LION INDUSTRIES CORPORATION

LION INDUSTRIES CORPORATION BERHAD (415-D)

Laporan Tahunan
Annual Report 2014

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eighty-Fourth Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 4 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 RM243,500 (2013 : RM265,000). **Resolution 1**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 2**

4. To re-appoint Mr Chong Jee Min as an independent non-executive Director of the Company. **Resolution 3**

5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 4**

6. Special Business

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

6.1 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 5**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A(I) of the Circular to Shareholders of the Company dated 12 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 6**

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."

6.3 Proposed Renewal of Authority for Share Buy-Back

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements, and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to buy-back such amount of ordinary shares of RM1.00 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: **Resolution 7**

(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."

6.4 Proposed Grant of Options to Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin

"THAT authority be and is hereby given to the Company specifically to offer and grant to Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin, the independent non-executive Chairman of the Company, options to subscribe for up to 250,000 new ordinary shares of RM1.00 each in the capital of the Company, pursuant to the Company's Executive Share Option Scheme ("ESOS"), subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bylaws of the ESOS." **Resolution 8**

7. 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
12 November 2014

Notes:

1. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 27 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 12 November 2014 ("Circular")*

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

   (i) Part A(I) - Proposed Shareholders' Mandate for Recurrent Related Party Transactions
   (ii) Part A(II) - Proposed Grant of Options to Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
   (iii) Part B - Proposed Renewal of Authority for 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 3*

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

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

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

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

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

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

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

5. *Resolution 5*

   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 19 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 6*

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

7. *Resolution 7*

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

8. *Resolution 8*

   This approval will allow the grant of options to Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin, the independent non-executive Chairman of the Company who was appointed to the Board on 29 August 2013 as an independent non-executive Director and an Audit Committee member, and on 19 December 2013 as the independent non-executive Chairman, to subscribe for up to 250,000 new ordinary shares of RM1.00 each in the capital of the Company pursuant to the Company's Executive Share Option Scheme ("ESOS") at a subscription price to be determined in the manner set out in the Bylaws of the ESOS.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Eighty-Fourth Annual General Meeting of the Company are set out in the Directors' Profile on pages 6 to 8 of the 2014 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Chong Jee Min Mr Cheng Yong Liang Mr Heah Sieu Lay
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No	:	415-D
Registered Office	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : www.lion.com.my/lionind
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	:	Malayan Banking Berhad RHB Investment Bank Berhad Alliance Bank Berhad Affin Investment Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONIND
Bursa Securities Stock No	:	4235
Reuters Code	:	LLBM.KL
ISIN Code	:	MYL4235OO007

DIRECTORS' PROFILE

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
Independent Non-Executive Chairman

Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin, a Malaysian, aged 61, was appointed to the Board on 29 August 2013 and has been the Chairman of the Company since 19 December 2013. He is also a member of the Audit Committee of the Company.

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

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

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

Datuk Seri Raja Nong Chik attended five (5) of the six (6) Board Meetings of the Company held during the financial year ended 30 June 2014 subsequent to his appointment.

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 64, was appointed the Managing Director of the Company on 16 January 1995. Tan Sri Cheng is also a member of the Remuneration Committee and Executive Share Option Scheme Committee of the Company.

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

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

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

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

Tan Sri Cheng has a direct shareholding of 9,253,289 ordinary shares of RM1.00 each and an indirect interest in 113,681,140 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 163 of this Annual Report. He also has interest in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

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

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

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, aged 76, was appointed to the Board on 20 July 1994. He is also the Chairman of the Executive Share Option Scheme Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

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

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

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

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

Chong Jee Min
Independent Non-Executive Director

Mr Chong Jee Min, a Malaysian, aged 55, was appointed to the Board on 5 May 2004. He is the Chairman of the Company's Audit Committee and Remuneration Committee and also a member of the Nomination Committee of the Company.

Mr Chong graduated from the University of Leeds, England in 1984 with an Honours degree in law. He obtained his Certificate of Legal Practice, Malaya in 1985. He was admitted as an advocate and solicitor at the High Court of Malaya in 1986. He established the firm of J.M. Chong, Vincent Chee & Co in December 1986 and has been practising since, concentrating on banking, property and corporate matters.

Mr Chong is the Chairman of the Legal Affairs Committee for the Klang Chinese Chamber of Commerce & Industry and The Associated Chinese Chamber of Commerce & Industry of Coastal Selangor, the Deputy Chairman of the Legal Affairs Committee for Kuala Lumpur & Selangor Chinese Chamber of Commerce & Industry, a member of the Legal Affairs Committee of The Associated Chinese Chamber of Commerce & Industry of Malaysia, and a legal advisor of Malaysia Used Vehicle Autoparts Traders' Association, The Kuala Lumpur & Selangor Furniture Entrepreneurs' Association and Sekolah Menengah Chung Hua (PSDN) Klang.

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

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

Cheng Yong Liang
Non-Independent Non-Executive Director

Mr Cheng Yong Liang, a Singaporean, aged 57, was appointed to the Board on 6 April 1994.

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

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

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

Mr Cheng attended five (5) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

Mr Cheng who is due to retire by rotation at the forthcoming Annual General Meeting of the Company, will not seek re-election as Director of the Company.

Heah Sieu Lay
Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 61, was appointed to the Board on 6 June 2001. He is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company.

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

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

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

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

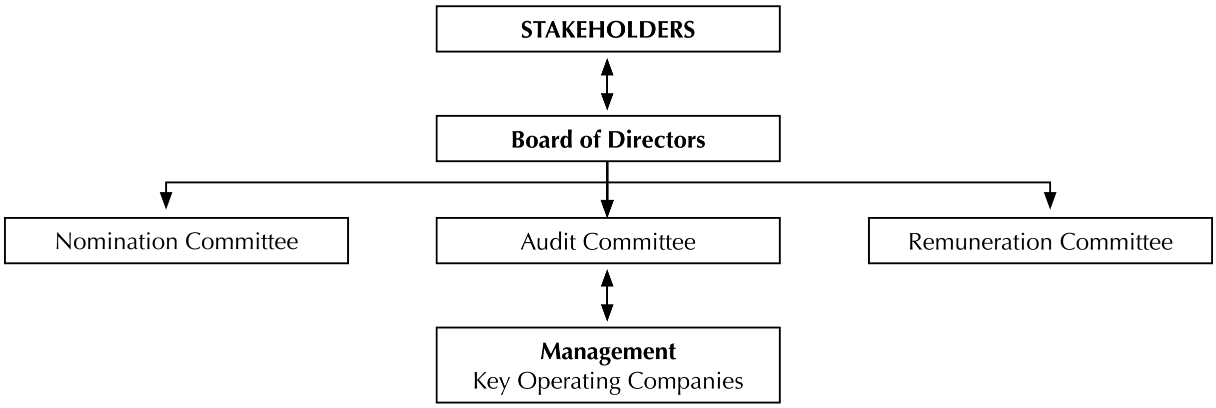
Save as disclosed above, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past 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 six (6) Directors, five (5) of whom are non-executive. The current Board composition complies with the Bursa Securities Main Market Listing Requirements ("Listing Requirements"). The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

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

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

Represented on the Board are 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 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 Directors with a majority being independent Directors. The Nomination Committee is chaired by Mr Heah Sieu Lay, an independent Director, 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/lionind.

