LION FOREST INDUSTRIES

LION FOREST INDUSTRIES BERHAD (82056-X)

Laporan Tahunan Annual Report 2014

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Second Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 2 December 2014 at 10.30 am for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2014. **Note 3**

2. To approve the payment of Directors' fees amounting to RM164,000 (2013: RM173,000). **Resolution 1**

3. To re-elect Director:

   In accordance with Article 98 of the Company's Articles of Association, Mr Chan Ho Wai retires by rotation and, being eligible, offers himself for re-election. **Resolution 2**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Tan Sri William H.J. Cheng be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 3**

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Lin Chung Dien be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 4**

5. To re-appoint Y. Bhg. Dato' Kalsom binti Abd. Rahman as an independent non-executive Director of the Company. **Resolution 5**

6. 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 6**

7. Special Business

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

7.1 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 7**

7.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 10 November 2014 ("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 8**

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."

7.3 Proposed 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 9**

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

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
10 November 2014

Notes:

1. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 25 November 2014 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.*

     Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   - *The instrument of proxy shall be deposited at the Office of the Registrar of the Company, Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 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 10 November 2014 ("Circular")*

   Details on the following are set out in the Circular enclosed together with the 2014 Annual Report:

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

   (ii) Part B - Proposed Share Buy-Back

3. *Agenda Item 1*

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

4. *Resolution 5*

   The Nomination Committee has assessed the independence of Y. Bhg. Dato' Kalsom binti Abd. Rahman 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 Dato' Kalsom as an independent non-executive Director as Dato' Kalsom possesses the following attributes necessary in discharging her 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) Challenges management in an effective and constructive manner.

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

5. *Resolution 7*

   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 18 December 2013 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 8*

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

7. *Resolution 9*

   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 genenral meeting of the company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Thirty-Second Annual General Meeting of the Company are set out in the Directors' Profile on pages 7 to 9 of the 2014 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Mr Chan Ho Wai *(Executive Director)* Y. Bhg. Dato' Kalsom binti Abd. Rahman Y. Bhg. Dato' Eow Kwan Hoong Mr Lin Chung Dien
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No	:	82056-X
Registered Office	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : www.lion.com.my/lionfib
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Deloitte Level 16, Menara LGB 1 Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur
Principal Bankers	:	CIMB Bank Berhad Bank Muamalat Malaysia Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONFIB
Bursa Securities Stock No	:	8486
Reuters Code	:	LIOF.KL
ISIN Code	:	MYL8486OO002

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 71, was appointed to the Board on 15 January 1991 and has been the Chairman since 27 August 1997.

Tan Sri William Cheng has more than 40 years of experience in the business operations of the Lion Group encompassing retail, property development, mining, steel, tyre, motor, agriculture and computer.

Tan Sri William Cheng was the President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM") and The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI") from 2003 to 2012. He is now a Life Honorary President of ACCCIM and KLSCCCI.

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

- Chairman of Lion Diversified Holdings Berhad
- Chairman and Managing Director of Lion Corporation Berhad and Parkson Holdings Berhad

He is also the Chairman of Lion AMB Resources Berhad and ACB Resources Berhad, and a Founding Trustee of The Community Chest, a company limited by guarantee incorporated for charity purposes.

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares of RM1.00 each and an indirect interest in 171,261,979 ordinary shares of RM1.00 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 129 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the plantation sector.

Tan Sri William Cheng is the brother-in-law of Mr Chan Ho Wai, the Executive Director of the Company.

Tan Sri William Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, aged 58, was appointed the Executive Director of the Company on 1 August 2008. He is also a member of the Company's Remuneration Committee and Executive Share Option Committee of the Company.

Mr Chan obtained his Higher National Diploma in Electronic Engineering from Bristol Poly II, United Kingdom.

Mr Chan joined the Lion Group in 1992 and first held the position of Material Manager of Ceemax Technology Sdn Bhd in charge of material sourcing and product development until 1994. In 1995, he was appointed an Assistant General Manager of Likom Caseworks Sdn Bhd responsible for the operation and administration of the company until 1996. Since 1997, he is the director in charge of the manufacturing operations of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals. He was a Director of Silverstone Berhad, a public company which is involved in the manufacture and sale of tyres, rubber compounds and other related rubber products from 2005 to 2013. Prior to joining the Lion Group, he was an engineer with HK Aircraft Engineer Co responsible for aircraft maintenance from 1983 to 1991.

Mr Chan is the brother-in-law of Y. Bhg. Tan Sri William H.J. Cheng, the Chairman and a major shareholder of the Company.

Mr Chan attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

Dato' Kalsom binti Abd. Rahman
Independent Non-Executive Director

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, aged 66, was appointed to the Board on 23 August 2004. She is also the Chairman of the Company's Audit and Risk Management Committee and Nomination Committee.

Dato' Kalsom received her Bachelor of Economics (Honours) from the University of Malaya and Masters in Business Administration (Finance) from the University of Eugene, Oregon, the United States of America. In addition, she has also attended numerous seminars and training programmes on trade, industry and investments organised by international and regional agencies such as, World Trade Organization (WTO), United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO), World Intellectual Property Organization (WIPO), the World Bank, Asia-Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN), including executive and management programmes at Stanford University and Harvard Business School.

Dato' Kalsom spent more than 33 years in the Ministry of International Trade and Industry (MITI) in various capacities both at headquarters and its overseas offices as well as the Chief Executive Officer of the Small and Medium Industries Development Corporation (SMIDEC) (now known as SME Corporation Malaysia (SME Corp.)) and as Deputy Secretary-General (Industry) of MITI before she retired in 2004. Subsequently, she became the Chairman of SMIDEC until October 2006. Dato' Kalsom was also the Chairman of the Executive Committee of Invest-In-Penang Berhad, a state government agency responsible for the promotion of investments, technology and business into Penang, a position she held until 2008.

Dato' Kalsom's other directorships in public companies are as follows:

- Malaysian Industrial Development Finance Berhad and its subsidiaries, MIDF Amanah Investment Bank Berhad, MIDF Amanah Asset Management Berhad and Amanah International Finance Berhad
- MIDF Property Berhad
- MISC Berhad, a public listed company

Dato' Kalsom attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

Dato' Eow Kwan Hoong
Independent Non-Executive Director

Y. Bhg. Dato' Eow Kwan Hoong, a Malaysian, aged 61, was appointed to the Board on 14 December 2012. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit and Risk Management Committee, Nomination Committee and Executive Share Option Scheme Committee.

Dato' Eow is a member of Malaysian Institute of Accountants and a fellow member of the Chartered Institute of Management Accountants (CIMA), United Kingdom. In 2013, he was elected by CIMA members in South East Asia to serve as Council member of CIMA UK for a three-year term. He is also a member of the South East Asia Regional Board of CIMA.

He began his career as a Cost Accountant with Intel Technology Sdn Bhd in 1979. He later joined Socoil Corporation Sdn Bhd as the Factory Accountant in 1980. In 1982, he joined the Lion Group as Accounts Manager and moved his way up to Group Chief Accountant after serving seventeen years in the Group. He then left and joined IRIS Corporation Berhad in 1998 and is currently its Executive Director.

Dato' Eow's other directorships in public companies are as follow:

- IRIS Corporation Berhad, Versatile Creative Berhad and Delloyd Ventures Berhad, all public listed companies
- Lion AMB Resources Berhad

Dato' Eow has a direct shareholding of 8,026 ordinary shares of RM1.00 each in the Company.

Dato' Eow attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, aged 71, was appointed to the Board on 25 February 2008. He is also a member of the Company's Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

Mr Lin holds a Bachelor of Mechanical Engineering from the National Taiwan University. He is the Chairman and Chief Executive Officer of Bichain Trading Co Ltd, a company dealing in import and export of steel products founded by him in 1972. He was an Export Manager (Taipei Branch) with Sanyo Seike Trading Co Ltd (1967-1972) and a Mechanical Engineer with Da-Eng Steel & Iron Co Ltd (1966-1967).

Mr Lin has a direct shareholding of 7,060 ordinary shares of RM1.00 each in the Company.

Mr Lin attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

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

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") recognises the importance of practising and maintaining 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 2014 except where otherwise rationalised herein. The Board has also taken into account the requirements issued by Bursa Malaysia Securities Berhad ("Bursa Securities") under the various Guides.

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, 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 2014, 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 covering Code of Business Conduct for all employees of the Group, including the Whistleblower Policy, Sexual Harassment and Sustainability Policy & Framework 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 five (5) Directors, four (4) 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 Executive 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 Executive 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 a female Director.

Represented on the Board are three (3) 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 (9)-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 (9) 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 evaluations 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 2014, 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 terms 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 and Risk Management 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.

Nomination Committee

The Nomination Committee comprises three members all of whom are non-executive independent Directors. The Nomination Committee is chaired by Dato' Kalsom binti Abd. Rahman, who is also the senior independent Director identified by the Board. The members and terms of reference of the Nomination Committee are presented on page 25 of this Annual Report.

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. The Nomination Committee annually reviews and assesses the effectiveness of the Board and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfillment of the Board Committee's terms of reference.

The assessment criteria of the Board's evaluation/performance review process as well as the process and criteria to identify candidates for appointment as directors, and directors for re-election and re-appointment are set out in the Board Charter which is published on the Company's homepage at www.lion.com.my/lionlfib.

In assessing and recommending to the Board the suitable candidature of Directors, the Nomination Committee shall consider the competencies, commitment, contribution, performance and board diversity including the appropriateness and the fulfillment of the gender diversity representation and the required mix of skills, qualifications, expertise and experience, knowledge, professionalism and integrity which would contribute to the overall desired composition of the Board.

The Directors' mix of skills are set out in the respective Directors' Profile on pages 7 to 9 of this Annual Report.

The Nomination Committee met two (2) times during the financial year ended 30 June 2014 where all the members attended.

The Nomination Committee carried out the following duties in accordance with the terms of reference during the financial year under review:

(i) Established the nomination and election process for the members of the Board which was guided by the broad Fit & Proper and Independence criteria.

(ii) Established a set of quantitative and qualitative performance criteria to evaluate the performance of:
- The Board as a whole
- Each Director (Peer and Self-Assessment)
- Board Committees
- Directors' Independence

(iii) Reviewed and assessed the effectiveness of the Board and the Board Committees as well as the individual Directors based on the criteria set out by the Board and according to the fulfillment of the Nomination Committee's terms of reference for recommendation to the Board.

(iv) Reviewed the retirement and re-election, re-appointment of Directors for Board's consideration.

(v) Reviewed the training needs of the Directors.

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 25 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 2014 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	20	391	411
Non-executive Directors	164	–	164
	184	391	575

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

Range of Remuneration (RM)	Number of Directors Executive	Non-executive
25,001 – 50,000	–	4
400,001 – 450,000	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 talks, conventions, seminars, briefings and training programmes ("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, regulatory updates, requirements and compliance, finance, corporate social responsibility, fraud and corruption risk management, and management and entrepreneurship:

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• Lion Group In-house Directors' Training on Briefing on Agriculture Activities • Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • Lion Group In-house Directors' Training on Competition Law: 1. Understanding Competition Act 2010 and Identifying the Relevant Markets 2. Exploring Cartel, Objects and Effect in Section 4 and the Abuse of Dominant Position in Section 10 3. Exclusive Distribution Agreements, Exclusive Dealing Agreements, Resale Price Maintenance and Case Studies 4. Exemptions, Penalties and Compliance • Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets
Chan Ho Wai	• Lion Group In-house Directors' Training on Briefing on Agriculture Activities • Bursa Malaysia - Briefing Session on Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) – An Update • Lion Group In-house Directors' Training on Competition Law: 1. Understanding Competition Act 2010 and Identifying the Relevant Markets 2. Exploring Cartel, Objects and Effect in Section 4 and the Abuse of Dominant Position in Section 10 3. Exclusive Distribution Agreements, Exclusive Dealing Agreements, Resale Price Maintenance and Case Studies 4. Exemptions, Penalties and Compliance • Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets

Name of Directors	Programmes
Dato' Kalsom binti Abd. Rahman	• Investment Talk on Financial Instruments and Opportunities • Permodalan Nasional Berhad Seminar on Wealth Creation • Breakfast Talk on Creating Culture that Drives Leadership, Innovation and Growth • Permodalan Nasional Berhad Qualitative Initiatives Event • Lion Group In-house Directors' Training on Briefing on Agriculture Activities • Investment Talk on Economic Challenges • Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • Financial Institutions Directors' Education training on Internal Capital Adequacy Assessment Process for banks • Nominee Directors' Convention 2014 of Permodalan Nasional Berhad on Managing Stakeholders' Expectations in the Fast Changing Business Trends Towards Value Creation • Lion Group In-house Directors' Training on Competition Law: 1. Understanding Competition Act 2010 and Identifying the Relevant Markets 2. Exploring Cartel, Objects and Effect in Section 4 and the Abuse of Dominant Position in Section 10 3. Exclusive Distribution Agreements, Exclusive Dealing Agreements, Resale Price Maintenance and Case Studies 4. Exemptions, Penalties and Compliance • Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets
Dato' Eow Kwan Hoong	• Lion Group In-house Directors' Training on Briefing on Agriculture Activities • Lion Group In-house Directors' Training on Competition Law: 1. Understanding Competition Act 2010 and Identifying the Relevant Markets 2. Exploring Cartel, Objects and Effect in Section 4 and the Abuse of Dominant Position in Section 10 3. Exclusive Distribution Agreements, Exclusive Dealing Agreements, Resale Price Maintenance and Case Studies 4. Exemptions, Penalties and Compliance • Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets
Lin Chung Dien	• Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets

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"), and the Malaysian Code on Corporate Governance.

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/lionfib 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 is guided by the Group's Sustainability Plans/Framework 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, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities of Environmental and Corporate Social Responsibilities carried out by the Group are set out in the Sustainability section of the Chairman's Statement on pages 31 to 33 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control on pages 18 and 19 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 and Risk Management 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 and Risk Management Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit and Risk Management Committee comprises three (3) Directors, all of whom are independent. The terms of reference and activities of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Report on pages 20 to 24 of this Annual Report.

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2014, 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 18 and 19 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 and Risk Management Committee. The Audit and Risk Management 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 and Risk Management 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 and Risk Management 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 and Risk Management Committee. The internal auditors attend all meetings of the Audit and Risk Management Committee and the detailed internal audit function is set out in the Audit and Risk Management Committee Report on pages 20 to 24 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 and Risk Management 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 the stakeholders and shareholders' investments and the Group's assets. Guided by the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers*, Corporate Disclosure Guide and Corporate Governance Guide (2nd Edition), 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 enterprise risk management, financial, organisational, operational and compliance controls.

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

The Board confirms that the management will continue to undertake the process of identifying, evaluating and managing significant risks. This will be reviewed periodically by the Board through its Audit and Risk Management Committee's activities detailed in the Audit Committee Report.

Risk Management

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 and Risk Management Committee.

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. This includes and is not limited to business, strategic, financial, operational (people, processes, systems, compliance), fraud and reputational risks.

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 governing financial and transactions approvals

- 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 and Risk Management 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

- Compliance Risk Self-Assessment (CRSA) based on CRSA Methodology (Risk Based) and Corporate Performance (based on Balanced Scorecard perspectives) and Risks Scorecards of the operating companies on a half-yearly basis

- Compliance Matrices detailing all and regularly updated compliances – Group's Policies and Procedures, Standard Operating Procedures and industry specific statutory and regulatory compliances requirements

- A compliance programme reviewed by the Audit and Risk Management 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 systems of internal control by the internal audit function which regularly submits its reports to the Audit and Risk Management 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 Group Policy on Code of Business Practices, Competition and Sexual Harassment

- 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 legislation 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 event of crisis/disasters

- A Business Continuity Management business impact and implementation road map to enhance the business resilience and robustness in contingencies, crisis management and disaster recovery management

- A Group Sustainability Framework and Plans (2014-2016) providing the roadmap to enhance Governance, Social and Environmental engagements of the stakeholders

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 AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Y. Bhg. Dato' Kalsom binti Abd. Rahman
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Dato' Eow Kwan Hoong
  (Independent Non-Executive Director)

  Mr Lin Chung Dien
  (Independent Non-Executive Director)

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

- **Secretaries**

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

- **Membership**

  The Audit and Risk Management 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 and Risk Management Committee shall fulfill the requirements as prescribed in the Listing Requirements. The members of the Audit and Risk Management Committee shall elect a chairman among themselves who is an independent Director.

- **Meetings and Minutes**

  The Audit and Risk Management 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 and Risk Management 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 and Risk Management Committee and the Board. The Chairman of the Audit and Risk Management 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 and Risk Management 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 and Risk Management 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 and Risk Management 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 and Risk Management 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, eight (8) Audit and Risk Management Committee Meetings were held. Except for Mr Lin Chung Dien who was absent for one (1) Meeting, all other members attended all the eight (8) Meetings held in the financial year.

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

The main activities undertaken by the Audit and Risk Management 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.

- **Corporate Governance**

  (a) Compliance

  (i) Monitored the progress implementation and shortfall, if any, of the Compliance Program/Work Plan for the financial year ended 30 June 2014 ("2014 Compliance Program/Work Plan"). The 2014 Compliance Program/Work Plan identified for implementation, the necessary policies, procedures, processes, awareness and competencies training to be used as management tools and support to give the reasonable assurance of due compliance, compliance risk management, updating and reviewing of existing and new compliance across the laws, regulatory requirements, standards/code of ethics and internal policies and procedures of all the key operating companies and functions.

  (ii) Ensured that all material non-compliances/breaches of regulatory and/or statutory requirements were reported vide a Compliance Risk Self-Assessment declaration by the Chief Executive Officer, Chief Financial Officer, Heads of Business/Operations, Group Treasurer, Chief Accountant and Company Secretary.

  (b) Sustainability

  Reviewed the sustainability Plans/Frameworks for the financial years 2014 to 2016 which covered the following:

  (i) corporate strategy and sustainability strategy.
  (ii) sustainability initiatives.
  (iii) sustainability measures.
  (iv) structure, processes, people and infrastructure.
  (v) non-financial reporting and assurance.

- **Risk Management**

  Reviewed the Corporate Risk Management System encompassing an Enterprise Wide Risk Management Framework which sets 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 linked to the Corporate Performance System (based on the Balanced Scorecards perspectives).

- **Related Party Transactions**

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

- **Material Transactions**

  Reviewed material transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Management Audit Department ("GMA Department"). Its principal activity is to perform regular and systematic reviews of the system of internal 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 and Risk Management 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 and Risk Management Committee for the financial year.

The total cost incurred in managing the internal audit function of the Group for the financial year was RM250,000.

