malaysia	**51**	–	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
* Beijing Youshi Trading Co Ltd	People's Republic of China	**72**	–	Dormant
^ Classy Elite Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Classy Elite (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Distinct Harvest (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture
^ Distinct Harvest Limited	British Virgin Islands	**72**	72	Investment holding
^ Double Merits (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Double Merits Enterprise Limited	British Virgin Islands	**72**	72	Investment holding
^ Dynamic Shine (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Dynamic Shine Holdings Limited	British Virgin Islands	**72**	72	Investment holding
^ Elite Harvest (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Elite Harvest Group Limited	British Virgin Islands	**72**	72	Investment holding
^ Elite Image (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture
^ Elite Image Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Eminent Elite (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2013 %	2012 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Eminent Elite Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Eminent Prosper (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Eminent Prosper Limited	British Virgin Islands	**72**	72	Investment holding
Gama Harta Sdn Bhd	Malaysia	**72**	72	Investment holding
^ Grand Ray (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Grand Ray Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Great Zone (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Great Zone Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Green Choice (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Green Choice Holdings Limited	British Virgin Islands	**72**	72	Investment holding
Harta Impiana Sdn Bhd	Malaysia	**72**	72	Investment holding
* Harapan Permai Sdn Bhd (Dissolved)	Malaysia	**–**	72	Dormant
^ Harvest Boom (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Harvest Boom Investments Limited	British Virgin Islands	**72**	72	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**72**	72	Investment holding
^ Jadeford International Limited	British Virgin Islands	**72**	72	Investment holding
^ Jade Harvest (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Jade Harvest International Limited	British Virgin Islands	**72**	72	Investment holding
^ Jade Power (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2013 %	2012 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Jade Power Holdings Limited	British Virgin Islands	**72**	72	Investment holding
Lion Agriculture (Indonesia) Sdn Bhd (formerly known as LFIB Plantations Sdn Bhd)	Malaysia	**–**	72	Investment holding
* Lion AMB Resources Berhad	Malaysia	**64**	64	Investment holding
Lion Rubber Industries Sdn Bhd	Malaysia	**72**	72	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**72**	72	Manufacturing of petroleum products
^ Mile Treasure (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Mile Treasure Limited	British Virgin Islands	**72**	72	Investment holding
Ototek Sdn Bhd	Malaysia	**51**	51	Trading and distribution of spark plugs, lubricants and automotive components
^ Pinnacle Treasure Limited	British Virgin Islands	**72**	72	Investment holding
Posim EMS Sdn Bhd	Malaysia	**58**	58	Provision of energy management and conservation services
Posim Petroleum Marketing Sdn Bhd	Malaysia	**72**	72	Trading and distribution of petroleum products
* P.T. Lion Intimung Malinau	Republic of Indonesia	**69**	69	Dormant
^ Radiant Elite (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture
^ Radiant Elite Holdings Limited	British Virgin Islands	**72**	72	Investment holding
* Singa Logistics Sdn Bhd	Malaysia	**72**	72	Provision of transportation services
^ Sky Yield (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Sky Yield Group Limited	British Virgin Islands	**72**	72	Investment holding

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2013 %	Effective Percentage Ownership 2012 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Superb Harvest (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Superb Harvest Limited	British Virgin Islands	**72**	72	Investment holding
^ Superb Reap (Cambodia) Co., Limited.	Cambodia	**72**	72	Investment and development in agriculture
^ Superb Reap Limited	British Virgin Islands	**72**	72	Investment holding
^ Ultra Strategy (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture
^ Ultra Strategy Limited	British Virgin Islands	**72**	72	Investment holding
^ Up Reach (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Up Reach Limited	British Virgin Islands	**72**	72	Investment holding
Subsidiary Companies of Lion AMB Resources Berhad				
Others				
^ AMB Aerovest Limited	British Virgin Islands	**64**	64	Investment holding
AMB Harta (L) Limited	Malaysia	**64**	64	Treasury business
* AMB Harta (M) Sdn Bhd	Malaysia	**64**	64	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	Malaysia	**64**	64	Investment holding
* CEDR Corporate Consulting Sdn Bhd	Malaysia	**64**	64	Provision of training services
* Chrome Marketing Sdn Bhd	Malaysia	**64**	64	Investment holding