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 6 to 8 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.
(vi) Recommended the following appointments:
   (a) Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin as an independent non-executive Director, the Chairman of the Board and a member of the Audit Committee.
   (b) Mr Chong Jee Min as the Chairman of the Remuneration Committee and a member of the Nomination Committee.
   (c) Mr Heah Sieu Lay as a member and the Chairman of the Nomination Committee.

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	25	969	994
Non-executive Directors*	219	12	231
	244	981	1,225

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive***
25,000 & below	–	2
25,001 – 50,000	–	3
50,001 – 75,000	–	1
900,001 – 1,000,000	1	–

* Including a Director who retired at the previous Annual General Meeting.

Re-election of Directors

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

Directors' Training

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

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

During the financial year, the Directors had participated in the following seminars, briefing sessions, workshops 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, and fraud and corruption risk management:

Name of Directors	Programmes
Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin	• 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 • Bursa Malaysia – Briefing Session on Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) – An Update
Tan Sri Cheng Yong Kim	• The World Capital Markets Symposium 2013 on Redefining Markets: Sustaining Growth and Resilience • 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 • International Tin Conference 2014 in relation to: 1. Keynote Addresses and Tin Exchanges 2. Tin Applications and Market Outlook 3. New Tin Supply & Sustainability • 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' Kamaruddin @ Abas bin Nordin	• 9th Tricor Tax & Corporate Seminar by Tricor Tax Services Sdn Bhd • 2013 Audit Committee Institute Breakfast Roundtable Series by KPMG • 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 • 2014 Audit Committee Conference – Stepping Up for Better Governance by Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia

Name of Directors	Programmes
Chong Jee Min	• Bursa Malaysia Corporate Governance Statement Reporting Workshop • Lion Group In-house Directors' Training on Briefing on Agriculture Activities • Bursa Malaysia – Risk Management & Internal Control Workshops for Audit Committee Members • 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 • Islamic Finance Seminar organised by Crimson Logic • Bursa Malaysia – Briefing Session on Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) – An Update • Bursa Malaysia – Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers • Bursa Malaysia & Iclif – Nominating Committee Programme • 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
Cheng Yong Liang	• 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
Heah Sieu Lay	• 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: 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/lionind provides easy access to corporate information pertaining to the Group and its activities.

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

3. SUSTAINABILITY

The Board in discharging its governance role 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 30 and 31 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 Committee prior to the adoption of the financial statements of the Group and of the Company, including timely and quality disclosure through appropriate corporate disclosure policies and procedures adopted.

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 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 Committee. The Audit Committee assesses the suitability and independence of external auditors and recommends the appointment of the external auditors and their remuneration to the Board. The appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. The external auditors meet with the Audit Committee at least twice a year and attend the annual general meeting of the Company.

5. RECOGNISE AND MANAGE RISKS

Risk Management Framework

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

Internal Audit Function

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

COMPOSITION

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

- **Members**

  Mr Chong Jee Min
  (Chairman, Independent Non-Executive Director)

  Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
  (Independent Non-Executive Director)

  Mr Heah Sieu Lay
  (Independent Non-Executive Director)

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

- **Secretaries**

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

- **Membership**

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

- **Meetings and Minutes**

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

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

TERMS OF REFERENCE

- **Responsibilities**

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

- **Authority**

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

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

- **Duties**

The duties of the Audit Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit Committee Meetings were held. Whilst Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin attended all the six (6) Meetings held subsequent to his appointment as a member of the Audit Committee, Mr Chong Jee Min and Mr Heah Sieu Lay had full attendance for all the seven (7) Meetings held in the financial year.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **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 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 linked to the Corporate Performance System (based on the Balanced Scorecards perspectives).

- **Related Party Transactions**

  (a) Reviewed related party transactions entered into by the Group set out below:

  - Proposed termination of the following proposals in relation to the blast furnace project:

    (i) Proposed joint-venture among the Company, Lion Diversified Holdings Berhad and Lion Forest Industries Berhad in Lion Blast Furnace Sdn Bhd ("LBF") in the shareholding ratio of 29:51:20;

    (ii) Proposed disposal by Amsteel Mills Sdn Bhd, a subsidiary of the Company, to LBF of a parcel of freehold land located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres, for a cash consideration of approximately RM16.22 million; and

    (iii) Proposed provision of corporate guarantee by the Company in favour of LBF and pledge of securities to be given by the Company proportionate to its shareholding in LBF to secure a loan facility to be obtained by LBF and its subsidiary.

  (b) Reviewed recurrent related party transactions of a revenue or trading nature on a quarterly basis for compliance under the Shareholders' Mandate.

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM446,000.

NOMINATION COMMITTEE

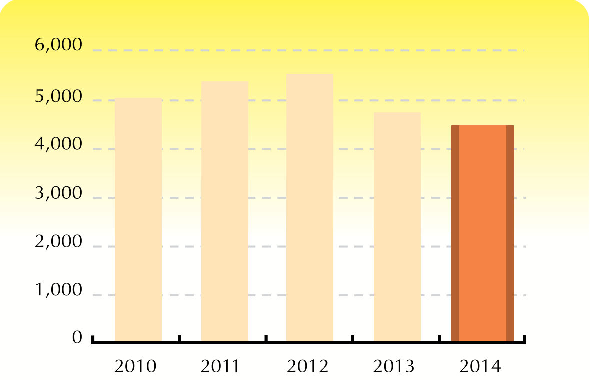
Chairman	:	Mr Heah Sieu Lay *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)* Mr Chong Jee Min *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in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

REMUNERATION COMMITTEE

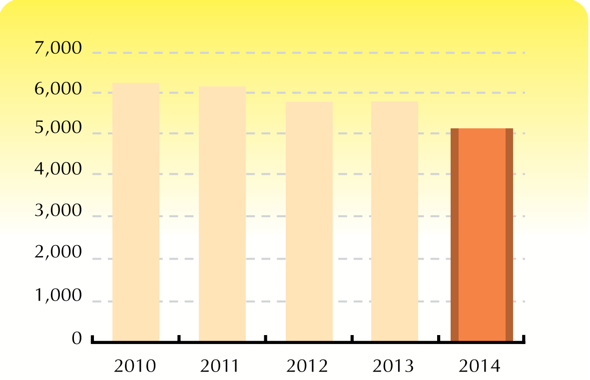
Chairman	:	Mr Chong Jee Min *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Cheng Yong Kim *(Non-Independent Executive Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the remuneration of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