NOMINATION COMMITTEE

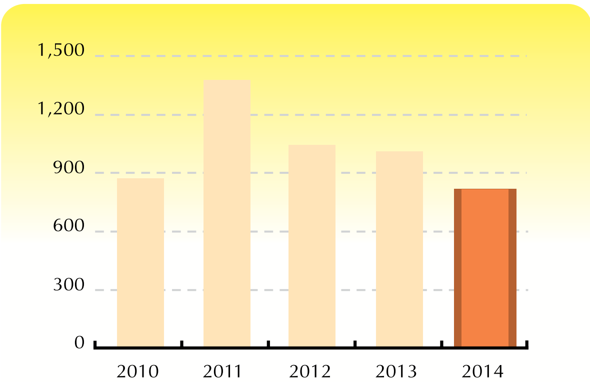
Chairman	:	Y. Bhg. Dato' Kalsom binti Abd. Rahman *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Dato' Eow Kwan Hoong *(Independent Non-Executive Director)* Mr Lin Chung Dien *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Forest Industries 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

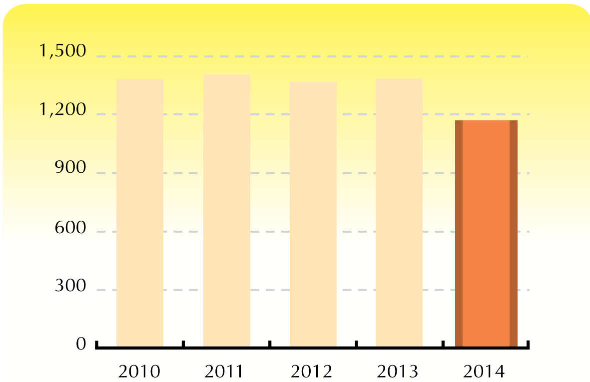
Chairman	:	Y. Bhg. Dato' Eow Kwan Hoong *(Independent Non-Executive Director)*
Members	:	Mr Chan Ho Wai *(Non-Independent Executive Director)* Mr Lin Chung Dien *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the remuneration of the executive Directors in all 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

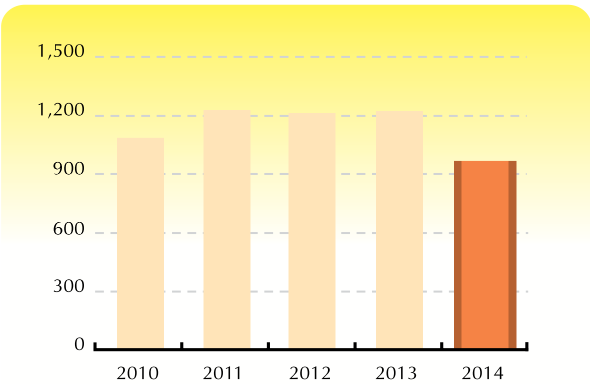
Financial years ended 30 June		**2010**	**2011**	**2012**	**2013**	**2014**
Revenue	(RM'000)	874,316	1,376,798	1,046,090	1,011,304	**817,922**
Profit/(Loss) before tax	(RM'000)	188,208	216,622	25,078	25,638	**(236,620)**
Profit/(Loss) after tax	(RM'000)	163,404	198,912	10,475	10,885	**(250,006)**
Net profit/(loss) attributable to owners of the Company	(RM'000)	152,517	207,637	2,762	10,866	**(249,339)**
Total assets	(RM'000)	1,383,174	1,405,965	1,366,432	1,383,260	**1,169,710**
Net assets	(RM'000)	1,082,707	1,219,618	1,207,203	1,212,023	**962,049**
Total borrowings	(RM'000)	57,815	22,089	20,174	7,441	**23,774**
Earnings/(Loss) per share	(Sen)	66.1	89.7	1.2	4.7	**(107.7)**
Net assets per share	(Sen)	468	527	521	523	**415**
Dividends:						
Rate	(Sen)	2.0	33.0	12.0	2.0	**–**
Amount	(RM'000)	4,632	63,103	27,789	3,474	**–**



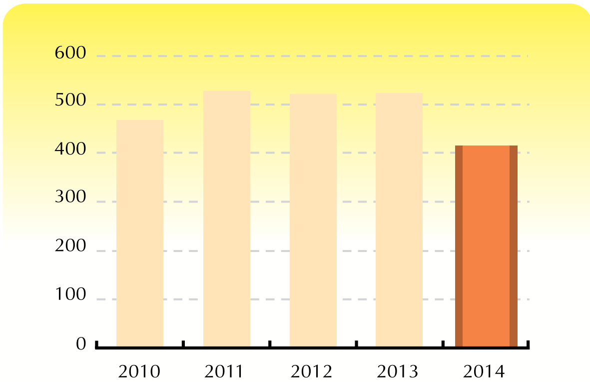
REVENUE RM Million



TOTAL ASSETS RM Million

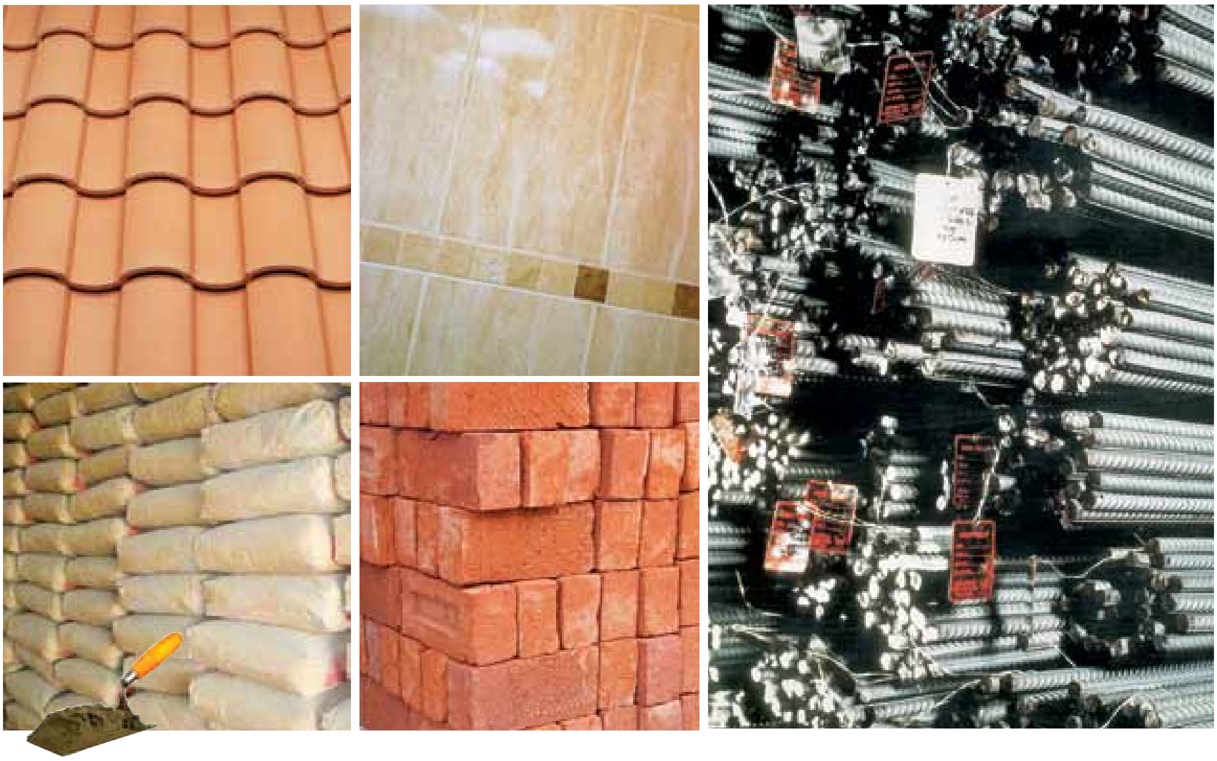


NET ASSETS RM Million



NET ASSETS PER SHARE Sen

THE GROUP'S BUSINESSES



- The Building Materials Division is involved in the trading and distribution of building and construction materials such as (clockwise, from top left) roofing and wall tiles, steel bars, bricks and cement.
- *Bahagian Bahan Binaan terbabit dalam perniagaan menjual dan mengedar bahan-bahan binaan seperti (ikut arah jam, dari atas kiri) jubin bumbung dan dinding, bar besi, batu-bata dan simen.*

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products under the "Hi-Rev" brand including its line of motor oils that meet the American Petroleum Institute's certification, and automotive components.
- *Posim Petroleum Marketing Sdn Bhd mengedar rangkaian produk berasaskan petroleum di bawah jenama "Hi-Rev" termasuk barisan minyak motor yang menepati persijilan Institut Petroleum Amerika dan komponen automotif.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah ("Pengarah"), saya dengan ini membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Forest Industries Berhad ("LFIB" atau "Kumpulan") bagi tahun kewangan berakhir 30 Jun 2014.

PRESTASI KEWANGAN

Aktiviti perdagangan dan pengedaran kekal menjadi penyumbang utama kepada prestasi kewangan Kumpulan. Perolehan Kumpulan, sebahagian besarnya diperoleh daripada jualan bahan binaan, produk keluli, minyak pelincir dan produk automotif.

Bagi tahun kewangan dalam kajian, Kumpulan telah mencatatkan pendapatan sebanyak RM818 juta, susut sebanyak 19% dari tahun kewangan lalu terutamanya disebabkan oleh kemerosotan permintaan terhadap produk keluli dan jualan produk automotif yang lebih rendah.

Kerugian syarikat-syarikat sekutu sebanyak RM1 juta yang dikongsi oleh Kumpulan adalah berpunca terutamanya daripada kerugian akibat penutupan operasi pengeluaran sebuah syarikat sekutu kita yang terlibat dalam pembuatan dan pengedaran motosikal.

Dalam tahun kewangan ini, Kumpulan telah memperuntukkan kerugian rosot nilai sebanyak RM251 juta ke atas pembayaran belum terima daripada rakan perdagangan utama yang terlibat dalam perniagaan pembuatan keluli. Persekitaran operasi yang sukar dan mencabar yang dihadapi oleh industri keluli tempatan telah menyebabkan aliran tunai rakan-rakan perdagangan berkenaan terjejas dengan teruk. Keadaan ini menyebabkan mereka memerlukan masa yang lebih panjang berbanding jangkaan untuk membayar balik hutang perniagaan mereka. Bersama-sama dengan kerugian yang timbul daripada penilaian adil terhadap pelaburan dan kerugian inventori pertanian, Kumpulan telah mencatatkan kerugian bersih sebanyak RM250 juta berbanding keuntungan sebanyak RM11 juta pada tahun kewangan sebelumnya. Setakat 30 Jun 2014, aset bersih Kumpulan berjumlah RM962 juta atau RM4.15 sesaham.

KAJIAN OPERASI

Bahan Binaan dan Produk Keluli

Bahagian Bahan Binaan dan Produk Keluli bergiat dalam perniagaan dan pengedaran rangkaian pelbagai bahan binaan dan produk berkaitan keluli dalam pasaran domestik. Bahagian ini menjual dan mengedar bahan binaan seperti bar besi, simen, jubin dan batu bata kepada sektor pembinaan. Ia juga menjual dan mengedar produk berkaitan keluli seperti palet bijih besi, besi buruk dan gegelung gelekan panas kepada para pengeluar keluli tempatan untuk kegunaan sebagai stok bahan mentah atau barangan separuh siap bagi kegiatan pembuatan hiliran produk keluli.

Tahun 2014 merupakan satu lagi tahun yang mencabar bagi Bahagian yang mencatatkan pendapatan lebih rendah sebanyak RM717 juta berbanding tahun kewangan sebelumnya. Jualan produk keluli menyusut disebabkan kadar pengambilan yang lebih rendah oleh para pengeluar keluli tempatan setelah operasi mereka terjejas teruk dengan kegiatan lambakan berleluasa di pasaran tempatan berikutan lebihan keluli di peringkat dunia. Tertakluk kepada pelaksanaan langkah-langkah berkesan yang akan diambil oleh kerajaan dalam menangani lambakan itu, prospek industri keluli tempatan kekal mencabar.

Sementara itu, perniagaan pengedaran bahan binaan kita terus berkembang dan mencatatkan keuntungan sejajar dengan pertumbuhan kukuh dalam sektor pembinaan. Dalam usaha mengekalkan keuntungan, kita akan memberi tumpuan kepada mengembang dan mengukuhkan perniagaan bahan binaan dalam segmen runcit supaya secara berterusan dapat memenuhi kehendak pelanggan yang memerlukan pelbagai rangkaian produk, untuk meraih pulangan lebih baik dan pada masa yang sama, dapat bekerjasama rapat dengan para pembekal dan rakan perdagangan yang dihargai.

Dalam melangkah ke hadapan, sektor pembinaan dijangka terus berkembang tetapi pada kadar yang sederhana. Tindakan yang diambil kerajaan untuk membendung kegiatan spekulasi dalam sektor hartanah dan mengekang hutang isi rumah, dan penghapusan Skim Pemaju Tanggung Faedah (Developer Interest Bearing Scheme) dijangka menjejaskan sektor pembinaan pada tahap tertentu. Meskipun begitu, Kumpulan akan terus berwaspada terhadap perubahan pasaran, melakukan inovasi dan menyediakan serangkaian luas produk berkualiti untuk memenuhi permintaan pelanggan yang sentiasa berubah dalam persekitaran perniagaan yang berkembang pesat.

Minyak Pelincir, Produk Petroleum dan Produk Automotif

Pada tahun ini, Bahagian Minyak Pelincir, Produk Petroleum dan Produk Automotif menyambut ulang tahun ke-20 kejayaannya membangunkan jenama "Hi-Rev" dalam pasaran minyak pelincir automotif tempatan. Hi-Rev kini mempunyai 11 gred minyak enjin yang memenuhi keperluan pensijilan Institut Petroleum Amerika yang ketat. Minyak enjin sintetik sepenuhnya keluaran kita berada pada kedudukan tersendiri berbanding saingannya dalam pasaran. Melalui sokongan program pemasaran bersepadu, Hi-Rev menyaksikan kejayaannya berkembang dengan baik sejak tahun-tahun yang lalu dan terus menikmati sokongan yang padu daripada para pelanggan dan rakan sekutunya.

Kita menghargai para pelanggan yang telah berkembang bersama-sama dan mendapat sokongan kita untuk menjayakan perniagaan di kawasan mereka. Kita kekal komited terhadap perkongsian ini dan akan terus menambah nilai dengan program-program pemasaran inovatif bagi memanfaatkan hubungan ini. Kita sentiasa mencari peluang dan berusaha untuk menawarkan produk dan mengukuhkan kedudukan pasaran supaya nilainya kukuh selari dengan rakan perniagaan kita.

Sejak tahun 1997, kilang minyak pelincir kita telah beroperasi dengan pensijilan ISO9000 dan mengeluarkan minyak pelincir yang kualitinya bertaraf dunia untuk memenuhi keperluan OEM dan piawaian antarabangsa seperti API, ACEA and JASO. Makmal kita dilengkapi dengan kemudahan komprehensif untuk memastikan minyak pelincir yang dihasilkan menepati sepenuhnya kawalan mutu kita yang menetapkan peratusan kehilangan minyak enjin akibat penyejatan ketika beroperasi pada suhu yang tinggi.

Ia adalah amat penting untuk memastikan bahawa kemudahan pengeluaran minyak enjin kita sentiasa cekap sepanjang masa. Sehubungan dengan itu, mesin dan sistem pengeluaran tertentu sentiasa dipertingkatkan dan diperbaiki untuk memastikan operasi menjadi lebih lancar dan produktiviti lebih tinggi. Dengan memiliki keupayaan tambahan, Bahagian ini berada dalam kedudukan baik untuk memenuhi pertambahan permintaan daripada prospek yang berpotensi perniagaan, sama ada di dalam mahupun di luar negara.

Sementara itu, selain menikmati jualan minyak pelincir yang tinggi, jualan tayar motosikal kita pula lebih rendah. Prestasi yang bercampur-campur ini menyebabkan Bahagian mencatatkan pendapatan lebih rendah sebanyak RM75 juta manakala keuntungan juga lebih rendah sebanyak RM11 juta dalam tahun kewangan.

Lain-lain

Kumpulan juga terlibat dalam menyediakan perkhidmatan pengangkutan dan pengedaran produk penjagaan kecantikan premium.

Operasi pengangkutan Kumpulan terus menyumbang secara positif kepada prestasi Kumpulan dengan mencatatkan pertumbuhan dalam pendapatan sebanyak 13% bagi tahun kewangan dalam kajian.

Kumpulan telah mendapat hak pengedaran eksklusif produk ACCA KAPPA, satu jenama Itali yang diasaskan pada 1869. Ia menawarkan pelbagai jenis berus rambut premium, serta produk penjagaan tubuh dan haruman di Malaysia. Produk ACCA KAPPA boleh didapati melalui kaunter jualan di gedung beli-belah Parkson, salun rambut profesional dan peruncit dalam talian seperti Parkson Online.

Projek pertanian di Kemboja tidak dimulakan seperti yang dirancang walaupun semua usaha telah dilakukan. Berikutan dengan keadaan yang mencabar, Kumpulan telah merancang untuk merasionalisasi dan mengurangkan skala projek pertanian tersebut.

DIVIDEN

Lembaga Pengarah tidak mencadangkan sebarang pembayaran dividen untuk tahun kewangan berakhir 30 Jun 2014.

KELESTARIAN

Kumpulan kini berusaha melaksanakan pelaporan kelestarian secara lebih komprehensif berdasarkan Inisiatif Pelaporan Global (GRI) dalam menangani cabaran, peluang dan kepentingan tempat kerja, pasaran, komuniti dan alam sekitar. Ini menggambarkan komitmen kita ke arah tadbir urus korporat yang baik dan kemapanan operasi perniagaan kita.

Komuniti

Ketika menjalankan operasi perniagaan, Kumpulan sedar akan tanggungjawabnya sebagai warga korporat dalam menyumbang kepada masyarakat, di samping meningkatkan keuntungan dan nilai pemegang kepentingan. Kumpulan menumpukan kepada membantu masyarakat mencapai kemajuan melalui pendidikan dan rawatan perubatan dengan penubuhan dua buah yayasan 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 setiap tahun, menawarkan biasiswa kepada mahasiswa di universiti-universiti tempatan. Tabung Bantuan Perubatan Kumpulan Lion menyediakan bantuan kewangan kepada golongan kurang bernasib baik yang menderita penyakit kritikal sehingga memerlukan rawatan perubatan termasuk pembedahan, pembelian peralatan perubatan dan ubat-ubatan. Tabung ini juga menaja program kesihatan masyarakat seperti kem perubatan dan pembelian mesin dialisis untuk pusat dialisis yang menyediakan rawatan subsidi kepada para pesakit buah pinggang.

Syarikat-syarikat dalam Kumpulan juga menyokong masyarakat setempat di mana mereka beroperasi dengan mengambil bahagian dalam program-program kebajikan dan mengerakkan usaha pengumpulan dana untuk membantu mereka yang memerlukan.

Alam Sekitar

Kumpulan sentiasa prihatin terhadap isu alam sekitar dengan menekankan kepada penggunaan teknologi baharu 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 seumpamanya. Ini termasuk pengurusan sisa buangan dan pengenalan produk yang menjimatkan tenaga dan proses-proses lebih cekap seperti teknik pengurusan 5S yang diguna pakai oleh operasi perkilangan, perdagangan dan pengangkutan kita. Bahagian Bahan Binaan kita mempromosi dan menjual pelbagai jenis produk di bawah Indeks Bangunan Hijau daripada rangkaian simen, papan siling dan blok berudaranya.

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

Dalam Pasaran

Tahun 2014 menyaksikan Akta Perlindungan Data Peribadi 2010 dikuatkuasakan untuk menjamin kerahsiaan data peribadi dalam semua operasi kita dan urusan dengan orang ramai. Bagi mencapai tahap ketelusan yang lebih baik, kita juga memperkukuhkan dasar-dasar yang mentadbir urusan perniagaan kami, tata laku pekerja dan pengurusan kesinambungan perniagaan melalui Rangka Kerja Kelestarian. Sebagai persediaan kepada pelaksanaan Cukai Barangan dan Perkhidmatan ("GST") pada tahun 2015, Kumpulan telah menjalankan analisis kesan yang perlu dan mengambil langkah-langkah persediaan untuk memastikan pematuhannya apabila GST mula dikuatkuasakan.

Tempat Kerja

Usaha Kumpulan untuk menarik, mengekal dan memotivasikan pekerja dilakukan di bawah lima bidang tumpuan strategik atau tunggak Sumber Manusia ("HR") iaitu Ganjaran, Pembangunan Bakat, Pembangunan Keupayaan atau Kapasiti, Kecemerlangan Operasi HR dan Penglibatan Pekerja.

Tanda aras gaji dan faedah dibuat secara berterusan agar kekal relevan dan berdaya saing. Proses pengurusan prestasi sedang dirombak untuk mewujudkan budaya prestasi yang kukuh dengan mengaitkan perniagaan, prestasi individu dan hasil ganjarannya.