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2013 %	2012 %	Principal Activities
Subsidiary Companies of Lion AMB Resources Berhad				
Others				
* Innovasi Istimewa Sdn Bhd (in voluntary liquidation)	Malaysia	**64**	64	Investment holding
* Innovasi Selaras Sdn Bhd	Malaysia	**64**	64	Investment holding
* Lion AMB Holdings Pte Ltd	Singapore	**51**	51	Investment holding
* Lion Rubber Industries Pte Ltd	Singapore	**46**	46	Investment holding
* Lion Tyre Venture Sdn Bhd	Malaysia	**64**	64	Investment holding
* Range Grove Sdn Bhd	Malaysia	**64**	64	Investment holding
* Seintasi Sdn Bhd	Malaysia	**64**	64	Investment holding
* Shanghai AMB Management Consulting Co. Ltd.	People's Republic of China	**64**	64	Provision of management services
* Willet Investment Pte Ltd	Singapore	**64**	64	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.

47. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Country of Incorporation	Effective Equity Interest 2013 %	Effective Equity Interest 2012 %	Principal Activities
Angkasa Amsteel Pte Ltd	30 June	Singapore	**50**	50	Manufacturing and distribution of fabricated steel reinforcement bars
Angkasa Amsteel (M) Sdn Bhd	30 June	Malaysia	**50**	–	Dormant
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	**75**	75	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2013)
Kamiya Corporation Sdn Bhd (in liquidation – voluntary) (Dissolved on 7 August 2013)	30 June	Malaysia	**19**	19	Property development
Renor Pte Ltd	30 June	Singapore	**33**	33	Investment holding
Lion Diversified Holdings Berhad	30 June	Malaysia	**21**	21	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	**37**	37	Captive insurance business
^ Parkson Holdings Berhad	30 June	Malaysia	**17**	17	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
Lion Titco Resources Sdn Bhd	30 June	Malaysia	**40**	40	Processing of steel slag and metal extraction
Associated companies of Lion AMB Resources Berhad					
Hunan Changfa Automobile Engine Co Ltd	31 December	People's Republic of China	**32**	32	Manufacture of automotive engine
Lion Asiapac Limited	30 June	Singapore	**23**	23	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd	31 December	Malaysia	**13**	13	Investment holding

^ Although the Group holds less than 20% of the equity interest in Parkson Holdings Berhad, the Group exercises significant influence by virtue that Tan Sri Cheng Heng Jem, a substantial shareholder of the Company and a key member of the management of the steel division of the Group, is also the chairman and managing director, and a substantial shareholder of Parkson Holdings Berhad.

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

48. SUBSEQUENT EVENT

On 29 August 2013, the following proposals, which were announced by the Company on 3 March 2011, have been terminated with mutual agreement from all the parties:

(i) Proposed joint venture in the blast furnace project ("Project") among the Company, Lion Diversified Holdings Berhad and Lion Forest Industries Berhad in the equity participation of 29:51:20 by way of a subscription of new ordinary shares of RM1 each at par for cash in the capital of Lion Blast Furnace Sdn Bhd ("LBF") to the value of USD92 million (equivalent to 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 (equivalent to 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 (equivalent to RM1,107 million) and USD215 million (equivalent to RM656 million) respectively.

Following the terminations, the proposed provision of financial assistance will not be required.

SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") 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 Securities 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 2013 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies				
Realised	**1,391,808**	1,535,419	**(114,306)**	(113,459)
Unrealised	**15,606**	7,581	**49**	(1,588)
	1,407,414	1,543,000	**(114,257)**	(115,047)
Total retained earnings/(accumulated losses) from associated companies and jointly controlled entity				
Realised	**478,815**	384,724	**–**	–
Unrealised	**(1,566)**	(1,136)	**–**	–
	477,249	383,588	**–**	–
Consolidation adjustments	**4,315**	4,315	**–**	–
Total retained earnings/(accumulated losses)	**1,888,978**	1,930,903	**(114,257)**	(115,047)

The determination of realised and unrealised profits or losses is based on Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures 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 has been made solely for complying with the disclosure requirements as stipulated in the directive of Bursa Securities 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 2013 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 on page 145, 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 **CHENG YONG LIANG**

Kuala Lumpur
29 October 2013

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 29th day of October, 2013.

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS
Kuala Lumpur

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Company has registered with the Securities and Exchange Commission of the United States of America, a Level 1 Sponsored American Depositary Receipt ("ADR") Programme on 30 December 1992.