5 YEARS GROUP FINANCIAL HIGHLIGHTS

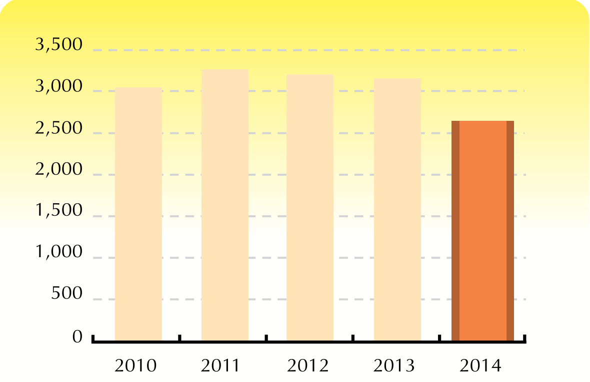
Financial years ended 30 June		**2010**	**2011**	**2012**	**2013**	**2014**
Revenue	(RM'000)	5,057,773	5,393,001	5,544,080	4,748,470	**4,482,351**
Profit/(Loss) before tax	(RM'000)	515,781	283,605	(12,832)	(30,377)	**(580,786)**
Profit/(Loss) after tax	(RM'000)	417,170	282,072	(30,113)	(31,604)	**(578,386)**
Net profit/(loss) attributable to owners of the Company	(RM'000)	361,469	232,090	(38,221)	(34,497)	**(505,946)**
Total assets	(RM'000)	6,055,721	6,026,120	5,654,210	5,662,078	**4,923,443**
Net assets	(RM'000)	3,038,403	3,257,922	3,198,420	3,153,208	**2,644,668**
Total borrowings	(RM'000)	986,213	1,026,942	920,398	842,995	**682,494**
Earnings/(Loss) per share	(Sen)	50.7	32.4	(5.3)	(4.8)	**(70.6)**
Net assets per share	(Sen)	425	454	446	439	**369**
Dividends:						
Rate	(Sen)	1.0	4.0	1.0	1.0	**–**
Amount	(RM'000)	5,383	23,326	7,179	7,177	**–**



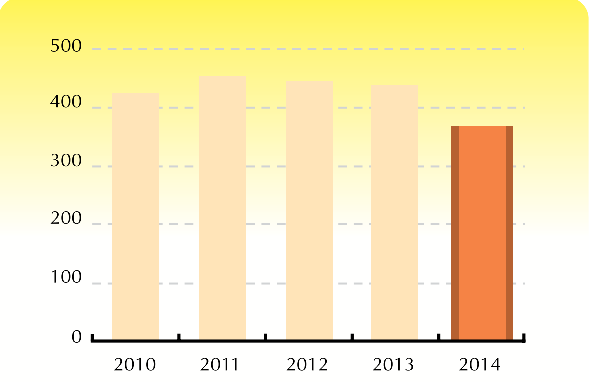
REVENUE RM Million



TOTAL ASSETS RM Million



NET ASSETS RM Million

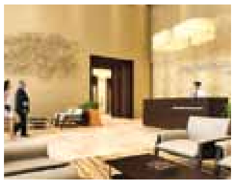


NET ASSETS PER SHARE Sen

THE GROUP'S BUSINESSES

- The Hot Briquetted Iron (HBI) plant operated by Antara Steel Mills Sdn Bhd in Labuan, produces HBI (inset) mainly for the export market.
- *Kilang besi briket panas (HBI) dikendalikan oleh Antara Steel Mills Sdn Bhd di Labuan, mengeluarkan HBI (gambar kecil) kebanyakannya untuk pasaran eksport.*

- Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd (Johor) produce long steel products namely billets, bars and wire rods for construction and manufacturing requirements.
- *Amsteel Mills Sdn Bhd dan Antara Steel Mills Sdn Bhd (Johor) menghasilkan produk besi panjang iaitu bilet, bar dan rod wayar untuk kegunaan sektor pembinaan dan pembuatan.*



- The Promenade at Bandar Bayan Baru, Penang, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza that was launched earlier, has recorded a take-up rate of over 80% and is expected to be completed in 2016.
- *The Promenade di Bandar Bayan Baru, Pulau Pinang terdiri daripada 336 unit suite perkhidmatan dengan 37 unit kedai butik gaya hidup dan plaza jalanan yang telah dilancarkan terlebih dahulu, mencatatkan kadar penerimaan lebih 80% dan dijangka siap sepenuhnya pada tahun 2016.*

- St Mary Residences CBD, a joint-venture with the Eastern & Oriental Group, which comprises 3 towers of 28-storey apartments, with retail, food and beverage theme outlets in the Kuala Lumpur Central Business District, has been well received with a take-up rate of over 90%.
- *St Mary Residences CBD, usahasama dengan Kumpulan Eastern & Oriental, terdiri daripada 3 menara pangsapuri 28-tingkat, dengan outlet runcit, makanan dan minuman bertema di Kuala Lumpur Central Business District, telah mendapat kadar penerimaan memuaskan, melebihi 90%.*

PENYATA PENGERUSI

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

PRESTASI KEWANGAN

Bagi tempoh setahun yang lalu, kita menyaksikan cabaran yang berterusan dalam industri keluli global dengan pertumbuhan bekalan melebihi permintaan. Ketidakseimbangan dalam bekalan dan permintaan telah menjejaskan harga jualan keluli manakala harga bahan mentah kekal tidak menentu.

Di dalam negara, pasaran keluli tempatan terus dibanjiri lambakan produk keluli import yang murah. Selain itu, kenaikan tarif elektrik dan gas dalam tahun kewangan juga mengurangkan lagi margin keuntungan para pengeluar keluli tempatan yang sememangnya sudah berkurangan. Dalam persekitaran operasi yang tidak menggalakkan ini, Kumpulan mencatatkan perolehan 6% lebih rendah berjumlah RM4,482 juta bagi tahun kewangan dalam kajian berbanding RM4,748 juta yang dicatatkan pada tahun sebelumnya manakala kerugian operasi meningkat kepada RM66.6 juta daripada RM37.6 juta tahun lalu.

Kumpulan menyediakan kerugian rosot nilai sebanyak RM444.6 juta bagi perdagangan dan lain-lain belum diterima terutamanya daripada rakan-rakan perdagangan utama dalam perniagaan keluli yang turut terjejas dengan persekitaran operasi yang sukar. Kilang keluli kita di Banting, Selangor menyaksikan rosot nilai sebanyak RM33.9 juta disebabkan oleh jumlah pengeluaran yang rendah. Kumpulan juga mengiktiraf kerugian rosot nilai yang timbul daripada penilaian saksama ke atas pelaburan sebanyak RM69.9 juta dan juga inventori turun nilai berjumlah RM10.3 juta.