Pembelajaran dan Pembangunan Diri diberikan penekanan di semua peringkat kakitangan dengan sokongan CeDR Corporate Consulting Sdn Bhd, penyedia latihan Kumpulan, dengan tumpuan membangunkan kecekapan dan pembelajaran secara berterusan. Pembelajaran secara berterusan ini digalakkan secara aktif sebagai asas pertumbuhan pekerja di dalam Kumpulan dengan menetapkan tempoh mandatori pembelajaran tahunan yang minimum bagi setiap pekerja.

Bagi mencapai kecemerlangan operasi HR, Kumpulan telah memulakan pelaksanaan projek untuk menyeragam dan menempatkan Sistem Maklumat HR (HRIS) dan senarai gaji pada satu platform yang sama. Langkah ini akan memperkemas dan memodenkan lagi proses berkaitan sumber manusia Kumpulan sambil memberikan kuasa kepada para pengurus dan pekerja dalam mengendalikan proses operasi dan strategik HR.

Kumpulan sentiasa menekankan kepada aktiviti yang membawa kepada penglibatan pekerja daripada sesi perbincangan perniagaan secara "town hall", "Lunch and Learn" dan kegiatan sosial dan rekreasi. Kesemua ini mewujudkan tenaga kerja bermotivasi dan kerja berpasukan yang efektif.

PROSPEK

Dalam melangkah ke hadapan, Kumpulan akan meneruskan usaha untuk mengukuh dan meluaskan jaringan perniagaan serta menawarkan pelbagai rangkaian produk yang optimum dengan memberi penekanan kepada produk bermargin keuntungan tinggi. Kita yakin bahawa Bahagian Bahan Binaan dan Produk Petroleum akan memberikan sumbangan yang positif kepada keuntungan operasi Kumpulan pada tahun kewangan berikutnya walaupun Kumpulan berhadapan pelbagai cabaran semasa merasionalisasi dan mengurangkan skala operasi Bahagian Pertanian.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada para pemegang saham, pembiaya, rakan perniagaan dan pihak berkuasa kerajaan dan kawal selia terbabit atas sokongan dan keyakinan berterusan mereka kepada Kumpulan.

Saya juga ingin menyampaikan penghargaan ikhlas dan ucapan terima kasih kepada rakan-rakan Pengarah atas bimbingan, sokongan dan sumbangan mereka yang tidak ternilai.

Akhir sekali, ucapan terima kasih juga ditujukan kepada pihak pengurusan dan warga kerja atas dedikasi serta komitmen mereka kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad ("LFIB" or "the Group") for the financial year ended 30 June 2014.

FINANCIAL PERFORMANCE

Trading and distribution activities remained the core contributors to the financial performance of the Group. The Group's revenue is predominantly derived from the sales of building materials, steel products, lubricants and automotive products.

For the financial year under review, the Group recorded a revenue of RM818 million, a decrease of 19% from the previous financial year. This was mainly due to the decline in demand for steel products and lower sales of automotive products.

The associated companies' loss of RM1 million shared by the Group was mainly attributable to loss on production shutdown recorded by our associated company involved in the manufacturing and distribution of motorcycles.

During the financial year, the Group recognised an impairment loss of RM251 million on receivables owing by our major trading partners involved in the steel manufacturing business. The tough and challenging operating environment confronting the local steel industry had adversely affected the cash flow of these trading partners which therefore required a longer than expected period to repay their trade debts. Coupled with the losses arising from the fair valuation of the investments and the losses from agriculture inventories, the Group posted a net loss of RM250 million against a profit of RM11 million in the previous financial year. As at 30 June 2014, the Group's net assets stood at RM962 million or RM4.15 per share.

REVIEW OF OPERATIONS

Building Materials and Steel Products

Our Building Materials and Steel Products Division trades in and distributes a wide range of building materials and steel 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 products such as iron ore pellets, steel scrap and hot rolled coils to the local steel producers for use as feed stock or semi-finished goods for downstream manufacturing of steel products.

2014 marked a challenging year for the Division which registered a lower revenue of RM717 million as compared to the previous financial year. Sales of steel products declined due to the lower take-up rate by the local steel producers whose operations were adversely affected by the rampant dumping activities in the local market due to the global steel glut. Pending the implementation of effective measures by the Government to curb the dumping, the outlook for the local steel industry remains challenging.

Meanwhile, our building materials distribution business continued to grow and recorded a profit in line with the strong growth in the construction sector. To remain profitable, we will focus on expanding and strengthening our building materials business in the retail segment to continually serve customers who require a range of products that provide better returns and at the same time, working closely with our valued suppliers and trading partners.

Moving forward, the construction sector is expected to continue to grow but at a moderate pace. The curtailment action by the Government to curb property speculation and rein in household debts, and the abolishment of the Developer Interest Bearing Scheme are expected to affect the construction sector to a certain extent. Nonetheless, the Group will remain vigilant to market changes, embrace innovation and provide a wide range of quality products to meet the ever changing demands of customers in the rapidly evolving business environment.

Lubricants, Petroleum and Automotive Products

This year, our Lubricants, Petroleum and Automotive Products Division celebrated its 20th year of successful brand building in the domestic automotive lubricant market for the "Hi-Rev" brand. Hi-Rev currently boasts a line of 11 grades of motor oils that meet the American Petroleum Institute's strict certification requirements. Our wide range of fully synthetic motor oil has placed us in a distinctive position in the high street motor oil market. Backed by our comprehensive marketing programs, Hi-Rev's success has grown steadily over the years, and continues to enjoy strong support from customers and associates.

We value our customers who have grown with us and received our support to successfully establish their businesses in their localities. We remain committed to these partnerships and will continue to add value with innovative marketing programs to benefit our alliances. Where opportunities arise, we shall seek to align our product offerings and reinforce our market position so that our value would strongly resonate with our business partners.

Since 1997, our lubricant plant has been operating with ISO9000 certification and producing world class quality lubricants that meet OEM requirements and international standards such as API, ACEA and JASO. Our laboratory is equipped with comprehensive facilities to ensure that the lubricants produced fully satisfy our quality control standards which determine the percentage of engine oil evaporation loss during high temperature operations.

It is also crucial that our lubricant manufacturing facilities produce efficiently at all times. In this regard, various production machineries and systems have been continuously upgraded and improved on to ensure smoother operations and higher productivity. With the extra capacity, the Division is well positioned to meet any increase in demand arising from potential business prospects, both locally and internationally.

On the other hand, while achieving higher sales for lubricants, sales of our motorcycle tyres were lower. This mixed performance resulted in the Division recording a lower revenue of RM75 million and a lower profit of RM11 million for the financial year under review.

Others

The Group is also involved in the provision of transportation services and the distribution of premium beauty care products.

Our transportation operations continued to contribute positively to the Group's performance with a 13% growth in revenue for the financial year under review.

The Group has exclusive distributorship of ACCA KAPPA, an Italian brand established in 1869 offering a wide range of premium hair brushes, body products and fragrances, in Malaysia. ACCA KAPPA products are available through sales counters at Parkson department stores, professional hair salons and online retailers such as Parkson Online.

The agriculture project in Cambodia did not commence according to plan despite all efforts taken. In view of the challenging conditions faced, the Group has plans to rationalise and scale down the agriculture project.

DIVIDEND

The Board does not recommend any dividend for the financial year ended 30 June 2014.

SUSTAINABILITY

The Group is moving towards a more comprehensive Sustainability reporting based on the Global Reporting Initiative (GRI) to address the challenges, opportunities and interests of our workplace, marketplace, community and the environment. This reflects our commitment towards good corporate governance and the sustainability of our business operations.

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 stakeholders' 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 every year, offers scholarships to undergraduates in the local universities. 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.

The companies within the Group also support the local community wherein they operate by participating in charity programmes and fundraising drives to assist those in need.

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 wastes management and introduction of more efficient and energy-saving products and processes such as 5S management techniques by our manufacturing, trading and transportation operations. Our building materials division is promoting and selling a variety of Green Building Index products in its range of cement, ceiling boards and aerated blocks.

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.

Marketplace

2014 saw the implementation of the Personal Data Protection Act, 2010 upholding the privacy of personal data in all our operations and dealings with the public. In moving towards greater transparency, we had also strengthened our policies governing our business dealings, conduct of employees and business continuity management via our Sustainability Framework. In preparation for the implementation of the Goods and Services Tax ("GST") in 2015, the Group has undertaken the necessary impact analysis and preparatory steps to ensure due compliance when GST comes into force.

Workplace

The Group's efforts to attract, retain and motivate employees are pursued under five Human Resource ("HR") strategic focus areas or pillars i.e. Rewards, Talent Development, Capability Building, HR Operational Excellence and Employee Engagement.

Salary and benefits are continuously bench-marked so as to remain relevant and competitive. The performance management process is being revamped to create a strong performance culture with linkage between business and individual performance and the reward outcomes.

Learning and Development is emphasized at all levels with the support of CeDR Corporate Consulting Sdn Bhd, the Group's training provider, with focus on Competence Development and Continuing Education. Continuous learning is actively promoted as the basis for employee growth within the Group with mandatory minimum annual learning hours per employee.

Under HR Operational Excellence, the Group has embarked on a project to implement a unified and common HR Information System (HRIS) and payroll. This will further streamline and modernise the Group's People Processes whilst empowering managers and employees in managing both operational and strategic HR processes.

The Group continues to emphasize employee engagement activities ranging from business town-hall sessions, "lunch and learn" to social and recreational pursuits. These in turn create a fully engaged workforce who are happily motivated and effective team-players.

PROSPECTS

Moving forward, the Group will continue its efforts to strengthen and expand its business network and product range through an optimal product mix with emphasis on high profit margin products. We are optimistic both our Building Materials and Petroleum Products Divisions will contribute positively to the operating profit of the Group in the next financial year despite the challenges faced by the Group as we rationalise and scale down our Agriculture Division.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I wish to express our deepest appreciation to our shareholders, financiers, business associates and the various governmental and regulatory authorities for their continuing support and confidence in the Group.

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

Last but not least, my sincere thanks go to the management and staff for their dedication and commitment to the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，提呈截至2014年6月30日的会计年度，金狮森林工业有限公司（LION FOREST INDUSTRIES BERHAD）的常年报告及经审核财务报告。

业绩

贸易与分销业务继续成为本集团业绩的主要来源。本集团的营业额主要来自建筑材料、钢铁产品、润滑油及汽车产品的销售。

本集团在检讨年度内取得8亿1千800万令吉的营业额，比之前的会计年度减少19%。这主要是钢铁产品的需求减少及汽车产品的较低销售所致。

本集团承担了100万令吉的联号公司亏损，主要是业务涉及摩哆车生产与分销的联号公司停止生产所导致。

会计年度内，本集团接纳了应收账项方面的2亿5千100万令吉减值损失，是涉及钢铁制造业务的主要贸易伙伴所拖欠。本地钢铁业的艰辛与充满挑战的运作环境，经已对这些贸易伙伴的现金流动造成不利影响，因此他们需要比预期更长的时间来偿还他们的贸易债务。此外，连同投资合理化的估值及农业存货的损失，本集团蒙受2亿5千万令吉的净亏损，上个会计年度则为1千100万令吉的盈利。截至2014年6月30日止，本集团的净产值达9亿6千200万令吉或每股4令吉15仙。

业务检讨

建筑材料与钢铁产品

我们的建筑材料与钢铁产品组在国内市场贸易与销售一系列的建筑材料与钢铁产品。本组销售与分销的建材包括为建筑业供应钢条、洋灰和砖瓦，同时也销售与分销钢铁相关产品如铁矿球团、废铁和热轧钢卷给本地钢铁厂商，作为钢铁产品下游制造业的原料或半制成品。

2014年对该组来说，是充满挑战的一年，取得7亿1千700万令吉的较低营业额。由于全球钢铁市场供过于求，造成本地市场出现大量的倾销活动，本地钢铁厂商因而受负面的影响，造成本集团的钢铁产品销售下跌。在政府还未采取有效措施抵制这些倾销活动之前，本地钢铁业的前景依然充满挑战。

另一方面，我们的建筑材料分销业务继续成长，随着建筑领域强势成长的情况下取得盈利。我们也将扩展及加强建筑材料业务的零售市场，继续为顾客提供一系列的产品以获取更高回酬，同时也与我们珍贵的供应商和贸易伙伴密切合作，以便保持盈利。

建筑领域未来料会以适中速度继续成长。政府所采取打压房地产投機活动的措施、控制家庭债务以及取消发展商利息承担配套的紧缩行动，在某种程度上会影响建筑领域。不过，本集团将继续对市场变化维持应有的警惕，采取革新措施及供应一系列的优质产品，以便在变幻莫测的商业环境中，应付顾客变化迅速的需求。

润滑油、石油与汽车产品

我们的润滑油、石油与汽车产品组今年欢庆成功在本地汽车润滑油市场建立“Hi-Rev”品牌20周年纪念。Hi-Rev目前拥有11个等级的润滑油系列，符合美国石油公会严格的认证。种类繁多的全合成润滑油系列，让我们在高档润滑油市场占有优势。全面的行销计划支援下，Hi-Rev多年来成功稳健成长，持续获得顾客和贸易伙伴的强大支持。

我们珍惜所有多年来与我们同舟共济、一起成长的顾客，提供所需的支援让他们成功建立和拓展商业版图。我们致力于维持这种伙伴关系，不断提供革新的行销计划等增值服务，以让联盟企业受惠。当机会浮现时，我们也将调整产品系列，巩固市场地位，让我们的价值能和商业伙伴们有震撼的共鸣。

自1997年以来，我们的润滑油工厂运作已获得ISO9000认证，生产的世界级润滑油，绝对符合原厂代工的要求与国际标准，如API、ACEA 和 JASO。我们的实验室也装配了最齐全的设施，确保所生产的润滑油符合高品质的标准和能在高温环境下顺利操作。

我们需要确保润滑油生产设施在任何时候都能够有效的运作。在这方面，我们不断提升和改善各种生产机械和系统，确保操作更流畅及具有更高生产力。具备额外的产能后，本组能应付来自本地或国际的潜在商业顾客的增加需求。

另一方面，尽管我们获得更高的润滑油销售，但我们的摩哆车轮胎销售却面对下跌的情况。这种起落参杂的表现，导致本组在检讨的会计年度内，取得7千500万令吉的较低营业额和1千100万令吉的较低盈利。

其他

本集团也涉及运输服务及优质美容护理产品分销。

运输业务继续为本集团的表现做出积极贡献，在检讨会计年度内取得13%的营业额成长。

本集团独家分销的意大利名牌ACCA KAPPA，在马来西亚市场销售一系列的优质发梳、护肤产品与香水。这个于1869年创立的意大利品牌，是通过百盛百货商店的销售柜台、专业美发沙龙及网路零售商如百盛线上购物（Parkson Online）等方式销售。

尽管采取所有的努力，在柬埔寨进行的农业计划无法如期落实。鉴于面对艰难的挑战局面，本集团计划合理化和缩小农业计划的规模。

股息

董事部不建议在截至2014年6月30日止的会计年度内，派发任何股息。

可持续性

本集团正朝向根据“全球报告倡议”的报告成为具有更加全面可持续性的企业，以处理对我们的工作场所、市场、社区和环境的关注与利益。这反映出我们的决心，要朝向成为良好的企业管理方法和使我们的商业业务具有可持续性。

社区

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，在提高利润和利益相关者价值的同时，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、慈善与科学研究用途；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人士提供财务援助，包括手术、购置医疗仪器和药物。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器。

本集团内的所有成员公司，向来都支持所在的社区，包括举办与参与慈善和筹款活动，以协助那些需要帮助的人士。

环境

本集团继续专注于采用全新技术与业界最具环保效益的准则来维护环境，充分利用资源与促进能源效益。本集团的业务运作完全严格遵守其所在领域的环境法律及条例管制。这包括在我们的制造、贸易与运输运作方面，采用更具效率与节能的产品与程序，如5S管理技巧。我们的建筑材料组也促销与售卖一系列符合绿色建筑指数的产品，包括洋灰、天花板及加气混凝土砌块。

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。

市场环境

我们在2014年推行“2010年保护个人资料法案”，在我们的所有业务以及和公众人士来往方面，捍卫个人资料的隐私权。在朝向更大程度的透明度方面，我们也通过我们的“持续性架构”以加强监督我们的商业来往、雇员行为和商业持续管理的各种政策。在准备于2015年执行消费税方面，本集团已经采取了所需的影响分析和各种准备步骤，以确保在消费税实施时加以遵循。

工作环境

本集团致力于在人力资源的五个策略关注领域或支柱之下，吸引、留住和激励雇员。这五个领域是：酬劳、才能开发、能力塑造、人力资源业务杰出表现以及员工敬业度。

薪金和福利的持续标杆，以便保持适切和具有竞争性。表现管理程序正在加以改进，以创造一种强劲的表现文化，使业务和个人表现以及酬劳的结果挂钩。

在CeDR企业咨询公司（本集团一家提供训练的公司）的支援之下，各阶层（雇员）都注重学习与开发，集中在能力开发与不断学习。不断学习受到积极鼓励，成为雇员在本集团成长的基础，每名雇员都受到强制，必须接受最低时数的常年学习。

在人力资源业务杰出项目之下，本集团着手一项计划，以实行统一和共同的人力资源系统和薪酬结算。这进一步使集团的人力程序精简化和现代化，同时授权经理人员和雇员管理人力程序的运作与策略。

本集团持续强调员工的敬业活动，从商业公听会、“午餐与学习”到社交与休闲活动。这些活动将创造一个充分敬忠职守的工作队伍，成为气势如虹及有效率的开心团队。

展望

本集团未来将继续致力加强与扩展商业网络与产品系列，建立最佳的产品结构，注重高利润的产品。尽管集团面对种种挑战，我们乐观地认为建筑材料与石油产品业务将继续在下个会计年度为本集团的营运盈利做出积极贡献。我们将同时合理化及缩小农业业务的规模。

鸣谢

我谨代表董事部，衷心感谢珍贵的股东、银行机构、商业伙伴及各政府与执法机构对本集团的持续支持与信心。

我也要至诚感谢董事同仁，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
丹斯里锺廷森

FINANCIAL STATEMENTS

2014

For The Financial Year Ended 30 June 2014

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2014.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding, trading and distribution of building materials, and trading of steel products.

The principal activities of the subsidiary companies are as disclosed in Note 13 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.

SIGNIFICANT EVENT

Significant event during the financial year is disclosed in Note 37 to the Financial Statements.

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 before tax	(236,620)	13,356
Income tax expense	(13,386)	(4,052)
(Loss)/Profit for the year	(250,006)	9,304
Loss attributable to:		
Owners of the Company	(249,339)	
Non-controlling interests	(667)	
	(250,006)	

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

The first and final dividend of 2.0 sen per ordinary share, less 25% tax, amounting to RM3.5 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the current financial year.

The Directors do not recommend any dividend payment in respect of the current financial year.

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.

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 5 years. The main features of the ESOS are as disclosed in Note 25 to the Financial Statements.

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

OTHER STATUTORY INFORMATION

Before the statements of profit or loss, 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.

OTHER STATUTORY INFORMATION (continued)

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 stated below.

As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, the Company 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, as disclosed in Note 33 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 succeeding financial year.

DIRECTORS

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

Tan Sri William H.J. Cheng
Chan Ho Wai
Dato' Kalsom binti Abd. Rahman
Dato' Eow Kwan Hoong
Lin Chung Dien

In accordance with Article 98 of the Company's Articles of Association, Mr Chan Ho Wai retires by rotation at the forthcoming Annual General Meeting, being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Tan Sri William H.J. Cheng and Mr Lin Chung Dien retire and offer themselves for re-appointment as Directors of the Company to hold office until the next Annual General Meeting.

Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served on the Board as an independent non-executive Director for more than nine years, shall retire at the forthcoming Annual General Meeting and the Company shall seek shareholders' approval for her 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 1.7.2013	**Additions**	**Disposals**	**As of 30.6.2014**
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Lin Chung Dien	7,060	–	–	7,060
Dato' Eow Kwan Hoong	8,026	–	–	8,026
Indirect interest				
Tan Sri William H.J. Cheng	179,328,348	1,334,745	(6,396,652)	174,266,441

DIRECTORS' INTERESTS (continued)

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 1.7.2013	**Additions**	**Disposals**	**As of 30.6.2014**
Tan Sri William H.J. Cheng				
Direct interest				
Lion Industries Corporation Berhad	216,865,498	–	–	216,865,498

	Nominal value per ordinary share	Number of shares			
		As of 1.7.2013	**Additions**	**Disposals**	**As of 30.6.2014**
Indirect interest					
Angkasa Amsteel Pte Ltd	*	11,517,999	–	–	11,517,999
Angkasa Welded Mesh Pte Ltd	*	100,000	–	–	100,000
Brands Pro Management Sdn Bhd	RM1.00	700,000	700,000	–	1,400,000
Holdsworth Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	RM1.00	212,500	–	–	212,500
Lion AMB Holdings Pte Ltd	*	31,750,100	–	(6,350,020)	25,400,080
Lion AMB Resources Berhad	RM1.00	300,768,425	21,064	–	300,789,489
Lion Industries Corporation Berhad	RM1.00	46,871,111	952,451	(952,451)	46,871,111
Lion Rubber Industries Pte Ltd	*	10,000,000	–	–	10,000,000
LLB Enterprise Sdn Bhd	RM1.00	690,000	–	–	690,000
Marvenel Sdn Bhd	RM1.00	100	–	–	100
Ototek Sdn Bhd	RM1.00	1,050,000	–	–	1,050,000
P.T. Lion Intimung Malinau	USD1.00	4,750,000	–	–	4,750,000
Posim EMS Sdn Bhd	RM1.00	800,000	–	–	800,000
Soga Sdn Bhd	RM1.00	4,502,389	22,933	–	4,525,322
Steelcorp Sdn Bhd	RM1.00	99,750	–	–	99,750
Zhongsin Biotech Pte Ltd	*	1,000,000	–	–	1,000,000

Investment in the People's Republic of China	**Currency**	**As of 1.7.2013**	**Additions**	**Disposals**	**As of 30.6.2014**
Indirect interest					
Tianjin Baden Real Estate Development Co Ltd (In liquidation - voluntary)	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary)	USD	10,878,944	–	–	10,878,944

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

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest 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 transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies or persons connected with such Directors have interests as disclosed in Note 19 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.

HOLDING COMPANIES

The Company is a subsidiary company of Amsteel Mills Sdn Bhd, a private limited liability company incorporated in Malaysia. The Directors regard Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

AUDITORS

The auditors, Messrs Deloitte (formerly known as 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 WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
13 October 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Financial Statements

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2014 and the statements of profit or loss, 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 43 to 123.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International 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 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 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International 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 4(ii)(e) and Note 30 to the Financial Statements, which further explained an uncertainty regarding the provision made for damages estimated to arise from a litigation claim and to Note 4(ii)(b) to the Financial Statements regarding the credit risk with related parties, namely Megasteel Sdn Bhd, Lion DRI Sdn Bhd and Graimpi Sdn Bhd.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the 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 auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 13 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

(c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and

(d) The auditors' reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

Other Matter

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

Other Reporting Responsibilities

The supplementary information set out in page 124 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Company are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("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.

DELOITTE
AF 0080
Chartered Accountants

KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN
Partner - 2903/11/15 (J)
Chartered Accountant

Kuala Lumpur
13 October 2014

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Revenue	5	**817,922**	1,011,304	**91,333**	86,279
Other operating income		**36,500**	34,427	**12,878**	18,969
Changes in inventories of finished goods and trading merchandise		**(11,578)**	10,510	**–**	–
Raw materials and consumables used		**(28,855)**	(23,906)	**–**	–
Purchase of trading merchandise		**(703,758)**	(920,382)	**(78,689)**	(70,824)
Staff costs	6	**(23,803)**	(21,584)	**(2,464)**	(3,482)
Depreciation of:					
Property, plant and equipment	11	**(5,461)**	(3,892)	**(78)**	(78)
Investment properties	12	**(18)**	(29)	**(18)**	(29)
(Loss)/Gain on foreign exchange:					
Realised		**(164)**	(410)	**232**	279
Unrealised		**24**	(1)	**(211)**	(140)
Other operating expenses		**(36,217)**	(28,551)	**(1,482)**	(10,370)
Profit from operations	6	**44,592**	57,486	**21,501**	20,604
Finance costs	7	**(533)**	(363)	**(8,145)**	(9,177)
Share in results of associated companies		**(970)**	4,086	**–**	–
Impairment losses on:					
Trade receivables		**(114,081)**	(26,557)	**–**	–
Other receivables		**(140,919)**	–	**–**	–
Quoted investments		**(5,307)**	(3,612)	**–**	–
Unquoted investments		**(9,138)**	–	**–**	–
Inventories written down		**(10,264)**	–	**–**	–
Loss on redemption of unquoted investments		**–**	(5,402)	**–**	–
(Loss)/Profit before tax		**(236,620)**	25,638	**13,356**	11,427
Income tax expense	8	**(13,386)**	(14,753)	**(4,052)**	(2,673)
(Loss)/Profit for the year		**(250,006)**	10,885	**9,304**	8,754
(Loss)/Profit attributable to:					
Owners of the Company		**(249,339)**	10,866	**9,304**	8,754
Non-controlling interests		**(667)**	19	**–**	–
(Loss)/Profit for the year		**(250,006)**	10,885	**9,304**	8,754
(Loss)/Earnings per ordinary share attributable to owners of the Company (sen)	9				
Basic and diluted		**(107.67)**	4.69		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/Profit for the year	**(250,006)**	10,885	**9,304**	8,754
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss	**–**	–	**–**	–
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences arising from foreign operations	**3,442**	1,150	**–**	–
Changes in fair value of available-for-sale financial assets and assets classified as held for sale	**(269)**	66	**–**	–
Realisation of fair value gain on disposal of assets classified as held for sale	**–**	(2,256)	**–**	–
Other comprehensive income/(loss) for the year	**3,173**	(1,040)	**–**	–
Total comprehensive (loss)/income for the year	**(246,833)**	9,845	**9,304**	8,754
Total comprehensive (loss)/income attributable to:				
Owners of the Company	**(246,517)**	9,431	**9,304**	8,754
Non-controlling interests	**(316)**	414	**–**	–
Total comprehensive (loss)/income for the year	**(246,833)**	9,845	**9,304**	8,754

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2014

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	**36,472**	28,031	**4,928**	5,006
Investment properties	12	**632**	650	**632**	650
Investment in subsidiary companies	13	**–**	–	**60,214**	60,206
Investment in associated companies	14	**77,223**	78,085	**–**	–
Other investments	15	**3,963**	13,487	**18**	18
Trade receivables	22(a)	**135,125**	86,718	**–**	–
Other receivables	22(b)	**139,519**	–	**–**	–
Intangible assets	16	**–**	–	**–**	–
Goodwill on consolidation	17	**–**	–	**–**	–
Deferred tax assets	18	**3,970**	3,359	**–**	–
Total Non-Current Assets		**396,904**	210,330	**65,792**	65,880
Current Assets					
Inventories	20	**18,347**	29,532	**–**	–
Other investments	21	**1,710**	9,325	**–**	–
Trade receivables	22(a)	**121,197**	378,239	**4,023**	4,028
Other receivables and prepayments	22(b)	**126,134**	246,690	**12,092**	11,325
Amount owing by subsidiary companies	13(a)	**–**	–	**747,171**	737,279
Amount owing by immediate holding company	19	**164,227**	150,293	**–**	–
Amount owing by other related companies	19	**128,550**	120,760	**127,820**	120,265
Tax recoverable		**967**	1,604	**273**	958
Fixed deposits, cash and bank balances	23	**211,674**	236,017	**145,406**	153,489
		772,806	1,172,460	**1,036,785**	1,027,344
Assets classified as held for sale	24	**–**	470	**–**	470
Total Current Assets		**772,806**	1,172,930	**1,036,785**	1,027,814
Total Assets		**1,169,710**	1,383,260	**1,102,577**	1,093,694

(Forward)

	Note	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	25	**231,572**	231,572	**231,572**	231,572
Reserves	26	**730,477**	980,451	**535,556**	529,726
Equity attributable to owners of the Company		**962,049**	1,212,023	**767,128**	761,298
Non-controlling interests		**30,897**	32,024	**–**	–
Total Equity		**992,946**	1,244,047	**767,128**	761,298
Non-Current and Deferred Liabilities					
Redeemable cumulative convertible preference shares	27	**–**	–	**–**	–
Hire-purchase payables	28	**520**	753	**142**	199
Deferred tax liabilities	18	**1,281**	1,226	**280**	280
Amount owing to a subsidiary company	13(b)	**–**	–	**12,691**	12,337
Total Non-Current and Deferred Liabilities		**1,801**	1,979	**13,113**	12,816
Current Liabilities					
Trade payables	29(a)	**71,947**	52,456	**9,177**	9,017
Other payables and accrued expenses	29(b)	**54,804**	52,795	**5,199**	5,260
Provision	30	**15,000**	15,000	**15,000**	15,000
Amount owing to ultimate holding company	19	**692**	717	**–**	–
Amount owing to other related companies	19	**7,593**	5,401	**–**	–
Amount owing to subsidiary companies	13(b)	**–**	–	**292,905**	290,251
Hire-purchase payables	28	**231**	917	**55**	52
Bank borrowings	31	**23,023**	5,771	**–**	–
Tax liabilities		**1,673**	4,177	**–**	–
Total Current Liabilities		**174,963**	137,234	**322,336**	319,580
Total Liabilities		**176,764**	139,213	**335,449**	332,396
Total Equity and Liabilities		**1,169,710**	1,383,260	**1,102,577**	1,093,694

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

The Group	Note	Share capital RM'000	Share premium RM'000	Non-distributable reserves: Translation adjustment reserve RM'000	Non-distributable reserves: Capital reserve RM'000	Non-distributable reserves: Capital redemption reserve RM'000	Non-distributable reserves: Fair value reserve RM'000	Distributable 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		231,572	689,330	9,755	264	9	2,617	273,656	1,207,203	32,423	1,239,626
Profit for the year		–	–	–	–	–	–	10,866	10,866	19	10,885
Other comprehensive income/(loss) for the year		–	–	755	–	–	(2,190)	–	(1,435)	395	(1,040)
Total comprehensive income/(loss)		–	–	755	–	–	(2,190)	10,866	9,431	414	9,845
Dividend paid	10	–	–	–	–	–	–	(4,631)	(4,631)	–	(4,631)
Dividend paid to non-controlling interests of a subsidiary company		–	–	–	–	–	–	–	–	(786)	(786)
Redemption of redeemable cumulative convertible preference shares by a subsidiary company		–	–	–	–	271	–	(271)	–	–	–
Acquisition of non-controlling interests		–	–	–	–	–	–	20	20	(27)	(7)
As of 30 June 2013		231,572	689,330	10,510	264	280	427	279,640	1,212,023	32,024	1,244,047

(Forward)

The Group	Note	Share capital RM'000	Share premium RM'000	Translation adjustment reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Distributable reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
			← Non-distributable reserves →								
As of 1 July 2013		**231,572**	**689,330**	**10,510**	**264**	**280**	**427**	**279,640**	**1,212,023**	**32,024**	**1,244,047**
Loss for the year		–	–	–	–	–	–	(249,339)	(249,339)	(667)	(250,006)
Other comprehensive income/(loss) for the year		–	–	3,091	–	–	(269)	–	2,822	351	3,173
Total comprehensive income/(loss)		–	–	3,091	–	–	(269)	(249,339)	(246,517)	(316)	(246,833)
Dividend paid	10	–	–	–	–	–	–	(3,474)	(3,474)	–	(3,474)
Dividend paid to non-controlling interests of a subsidiary company		–	–	–	–	–	–	–	–	(786)	(786)
Acquisition of non-controlling interests		–	–	–	–	–	–	17	17	(25)	(8)
As of 30 June 2014		**231,572**	**689,330**	**13,601**	**264**	**280**	**158**	**26,844**	**962,049**	**30,897**	**992,946**

(Forward)

The Company	Note	Share capital RM'000	← Non-distributable reserves Share premium RM'000	Capital reserve RM'000 →	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2012		231,572	689,330	264	(163,991)	757,175
Total comprehensive income for the year		–	–	–	8,754	8,754
Dividend paid	10	–	–	–	(4,631)	(4,631)
As of 30 June 2013		231,572	689,330	264	(159,868)	761,298
As of 1 July 2013		**231,572**	**689,330**	**264**	**(159,868)**	**761,298**
Total comprehensive income for the year		**–**	**–**	**–**	**9,304**	**9,304**
Dividend paid	10	**–**	**–**	**–**	**(3,474)**	**(3,474)**
As of 30 June 2014		**231,572**	**689,330**	**264**	**(154,038)**	**767,128**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

The Group	2014 RM'000	2013 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
(Loss)/Profit for the year	**(250,006)**	10,885
Adjustments for:		
Impairment losses on:		
Trade receivables	**114,081**	26,557
Other receivables	**140,919**	–
Quoted investments	**5,307**	3,612
Unquoted investments	**9,138**	–
Investment properties	**–**	98
Income tax expense recognised in profit or loss	**13,386**	14,753
Inventories written down	**10,264**	–
Depreciation of:		
Property, plant and equipment	**5,461**	3,892
Investment properties	**18**	29
Share in results of associated companies	**970**	(4,086)
Finance costs	**533**	363
Allowance for slow-moving and obsolete inventories	**190**	149
Interest income	**(34,637)**	(29,057)
Impairment losses no longer required for trade receivables	**(582)**	(1,327)
Gain on disposal of:		
Property, plant and equipment	**(533)**	(834)
Assets classified as held for sale	**–**	(976)
Unrealised (gain)/loss on foreign exchange	**(24)**	1
Dividend income from:		
Quoted investments	**(2)**	(3)
Unquoted investments	**–**	(480)
Loss on redemption of unquoted investments	**–**	5,402
Bad debts written off	**–**	2
Operating Profit Before Working Capital Changes	**14,483**	28,980
(Increase)/Decrease in:		
Inventories	**731**	9,835
Trade receivables	**(64,864)**	(180,556)
Other receivables and prepayments	**2,295**	68,358
Amount owing by immediate holding company	**(13,930)**	(19,660)
Amount owing by other related companies	**(236)**	(63)
Increase in:		
Trade payables	**19,491**	10,879
Other payables and accrued expenses	**4,207**	6,569
Cash Used In Operations	**(37,823)**	(75,658)
Interest received	**21,385**	15,765
Income tax paid	**(16,154)**	(18,719)
Income tax refunded	**345**	1,197
Net Cash Used In Operating Activities	**(32,247)**	(77,415)

(Forward)

The Group	Note	2014 RM'000	2013 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest received from:			
Fixed deposits with licensed banks		**5,697**	6,024
Other related companies		**7,555**	7,268
Proceeds from redemption of other investments		**1,026**	487
Proceeds from disposal of:			
Property, plant and equipment		**730**	1,033
Assets classified as held for sale		**470**	20,709
Dividend income received from:			
An associated company		**382**	1,853
Quoted investments		**2**	3
Unquoted investments		**–**	480
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**(21,307)**	26,891
Amount owing by ultimate holding company		**(25)**	717
Amount owing by immediate holding company		**(4)**	36
Amount owing by other related companies		**(7,554)**	(5,646)
Purchase of property, plant and equipment (Note)		**(14,099)**	(5,453)
Acquisition of non-controlling interests		**(8)**	(7)
Net Cash (Used In)/From Investing Activities		**(27,135)**	54,395
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase in:			
Bank borrowings		**17,252**	1,817
Amount owing to other related companies		**2,192**	4,121
Dividends paid to:			
Owners of the Company		**(3,474)**	(4,631)
Non-controlling shareholders of a subsidiary company		**(786)**	(786)
Payment of hire-purchase payables		**(919)**	(2,375)
Finance costs paid		**(533)**	(363)
Redemption of RCCPS		**–**	(8,610)
Net Cash From/(Used In) Financing Activities		**13,732**	(10,827)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(45,650)**	(33,847)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**97,377**	131,224
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**51,727**	97,377

Note: During the financial year, the Group acquired property, plant and equipment by the following means:

	2014 RM'000	2013 RM'000
Cash purchase	**14,099**	5,453
Hire-purchase financing	**–**	213
	14,099	5,666

(Forward)

The Company	**2014 RM'000**	**2013 RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**9,304**	8,754
Adjustments for:		
Finance costs	**8,145**	9,177
Loss/(Gain) on disposal of:		
A subsidiary company	**–**	9,127
Property, plant and equipment	**–**	(29)
Income tax expense recognised in profit or loss	**4,052**	2,673
Unrealised loss on foreign exchange	**211**	140
Impairment losses on investment properties	**–**	98
Depreciation of:		
Property, plant and equipment	**78**	78
Investment properties	**18**	29
Dividend income	**(12,656)**	(15,356)
Interest income	**(12,860)**	(18,929)
Operating Loss Before Working Capital Changes	**(3,708)**	(4,238)
(Increase)/Decrease in:		
Trade receivables	**5**	–
Other receivables and prepayments	**(767)**	(8,262)
Increase/(Decrease) in:		
Trade payables	**160**	(1,848)
Other payables and accrued expenses	**(61)**	26
Cash Used In Operations	**(4,371)**	(14,322)
Income tax paid	**(1,707)**	(1,898)
Net Cash Used In Operating Activities	**(6,078)**	(16,220)

(Forward)

The Company	Note	2014 RM'000	2013 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividend received from subsidiary companies		**10,996**	13,021
Interest received from:			
Fixed deposits with licensed banks		**4,352**	4,790
Other related companies		**7,555**	7,268
Subsidiary companies		**345**	395
Others		**608**	257
Proceeds from disposal of:			
Property, plant and equipment		**–**	29
Assets classified as held for sale		**470**	–
Increase in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**(3,893)**	(3,781)
Amount owing by subsidiary companies		**(9,892)**	(41,504)
Amount owing by other related companies		**(7,555)**	(5,639)
Additions to investment in a subsidiary company		**(8)**	(7)
Net Cash From/(Used In) Investing Activities		**2,978**	(25,171)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**2,443**	4,580
Amount owing to other related companies		**–**	(37)
Finance costs paid		**(7,791)**	(8,821)
Dividends paid		**(3,474)**	(4,631)
Payment of hire-purchase payables		**(54)**	(55)
Net Cash Used In Financing Activities		**(8,876)**	(8,964)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,976)**	(50,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**25,012**	75,367
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**13,036**	25,012

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 is principally involved in investment holding, trading and distribution of building materials, and trading of steel products.

The principal activities of the subsidiary companies are as disclosed in Note 13.

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 Company's registered office is located at Level 14, Lion Office Tower, No.1 Jalan Nagasari, 50200 Kuala Lumpur.

The Company's principal place of business is located at Wisma Posim, Lot 72, Persiaran Jubli Perak, 40000 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 13 October 2014.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

Adoption of New Malaysian Financial Reporting Standards

In the current financial year, the Company adopted all the new and revised Standards and Issues Committee Interpretations ("IC Interpretation") issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 July 2013:

MFRS 1	Amendments to MFRS 1 (Government Loans)
MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures – Offsetting Financial Assets and Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)
MFRS 11	Joint Arrangements
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance)
MFRS 12	Disclosure of Interests in Other Entities
MFRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

Annual Improvements to MFRSs 2009 – 2011 cycle

The adoption of these new and revised MFRSs did not result in significant changes in the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company except as disclosed below.

2. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS** (continued)

Amendments to MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group and the Company have applied the amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to MFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group and the Company do not have any offsetting arrangements in place, the application of the amendments has no material impact on the disclosures or on the amounts recognised in these financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In November 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising MFRS 10 *Consolidated Financial Statements*, MFRS 11 *Joint Arrangements*, MFRS 12 *Disclosure of Interests in Other Entities*, MFRS 127 (IAS 27 as revised by IASB in May 2011) *Separate Financial Statements* and FRS 128 (IAS 28 as revised by IASB in May 2011) *Investment in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to MFRS 10, MFRS 11 and MFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group and the Company applied for the first time MFRS 10, MFRS 11, MFRS 12, MFRS 127 (IAS 27 as revised by IASB in May 2011) and MFRS 128 (IAS 28 as revised by IASB in May 2011) together with the amendments to MFRS 10, MFRS 11 and MFRS 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of MFRS 10

MFRS 10 replaces the parts of MFRS 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and IC Interpretation 112 *Consolidation – Special Purpose Entities*. MFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) it has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in MFRS 10 to explain when an investor has control over an investee. Some guidance included in MFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee to the Group.

The adoption of MFRS 10 has not affected the amounts reported on the financial statements of the Group and of the Company.

Impact of the application of MFRS 12

MFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiary companies, joint arrangements, associates and/or unconsolidated structure entities. In general, the application of MFRS 12 has resulted in more extensive disclosures in the financial statements.

MFRS 13 Fair Value Measurement

The Group and the Company have applied MFRS 13 for the first time in the current year. MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of MFRS 13 is broad; the fair value measurements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value-in-use for impairment assessment purposes).

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

MFRS 13 Fair Value Measurement (continued)

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Other than the additional disclosures, the application of MFRS 13 has not had any material impact on the amounts recognised in these financial statements.

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 in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[1]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[1]
MFRS 9	Financial Instruments (Hedge Accounting and amendments relating to MFRS 9, MFRS 7 and MFRS 139)[1]
MFRS 14	Regulatory Deferral Accounts[4]
MFRS 15	Revenue from Contracts with Customers[5]
IC Interpretation 21	Levies[2]
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures[1]
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities[2]
Amendments to MFRS 11	Joint Arrangements (Amendments relating to Accounting for Acquisitions of Interests in Joint Operations)[4]
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)[3]
Amendments to MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[2]
Amendments to MFRS 136	Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)[2]
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)[2]

Annual Improvements to MFRSs 2010 – 2012 cycle[3]
Annual Improvements to MFRSs 2011 – 2013 cycle[3]

[1] The mandatory effective date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) which was for annual period beginning on or after 1 January 2015 has been removed with the issuance of MFRS 9 *Financial Instruments: Hedge Accounting* and amendments to MFRS 9, MFRS 7 and MFRS 139. The effective date of MFRS 9 will be decided when IASB's IFRS 9 project is closer to completion. However, each version of the MFRS 9 is available for early adoption

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

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

[4] Effective for annual periods beginning on or after 1 January 2016

[5] Effective for annual periods beginning on or after 1 January 2017

The Directors anticipate that the abovementioned Standards and IC Interpretations will be adopted in the annual financial statements of the Group and the Company when they become effective and that the adoption of these Standards and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiary companies). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary companies is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing 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 interests in the subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Where the Group loses control of a subsidiary company, a gain or loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary company are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Business Combinations

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair values which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree 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.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

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

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

Goodwill is measured as the excess of 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) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRSs.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139 or MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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 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.

If the initial accounting for a business combination is incomplete by end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, 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 at that date.

Investment in Subsidiary Companies

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

Investment in Associated Companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies (continued)

The results and assets and liabilities of associated companies are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associated companies are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associated companies, less any impairment in the value of individual investments. When the Group's share of losses of an associated company exceeds the Group's interest in that associated company (which includes any long-term interests that, in substance), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

An investment in an associated company is accounted for using the equity method from the date on which the investee becomes an associated company. On acquisition of the investment in an associated company, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associated company. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when investment ceases to be an associated company, or when the investment is classified as held for sale. When the Group retains an interest in the former associated company and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 139. The difference between the carrying amount of the associated company at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the associated company is included in the determination of the gain or loss on disposal of the associated company. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associated company on the same basis as would be required if that associated company had directly disposed of the related assets and liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associated company would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associated company but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associated company of the Group, profit or losses resulting from the transactions with the associated company are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associated company that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company consists of gross invoice value of sales, net of discounts and returns, and gross dividend income.

Revenue of the Group consists of gross invoice value of goods supplied to the customers, net of discounts and returns.

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed. Sales of goods that result in award credits for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value - the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction - but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

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

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

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leaves, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Company and certain subsidiary companies make statutory contributions to approved provident funds and the contributions are charged to profit or loss. The approved provident funds are defined contribution plans. The Group's foreign incorporated subsidiary companies and its eligible employees also made 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 proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense for the year comprises current and deferred tax.

Current 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

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 profits 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on 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 expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity.

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 tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign Currency Conversion

The individual financial statements of each foreign subsidiary company are presented in the currency of the primary economic environment in which such entity operates (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.

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (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 other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Impairment of Assets

At the end of each reporting period, the Group and the Company review the carrying amounts of its 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.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised immediately in profit or loss.

Property, Plant and Equipment

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

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

Freehold land are not depreciated. Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings	2% - 18%
Plant and machinery	3.70% - 25%
Office equipment	18% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	18% - 25%
Prime movers and trailers	15%
Office renovation	20%
Computer equipment	18% - 20%
Chiller max equipment	10%

The estimated useful life, residual value and depreciation method of the assets are reviewed at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Acquired Under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements 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 liabilities.

Capitalisation of Borrowing Cost

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

Investment Properties

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

Investment properties are stated at cost less accumulated depreciation and any impairment losses.

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.

Freehold land within investment properties is not depreciated. Freehold buildings are depreciated on the straight-line method at an annual rate of 2%.

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.

Intangible Assets

Intangible assets consist of the acquisition cost of technical know-how in the design of a subsidiary company's products and services and are stated at cost less accumulated amortisation and any impairment losses. The intangible assets are amortised on a straight-line basis over a period of ten years upon commencement of commercial production during which its economic benefits are expected to be consumed.

Goodwill on Consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill on Consolidation (continued)

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 the subsequent period.

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

Inventories

Trading merchandise, finished goods, work-in-progress, raw materials, fuel and lubricants, and other inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost represents the original purchase price plus the incidental cost incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress include cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

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.

Provisions

Provisions are made 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 obligation.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest 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 (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages 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.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has 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 method less any impairment, with revenue recognised on an effective yield basis.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investment or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

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

The fair value of AFS monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest 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.

Impairment of financial assets

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

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

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy of financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are 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 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.

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

Financial Instruments (continued)

Impairment of financial assets (continued)

For financial assets 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 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified 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 previously 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 issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest 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.

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

Financial Instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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 equivalents 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 risk of changes in value.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

In the process of applying the Group's accounting policies, which are described in Note 3 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 year except as disclosed below:

(a) Impairment of Non-Current Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2014, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**3,216**	3,216	**–**	–
Investment in subsidiary companies	**–**	–	**800**	800
Other investments	**56,724**	47,586	**–**	–
Intangible assets	**304**	304	**–**	–
Goodwill on consolidation	**191**	191	**–**	–

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

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

In determining the VIU of an asset, being the future economic benefits to be expected from its continued use and ultimate disposal, the Group makes estimates and assumptions that require significant judgements. While the Group believes these estimates and assumptions of VIU could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact on the Group's financial position and results.

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

(b) Impairment of Receivables

Impairment of 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, allowance may be required.

As of 30 June 2014, the Group has trade and other receivables due from three related parties:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Trade receivables		
Megasteel Sdn Bhd	**237,931**	221,426
Lion DRI Sdn Bhd	**32,319**	160,053
	270,250	381,479
Concentration of credit risk	**67%**	77%
Other receivables		
Megasteel Sdn Bhd	**6,858**	6,858
Graimpi Sdn Bhd	**272,180**	109,545
	279,038	116,403

During the financial year, the Group recognised impairment losses amounting to RM111,130,000 and RM139,519,000 (2013: RM23,995,000 and RMNil) on trade and other receivables due from these related parties respectively. The impairment losses represent time value of money calculated based on discounted future cash flows of these related parties, who require a longer period to settle their outstanding receivables as their business were affected by the rampant dumping of steel products by the foreign steel producers in the local market.

(c) Depreciation of Property, Plant and Equipment

Except for freehold land, the costs of property, plant and equipment are 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.

(d) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits.

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

(e) Provision

As disclosed in Note 30, 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 the Company at the time the litigation claim was made, the Company provided for indemnity on liquidated damages from 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 amount of claim is subject to appeal, 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.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**793,002**	989,650	**78,677**	70,923
Services rendered	**24,920**	21,654	**–**	–
Gross dividend income from subsidiary companies	**–**	–	**12,656**	15,356
	817,922	1,011,304	**91,333**	86,279

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income on:				
Fixed deposits with licensed banks	**5,697**	6,024	**4,352**	4,790
Other receivables	**19,804**	12,764	**608**	257
Advances to:				
Other related company	**7,555**	7,268	**7,555**	7,268
Subsidiary companies	**–**	–	**345**	6,614
Others	**1,581**	3,001	**–**	–
Impairment losses no longer required on trade receivables	**582**	1,327	**–**	–
Gain/(Loss) on disposal of:				
Assets classified as held for sale	**–**	976	**–**	–
Property, plant and equipment	**533**	834	**–**	29
A subsidiary company	**–**	–	**–**	(9,127)
Dividend income from:				
Quoted investments	**2**	3	**–**	–
Unquoted investments	**–**	480	**–**	–
Rental income from:				
Investment properties rented to:				
Subsidiary companies	**–**	–	**7**	7
Third party	**2**	3	**2**	3
Others	**470**	213	**–**	–

6. PROFIT FROM OPERATIONS (continued)

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Bad debts recovered	**17**	4	**9**	1
Impairment loss on investment properties	**–**	(98)	**–**	(98)
Hire of plant and machinery	**(5,209)**	(1,723)	**–**	–
Rental of premises payable to:				
Third parties	**(500)**	(571)	**(57)**	(21)
Subsidiary company	**–**	–	**(19)**	(19)
Directors' remunerations	**(575)**	(565)	**(555)**	(545)
Auditors' remuneration:				
Statutory audit:				
Auditors of the Company:				
Current year	**(167)**	(161)	**(55)**	(50)
Underprovision in prior year	**(6)**	(18)	**(5)**	(5)
Other auditors	**(60)**	(51)	**–**	–
Non-statutory audit	**(5)**	(5)	**(5)**	(5)
Allowance for slow-moving and obsolete inventories	**(190)**	(149)	**–**	–
Bad debts written off	**–**	(2)	**–**	–

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM2,447,000 and RM190,000 (2013: RM2,260,000 and RM254,000), respectively.

Directors' remuneration charged to profit or loss for the financial year are as follows:

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Fees				
Executive Director	**20**	20	**20**	20
Non-executive Directors	**164**	173	**144**	153
	184	193	**164**	173
Salaries and other emoluments				
Executive Director	**391**	372	**391**	372
	575	565	**555**	545

7. FINANCE COSTS

Finance costs represent:

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Interest expense on:				
Hire-purchase	**55**	171	**9**	9
Bank overdrafts and other borrowings	**478**	192	**–**	–
Advances from subsidiary companies	**–**	–	**8,136**	9,168
	533	363	**8,145**	9,177

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Estimated tax payable:				
Current	**14,330**	15,684	**2,539**	2,733
(Over)/Underprovision in prior years	**(388)**	1,518	**1,513**	(60)
	13,942	17,202	**4,052**	2,673
Deferred tax (Note 18):				
Current	**(622)**	(71)	**–**	–
Under/(Over)provision in prior years	**66**	(2,378)	**–**	–
	(556)	(2,449)	**–**	–
	13,386	14,753	**4,052**	2,673

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Loss)/Profit before tax	**(236,620)**	25,638	**13,356**	11,427
Tax at applicable tax rate of 25% (2013 : 25%)	**(59,155)**	6,410	**3,339**	2,857
Tax effects of:				
Non-deductible expenses	**14,122**	13,006	**709**	2,882
Non-taxable items	**(3,693)**	(9,049)	**(1,509)**	(3,006)
Deferred tax assets not recognised	**62,820**	6,043	**–**	–
Realisation of deferred tax assets previously not recognised	**(386)**	(797)	**–**	–
Under/(Over)provision in prior years:				
Income tax	**(388)**	1,518	**1,513**	(60)
Deferred tax	**66**	(2,378)	**–**	–
	13,386	14,753	**4,052**	2,673

8. INCOME TAX EXPENSE (continued)

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unutilised tax credits which would give rise to net deferred tax asset 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 2014, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of its realisation, is as follows:

	The Group	
	2014 RM'000	**2013 RM'000**
Temporary differences arising from:		
Property, plant and equipment	**(54)**	(17)
Others	**274,643**	24,607
Unused tax losses and unabsorbed capital allowances	**2,884**	3,148
	277,473	27,738

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

9. (LOSS)/EARNINGS PER ORDINARY SHARE

The (loss)/earnings per ordinary share of the Group has been calculated by dividing (loss)/profit for the year attributable to owners of the Company by the number of ordinary shares in issue.

	The Group	
	2014 RM'000	**2013 RM'000**
(Loss)/Profit attributable to owners of the Company	**(249,339)**	10,866
	2014 '000	**2013 '000**
Number of ordinary shares in issue	**231,572**	231,572
	2014	**2013**
Basic (loss)/earnings per share (sen)	**(107.67)**	4.69
Diluted (loss)/earnings per share (sen)	**(107.67)**	4.69

The basic and diluted (loss)/earnings per share are equal as the Group has no dilutive potential ordinary shares at the end of the reporting period.

10. DIVIDENDS

	The Group and The Company 2014 RM'000	2013 RM'000
In respect of financial year ended 30 June 2013:		
First and final dividend of 2 sen, less 25% tax	**3,474**	–
In respect of financial year ended 30 June 2012:		
Final dividend of 2 sen, tax exempt	**–**	4,631
	3,474	4,631

The Directors do not recommend any payment of dividend in respect of the current financial year.

11. PROPERTY, PLANT AND EQUIPMENT

The Group	COST As of 1 July 2012 RM'000	Additions RM'000	Disposals RM'000	Write-off RM'000	As of 30 June 2013 RM'000
Freehold land	4,777	–	–	–	4,777
Freehold buildings	6,369	1,865	–	–	8,234
Plant and machinery	13,171	2,898	(796)	–	15,273
Office equipment	1,066	47	(3)	–	1,110
Furniture and fittings	11,358	270	–	–	11,628
Motor vehicles	2,419	331	(174)	–	2,576
Prime movers and trailers	31,697	–	(3,245)	–	28,452
Office renovation	699	–	–	–	699
Computer equipment	2,215	255	(59)	–	2,411
Chiller max equipment	105	–	–	–	105
	73,876	5,666	(4,277)	–	75,265

The Group	COST As of 1 July 2013 RM'000	Additions RM'000	Disposals RM'000	Write-off RM'000	As of 30 June 2014 RM'000
Freehold land	**4,777**	**–**	**–**	**–**	**4,777**
Freehold buildings	**8,234**	**84**	**–**	**–**	**8,318**
Plant and machinery	**15,273**	**12,823**	**(855)**	**–**	**27,241**
Office equipment	**1,110**	**47**	**(12)**	**–**	**1,145**
Furniture and fittings	**11,628**	**635**	**(5)**	**(4)**	**12,254**
Motor vehicles	**2,576**	**377**	**(76)**	**–**	**2,877**
Prime movers and trailers	**28,452**	**–**	**(247)**	**–**	**28,205**
Office renovation	**699**	**11**	**(24)**	**–**	**686**
Computer equipment	**2,411**	**122**	**(84)**	**–**	**2,449**
Chiller max equipment	**105**	**–**	**(56)**	**–**	**49**
	75,265	**14,099**	**(1,359)**	**(4)**	**88,001**

11. 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	Write-off RM'000	As of 30 June 2013 RM'000
Freehold land	–	–	–	–	–
Freehold buildings	1,931	146	–	–	2,077
Plant and machinery	10,089	1,236	(625)	–	10,700
Office equipment	988	40	(3)	–	1,025
Furniture and fittings	11,261	70	–	–	11,331
Motor vehicles	1,442	253	(148)	–	1,547
Prime movers and trailers	16,222	1,888	(3,243)	–	14,867
Office renovation	699	–	–	–	699
Computer equipment	1,505	238	(59)	–	1,684
Chiller max equipment	67	21	–	–	88
	44,204	3,892	(4,078)	–	44,018

	ACCUMULATED DEPRECIATION					ACCUMULATED IMPAIRMENT LOSSES	NET BOOK VALUE	
The Group	As of 1 July 2013 RM'000	Charge for the year RM'000	Disposals RM'000	Write-off RM'000	As of 30 June 2014 RM'000	As of 1 July 2012/ 30 June 2013/ 1 July 2013/ 30 June 2014 RM'000	As of 30 June 2014 RM'000	As of 30 June 2013 RM'000
Freehold land	**–**	**–**	**–**	**–**	**–**	**–**	**4,777**	4,777
Freehold buildings	**2,077**	**164**	**–**	**–**	**2,241**	**–**	**6,077**	6,157
Plant and machinery	**10,700**	**2,573**	**(661)**	**–**	**12,612**	**–**	**14,629**	4,573
Office equipment	**1,025**	**35**	**(12)**	**–**	**1,048**	**–**	**97**	85
Furniture and fittings	**11,331**	**170**	**(5)**	**(4)**	**11,492**	**–**	**762**	297
Motor vehicles	**1,547**	**370**	**(75)**	**–**	**1,842**	**–**	**1,035**	1,029
Prime movers and trailers	**14,867**	**1,878**	**(247)**	**–**	**16,498**	**3,216**	**8,491**	10,369
Office renovation	**699**	**2**	**(24)**	**–**	**677**	**–**	**9**	–
Computer equipment	**1,684**	**254**	**(82)**	**–**	**1,856**	**–**	**593**	727
Chiller max equipment	**88**	**15**	**(56)**	**–**	**47**	**–**	**2**	17
	44,018	**5,461**	**(1,162)**	**(4)**	**48,313**	**3,216**	**36,472**	28,031

	COST			ACCUMULATED DEPRECIATION						NET BOOK VALUE	
The Company	As of 1 July 2012 RM'000	Disposals RM'000	As of 30 June 2013/ 1 July 2013/ 30 June 2014 RM'000	As of 1 July 2012 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2013/ 1 July 2013 RM'000	Charge for the year RM'000	As of 30 June 2014 RM'000	As of 30 July 2014 RM'000	As of 30 June 2013 RM'000
Freehold land	4,777	–	**4,777**	–	–	–	**–**	**–**	**–**	**4,777**	4,777
Office equipment	262	(1)	**261**	262	–	(1)	**261**	**–**	**261**	**–**	–
Furniture and fittings	392	–	**392**	392	–	–	**392**	**–**	**392**	**–**	–
Motor vehicles	697	(139)	**558**	398	76	(139)	**335**	**77**	**412**	**146**	223
Office renovation	256	–	**256**	256	–	–	**256**	**–**	**256**	**–**	–
Computer equipment	272	(27)	**245**	264	2	(27)	**239**	**1**	**240**	**5**	6
	6,656	(167)	**6,489**	1,572	78	(167)	**1,483**	**78**	**1,561**	**4,928**	5,006

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book values of property, plant and equipment acquired under hire-purchase as of the end of the financial year are as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Motor vehicles	**701**	975	**146**	223
Prime movers and trailers	**5,438**	6,735	**–**	–
	6,139	7,710	**146**	223

12. INVESTMENT PROPERTIES

	The Group and The Company	
	2014 RM'000	2013 RM'000
Cost:		
At beginning of year	**906**	1,638
Transfer to assets classified as held for sale (Note 24)	**–**	(732)
At end of year	**906**	906
Accumulated depreciation:		
At beginning of year	**256**	391
Charge for the year	**18**	29
Transfer to assets classified as held for sale (Note 24)	**–**	(164)
At end of year	**274**	256
Accumulated impairment losses:		
At beginning of year	**–**	–
Charge for the year	**–**	98
Transfer to assets classified as held for sale (Note 24)	**–**	(98)
At end of year	**–**	–
Net book value	**632**	650
Fair value	**865**	865

The income earned by the Group from the rental of investment properties to third party amounted to RM1,677 (2013: RM3,100).