Under the ADR Programme, a maximum of 5% of the total issued and paid-up share capital of the Company will be traded in the US OTC Market in the United States of America in the ratio of one ADR for every one ordinary share of RM1.00 each fully paid in the Company. The Company's trading symbol on the US OTC Market is LICUY and its CUSIP number is 53620V100.

The depositary bank for the ADR Programme is The Bank of New York and the sole custodian of the Company's shares for the ADR Programme is Malayan Banking Berhad ("MBB"), Kuala Lumpur.

As at 16 October 2013, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

(a) Conditional Share Subscription Agreement dated 3 March 2011 and supplemented by agreements dated 26 August 2011, 2 March 2012, 30 August 2012 and 1 March 2013 entered into among the Company, Lion Diversified Holdings Berhad ("LDHB"), Lion Forest Industries Berhad ("LFIB") (a subsidiary of the Company wherein a major shareholder of the Company has interest) and Lion Blast Furnace Sdn Bhd ("LBF") (a wholly-owned subsidiary of LDHB) for the proposed joint-venture in LBF in the equity participation of 29%, 51% and 20% respectively, in the enlarged issued and paid-up share capital of LBF of up to RM970 million comprising up to 970 million ordinary shares of RM1.00 each. LDHB is a company wherein a Director and a major shareholder of the Company have interests. The said Conditional Share Subscription Agreement was mutually terminated by all the parties on 29 August 2013.

(b) Conditional Shareholders' Agreement dated 3 March 2011 entered into among the Company, LDHB and LFIB to, amongst others, govern and regulate their relationship with each other under the proposed joint-venture pursuant to the Conditional Share Subscription Agreement dated 3 March 2011 and supplemented by agreements dated 26 August 2011, 2 March 2012, 30 August 2012 and 1 March 2013, and to record the terms and conditions of the parties' relationship and participation as shareholders in LBF, the conduct of LBF's business and the management of LBF and its subsidiary. The said Conditional Shareholders' Agreement was mutually terminated by all the parties on 29 August 2013.

(c) Conditional Sale and Purchase Agreement dated 3 March 2011 and supplemented by agreements dated 26 August 2011, 2 March 2012, 30 August 2012 and 1 March 2013 entered into between Amsteel Mills Sdn Bhd ("AMSB"), a subsidiary of the Company, and LBF for the disposal by AMSB to LBF of a parcel of freehold land being part of the land held under title no. H.S.(D) 13425 P.T. 17216 located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres (approximately 1,801,642 sq ft) for a total cash consideration of approximately RM16.22 million. The said Conditional Sale and Purchase Agreement was mutually terminated by both the parties on 29 August 2013.

(d) Share Sale Agreement dated 24 October 2012 entered into between the Company and Limbungan Emas Sdn Bhd ("Limbungan Emas"), a wholly-owned subsidiary of Amble Bond Sdn Bhd ("Amble Bond") for the acquisition by the Company from Limbungan Emas of 8,000,000 ordinary shares of RM1.00 each representing the entire 100% equity interest in the share capital of Lion Metal Industries Sdn Bhd which owns a piece of land together with the building erected thereon known as Wisma Amsteel for a cash consideration of RM24,136,000. Amble Bond is a company wherein certain Directors and major shareholders of the Company have interests. The said acquisition was completed on 3 January 2013.

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2013

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
1.	PT 19254-59 & 19264 Mukim of Bukit Raja Klang, Selangor	Freehold	0.1 hectares	Land	For future development	0.1	30 October 1992
2.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	11.9 hectares	Land	For future development	7.6	June 1991
3.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	2.0 hectares	Land	Property under development	2.8	June 1991
4.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land	Property under development	0.3	June 1991
5.	Lot 11233 HS(D) 54584 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land	For future development	0.1	June 1991
6.	Mukim 17 North East District Baru Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land	For future development	32.2	June 1991
7.	PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land and buildings	Office and factory (36)	25.4	22 October 1994
8.	PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land and buildings	Office and factory (36)	0.7	22 October 1994
9.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land and buildings	Office and factory (18)	7.0	22 October 1994
10.	Lot 12180, Mukim 12 Barat Daya Pulau Pinang	Leasehold 11.01.2098	1.2 hectares	Land	Property under development	53.4	August 2011
11.	Lot 2320, 2323B, 2582 & 2584 Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	69.4 hectares	Industrial land and buildings	Office and factory (8-13)	230.9	1996