Sementara itu, syarikat-syarikat bersekutu Kumpulan dan rakan kongsi, masing-masing menyumbang kepada keuntungan sebanyak RM26.0 juta dan RM18.5 juta bagi tahun kewangan dalam kajian.

Secara keseluruhan, Kumpulan mencatatkan kerugian sebelum cukai lebih tinggi sebanyak RM580.8 juta bagi tahun kewangan berbanding RM30.4 juta pada tahun sebelumnya. Pada 30 Jun 2014, aset bersih Kumpulan kekal pada RM2,645 juta atau RM3.69 sesaham manakala gearan bersih selepas ditolak tunai dan bersamaan tunai kekal rendah pada 0.13 kali.

DIVIDEN

Lembaga Pengarah tidak mengesyorkan sebarang pembayaran dividen dalam 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 kami ke arah tadbir urus korporat yang baik dan kemapanan operasi perniagaan kami.

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. Kilang pembuatan keluli kita diperakui ISO 14001 Sistem Pengurusan Alam Sekitar yang merupakan bukti kepada komitmen kita untuk mengelak berlakunya pencemaran, peningkatan berterusan dalam keseluruhan prestasi alam sekitar, dan pematuhan kepada semua keperluan berkanun dan peraturan yang diguna pakai.

Kumpulan menerima pakai peraturan-peraturan keselamatan, kesihatan dan alam sekitar secara sistematik, diperkukuhkan dengan latihan dan pemantauan berterusan, dan penubuhan Pasukan Tindakan Kecemasan di kilang-kilang kita untuk memastikan keselamatan dan kesejahteraan para pekerja.

Pelbagai inisiatif yang dilakukan oleh projek-projek hartanah kita termasuk mengadakan landskap yang dipenuhi dengan pokok-pokok hijau dan kemudahan untuk menggalakkan persekitaran hijau atau mesra alam.

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

Persekitaran operasi industri keluli dijangka kekal mencabar berikutan lebihan kapasiti dan bekalan di peringkat global yang akan terus menjejaskan pasaran keluli dan membawa kepada aktiviti lambakan produk keluli secara berleluasa dalam pasaran keluli tempatan oleh pengeluar-pengeluar keluli asing.

Di dalam negara, permintaan produk keluli akan meningkat dengan momentum pertumbuhan sektor pembinaan diramal berterusan. Walau bagaimanapun, para pengeluar keluli tempatan tidak akan mendapat manfaat daripada peningkatan permintaan kecuali langkah-langkah yang berkesan untuk membendung kegiatan lambakan diperkenalkan dan dikuatkuasakan oleh Kerajaan dengan tegas.

Berdasarkan keadaan itu, prestasi Kumpulan akan kekal mencabar dalam tahun kewangan akan datang.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk mengucapkan setinggi-tinggi terima kasih dan penghargaan kepada mantan Pengerusi, Y.A Bhg. Tun Musa Hitam yang bersara dari Lembaga Pengarah pada 19 Disember 2013, atas sumbangan beliau sepanjang tempoh perkhidmatan sebagai Pengarah dan Pengerusi Lembaga Pengarah dan Jawatankuasa Penamaan.

PENGHARGAAN

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

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

Akhir sekali, saya ingin mengucapkan terima kasih yang tulus ikhlas kepada pihak pengurusan dan kakitangan atas dedikasi dan komitmen mereka kepada Kumpulan.

DATUK SERI UTAMA RAJA NONG CHIK BIN DATO' RAJA ZAINAL ABIDIN
Pengerusi

CHAIRMAN'S STATEMENT

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

FINANCIAL PERFORMANCE

Over the past one year, we witnessed the persistent challenges in the global steel industry with supply growth outpacing demand. The imbalance in supply and demand had depressed steel selling prices whilst raw material prices remained volatile.

On the domestic front, the local steel market continued to be flooded by imports of cheap steel products. In addition, the hike in electricity and gas prices during the year had further squeezed the already thinned profit margins of the local steel producers. Under such unfavourable operating environment, the Group posted a 6% lower revenue of RM4,482 million for the financial year under review as against RM4,748 million recorded in the previous year, and operating loss increased to RM66.6 million from RM37.6 million last year.

The Group provided an impairment loss of RM444.6 million on trade and other receivables, particularly receivables from our major trading partners involved in the steel business which were similarly affected by the tough operating environment. Our steel plant at Banting was impaired by RM33.9 million due to low production volume. The Group also recognised impairment losses arising from fair valuation on investments of RM69.9 million and inventories written down of RM10.3 million.

Meanwhile, the Group's associated companies and joint venture contributed profits of RM26.0 million and RM18.5 million respectively for the year under review.

Overall, the Group posted a higher loss before tax of RM580.8 million for the year as compared with RM30.4 million a year ago. As at 30 June 2014, the Group's net assets stood at RM2,645 million or RM3.69 per share while net gearing after deducting cash and cash equivalent remained low at 0.13 times.

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. Our steel manufacturing plants are certified under ISO14001 Environmental Management System which is testament of our commitment to prevention of pollution, continual improvement in overall environmental performance, and compliance with all applicable statutory and regulatory requirements.

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

Initiatives by our property projects include landscaping with lush greenery and facilities to promote a green environment.

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

The operating environment for the steel industry is expected to remain challenging as global overcapacity and oversupply will continue to weigh on the steel market and lead to the rampant dumping activities of steel products in the local market by foreign steel producers.

On the domestic front, the demand for steel products will increase on the back of the growth momentum of the construction sector which is anticipated to continue. However, the local steel producers will not benefit from the increase in demand until and unless effective measures by the Government to curb the dumping activities are introduced and strictly enforced.

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

BOARD OF DIRECTORS

On behalf of the Board, I would like to take this opportunity to express our deepest thanks and appreciation to the former Chairman, Y. A. Bhg. Tun Musa Hitam who retired from the Board on 19 December 2013, for his contribution during his tenure as a Director and Chairman of the Board and Nomination Committee.