The income earned by the Company from the rental of investment properties to subsidiary companies amounted to RM7,200 (2013: RM7,200).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM1,487 (2013: RM3,100). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM8,300 (2013: RM9,100).

12. INVESTMENT PROPERTIES (continued)

The fair value of the investment properties is estimated by reference to market evidence of transaction prices for similar properties.

At the end of the reporting period, the fair value of the Group's and the Company's investment properties are measured using Level 2 valuation technique as disclosed in Note 3.

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2014	**2013**
	RM'000	**RM'000**
Unquoted shares - at cost	**61,014**	61,006
Less: Accumulated impairment losses	**(800)**	(800)
Net	**60,214**	60,206

(a) Amount owing by subsidiary companies

Amount owing by subsidiary companies (shown under current assets) arose mainly from trade transactions, expenses paid on behalf and unsecured advances which are interest-free and repayable on demand, except for amounts of RM22,575,000 (2013: RM14,974,000) which bear interest at rates ranging from 1% to 6.2% (2013: 1% to 6.2%) per annum.

(b) Amount owing to subsidiary companies

Amount owing to subsidiary companies consist of:

	The Company	
	2014	**2013**
	RM'000	**RM'000**
Advances	**291,660**	289,184
Long-term loan:		
Gross amount	**19,445**	19,267
Less: Unamortised discount	**(5,509)**	(5,863)
	13,936	13,404
	305,596	302,588
Less : Amount due within 12 months (shown under current liabilities)	**(292,905)**	(290,251)
Non-current portion	**12,691**	12,337

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(b) Amount owing to subsidiary companies (continued)

Amount owing to subsidiary companies arose mainly from expenses paid on behalf and unsecured advances which are interest-free and repayable on demand, except for amounts of RM166,955,000 (2013: RM165,354,000), which bear the following interest rates per annum:

	The Company	
	2014	**2013**
	%	**%**
Advances	**5.00**	5.00
Long-term loan	**1.00**	1.00

The non-current portion of RM12,691,000 (2013: RM12,337,000) is the discounted long-term loan, based on principal sum of RM18,200,000 (2013: RM18,200,000), granted to the Company in 2006 by Intra Inspirasi Sdn Bhd, a wholly-owned subsidiary company, for on-lend to a former subsidiary company, LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd), for the proposed development of an oil palm plantation and construction of palm oil mills in the Malinau Regency, Kalimantan Timur, Republic of Indonesia in the previous financial years. The said loan is unsecured with a repayment period of 10 years.

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

	The Company	
	2014	**2013**
	RM'000	**RM'000**
Ringgit Malaysia	**286,250**	283,447
United States Dollar	**19,346**	19,141
	305,596	302,588

Non-Controlling Interests in Subsidiary Companies

The Group's subsidiary company that has material non-controlling interests ("NCI") is Lion AMB Resources Berhad ("Lion AMB").

	Percentage of ownership held by NCI	**(Loss)/ Profit allocated to NCI RM'000**	**Accumulated NCI RM'000**
2014			
Lion AMB	11.54%	**(525)**	**29,729**
Other individually immaterial subsidiary companies		**(142)**	**1,168**
		(667)	**30,897**
2013			
Lion AMB	11.55%	754	31,046
Other individually immaterial subsidiary companies		(735)	978
		19	32,024

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Non-Controlling Interests in Subsidiary Companies (continued)

Summarised financial information in respect of the Group's subsidiary company that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Lion AMB	
	2014 RM'000	**2013 RM'000**
Non-current assets	**123,797**	128,933
Current assets	**219,885**	211,060
Current liabilities	**(29,119)**	(14,255)
Total equity	**314,563**	325,738
Revenue	**9,958**	10,808
(Loss)/Profit for the year	**(4,555)**	6,531
Other comprehensive income	**181**	2,428
Total comprehensive (loss)/income	**(4,374)**	8,959
Dividend paid to NCI	**786**	786
Net cash (outflow)/inflow from operating activities	**(2,213)**	9,543
Net cash inflow from investing activities	**1,698**	4,558
Net cash outflow from financing activities	**(17,706)**	(645)
Net cash (outflow)/inflow	**(18,221)**	13,456

The subsidiary companies are as follows:

Name of companies	**Country of incorporation**	**Effective equity interest 2014 %**	**Effective equity interest 2013 %**	**Principal activities**
Gama Harta Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd (formerly known as Harta Impiana Sdn Bhd)	Malaysia	**100.00**	100.00	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2014 %	2013 %	Principal activities
Lion AMB #	Malaysia	**88.46**	88.45	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Ototek Sdn Bhd	Malaysia	**70.00**	70.00	Trading and distribution of spark plugs, lubricants and automotive components
Posim EMS Sdn Bhd	Malaysia	**80.00**	80.00	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of building materials and consumer products
Posim Petroleum Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of petroleum products
Singa Logistics Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of transportation services
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	**70.00**	70.00	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary company of Intra Inspirasi Sdn Bhd				
Beijing Youshi Trading Co Ltd #	People's Republic of China	**100.00**	100.00	Dormant
Subsidiary company of Lion Rubber Industries Sdn Bhd				
P.T. Lion Intimung Malinau #	Republic of Indonesia	**95.00**	95.00	Dormant

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2014 %	Effective equity interest 2013 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
Alpha Deal Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Bright Triumph Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Brilliant Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Classy Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Distinct Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Dynamic Shine Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Elite Harvest Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Elite Image Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Eminent Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Eminent Prosper Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Grand Ray Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Great Zone Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Harvest Boom Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Jade Harvest International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2014 %	2013 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Jade Power Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Mile Treasure Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Pinnacle Treasure Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Sky Yield Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Superb Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Superb Reap Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Ultra Strategy Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Up Reach Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Subsidiary companies of BVI Companies				
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Brilliant Elite (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Classy Elite (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Distinct Harvest (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Double Merits (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2014 %	2013 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
Dynamic Shine (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Elite Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Elite Image (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Prosper (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Grand Ray (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Great Zone (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Green Choice (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Harvest Boom (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Jade Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Jade Power (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2014 %	2013 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
Mile Treasure (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Sky Yield (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Superb Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Superb Reap (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Ultra Strategy (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Up Reach (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Subsidiary companies of Lion AMB				
AMB Aerovest Limited ^	British Virgin Islands	**88.46**	88.45	Investment holding
AMB Harta (L) Limited	Malaysia	**88.46**	88.45	Treasury business
AMB Harta (M) Sdn Bhd #	Malaysia	**88.46**	88.45	Managing of debts novated from Lion AMB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB and certain of its subsidiary companies

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2014 %	2013 %	Principal activities
Subsidiary companies of Lion AMB (continued)				
AMB Venture Sdn Bhd #	Malaysia	**88.46**	88.45	Investment holding
Chrome Marketing Sdn Bhd #	Malaysia	**88.46**	88.45	Investment holding
Innovasi Istimewa Sdn Bhd # (In liquidation – voluntary, dissolved on 27 August 2014)	Malaysia	**88.46**	88.45	Investment holding
Innovasi Selaras Sdn Bhd # (In liquidation – voluntary)	Malaysia	**88.46**	88.45	Investment holding
Lion Rubber Industries Pte Ltd #	Singapore	**54.85**	54.84	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	**88.46**	88.45	Investment holding
Range Grove Sdn Bhd #	Malaysia	**88.46**	88.45	Investment holding
Seintasi Sdn Bhd #	Malaysia	**88.46**	88.45	Investment holding
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	**88.46**	88.45	Provision of management services
Lion AMB Holdings Pte Ltd #	Singapore	**70.77**	70.76	Investment holding
CeDR Corporate Consulting Sdn Bhd #	Malaysia	**88.46**	88.45	Provision of training services
Willet Investment Pte Ltd #	Singapore	**88.46**	88.45	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.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

During the previous financial year, the Company completed the following:

(a) Acquisition of a subsidiary company

Gama Harta Sdn Bhd, a wholly-owned subsidiary company of the Company, 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 Group.

The Group's equity interest in Brands Pro was then diluted to 70% following the issuance and allotment of shares to the other shareholder during the previous financial year.

The fair values of the assets acquired and the liabilities assumed, and the post acquisition results of the above subsidiary company are not material to the Group.

(b) Dissolution of a subsidiary company

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

(c) Disposal of a subsidiary company

The Company 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 the Company.

14. INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2014	**2013**
	RM'000	**RM'000**
At cost:		
Quoted investment outside Malaysia	**83,486**	83,486
Unquoted investments	**15,289**	19,566
	98,775	103,052
Share of post-acquisition results and reserves less dividends received	**(21,552)**	(24,967)
	77,223	78,085
Market value of quoted investment outside Malaysia	**60,756**	63,353

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The associated companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 2014 %	2013 %	Principal activities
Associated companies of Lion AMB Resources Berhad				
Lion Asiapac Limited #	Singapore	**32.45**	32.44	Investment holding
Renor Pte Ltd #	Singapore	**17.69**	17.69	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd #	Malaysia	**17.69**	17.69	Investment holding
Hunan Changfa Automobile Engine Co Ltd # (Dissolved)	People's Republic of China	**–**	44.23	Manufacture of automotive engine

\# The financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

Summarised financial information in respect of the Group's material associated company, Lion Asiapac Limited ("LAP") and reconciliation of the information to the carrying amount of the Group's interest in the associated companies, are set out below:

2014	**LAP RM'000**	**Other individually immaterial associated companies RM'000**	**Total RM'000**
Summarised of financial information			
Proportion of the Group's effective ownership interest	**32.45%**		
Assets and liabilities			
Non-current assets	**153,671**	**17,410**	**171,081**
Current assets	**174,203**	**102,750**	**276,953**
Non-current liabilities	**(8,629)**	**(1,098)**	**(9,727)**
Current liabilities	**(10,406)**	**(133,139)**	**(143,545)**
Non-controlling interests	**(1,826)**	**3,442**	**1,616**
Net assets/(liabilities)	**307,013**	**(10,635)**	**296,378**
Results			
Revenue	**84,453**	**90,929**	**175,382**
Profit/(Loss) for the year	**4,693**	**(13,209)**	**(8,516)**
Group's share of profit/(loss) of associated companies	**1,639**	**(2,609)**	**(970)**
Dividend received from associated companies	**382**	**–**	**382**
Reconciliation of net assets to carrying amount			
Group's share of net assets	**99,626**	**(1,882)**	**97,744**
Other adjustments on equity	**(32,211)**	**11,690**	**(20,521)**
Carrying amount in the statement of financial position	**67,415**	**9,808**	**77,223**

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

2013	LAP RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised of financial information			
Proportion of the Group's effective ownership interest	32.44%		
Assets and liabilities			
Non-current assets	73,683	22,871	96,554
Current assets	254,072	109,585	363,657
Non-current liabilities	(8,901)	(9,634)	(18,535)
Current liabilities	(11,369)	(122,948)	(134,317)
Non-controlling interest	(1,778)	–	(1,778)
Net assets/(liabilities)	305,707	(126)	305,581
Results			
Revenue	77,203	158,261	235,464
Profit for the year	4,497	10,578	15,075
Group's share of profit of associated companies	1,682	2,404	4,086
Dividend received from associated companies	1,853	–	1,853
Reconciliation of net assets to carrying amount			
Group's share of net assets	99,171	(22)	99,149
Other adjustments on equity	(33,503)	12,439	(21,064)
Carrying amount in the statement of financial position	65,668	12,417	78,085

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The Group's share of losses of the 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	
	2014	**2013**
	RM'000	**RM'000**
At beginning of year	**45,950**	45,662
Dissolved during the year	**(20,990)**	–
Unrecognised share of losses during the year	**196**	288
At end of year	**25,156**	45,950

Amount owing by an associated company is as follows:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Amount owing by an associated company	**1,606**	1,606
Less: Accumulated impairment losses	**(1,606)**	(1,606)
Net	**–**	–

Amount owing by an associated company is unsecured, interest-free and repayable on demand.

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Movement in the accumulated impairment losses		
At beginning and end of year	**1,606**	1,606

15. OTHER INVESTMENTS

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Available-for-sale investments				
At fair value:				
Quoted investments in Malaysia:				
Ordinary shares	**2,720**	8,008	**15**	15
Warrants	**170**	187	**–**	–
Quoted investments outside Malaysia	**192**	178	**–**	–
	3,082	8,373	**15**	15
At cost:				
Unquoted investments	**881**	881	**3**	3
	3,963	9,254	**18**	18
Held-to-maturity investments				
At amortised cost:				
Unquoted bonds (at cost, adjusted for accretion of interest)	**53,205**	53,398	**–**	–
Less: Accumulated impairment losses	**(53,205)**	(47,586)	**–**	–
	–	5,812	**–**	–
Redeemable within one year (Note 21)	**–**	(5,812)	**–**	–
	–	–	**–**	–
Loans and receivables				
At amortised cost:				
Unquoted redeemable convertible secured loan stocks ("RCSLS")	**5,229**	7,746	**–**	–
Less: Accumulated impairment losses	**(3,519)**	–	**–**	–
	1,710	7,746	**–**	–
Redeemable within one year (Note 21)	**(1,710)**	(3,513)	**–**	–
	–	4,233	**–**	–
Total	**3,963**	13,487	**18**	18
Market value of quoted investments:				
In Malaysia	**2,890**	8,195	**15**	15
Outside Malaysia	**192**	178	**–**	–

15. OTHER INVESTMENTS (continued)

During the current financial year, the Group has made an impairment loss of RM14,445,000 (2013: RM3,612,000) on investments in quoted investments, unquoted bonds and unquoted RCSLS, as the amounts are in excess of their recoverable amounts.

Investments in unquoted bonds and RCSLS of the Group bear yield-to-maturity at 4.75% (2013: 4.75%) per annum and coupon rate of 7.00% (2013: 7.00%) per annum respectively.

During the previous financial year, Lion Corporation Berhad ("LCB"), the issuer of RCSLS, redeemed the LCB RCSLS on a pro-rata basis at approximately RM0.231 for every RM1.00 LCB RCSLS held. As a result, the Group recorded a loss on redemption amounting to RM5.4 million in the previous financial year.

16. INTANGIBLE ASSETS

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Cost:		
At beginning and end of year	**500**	500
Accumulated amortisation:		
At beginning and end of year	**(196)**	(196)
Accumulated impairment losses:		
At beginning and end of year	**(304)**	(304)
	–	–

17. GOODWILL ON CONSOLIDATION

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Goodwill on consolidation:		
At beginning and end of year	**191**	191
Accumulated impairment losses:		
At beginning and end of year	**(191)**	(191)
	–	–

18. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of year	**2,133**	(316)	**(280)**	(280)
Transfer from/(to) profit or loss (Note 8):				
Property, plant and equipment	**(23)**	(107)	**–**	–
Inventories	**49**	102	**–**	–
Other payables and accrued expenses	**530**	2,454	**–**	–
	556	2,449	**–**	–
At end of year	**2,689**	2,133	**(280)**	(280)

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	**3,970**	3,359	**–**	–
Deferred tax liabilities	**(1,281)**	(1,226)	**(280)**	(280)
	2,689	2,133	**(280)**	(280)

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets				
Temporary differences arising from:				
Inventories	**256**	207	**–**	–
Other payables and accrued expenses	**3,993**	3,505	**–**	–
	4,249	3,712	**–**	–
Offsetting	**(279)**	(353)	**–**	–
Deferred tax assets (after offsetting)	**3,970**	3,359	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**1,542**	1,561	**262**	262
Other payables and accrued expenses	**18**	18	**18**	18
	1,560	1,579	**280**	280
Offsetting	**(279)**	(353)	**–**	–
Deferred tax liabilities (after offsetting)	**1,281**	1,226	**280**	280

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary company of Amsteel Mills Sdn Bhd, a private limited liability company incorporated in Malaysia. The Directors regard Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

a) Amount owing by immediate holding company, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, is interest-free and repayable on demand except for trade amounts which have a credit period of 60 days (2013: 60 days).

b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (2013: 60 days). The entire amount owing by other related companies of the Group and of the Company are interest-free except for an amount of RM127,820,000 (2013: RM120,265,000) which bears interest at 6.20% (2013: 6.20%) per annum.

   As of 30 June 2014, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group, RM127,820,000 (2013: RM120,265,000) is due from a related company, LLB Harta (M) Sdn Bhd, which constitutes approximately 99% (2013: 99%) of the Group's amount owing by other related companies.

c) Amount owing to ultimate holding company, which arose mainly from expenses paid on behalf and unsecured advances, is interest-free and repayable on demand.

d) Amounts owing to other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2013: 60 days).

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:

		The Company	
Name of Companies	**Nature**	**2014 RM'000**	**2013 RM'000**
With subsidiary companies:			
Posim Marketing Sdn Bhd	Trade sales	**78,677**	70,923
	Interest income on advances	**8**	8
	Rental income	**4**	4
Posim Petroleum Marketing Sdn Bhd	Rental income	**3**	3
Posim EMS Sdn Bhd	Interest income on advances	**216**	208
Lion Petroleum Products Sdn Bhd	Rental expenses	**19**	19
Singa Logistics Sdn Bhd	Interest income on advances	**121**	179
Intra Inspirasi Sdn Bhd	Interest expense on advances	**532**	496
LFIB Plantations Sdn Bhd	Interest income on advances	**–**	6,219*
Lion AMB Resources Berhad	Interest expense on advances	**7,604**	8,672

* Unamortised discount on amount owing by the subsidiary company was derecognised and reversed as an interest income in profit or loss in the previous financial year.

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

		The Group		The Company	
Name of Companies	**Nature**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	**353,199**	332,846	**–**	–
	Provision of transportation services	**3,118**	2,714	**–**	–
	Provision of training services	**135**	128	**–**	–
With other related companies:					
LLB Harta (M) Sdn Bhd	Interest income on advances	**7,555**	7,268	**7,555**	7,268
Antara Steel Mills Sdn Bhd	Trade sales	**494**	426	**–**	–
	Provision of transportation services	**1,105**	474	**–**	–
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**121,938**	121,910	**–**	–
Angkasa Amsteel Pte Ltd	Trade purchases	**1,068**	5,639	**–**	–
With related parties					
Megasteel Sdn Bhd	Trade sales	**8,457**	39,222	**–**	–
	Trade purchases	**–**	61,484	**–**	–
	Provision of transportation services	**16,904**	15,928	**–**	–
	Provision of training services	**48**	120	**–**	–

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

		The Group		The Company	
Name of Companies	**Nature**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
With related parties (continued)					
Lion DRI Sdn Bhd	Trade sales	**32,326**	160,057	**–**	–
	Trade purchases	**5,972**	–	**–**	–
Parkson Corporation Sdn Bhd	Trade sales	**4,126**	2,028	**–**	–
	Provision of training services	**60**	95	**–**	–
Lion Plate Mills Sdn Bhd	Trade sales	**–**	34	**–**	–
	Provision of transportation services	**30**	338	**–**	–
Lion Titco Resources Sdn Bhd	Trade sales	**24**	94	**–**	–
Graimpi Sdn Bhd	Interest income	**19,196**	12,507	**–**	–
Akurjaya Sdn Bhd	Interest income	**608**	257	**608**	257

Other related companies refer to subsidiary companies of Lion Industries Corporation Berhad, the ultimate holding company.

Related parties refer to entities in which certain Directors and/or substantial shareholders of the Company or ultimate holding company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders, have interests.