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
12.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor - PLO 417, Jalan Gangsa Satu - PLO 218, Jalan Gangsa Satu - PLO 277, Jalan Gangsa Satu	Leasehold 17.6.2052 26.12.2056 29.9.2038	 6.3) 4.4) 6.5) hectares	Industrial land and buildings	Office and factory (22) (18) (35)	 8.3) 11.4) 9.4)	September 2002
13.	PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land and buildings	Warehouse (18)	5.4	September 2002
14.	Jalan Perjiranan 10 81707 Pasir Gudang, Johor	Leasehold 5.6.2082	1,287.6 sq metres	Single and double storey houses	Rental (27)	0.6	June 2008
15.	Blok 6, Taman Mawar 81700 Pasir Gudang, Johor	Leasehold 22.2.2087	1,099.2 sq metres	Apartments/ flats	Rental (21)	0.5	June 2008
16.	Blok 17 & 18 Taman Cendana 81700 Pasir Gudang, Johor	Leasehold 28.4.2093	8,281 sq metres	Apartments/ flats	Rental (16-18)	2.5	June 2008
17.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	3,080.8 sq metres	Apartments/ flats	Rental (19)	1.0	June 2008
18.	PT3501, HS(D) 24277 Mukim of Kapar Klang, Selangor	Leasehold 22.10.2088	3.2 hectares	Industrial land and building	Office and factory (24)	23.6	January 2013
19.	Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (19)	10.9	March 2003
20.	12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (28)	0.1	March 2003
21.	Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (15)	0.3	March 2003

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
22.	50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land and building	2-storey shop office (15)	0.2	March 2003
23.	15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	208.1 sq metres	Land and building	3-storey shop office (14)	0.5	March 2003
24.	B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (11)	0.1	16 July 2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 16 October 2013

Authorised Capital	:	RM1,000,000,000
Issued and Paid-up Capital	:	RM717,909,365
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 16 October 2013

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares#
Less than 100	2,842	15.27	124,223	0.02
100 to 1,000	5,845	31.41	3,438,132	0.48
1,001 to 10,000	7,640	41.06	30,697,133	4.28
10,001 to 100,000	1,947	10.46	60,434,740	8.43
100,001 to less than 5% of issued shares*	328	1.76	377,764,864	52.67
5% and above of issued shares	5	0.04	244,776,773	34.12
	18,607	100.00	717,235,865	100.00

Note:

* *Excluding a total of 673,500 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 16 October 2013.*

Substantial Shareholders as at 16 October 2013

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares#	Indirect Interest No. of Shares	Indirect Interest % of Shares#
1. Tan Sri Cheng Heng Jem	216,865,498	30.24	46,828,093	6.53
2. Tan Sri Cheng Yong Kim	9,253,289	1.29	75,886,618	10.58
3. Lion Diversified Holdings Berhad	20,820,000	2.90	16,701,500	2.33
4. Dynamic Horizon Holdings Limited	74,472,627	10.38	–	–
5. Lembaga Tabung Haji	44,223,100	6.17	–	–

Note:

\# *Based on the issued and paid-up capital of the Company excluding a total of 673,500 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 16 October 2013.*

Thirty Largest Registered Shareholders as at 16 October 2013

Registered Shareholders		No. of Shares	% of Shares*
1.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	59,000,000	8.23
2.	RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Cheng Heng Jem	52,600,000	7.33
3.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	46,000,000	6.41
4.	Lembaga Tabung Haji	44,223,100	6.17
5.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	42,953,673	5.99
6.	RHB Nominees (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited	29,789,051	4.15
7.	M & A Nominee (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited (M&A)	27,341,788	3.81
8.	Maybank Nominees (Tempatan) Sdn Bhd Kuwait Finance House (Malaysia) Berhad for Lion Diversified Holdings Berhad (Graimpi S/B)	20,800,000	2.90
9.	Dynamic Horizon Holdings Limited	17,341,788	2.42
10.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	16,197,300	2.26
11.	Lion DRI Sdn Bhd	15,900,000	2.22
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	13,449,802	1.88
13.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for GMO Emerging Markets Fund	11,304,840	1.58
14.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	9,600,000	1.34
15.	Cheng Yong Kim	9,234,539	1.29
16.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	8,486,481	1.18
17.	Citigroup Nominees (Asing) Sdn Bhd UBS AG for APS Asia Pacific Master Hedge Fund	8,376,600	1.17
18.	Mayang Jati (M) Sdn Bhd	6,723,472	0.94
19.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	6,663,405	0.93
20.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend)	5,836,200	0.81
21.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for J.P. Morgan Bank Luxembourg S.A.	4,894,000	0.68
22.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	4,791,000	0.67
23.	HLIB Nominees (Asing) Sdn Bhd Pledged Securities Account for Neo Say Yong (CCTS)	4,398,700	0.61
24.	HSBC Nominees (Asing) Sdn Bhd TNTC for LSV Emerging Markets Equity Fund L.P.	3,595,900	0.50
25.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Australia)	3,501,500	0.49
26.	Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amanvest (M) Sdn Bhd	3,290,000	0.46
27.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for VFM Emerging Markets Trust	3,184,500	0.44
28.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC	3,123,400	0.44
29.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	3,118,500	0.43
30.	Mayang Jati (M) Sdn Bhd	3,100,000	0.43