ACKNOWLEDGEMENT

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

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

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

DATUK SERI UTAMA RAJA NONG CHIK BIN DATO' RAJA ZAINAL ABIDIN
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，金狮工业机构有限公司 (Lion Industries Corporation Berhad) 的常年报告及经审核财务报告。

业绩

过去一年来，我们见证全球钢铁业持续面对供过于求的挑战，而供应与需求之间的失衡已打击到钢铁的价格。此外，原料价格依然激烈波动。

国内方面，本地钢铁市场充斥着廉价的进口产品。电费和天然气在会计年度内暴涨，也进一步削减本地钢铁产商原本已经单薄的利润。在这种左支右绌的情况下，本集团的营业额在会计年度内下跌6%至44亿8千200万令吉相较前一年则为47亿4千800万令吉，营运亏损也从去年的3千760万令吉增加至6千660万令吉。

本集团在贸易与其他应收账项方面预备了4亿4千460万令吉的资产减值损失，皆因涉及钢铁业务的主要贸易伙伴，同样受到艰辛运作环境的不利影响。我们位于万津的钢铁厂预备了3千390万令吉的减值损失，主要是该厂产量偏低之故。本集团也接纳了从投资合理估值出现的6千990万令吉及存货注销的1千零30万令吉的减值损失。

另一方面，本集团的联号公司与联合控制的企业在检讨年度内分别贡献2千600万令吉和1千850万令吉的盈利。

整体而言，本集团在会计年度内蒙受5亿8千零80万令吉的更高税前亏损，前一年则为3千零40万令吉的税前亏损。截至2014年6月30日，本集团的净产值为26亿4千500万令吉或每股3令吉69仙，扣除现金与现金等值后的净负债维持0.13倍的低水平。

股息

董事部在截至2014年6月30日的会计年度内，并不建议派发任何股息。

可持续性

本集团根据全球永续发展报告 (Global Reporting Initiative)，采取更全面的永续发展报告方式，以克服职场、市场和环境方面的挑战与机遇。这反映我们朝向更完善的企业监管与永续商业运作模式的承诺。

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，在提高利润和股东企业价值的同时，也要回馈社会。作为金狮集团成立的两项基金的成员，本集团着重于通过这两项基金，以教育和医疗服务来回馈社会。

金狮百盛基金 (Lion-Parkson Foundation) 拨款供作多项用途，例如教育，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不幸人士提供财务援助，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，向来都支持所属的社区，包括举办与参与慈善和筹款活动，以协助弱势群体。

环境

本集团继续寻求通过专注于采用全新技术与业界最具环保效益的准则来关心环境保护，充分利用资源与促进能源效益。我们的钢铁厂取得ISO14001环境管理系统的认证，验证我们在防止污染的承诺，继续改善整体的环保表现，严格遵守所有环境法律与条例管制。

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

我们的产业发展计划也大量进行园艺街景，以大片青葱绿意的环境与设施来推动绿色环境。

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

鉴于全球产量过剩，钢铁业的营运环境料将继续充满挑战。这种供过于求的现象将持续打击钢铁市场，导致外国厂商在本地市场大量倾销钢铁产品。

国内方面，在建筑领域预料继续蓬勃成长的支撑下，钢铁产品的需求料会有所增长。虽然如此，本地钢铁厂商不会从中受惠，除非政府采取有效行动对付倾销活动并严厉执行。

在这种情况下，本集团在下个会计年度的表现，将继续充满挑战。

董事部

我谨代表董事部，至诚感谢和感激在2013年12月19日辞去主席职务的 Y. A. Bhg. Tun Musa Hitam，在其担任公司董事及董事部与公司提名委员会主席期间，所付出的贡献。

鸣谢

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

我也至诚感谢董事部成员，感谢他们全年所给予的珍贵指导、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
DATUK SERI UTAMA RAJA NONG CHIK BIN DATO’ RAJA ZAINAL ABIDIN

REVIEW OF OPERATIONS

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

Steel

	2014 RM Million	2013 RM Million
Revenue	**4,081**	4,152
Loss	**(51.8)**	(30.3)

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

Malaysia's apparent steel consumption rose by 12.6% from 8.9 million metric tonnes in 2012 to 10.0 million metric tonnes in 2013 on the back of robust growth in the construction sector. However, domestic steel producers did not benefit from the surge in demand for steel but witnessed only a marginal 0.5% increase in the domestic output to 4.98 million metric tonnes versus a sharp rise of 15.7% in steel imports to 6.3 million metric tonnes in 2013. Cheap steel products from China continued to flood the local market pending more effective measures by the authorities to curb the dumping activities as the existing anti-dumping duties on steel wire rods were only imposed on selected foreign steel producers.

On the other hand, Malaysia's export declined significantly by 17% to 1.2 million metric tonnes as the global steel industry's operating environment remained challenging with overcapacity and excess supply. This imbalance in demand and supply exerted downward pressure on prices for steel products. The disproportionate movements in raw material prices and selling prices of steel products as well as higher production costs due mainly to higher electricity and gas prices had further lowered the operating profit margin for the local steel producers. The weak performance was further compounded by the unscheduled shutdown of our plant at Labuan for over two months due to an incident where a capesize vessel collided with our jetty during berthing and damaged our shiploader system.

As a result, for the financial year under review, the Group's Steel Division recorded a 2% lower revenue of RM4.1 billion compared to RM4.2 billion in the same period last year. As revenue and profit margin were lower, the Division recorded a higher operating loss of RM51.8 million this year.

Hot Briquetted Iron ("HBI")

HBI is a steel scrap supplement produced from iron ore pellet which is mostly sourced from South America and is used in the production of high purity steel. Our HBI is produced by Antara Steel Mills Sdn Bhd at its plant located in the Federal Territory of Labuan and is largely for the export market. HBI, being an intermediary raw material for steel making, had been under tremendous price pressure throughout the year due to the weak sentiments in the global steel market.

The weak performance of the HBI operation had been compounded by the unscheduled plant shutdown of over two months due to the collision of a capesize vessel during its berthing, with our jetty which damaged our shiploader system. Hence, the HBI operation saw its revenue reduced marginally to RM741.3 million this year from RM742.9 million a year ago and recorded an operating loss of RM14.3 million due to the low capacity utilisation and additional costs incurred caused by the damaged shiploader.

The shiploader system has been fully repaired and re-commissioned and the plant is back to normal operation. The company is now seeking compensation for damages from the insurer and other relevant parties.

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

During the financial year under review, our steel bars and molten steel registered marginal increase in sales tonnage while the sales of steel wire rods continued to be affected by imports. Although domestic demand for steel products is supported by the growth in the construction sector, the flooding of cheap steel imports in the local market had caused oversupply and weak selling prices. Profit margin was further squeezed by the increasing production costs due to the hike in electricity tariffs and gas prices during the financial year. Under such circumstances, the Division had to temporarily shut down its plant at Banting to save costs.

During the financial year, our plant in Johor was upgraded with new machineries to improve productivity and efficiency.

Overall, the long products operations recorded a revenue of RM3.3 billion and an operating loss of RM55.5 million (2013: Revenue of RM3.4 billion and loss of RM102.4 million).

The inland waterway transportation system ("IWTS") project undertaken by the Division to transport raw materials to our steel complex in Banting via Sungai Langat river posted a revenue and an operating profit of RM37.5 million and RM18.0 million respectively (2013: Revenue of RM43.8 million and profit of RM24.1 million).