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

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Receivables:				
Included in trade receivables	**271,844**	383,187	**–**	–
Included in other receivables	**299,350**	136,770	**8,686**	8,076
Payables:				
Included in trade payables	**690**	4,908	**–**	–

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes a Director of the Company, and certain members of management of the Group.

The remuneration of key management personnel during the financial year are as follows:

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Salaries and other remuneration	**1,565**	1,446	**1,162**	1,081
Defined contribution plans	**138**	89	**90**	44
Benefits-in-kind	**38**	57	**30**	37
	1,741	1,592	**1,282**	1,162

20. INVENTORIES

	The Group	
	2014 RM'000	**2013 RM'000**
Finished goods	**511**	151
Raw materials	**6,450**	5,662
Trading merchandise	**12,026**	23,964
Others	**378**	1,195
	19,365	30,972
Less: Allowance for slow-moving and obsolete inventories	**(1,018)**	(1,440)
Net	**18,347**	29,532

21. OTHER INVESTMENTS

	The Group	
	2014 RM'000	**2013 RM'000**
Held-to-maturity investment		
At amortised cost:		
Unquoted bonds, redeemable within one year (Note 15)	–	5,812
Loans and receivables		
At amortised cost:		
RCSLS, redeemable within one year (Note 15)	**1,710**	3,513
	1,710	9,325

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-Current				
Trade receivables	**270,250**	110,713	**–**	–
Less: Accumulated impairment losses	**(135,125)**	(23,995)	**–**	–
	135,125	86,718	**–**	–
Current				
Trade receivables	**132,618**	387,598	**4,370**	4,375
Less: Accumulated impairment losses	**(11,421)**	(9,359)	**(347)**	(347)
	121,197	378,239	**4,023**	4,028
Net	**256,322**	464,957	**4,023**	4,028

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The credit period granted for sale of goods ranges from 30 to 90 days (2013: 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 and the Company have trade receivables totalling RM175,729,000 and RM4,023,000 (2013: RM294,186,000 and RM4,028,000) respectively that are past due at the end of the reporting period but against which the Group and the Company have not recognised impairment losses as the amounts are still considered recoverable. The Group and the Company do not hold any collateral over these balances.

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor impaired	**80,593**	170,771	**–**	–
Past due but not impaired	**175,729**	294,186	**4,023**	4,028
Past due and impaired	**146,546**	33,354	**347**	347
	402,868	498,311	**4,370**	4,375

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Aging of past due but not impaired				
1 to 30 days	**29,595**	50,074	**–**	–
31 to 60 days	**30,448**	3,355	**–**	–
61 to 90 days	**6,502**	3,611	**–**	–
More than 90 days	**109,184**	237,146	**4,023**	4,028
	175,729	294,186	**4,023**	4,028

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

(a) Trade receivables (continued)

Movement in the accumulated impairment losses

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of year	**33,354**	9,258	**347**	347
Addition	**114,081**	26,557	**–**	–
No longer required	**(582)**	(1,327)	**–**	–
Written off	**(307)**	(1,134)	**–**	–
At end of year	**146,546**	33,354	**347**	347

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.

As of 30 June 2014, 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	
	2014 RM'000	2013 RM'000
Megasteel	**237,931**	221,426
Lion DRI	**32,319**	160,053
	270,250	381,479
Concentration of credit risk	**67%**	77%
Past due but not impaired:		
Megasteel	**115,118**	192,914
Lion DRI	**16,115**	84,318
	131,233	277,232

On 26 August 2013, an outstanding balance of RM160,000,000 due from Lion DRI as of 30 June 2013 was 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.

During the financial year, the Group recognised an impairment loss amounting to RM111,130,000 (2013: RM23,995,000) on trade receivables due from Megasteel and Lion DRI. The impairment loss represents time value of money calculated based on discounted future cash flows of these related parties, who require a longer period to settle their outstanding receivables as their business were affected by the rampant dumping of steel products by the foreign steel producers in the local market.

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

(b) Other receivables and prepayments

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Non-Current				
Other receivables	**279,038**	–	**–**	–
Less: Accumulated impairment losses	**(139,519)**	–	**–**	–
	139,519	–	**–**	–
Current				
Other receivables	**44,610**	159,241	**11,519**	10,908
Less: Accumulated impairment losses	**(4,139)**	(5,628)	**–**	–
	40,471	153,613	**11,519**	10,908
Deposits	**81,668**	90,868	**65**	67
Prepaid expenses	**3,995**	2,209	**508**	350
	126,134	246,690	**12,092**	11,325
	265,653	246,690	**12,092**	11,325

Movement in the accumulated impairment losses

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
At beginning of year	**5,628**	5,628	**–**	–
Addition*	**140,919**	–	**–**	–
Written off	**(2,889)**	–	**–**	–
At end of year	**143,658**	5,628	**–**	–

* Included in this amount is an impairment loss of RM139,519,000 (2013: RMNil) on the amounts due from Graimpi and Megasteel, both related parties. The impairment loss represents time value of money calculated based on discounted future cash flows of these related parties, who require a longer period to settle their outstanding receivables as their business were affected by the rampant dumping of steel products by the foreign steel producers in the local market.

(i) Included in other receivables of the Group are amounts of:

- RM272,180,000 (2013: RM109,545,000) due from Graimpi represents debts novated from Lion DRI, which bears interest at 8.85% per annum. The amount was rescheduled to be fully settled by August 2014.

  During the financial year, a total repayment of RM16.6 million was made by Graimpi to the Group.

  During the financial year, the Group recognised an impairment loss amounting to RM136,090,000 (2013: RMNil) on the said outstanding receivables due from Graimpi.

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

(b) Other receivables and prepayments (continued)

(i) Included in other receivables of the Group are amounts of: (continued)

- RM8,671,000 (2013: 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 pursuant to the share sale agreement entered into between Akurjaya and the Company for the disposal of the entire equity interest in LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd) together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% (2013: 1%) above base lending rate per annum.

  The said amount was rescheduled to be settled by 27 December 2014.

- RM6,858,000 (2013: RM6,858,000) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial year. During the financial year, the Group recognised an impairment loss amounting to RM3,429,000 (2013: RMNil) on the said outstanding receivables due from Megasteel.

(ii) Included in deposits of the Group are deposits totalling RM79,886,000 (2013: RM89,283,000) paid by the Group for the agriculture project in Cambodia, which are mainly for the land clearing, purchase of plant and machinery and the procurement of economic land concession.

The currency exposure profile of other receivables and prepayments is as follows:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Ringgit Malaysia	**179,797**	154,673
United States Dollar	**85,491**	91,627
Others	**365**	390
	265,653	246,690

23. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks:				
Restricted	**155,900**	133,249	**130,757**	126,864
Unrestricted	**34,851**	73,936	**11,899**	19,553
	190,751	207,185	**142,656**	146,417
Cash and bank balances:				
Restricted	**4,047**	5,391	**1,613**	1,613
Unrestricted	**16,876**	23,441	**1,137**	5,459
	20,923	28,832	**2,750**	7,072
	211,674	236,017	**145,406**	153,489

23. FIXED DEPOSITS, CASH AND BANK BALANCES (continued)

The above restricted fixed deposits with licensed banks, cash and bank balances of the Group and of the Company are held for the following purposes:

(i) Indemnity to SFI and the purchasers of SFI for the litigation claims as disclosed in Note 33.

(ii) Repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as disclosed in Note 31.

(iii) Procurement of economic land concession in Cambodia.

(iv) Held in trust for registered holders of redeemable cumulative convertible preference shares as disclosed in Note 29(b).

Fixed deposits with licensed banks earn interest at rates ranging from 1.03% to 3.10% (2013: 1.03% to 3.15%) per annum and have maturity periods ranging from 3 to 365 days (2013: 3 to 365 days).

Fixed deposits with a licensed bank of a subsidiary company is pledged as security for a bank guarantee facility.

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

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Ringgit Malaysia	**185,324**	203,791	**145,397**	149,267
United States Dollar	**4,947**	10,520	**9**	4,222
Chinese Renminbi	**21,290**	21,342	**–**	–
Indonesia Rupiah	**32**	268	**–**	–
Others	**81**	96	**–**	–
	211,674	236,017	**145,406**	153,489

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company in the People's Republic of China ("PRC") amounting to RM21,290,000 (2013: RM21,342,000) are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

Included in the fixed deposits with licensed banks of the Group is an amount of RM18,900,000 (2013: RMNil) secured for banking facility as disclosed in Note 31.

24. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
At beginning of year	**470**	21,989	**470**	–
Transfer from investment properties (Note 12)	**–**	470	**–**	470
Disposal	**(470)**	(21,989)	**(470)**	–
At end of year	**–**	470	**–**	470

24. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Investment properties, at fair value

On 21 March 2013, the Company 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 was completed on 27 August 2013.

Investment in unquoted shares, at fair value

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

25. SHARE CAPITAL

	The Group and The Company	
	2014 RM'000	2013 RM'000
Authorised:		
Ordinary shares of RM1.00 each 500,000,000 at beginning and end of year	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each 231,571,732 at beginning and end of year	**231,572**	231,572

The Company had on 2 February 2011 implemented an executive share option scheme for the benefit of executive and non-executive Directors of the Company and executive employees of the Group ("ESOS").

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 7.5% 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.

26. RESERVES

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-distributable reserves:				
Share premium	**689,330**	689,330	**689,330**	689,330
Translation adjustment reserve	**13,601**	10,510	**–**	–
Capital reserve	**264**	264	**264**	264
Capital redemption reserve	**280**	280	**–**	–
Fair value reserve	**158**	427	**–**	–
Accumulated losses	**–**	–	**(154,038)**	(159,868)
	703,633	700,811	**535,556**	529,726
Distributable reserve				
Retained earnings	**26,844**	279,640	**–**	–
	730,477	980,451	**535,556**	529,726

Share premium

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

Translation adjustment reserve

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

Capital reserve

The capital reserve, which is not available for the payment of dividends, arose from share options lapsed, reclassified from equity compensation reserve in prior years.

Capital redemption reserve

The capital redemption reserve, which is not available for the payment of dividends, arose from the redemption of redeemable preference shares by subsidiary companies.

Fair value reserve

Fair value reserve comprises fair value gain on revaluation of available-for-sale financial assets.

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

	The Group	
	2014 RM'000	2013 RM'000
Issued and fully paid:		
At beginning of year	–	124
Redeemed during the year	–	(124)
At end of year	–	–
Share premium:		
At beginning of year	–	12,264
Redeemed during the year	–	(12,264)
At end of year	–	–
Total	–	–

A subsidiary company, 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 previous financial year, Lion AMB redeemed the entire outstanding RCCPS at a premium of RM0.99 per RCCPS. Approximately 59.48% of the RCCPS were acquired by the Group.

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) the 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 holders 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.

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

(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.

28. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total outstanding	**844**	1,933	**229**	293
Less: Interest-in-suspense	**(93)**	(263)	**(32)**	(42)
Principal portion	**751**	1,670	**197**	251
Payable as follows:				
Within the next 12 months (shown under current liabilities)	**231**	917	**55**	52
After the next 12 months	**520**	753	**142**	199
	751	1,670	**197**	251

The interest rates implicit in these hire-purchase obligations range from 2.47% to 5.55% (2013: 2.33% to 5.55%) per annum.

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (2013: 30 to 90 days).

The currency exposure profile of trade payables of the Group and the Company is as follows:

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Ringgit Malaysia	**71,325**	49,230	**9,177**	9,017
United States Dollar	**622**	3,226	**–**	–
	71,947	52,456	**9,177**	9,017

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (continued)

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other payables	**23,355**	24,359	**24**	24
Accrued expenses	**20,961**	19,338	**5,175**	5,236
Deferred revenue	**10,488**	9,098	**–**	–
	54,804	52,795	**5,199**	5,260

Included in other payables of the Group was redemption money of RM2,400,000 (2013: RM3,800,000) payable to registered holders of the redeemable cumulative convertible preference shares ("RCCPS") who have not surrendered their certificates for the redemption of RCCPS as of 30 June 2014. Such money has been retained and held by the Group in trust for these registered holders but without interest or further obligation whatsoever as disclosed in Note 23.

Deferred Revenue

A subsidiary company of the Group, accounts for the customer loyalty award credits as a separate component of the sales transactions in which they are granted. The consideration received in sales transactions is allocated between the loyalty award credits and the other component of the sales. The amount allocated to the loyalty award credits is determined by reference to its fair value and is deferred until the awards are redeemed or liability is extinguished.

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

	The Group	
	2014 RM'000	2013 RM'000
Ringgit Malaysia	**50,088**	48,139
Chinese Renminbi	**3,440**	3,441
Singapore Dollar	**1,237**	1,215
Others	**39**	–
	54,804	52,795

30. PROVISION

	The Group and The Company	
	2014	2013
	RM'000	RM'000
Provision for indemnity for damages arising from litigation claim:		
At beginning and end of year	**15,000**	15,000

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("SFI") in 2007, the Company 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 UNP Plywood Sdn Bhd ("UNP") and ordered damages to be assessed. Pursuant to the judgment of the Court of Appeal on 11 September 2014, the Kota Kinabalu High Court Deputy Registrar assessed damages payable by SFI as disclosed in Note 33.

On 15 September 2014, SFI has filed an appeal against the whole decision of the Deputy Registrar and applied for stay of execution. On 25 September 2014, UNP filed notice of appeal against the decision of the Deputy Registrar assessing damages for cancellation of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993 at RM59,590,106.60 only. As at to date, the High Court has yet to hear both SFI's and UNP's appeal against the decision of the Deputy Registrar and SFI's application for stay of execution.

For the above claim, the Company had made a provision of RM15,000,000 and the balance of the assessed damages has been included as contingent liability. As the amount of claim is still subject to appeal, the ultimate amount of damages that may be awarded by the High Court may differ from the provision made and the difference may be material.

31. BANK BORROWINGS

	The Group	
	2014	2013
	RM'000	RM'000
Secured		
Revolving credit	**18,673**	–
Unsecured		
Bankers acceptances	**4,350**	5,771
	23,023	5,771

The Company has given Corporate Guarantees of RM4,350,000 (2013: RM5,771,000) to financial institutions for the granting of credit facilities to certain subsidiary companies. The facilities bear interest at rates ranging from 2.85% to 5.91% (2013: 3.29% to 5.65%) per annum.

The revolving credit facility pertaining to a subsidiary company is denominated in United Stated Dollar and secured by a charge on another subsidiary company's fixed deposits with licensed banks as disclosed in Note 23. The facility bears an average interest rate of 2.50% plus 6 months LIBOR per annum and is repayable on demand or at a rollover option of 6 months.

32. 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 2013.

The capital structure of the Group and of the Company consists of debts and equity of the Group and of the Company (comprising issued capital, reserves and non-controlling interests).

The Group's management reviews the capital structure of the Group on regular basis. As part of this review, the 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	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Debt (i)	**23,774**	7,441	**197**	251
Equity (ii)	**992,946**	1,244,047	**767,128**	761,298
Debt to equity ratio	**2.39%**	0.60%	**0.03%**	0.03%

(i) Debt is defined as hire-purchase payables and bank borrowings as disclosed in Notes 28 and 31 respectively.

(ii) Equity includes share 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 3.

32. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial assets				
Available-for-sale investments	**3,963**	9,254	**18**	18
Held-to-maturity investments	**–**	5,812	**–**	–
Loans and receivables:				
Unquoted redeemable convertible secured loan stocks	**1,710**	7,746	**–**	–
Trade receivables	**256,322**	464,957	**4,023**	4,028
Other receivables and refundable deposits	**181,772**	155,198	**11,584**	10,975
Amount owing by subsidiary companies	**–**	–	**747,171**	737,279
Amount owing by immediate holding company	**164,227**	150,293	**–**	–
Amount owing by other related companies	**128,550**	120,760	**127,820**	120,265
Fixed deposits, cash and bank balances	**211,674**	236,017	**145,406**	153,489
Financial liabilities				
Other financial liabilities:				
Trade payables	**71,947**	52,456	**9,177**	9,017
Other payables and accrued expenses	**54,804**	52,795	**5,199**	5,260
Amount owing to ultimate holding company	**692**	717	**–**	–
Amount owing to subsidiary companies	**–**	–	**305,596**	302,588
Amount owing to other related companies	**7,593**	5,401	**–**	–
Hire-purchase payables	**751**	1,670	**197**	251
Bank borrowings	**23,023**	5,771	**–**	–

Financial Risk Management Objectives and Policies

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

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

Foreign exchange risk

The Group undertakes 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 disclosed in the respective notes.

32. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

The Group and the Company are mainly exposed to the foreign currency of United States 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 currency. 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 rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates a gain in the profit or loss 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 the profit or loss, the balances below would be negative.

	The Group		**The Company**	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
United States Dollar	**467**	(250)	**(1,937)**	(1,492)

The Group's and the Company's sensitivity to foreign currency is mainly attributable to the exposure of fixed deposits, cash and bank balances and outstanding payables, which are denominated in USD at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the financial year.

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 Note 31. The interest rates of hire-purchase payables, which are fixed at the inception of the financing arrangements, are disclosed in Note 28.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's loss/profit net of tax and equity arising from the effect of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

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 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 Group and the Company are also exposed to credit risk from amount owing by subsidiary companies, immediate holding company and other related companies. The Group and the Company monitor on an on going basis the results of the subsidiary companies, immediate holding company and other related companies, and repayments made by the subsidiary companies, immediate holding company and other related companies.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all its customers fail to perform their obligations as of 30 June 2014, is the carrying amount of these receivables as disclosed in the statements of financial position.

The Board of Directors of the Company reviews regularly the significant amounts owing by immediate holding company and related parties which arose from sales transactions that have exceeded the credit period granted and actions have been carried out to recover the long outstanding amounts owing by immediate holding company and related parties.

32. FINANCIAL INSTRUMENTS (continued)

Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

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 short-term, medium and long-term funding and liquidity management requirements. The Group manages 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 practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

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

The Group 2014	**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	71,947	–	–	–	71,947	–
Other payables and accrued expenses	54,804	–	–	–	54,804	–
Amount owing to ultimate holding company	692	–	–	–	692	–
Amount owing to other related companies	7,593	–	–	–	7,593	–
	135,036	–	–	–	135,036	
Interest bearing:						
Hire-purchase payables	272	196	376	–	844	2.47 - 5.55
Bank borrowings	23,023	–	–	–	23,023	2.85 - 5.91
	23,295	196	376	–	23,867	
	158,331	196	376	–	158,903	

32. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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	52,456	–	–	–	52,456	–
Other payables and accrued expenses	52,795	–	–	–	52,795	–
Amount owing to ultimate holding company	717	–	–	–	717	–
Amount owing to other related companies	5,401	–	–	–	5,401	–
	111,369	–	–	–	111,369	
Interest bearing:						
Hire-purchase payables	1,088	273	535	37	1,933	2.33 - 5.55
Bank borrowings	5,771	–	–	–	5,771	3.29 - 5.65
	6,859	273	535	37	7,704	
	118,228	273	535	37	119,073	

The Company 2014	**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	**9,177**	**–**	**–**	**–**	**9,177**	**–**
Other payables and accrued expenses	**5,199**	**–**	**–**	**–**	**5,199**	**–**
Amount owing to subsidiary companies	**138,641**	**–**	**–**	**–**	**138,641**	**–**
	153,017	**–**	**–**	**–**	**153,017**	
Interest bearing:						
Amount owing to subsidiary companies	**154,264**	**18,200**	**–**	**–**	**172,464**	**1.00 - 5.00**
Hire-purchase payables	**64**	**64**	**101**	**–**	**229**	**2.47 - 5.55**
	154,328	**18,264**	**101**	**–**	**172,693**	
	307,345	**18,264**	**101**	**–**	**325,710**	

32. 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	9,017	–	–	–	9,017	–
Other payables and accrued expenses	5,260	–	–	–	5,260	–
Amount owing to subsidiary companies	137,234	–	–	–	137,234	–
	151,511	–	–	–	151,511	
Interest bearing:						
Amount owing to subsidiary companies	153,017	–	18,200	–	171,217	1.00 - 5.00
Hire-purchase payables	64	64	165	–	293	2.33 - 5.55
	153,081	64	18,365	–	171,510	
	304,592	64	18,365	–	323,021	

Fair values of financial instruments

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

	The Group		**The Company**	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2014				
Financial assets				
Available-for-sale investments:				
Quoted investments	**3,082**	**3,082 ^**	**15**	**15 ^**
Unquoted investments	**881**	**– #**	**3**	**– #**
Trade and other receivables	**274,644**	**291,387 +**	**–**	**–**
Financial liabilities				
Hire-purchase payables	**751**	**738 ***	**197**	**222 ***
Amount owing to a subsidiary company	**–**	**–**	**12,691**	**17,105 ***

32. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments (continued)

	The Group		The Company	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2013				
Financial assets				
Available-for-sale investments:				
Quoted investments	8,373	8,373 ^	15	15^
Unquoted investments	881	– #	3	– #
Held-to-maturity investments:				
Unquoted bonds	5,812	– #	–	–
Trade and other receivables	86,718	94,919 +	–	–
Financial liabilities				
Hire-purchase payables	1,670	1,746 *	251	280 *
Amount owing to a subsidiary company	–	–	12,337	16,076 *

^ The quoted market prices of quoted investments as at the end of the reporting period are used to determine the fair values of these financial assets.