Note:

* *Based on the issued and paid-up capital of the Company excluding a total of 673,500 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 16 October 2013.*

Directors' Interests in Shares in the Company and its Related Corporations as at 16 October 2013

The Directors' interests in shares in the Company and its related corporations as at 16 October 2013 are as follows:

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares^	Indirect Interest No. of Shares	Indirect Interest % of Shares^
The Company	RM1.00				
Tan Sri Cheng Yong Kim		9,253,289	1.29	76,159,640	10.62
Dato' Kamaruddin @ Abas bin Nordin		28,000	#	–	–
Cheng Yong Liang		47,880	#	–	–
Related Corporations					
Tan Sri Cheng Yong Kim					
Lion Forest Industries Berhad	RM1.00	130	#	154,970	0.07

Notes:

^ *Based on the issued and paid-up capital of the Company excluding a total of 673,500 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 16 October 2013.*

Negligible.

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 16 October 2013.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors by the Company for the financial year was RM8,000.

(II) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2013 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related		
(i) Sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")[1]	571,472
	Lion Diversified Holdings Berhad Group ("LDHB Group")[1]	190,902
	Lion Teck Chiang Limited Group[2]	36,119
		798,493
(ii) Purchase of scrap iron, gases and other related products and services	LCB Group[1]	557,700
	Lion Asiapac Limited Group ("LAP Group")[1]	22,205
	LDHB Group[1]	14
		579,919
(iii) Purchase of tools, dies and spare parts	ACB Resources Berhad Group[1]	4,066
(iv) Provision of storage, leasing and rental of properties, management and support, and other related services	LCB Group[1]	928
	LAP Group[1]	366
	LDHB Group[1]	399
		1,693
(v) Provision of transportation and other related services	LDHB Group[1]	30,721
	LCB Group[1]	25,049
		55,770

Notes:

"Group" includes subsidiary and associated companies.

(1) Companies in which certain major shareholders of the Company have substantial interests.
(2) Companies in which a Director and certain major shareholders of the Company have substantial interests.

(III) SCHEDULE OF SHARE BUY-BACK FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Monthly Breakdown	No. of Shares Purchased and Retained as Treasury Share	Purchase Price per Share (RM)		Average Price per Share* RM	Total Consideration RM
		Lowest	Highest		
August 2012	50,000	1.15	1.16	1.155	58,171.83
February 2013	100,000	0.935	0.94	0.936	94,334.00
Purchased during the financial year	150,000			1.02	152,505.83

* Including transaction cost.

All the shares purchased by the Company were retained as treasury shares. As at 30 June 2013, the Company held 369,900 treasury shares. None of the treasury shares were resold or cancelled during the financial year.

LION INDUSTRIES CORPORATION BERHAD
(415-D)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Eighty-Third Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 19 December 2013 at 2.00 pm and at any adjournment thereof.

RESOLUTIONS		FOR	AGAINST
1.	To approve a first and final dividend		
2.	To approve Directors' fees		
3.	To re-elect as Director, Y. Bhg. Tan Sri Cheng Yong Kim		
4.	To re-elect as Director, Y. M. Dato' Raja Nong Chik bin Dato' Raja Zainal Abidin		
5.	To re-appoint as Director, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin		
6.	To re-appoint as independent non-executive Director, Mr Chong Jee Min		
7.	To re-appoint Auditors		
8.	Authority to Directors to issue shares		
9.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
10.	Proposed Renewal of Authority for Share Buy-Back		
11.	Proposed Amendment to the Articles of Association of the Company		

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

As witness my/our hand this .... day of 2013

No. of shares: ....

Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 11 December 2013 shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- The instrument of proxy shall be deposited at the Office of the Registrar of the Company, Level 13, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.