Property Development

	2014 RM Million	2013 RM Million
Revenue	**37.5**	24.5
Profit (included profit from joint venture)	**23.0**	27.7

The main contributors to the performance of the Division were "The Promenade" project and "St Mary Residences CBD" project. The Promenade development project at Bandar Bayan Baru, Penang, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza was launched in the previous financial year. To-date, it has recorded a take-up rate of over 80% due to its strategic location and competitive pricing. The whole development is expected to be completed by year 2016.

The St Mary Residences CBD is a joint venture with the Eastern & Oriental Group. This joint venture mixed integrated development project comprises 3 towers of 28-storey apartments each, with retail, food and beverage theme outlets, located at the site of the former St Mary's School in the Kuala Lumpur Central Business District. Since its launch in 2009, the project, offering 457 apartment units, has been well received with a take-up rate of over 90% due to its strategic location in the prime CBD-KLCC area, competitive pricing, developers' track record and attractive end-financing package. For the financial year, the joint venture project contributed a profit of RM18.5 million to the Group.

Building Materials

	2014 RM Million	2013 RM Million
Revenue	**717.4**	910.9
Profit	**14.9**	32.1

Our Building Materials 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.

Petroleum, Lubricants And Automotive Products

	2014 RM Million	2013 RM Million
Revenue	**74.6**	78.7
Profit	**11.3**	14.4

This year, our Petroleum, Lubricants 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.

FINANCIAL STATEMENTS

2014

For The Financial Year Ended 30 June 2014

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are disclosed in Note 46 to the financial statements.

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

SIGNIFICANT CORPORATE EVENTS

Significant corporate events during the financial year are disclosed in Note 2 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 for the year	(578,386)	(51,281)
Loss attributable to:		
Owners of the Company	(505,946)	
Non-controlling interests	(72,440)	
	(578,386)	

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

DIVIDENDS

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

The Directors 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.

TREASURY SHARES

During the financial year, the Company repurchased a total of 944,100 of its ordinary shares from the open market at an average price of RM0.77 per share. The total consideration paid for the repurchase including transaction costs was RM727,364. The repurchase transactions were financed by internally generated funds.

As of 30 June 2014, the Company held 1,314,000 treasury shares at a carrying amount of RM1,221,000. Further relevant details are disclosed in Note 30 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

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

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

OTHER STATUTORY INFORMATION

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

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due except as disclosed in Note 42 to the financial statements.

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

DIRECTORS

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

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
Tan Sri Cheng Yong Kim
Dato' Kamaruddin @ Abas bin Nordin
Chong Jee Min
Cheng Yong Liang
Heah Sieu Lay
Tun Musa Hitam (retired on 19 December 2013)

In accordance with Article 98 of the Company's Articles of Association, Mr Cheng Yong Liang retires by rotation at the forthcoming Annual General Meeting and will not be seeking re-election.

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

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As of 1.7.2013	**Additions**	**Disposals**	**As of 30.6.2014**
Direct interest				
Tan Sri Cheng Yong Kim	9,253,289	–	–	**9,253,289**
Dato' Kamaruddin @ Abas bin Nordin	28,000	–	–	**28,000**
Cheng Yong Liang	47,880	–	–	**47,880**
Indirect interest				
Tan Sri Cheng Yong Kim	76,159,640	37,521,500	–	**113,681,140**

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

	Nominal value per ordinary share	Number of Shares As of 1.7.2013	Additions	Disposals	As of 30.6.2014
Tan Sri Cheng Yong Kim					
Direct interest					
Lion Forest Industries Berhad	RM1.00	130	–	–	**130**
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	–	1,400,000	–	**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	–	**31,750,100**
Lion AMB Resources Berhad	RM1.00	–	300,789,489	–	**300,789,489**
Lion Forest Industries Berhad	RM1.00	154,970	176,870,489	(5,060,043)	**171,965,416**
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	–	70	–	**70**
Ototek Sdn Bhd	RM1.00	–	1,050,000	–	**1,050,000**
Posim EMS Sdn Bhd	RM1.00	–	800,000	–	**800,000**
P.T. Lion Intimung Malinau	USD1.00	–	4,750,000	–	**4,750,000**
Soga Sdn Bhd	RM1.00	–	4,525,322	–	**4,525,322**
Steelcorp Sdn Bhd	RM1.00	–	99,750	–	**99,750**
Zhongsin Biotech Pte Ltd	*	–	1,000,000	–	**1,000,000**

Investments in the People's Republic of China	**Currency**	**As of 1.7.2013**	**Additions**	**Disposals**	**As of 30.6.2014**
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 interests in shares in the Company or its related corporations during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies have interests as disclosed in Note 40 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs Deloitte (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 CHENG YONG KIM

CHENG YONG LIANG

Kuala Lumpur
21 October 2014

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

Report on the Financial Statements

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 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 44 to 154.

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 Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 5(ii)(f) and Note 36 to the financial statements, which further explain an uncertainty regarding the provision for damages arising from a litigation claim; and to Note 5(ii)(d) 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 the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 46 to the financial statements, being accounted 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 Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations as required by us for those purposes; and

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

Other Reporting Responsibilities

The supplementary information set out on page 155 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other 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 towards any other person for the contents of this report.

DELOITTE
AF 0080
Chartered Accountants

SITI HAJAR BINTI OSMAN
Partner - 3061/04/15 (J)
Chartered Accountant

Kuala Lumpur
21 October 2014

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2014

		The Group		The Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	6	**4,482,351**	4,748,470	**5,129**	33,323
Other income		**32,769**	64,819	**451**	335
Net change in inventories		**(188,312)**	76,195	**–**	–
Raw materials and consumables used		**(3,168,519)**	(3,530,084)	**–**	–
Purchase of trading merchandise		**(703,758)**	(921,136)	**–**	–
Property development costs	16(b)	**(20,715)**	(13,991)	**–**	–
Staff costs	7	**(169,128)**	(163,212)	**(7,682)**	(7,414)
Directors' remuneration	8	**(1,225)**	(1,203)	**(1,225)**	(1,203)
Depreciation of property, plant and equipment	13	**(115,119)**	(114,577)	**(545)**	(657)
Amortisation of prepaid land lease payments	15	**(1,838)**	(1,838)	**–**	–
Other expenses		**(185,553)**	(153,007)	**(2,722)**	(3,711)
Investment income	9	**41,664**	35,843	**4,004**	1,788
Finance costs	10	**(69,225)**	(63,917)	**(10,850)**	(7,229)
(Loss)/Profit from operations	7	**(66,608)**	(37,638)	**(13,440)**	15,232
Share in results of:					
Associated companies		**26,037**	62,164	**–**	–
Joint venture		**18,524**	31,497	**–**	–
Impairment losses on:					
Property, plant and equipment	13	**(33,891)**	(2,196)	**–**	–
Quoted and unquoted investments	20	**(69,941)**	(25,299)	**(4,616)**	(132)
Amount owing by subsidiary companies	26	**–**	–	**(32,685)**	(592)
Trade and other receivables	25	**(444,643)**	(50,146)	**–**	–
Loss on redemption of unquoted investments	20	**–**	(8,759)	**–**	(3,357)
Inventories written down		**(10,264)**	–	**–**	–
(Loss)/Profit before tax		**(580,786)**	(30,377)	**(50,741)**	11,151
Tax credit/(expense)	11	**2,400**	(1,227)	**(540)**	(3,184)
(Loss)/Profit for the year		**(578,386)**	(31,604)	**(51,281)**	7,967