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

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

+ The fair values of these financial instruments are estimated using discounted cash flow analysis based on the average cost of funds of the Group.

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).

32. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Fair value of financial instruments that are measured at fair value in the statements of financial position at the end of the reporting period are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2014				
Financial Assets				
Quoted investments	**3,082**	**–**	**–**	**3,082**
2013				
Financial Assets				
Quoted investments	8,373	–	–	8,373
The Company				
2014				
Financial Assets				
Quoted investments	**15**	**–**	**–**	**15**
2013				
Financial Assets				
Quoted investments	15	–	–	15

Fair value of financial instruments that are not measured at fair value in the statements of financial position at the end of the reporting period (but fair value disclosures are required) are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2014				
Financial Assets				
Trade and other receivables	**–**	**–**	**291,387**	**291,387**
Financial Liabilities				
Hire-purchase payables	**–**	**–**	**738**	**738**
2013				
Financial Assets				
Trade and other receivables	–	–	94,919	94,919
Financial Liabilities				
Hire-purchase payables	–	–	1,746	1,746
The Company				
2014				
Financial Liabilities				
Hire-purchase payables	**–**	**–**	**222**	**222**
Amount owing to a subsidiary company	**–**	**–**	**17,105**	**17,105**
2013				
Financial Liabilities				
Hire-purchase payables	–	–	280	280
Amount owing to a subsidiary company	–	–	16,076	16,076

33. CONTINGENT LIABILITIES

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Indemnity for:				
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**138,855**	128,874	**138,855**	128,874
Less : Provision (Note 30)	**(15,000)**	(15,000)	**(15,000)**	(15,000)
	123,855	113,874	**123,855**	113,874
Back pay labour claims from SFI's employees	**23,427**	23,427	**23,427**	23,427
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	**–**	–	**4,350**	5,771
	147,282	137,301	**151,632**	143,072

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

Indemnity for litigation claims in respect of the termination of contracts for the extraction and sale of timber

In the previous financial years, UNP Plywood Sdn Bhd ("UNP") filed a litigation claim 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.

On 27 February 2008, the Court of Appeal decided in favour of UNP and ordered damages to be assessed. Pursuant to the judgment of the Court of Appeal on 11 September 2014, the Kota Kinabalu High Court Deputy Registrar assessed damages payable by SFI to be as follows ("Assessed Damages"):

(1) Damages in the sum of RM59,590,106.60 for cancellation of the Extraction and Purchasing Agreement dated 28 June 1993 and 13 August 1993;
(2) Damages in the sum of RM1,430,831.30 being the additional costs for Parcel A logs;
(3) The sum of RM201,165.96 being refund of the excess royalties;
(4) Interest on the said sums at the rate of 8% per annum calculated from the date of service of the writ of summons to the date of the Court of Appeal judgment;
(5) Statutory interest at the rate of 8% per annum from the date of the Court of Appeal judgment to 28 February 2011;
(6) Statutory interest at the rate of 4% per annum from 1 March 2011 to 31 July 2012;
(7) Statutory interest at the rate of 5% per annum from 1 August 2012 until full realisation; and
(8) Costs of the assessment hearing.

On 15 September 2014, SFI has filed an appeal against the whole decision of the Deputy Registrar and applied for stay of execution. On 25 September 2014, UNP filed notice of appeal against the decision of the Deputy Registrar assessing damages for cancellation of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993 at RM59,590,106.60 only. As of to date, the High Court has yet to hear both SFI's and UNP's appeal against the decision of the Deputy Registrar and SFI's application for stay of execution.

For the above claim, the Company had made a provision of RM15,000,000 and the balance of the Assessed Damages has been included as contingent liability. As the amount of claim is still subject to appeal, the ultimate amount of damages that may be awarded by the High Court may differ from the Assessed Damages.

33. CONTINGENT LIABILITIES (continued)

The Directors of the Company have been advised that there are merits in an appeal to the High Court Judge in chambers on the quantum awarded to UNP.

Though indemnity contracts have been signed between the Company and Avenel Sdn Bhd ("Avenel"), the immediate holding company then, whereby Avenel agreed to indemnify the Company in full for all losses which the Company 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, Avenel was however unable to discharge its obligation under the said indemnity and was wound-up on 28 August 2014.

Indemnity for back pay labour claims from SFI's employees

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

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

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. On 15 May 2013, the Court of Appeal dismissed SFI's appeal with costs. Thereafter, SFI had filed an application to the Federal Court on 13 June 2013 for leave to appeal against the decision of the Court of Appeal. On 27 March 2014, the application for leave to appeal was withdrawn in view of certain recent legal authorities which rules 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 the Company, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

34. CAPITAL COMMITMENTS

As of 30 June 2014, the Group has the following capital commitments in respect of purchase of property, plant and equipment:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Approved and contracted for	**1,625**	9,599
Approved but not contracted for	**–**	27,309
	1,625	36,908

35. SEGMENT INFORMATION

Business Segments

The Group's activities are classified into three (3) major business segments:

- building materials and steel products
- lubricants, petroleum and automotive products
- others

Others include mainly investment holding, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products and agriculture, none of which is of sufficient size to be reported separately.

The inter-segment transactions are conducted at arm's length basis under terms, conditions, and prices not materially different from transactions with non-related parties.

35. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2014	Building materials and steel products RM'000	Lubricants, petroleum and automotive products RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue					
External customers	717,426	74,634	25,862	–	817,922
Inter-segment sales	3	4	18	(25)	–
Total revenue	717,429	74,638	25,880	(25)	817,922
Results					
Segment results	35,001	11,323	(7,729)	–	38,595
Unallocated expenses					(1,558)
Unallocated income					7,555
Profit from operations					44,592
Finance costs					(533)
Share in results of associated companies	–	–	(970)	–	(970)
Impairment losses on:					
Trade receivables	(94,976)	(3,184)	(15,921)	–	(114,081)
Other receivables	(136,810)	(990)	(3,119)	–	(140,919)
Quoted investments	(1,110)	(1,528)	(2,669)	–	(5,307)
Unquoted investments	–	–	(9,138)	–	(9,138)
Inventories written down	–	–	(10,264)	–	(10,264)
Loss before tax					(236,620)
Income tax expense					(13,386)
Loss for the year					(250,006)
Consolidated Statement of Financial Position					
Segment assets	558,648	80,825	184,894	–	824,367
Investment in associated companies	–	–	77,223	–	77,223
Unallocated corporate assets					268,120
Consolidated Total Assets					1,169,710
Segment liabilities	91,337	28,575	45,613	–	165,525
Unallocated corporate liabilities					11,239
Consolidated Total Liabilities					176,764
Other Information					
Capital expenditure	41	1,490	12,568	–	14,099
Depreciation	178	1,980	3,321	–	5,479
Other non-cash items	232,314	5,868	41,111	–	279,293

35. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2013	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	910,877	78,657	21,770	–	1,011,304
Inter-segment sales	295	12	–	(307)	–
Total revenue	911,172	78,669	21,770	(307)	1,011,304
Results					
Segment results	34,597	14,380	2,783	–	51,760
Unallocated expenses					(1,542)
Unallocated income					7,268
Profit from operations					57,486
Finance costs					(363)
Share in results of associated companies	–	–	4,086	–	4,086
Impairment losses on:					
Trade receivables	(23,529)	(595)	(2,433)	–	(26,557)
Quoted investments	(740)	(1,019)	(1,853)	–	(3,612)
Loss on redemption of unquoted investments	–	–	(5,402)	–	(5,402)
Profit before tax					25,638
Income tax expense					(14,753)
Profit for the year					10,885
Consolidated Statement of Financial Position					
Segment assets	760,801	82,830	204,849	–	1,048,480
Investment in associated companies	–	–	78,085	–	78,085
Unallocated corporate assets					256,695
Consolidated Total Assets					1,383,260
Segment liabilities	74,368	27,531	25,793	–	127,692
Unallocated corporate liabilities					11,521
Consolidated Total Liabilities					139,213
Other Information					
Capital expenditure	348	4,997	321	–	5,666
Depreciation	136	1,787	1,998	–	3,921
Other non-cash items	22,942	1,764	9,786	–	34,492

35. SEGMENT INFORMATION (continued)

Geographical Segments

The Group's operations are mainly in Malaysia for the current financial year:

(i) Malaysia - building materials and steel products, lubricants, petroleum and automotive products, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products and investment holding

(ii) Others - countries which are not sizable to be reported separately

The following is an analysis of the Group's revenue, carrying amount of total assets and capital expenditures by geographical areas:

	Revenue	
	2014	**2013**
	RM'000	**RM'000**
Malaysia	**817,922**	1,011,304

	Total assets		Capital expenditures	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**982,263**	1,200,306	**2,160**	5,666
Singapore	**67,864**	66,119	**–**	–
Other countries	**119,583**	116,835	**11,939**	–
	1,169,710	1,383,260	**14,099**	5,666

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

Information about major customers

Revenue of the Group of approximately RM416,555,000 (2013: RM550,767,000) from the building materials, steel products and lubricants, petroleum and automotive products divisions and transportation services are derived from two related parties and immediate holding company.

36. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 23)	**34,851**	73,936	**11,899**	19,553
Cash and bank balances (unrestricted) (Note 23)	**16,876**	23,441	**1,137**	5,459
	51,727	97,377	**13,036**	25,012

37. SIGNIFICANT EVENT

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

(i) Proposed joint venture in the blast furnace project ("Project") among the Company, Lion Diversified Holdings Berhad and Lion Industries Corporation Berhad in the equity participation of 20:51:29 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 USD63.6 million (equivalent to RM194 million); and

(ii) Proposed provision of corporate guarantee on the loan of USD740 million (equivalent to RM2.3 billion) granted to LBF proportionate to the Company's shareholding of 20% in LBF amounting to USD148 million (equivalent to RM451 million).

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

38. COMPARATIVE FIGURES

Trade receivables of the Group amounting to RM86,718,000 as of 30 June 2013 have been reclassified from current assets to non-current assets to conform with current year's presentation.

SUPPLEMENTARY INFORMATION

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as of 30 June 2014 and 30 June 2013, into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements", as issued by the Malaysian Institute of Accountants, and the directive of Bursa Securities.

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings/ (accumulated losses) of the Company and its subsidiary companies				
Realised	**(28,136)**	221,664	**(138,758)**	(144,588)
Unrealised	**(27,529)**	(25,885)	**(15,280)**	(15,280)
	(55,665)	195,779	**(154,038)**	(159,868)
Total retained earnings from associated companies				
Realised	**29,258**	30,371	**–**	–
Unrealised	**2,632**	2,871	**–**	–
	31,890	33,242	**–**	–
Add: Consolidation adjustments	**50,619**	50,619	**–**	–
Total retained earnings/(accumulated losses)	**26,844**	279,640	**(154,038)**	(159,868)

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying statements of financial position as of 30 June 2014 and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 123, are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2014 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out in page 124, which is not part of the financial statements, is prepared in all material respects, in accordance to 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 WILLIAM H.J. CHENG **CHAN HO WAI**

Kuala Lumpur
13 October 2014

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

I, **TAN SRI WILLIAM H.J. CHENG**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 43 to 124 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 WILLIAM H.J. CHENG

Subscribed and solemnly declared by the
abovenamed **TAN SRI WILLIAM H.J. CHENG**
at **KUALA LUMPUR** in the **FEDERAL TERRITORY**
on this 13th day of October, 2014.

Before me,

W 530
TAN SEOK KETT
COMMISSIONER FOR OATHS

Kuala Lumpur

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2014

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (20)	10.9	30.12.1991
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 (29)	0.1	13.4.1998
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 (16)	0.3	18.3.1999
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 (16)	0.2	17.3.1999
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 (12)	0.1	16.7.2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2014

Authorised Capital	:	RM500,000,000
Issued and Paid-up Capital	:	RM231,571,732
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 15 October 2014

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	889	17.68	25,818	0.01
100 to 1,000	1,303	25.92	903,809	0.39
1,001 to 10,000	2,056	40.90	9,242,618	3.99
10,001 to 100,000	675	13.43	19,588,951	8.46
100,001 to less than 5% issued shares	100	1.99	51,177,832	22.10
5% and above of issued shares	4	0.08	150,632,704	65.05
	5,027	100.00	231,571,732	100.00

Substantial Shareholders as at 15 October 2014

	Direct Interest		Indirect Interest	
Substantial Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Sri William H.J. Cheng	400	*	171,258,918	73.96
2. Tan Sri Cheng Yong Kim	130	*	168,960,759	72.96
3. Lion Industries Corporation Berhad	45,127,236	19.49	123,676,884	53.41
4. Amsteel Mills Sdn Bhd	123,632,704	53.39	44,180	0.02
5. LLB Steel Sdn Bhd	–	–	168,804,120	72.89
6. Steelcorp Sdn Bhd	–	–	168,804,120	72.89
7. Dynamic Horizon Holdings Limited	–	–	168,804,120	72.89

* Negligible.

Thirty Largest Registered Shareholders as at 15 October 2014

	Registered Shareholders	No. of Shares	% of Shares
1.	Amsteel Mills Sdn Bhd	89,146,204	38.50
2.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-3	33,486,500	14.46
3.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	16,000,000	6.91
4.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LI00157M)	12,000,000	5.18
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (8106442)	10,850,000	4.69
6.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-1	2,650,000	1.14
7.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-2	2,650,000	1.14
8.	Maybank Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Limited (Client A/C)	2,047,400	0.88
9.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for the Bank of New York Mellon (Mellon Acct)	1,964,181	0.85
10.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,835,464	0.79
11.	Ng Teng Song	1,787,000	0.77
12.	Lim Boon Liat	1,650,000	0.71
13.	Lion Development (Penang) Sdn Bhd	1,334,745	0.58
14.	Wu Teng Siong	1,047,000	0.45
15.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-4	1,000,000	0.43
16.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-3	977,000	0.42
17.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	792,505	0.34
18.	HSBC Nominess (Asing) Sdn Bhd AA Noms SVS HK for Anzio Enterprises Limited	779,800	0.34
19.	Teoh Hooi Bin	631,752	0.27
20.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	600,633	0.26
21.	Yew Yeong Chang	565,500	0.24
22.	HSBC Nominess (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	558,773	0.24
23.	Pacific & Orient Insurance Co Berhad	504,700	0.22
24.	Maybank Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd - Private Bank Clients Account (Non-Malaysian) (266268)	498,400	0.22
25.	Tirta Enterprise Sdn Bhd	494,868	0.21
26.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Seong	478,000	0.21
27.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NJ3F for Discerene Fund LP	455,520	0.20
28.	Ong Sai Hoon	415,000	0.18
29.	Happyvest (M) Sdn Bhd	391,241	0.17
30.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung	384,100	0.17

Directors' Interests in Shares in the Company and its Related Corporations as at 15 October 2014

The Directors' interests in shares in the Company and its related corporations as at 15 October 2014 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 William H.J. Cheng		400	*	171,261,979	73.96
Lin Chung Dien		7,060	*	–	–
Dato' Eow Kwan Hoong		8,026	*	–	–
Related Corporations					
Tan Sri William H.J. Cheng					
Angkasa Amsteel Pte Ltd	**	–	–	11,517,999	50.00
Angkasa Welded Mesh Pte Ltd	**	–	–	100,000	100.00
Brands Pro Management Sdn Bhd	RM1.00	–	–	1,400,000	70.00
Holdsworth Investment Pte Ltd	**	–	–	4,500,000	100.00
Inspirasi Elit Sdn Bhd	RM1.00	–	–	212,500	85.00
Lion AMB Holdings Pte Ltd	**	–	–	25,400,080	80.00
Lion AMB Resources Berhad	RM1.00			300,792,324	88.46
Lion Industries Corporation Berhad	RM1.00	216,865,498	30.26	46,871,111	6.54
Lion Rubber Industries Pte Ltd	**	–	–	10,000,000	100.00
LLB Enterprise Sdn Bhd	RM1.00	–	–	690,000	69.00
Marvenel Sdn Bhd	RM1.00	–	–	100	100.00
Ototek Sdn Bhd	RM1.00	–	–	1,050,000	70.00
Posim EMS Sdn Bhd	RM1.00	–	–	800,000	80.00
P.T. Lion Intimung Malinau	USD1.00	–	–	4,750,000	95.00
Soga Sdn Bhd	RM1.00	–	–	4,525,322	98.12
Steelcorp Sdn Bhd	RM1.00	–	–	99,750	99.75
Zhongsin Biotech Pte Ltd	**	–	–	1,000,000	100.00

Investments in the People's Republic of China			Indirect Interest USD	Indirect Interest % Holding
Tianjin Baden Real Estate Development Co Ltd (In liquidation – voluntary)	–	–	5,000,000	95.00
Tianjin Hua Shi Auto Meter Co Ltd (In liquidation – voluntary)	–	–	10,878,944	56.40

Notes:

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 15 October 2014.

OTHER INFORMATION

(I) MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests since the end of the previous financial year or which are still subsisting at the end of the financial year.

(II) NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year was RM5,000 (RM5,000 in 2013).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2014 were as follows:

Nature of Recurrent Transactions	Related parties	Amount RM'000
(a) Trading and distribution		
(i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Industries Corporation Berhad Group ("LICB Group")	121,938
	Lion Diversified Holdings Berhad Group ("LDHB Group")	5,972
	Lion Teck Chiang Limited Group ("LTC Group")	1,068
		128,978
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	LICB Group	350,394
	LDHB Group	32,208
	Lion Corporation Berhad Group ("LCB Group")	6,260
	Parkson Holdings Berhad Group ("Parkson Group")	3,253
		392,115
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LICB Group	3,330
	LCB Group	2,440
	LDHB Group	134
	Lion Asiapac Limited Group	38
		5,942
(b) Others		
(i) Provision of transportation and forwarding services	LCB Group	17,019
	LICB Group	4,224
	LDHB Group	18
		21,261
(ii) Sale of consumer products	Parkson Group	873

Notes:

i) "Group" includes subsidiary and associated companies.

ii) The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–								

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Second Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 2 December 2014 at 10.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To re-elect as Director, Mr Chan Ho Wai		
3. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng		
4. To re-appoint as Director, Mr Lin Chung Dien		
5. To re-appoint as an independent non-executive Director, Y. Bhg. Dato' Kalsom binti Abd. Rahman		
6. To re-appoint Auditors		
7. Authority to Directors to issue shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
9. Proposed Share Buy-Back		

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 2014

No. of shares: ....

Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 25 November 2014 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.

  Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument of proxy shall be deposited at the Office of the Registrar of the Company, Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 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.