(Forward)

	Note	The Group 2014 RM'000	The Group 2013 RM'000
(Loss)/Profit attributable to:			
Owners of the Company		**(505,946)**	(34,497)
Non-controlling interests		**(72,440)**	2,893
		(578,386)	(31,604)

	Note	The Group 2014	The Group 2013
Loss per ordinary share attributable to owners of the Company (sen):			
Basic and diluted	12	**(70.56)**	(4.81)

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	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit for the year	**(578,386)**	(31,604)	**(51,281)**	7,967
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	**1,106**	(165)	**–**	–
Net gain/(loss) on fair value changes on available-for-sale financial assets	**4,543**	(3,370)	**5**	19
Other comprehensive income/(loss) for the year, net of tax	**5,649**	(3,535)	**5**	19
Total comprehensive (loss)/income for the year	**(572,737)**	(35,139)	**(51,276)**	7,986

	The Group	
	2014	**2013**
	RM'000	**RM'000**
(Loss)/Profit attributable to:		
Owners of the Company	**(500,660)**	(37,903)
Non-controlling interests	**(72,077)**	2,764
	(572,737)	(35,139)

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2014

		The Group		The Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	**1,169,134**	1,252,613	**2,079**	2,250
Investment properties	14	**4,244**	4,012	**–**	–
Prepaid land lease payments	15	**47,875**	49,713	**–**	–
Land held for property development	16(a)	**34,306**	34,223	**113**	113
Investment in subsidiary companies	17	**–**	–	**190,545**	190,545
Investment in associated companies	18	**874,085**	840,919	**105,421**	105,421
Investment in joint venture	19	**56,974**	88,238	**–**	–
Long-term investments	20	**20,996**	86,691	**701**	4,476
Trade receivables	25(a)	**349,885**	173,932	**–**	–
Other receivables	25(b)	**182,949**	19,767	**–**	–
Deferred tax assets	21	**105,986**	70,520	**–**	–
Goodwill	22	**130,443**	130,443	**–**	–
Total Non-Current Assets		**2,976,877**	2,751,071	**298,859**	302,805
Current Assets					
Property development costs	16(b)	**58,893**	59,893	**–**	–
Inventories	23	**817,855**	1,043,575	**43**	43
Short-term investments	24	**3,795**	20,887	**2,087**	3,460
Trade receivables	25(a)	**321,344**	731,298	**–**	–
Other receivables, deposits and prepayments	25(b)	**269,522**	473,918	**18,944**	26,050
Accrued billings for property development projects		**547**	1,006	**–**	–
Amount owing by associated companies	26(b)	**10,751**	5,398	**–**	–
Amount owing by joint venture	19	**1,485**	1,551	**–**	–
Amount owing by subsidiary companies	26(a)	**–**	–	**1,049,768**	1,033,761
Deposits, cash and bank balances	27	**462,374**	573,011	**10,166**	13,244
		1,946,566	2,910,537	**1,081,008**	1,076,558
Assets classified as held for sale	28	**–**	470	**–**	–
Total Current Assets		**1,946,566**	2,911,007	**1,081,008**	1,076,558
Total Assets		**4,923,443**	5,662,078	**1,379,867**	1,379,363

(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	29	**717,909**	717,909	**717,909**	717,909
Reserves	30	**1,926,759**	2,435,299	**363,866**	423,039
Equity attributable to owners of the Company		**2,644,668**	3,153,208	**1,081,775**	1,140,948
Non-controlling interests		**315,265**	388,309	**–**	–
Total Equity		**2,959,933**	3,541,517	**1,081,775**	1,140,948
Non-Current and Deferred Liabilities					
Long-term borrowings	32	**183,275**	248,228	**–**	–
Finance lease payables	33	**89,782**	106,338	**–**	–
Hire-purchase obligations	34	**2,824**	2,829	**185**	353
Deferred tax liabilities	21	**25,127**	22,232	**–**	–
Total Non-Current and Deferred Liabilities		**301,008**	379,627	**185**	353
Current Liabilities					
Trade payables	35(a)	**604,271**	576,766	**166**	166
Other payables, deposits and accrued expenses	35(b)	**579,599**	635,806	**1,593**	2,055
Provisions	36	**15,000**	15,000	**–**	–
Advance billings of property development projects		**24,806**	7,513	**–**	–
Amount owing to subsidiary companies	26(a)	**–**	–	**155,734**	117,823
Finance lease payables	33	**16,556**	15,070	**–**	–
Hire-purchase obligations	34	**896**	1,413	**99**	95
Short-term borrowings	37	**389,161**	469,117	**140,315**	117,923
Redeemable cumulative convertible preference shares ("RCCPS")	31	**–**	–	**–**	–
Tax liabilities		**32,213**	20,249	**–**	–
Total Current Liabilities		**1,662,502**	1,740,934	**297,907**	238,062
Total Liabilities		**1,963,510**	2,120,561	**298,092**	238,415
Total Equity and Liabilities		**4,923,443**	5,662,078	**1,379,867**	1,379,363

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

(Forward)

The Group

	Note	Share capital RM'000	← Share premium RM'000	Treasury shares RM'000	Non-distributable reserves Translation adjustment reserve RM'000	Capital 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
As of 1 July 2013		**717,909**	**532,627**	**(494)**	**5,188**	**13,357**	**(4,357)**	**1,888,978**	**3,153,208**	**388,309**	**3,541,517**
Loss for the year		–	–	–	–	–	–	(505,946)	(505,946)	(72,440)	(578,386)
Other comprehensive income		–	–	–	743	–	4,543	–	5,286	363	5,649
Total comprehensive income/(loss) for the year		–	–	–	743	–	4,543	(505,946)	(500,660)	(72,077)	(572,737)
Purchase of treasury shares	30	–	–	(727)	–	–	–	–	(727)	–	(727)
Acquisition of non-controlling interests		–	–	–	–	–	–	17	17	(25)	(8)
Dividend paid	38	–	–	–	–	–	–	(7,170)	(7,170)	–	(7,170)
Dividend paid by subsidiary companies		–	–	–	–	–	–	–	–	(942)	(942)
As of 30 June 2014		**717,909**	**532,627**	**(1,221)**	**5,931**	**13,357**	**186**	**1,375,879**	**2,644,668**	**315,265**	**2,959,933**

(Forward)

The Company

	Note	Share capital RM'000	← Share premium RM'000	Non-distributable reserves Treasury shares RM'000	Fair value reserve RM'000	Capital reserve RM'000 →	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2012		717,909	532,627	(342)	(1)	5,145	(115,047)	1,140,291
Profit for the year		–	–	–	–	–	7,967	7,967
Other comprehensive income		–	–	–	19	–	–	19
Total comprehensive income for the year		–	–	–	19	–	7,967	7,986
Purchase of treasury shares	30	–	–	(152)	–	–	–	(152)
Dividend paid	38	–	–	–	–	–	(7,177)	(7,177)
As of 30 June 2013		717,909	532,627	(494)	18	5,145	(114,257)	1,140,948
As of 1 July 2013		**717,909**	**532,627**	**(494)**	**18**	**5,145**	**(114,257)**	**1,140,948**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(51,281)**	**(51,281)**
Other comprehensive income		**–**	**–**	**–**	**5**	**–**	**–**	**5**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**5**	**–**	**(51,281)**	**(51,276)**
Purchase of treasury shares	30	**–**	**–**	**(727)**	**–**	**–**	**–**	**(727)**
Dividend paid	38	**–**	**–**	**–**	**–**	**–**	**(7,170)**	**(7,170)**
As of 30 June 2014		**717,909**	**532,627**	**(1,221)**	**23**	**5,145**	**(172,708)**	**1,081,775**

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 for the year	**(578,386)**	(31,604)
Adjustments for:		
Depreciation of property, plant and equipment	**115,119**	114,577
Finance costs	**69,225**	63,917
Impairment loss on:		
Property, plant and equipment	**33,891**	2,196
Investment properties	**–**	98
Long-term investments	**69,941**	25,299
Trade receivables	**256,951**	45,539
Other receivables	**187,692**	4,607
Inventories written down	**10,264**	–
Amortisation of prepaid land lease payments	**1,838**	1,838
Allowance for obsolescence of inventories	**1,306**	905
Property, plant and equipment written off	**116**	1,071
Interest income	**(42,336)**	(36,453)
Share in results of:		
Associated companies	**(26,037)**	(62,164)
Joint venture	**(18,524)**	(31,497)
Tax (credit)/expense recognised in profit or loss	**(2,400)**	1,227
Unrealised (gain)/loss on foreign exchange	**(2,099)**	5,405
Impairment losses no longer required for:		
Long-term investments	**(39)**	–
Property development costs	**–**	(56)
Trade and other receivables	**(983)**	(1,567)
Gain on disposal of:		
Property, plant and equipment	**(584)**	(1,001)
Assets held for sale	**–**	(931)
Fair value adjustments on investment properties	**(472)**	32
Allowance no longer required for obsolescence of inventories	**(157)**	(127)
Loss on redemption of unquoted investments	**–**	8,759
Bad debts written off	**–**	2
Bargain purchase gain	**–**	(303)
Operating Profit Before Working Capital Changes	**74,326**	109,769
Movements in working capital:		
(Increase)/Decrease in:		
Property development costs	**1,000**	(618)
Inventories	**214,307**	(13,749)
Trade and other receivables, deposits and prepayments	**(142,545)**	(106,530)
Amount owing by associated companies	**(5,353)**	(5,398)
Amount owing by joint venture	**66**	25,696
(Decrease)/Increase in trade and other payables, deposits and accrued expenses	**(9,310)**	119,024
Cash Generated From Operations	**132,491**	128,194
Tax paid	**(15,086)**	(2,883)
Net Cash From Operating Activities	**117,405**	125,311

(Forward)

The Group	Note	2014 RM'000	2013 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividends received from:			
Associated companies		**6,371**	45,123
Joint venture		**49,788**	–
Interest received		**15,786**	19,852
Proceeds from disposal/redemption of investments		**4,622**	3,177
Proceeds from disposal of:			
Property, plant and equipment		**3,998**	1,221
Assets classified as held for sale		**470**	21,068
Additions to:			
Property, plant and equipment (Note)		**(66,415)**	(57,160)
Associated companies		**(1,600)**	–
Non-controlling interests		**(8)**	(7)
Increase in land held for property development		**(83)**	(15)
Net cash outflow from acquisition of subsidiary companies (Note 17)		**–**	(23,449)
Net Cash From Investing Activities		**12,929**	9,810
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from borrowings		**182,128**	98,880
Repayment of:			
Short-term borrowings		**(328,654)**	(148,200)
Finance lease liabilities		**(15,070)**	(13,717)
Hire-purchase obligations		**(2,928)**	(2,947)
Interest and profit element paid		**(69,225)**	(63,917)
Dividend paid to equity holders of the Company		**(7,170)**	(7,177)
(Increase)/Decrease in cash and cash equivalents - restricted		**(3,885)**	79,855
Dividend paid to non-controlling interests of the Group		**(942)**	(1,256)
Purchase of treasury shares		**(727)**	(152)
Redemption of RCCPS		**–**	(8,611)
Net Cash Used In Financing Activities		**(246,473)**	(67,242)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(116,139)**	67,879
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**385,620**	317,741
CASH AND CASH EQUIVALENTS AT END OF YEAR	39	**269,481**	385,620

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

	2014 RM'000	2013 RM'000
Cash	**66,415**	57,160
Hire-purchase	**2,406**	820
	68,821	57,980

(Forward)

The Company	2014 RM'000	2013 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
(Loss)/Profit for the year	**(51,281)**	7,967
Adjustments for:		
Allowance for doubtful amount owing by subsidiary companies	**32,685**	592
Finance costs	**10,850**	7,229
Impairment losses on quoted and unquoted investments	**4,616**	132
Depreciation of property, plant and equipment	**545**	657
Tax expense recognised in profit or loss	**540**	3,184
Property, plant and equipment written off	**15**	–
Dividend income	**(5,129)**	(33,323)
Interest income	**(4,079)**	(1,911)
(Gain)/Loss on disposal of property, plant and equipment	**(48)**	2
Unrealised gain on foreign exchange	**(17)**	(49)
Loss on redemption of unquoted investments	**–**	3,357
Operating Loss Before Working Capital Changes	**(11,303)**	(12,163)
Movements in working capital:		
Decrease in other receivables, deposits and prepayments	**4,110**	11,759
(Decrease)/Increase in trade and other payables, deposits and accrued expenses	**(462)**	405
Cash (Used In)/Generated From Operations	**(7,655)**	1
Tax refunded/(paid)	**3,086**	(4,131)
Net Cash Used In Operating Activities	**(4,569)**	(4,130)

(Forward)

The Company	Note	2014 RM'000	2013 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividends received		**4,903**	20,310
Proceeds from disposal/redemption of investments		**1,076**	2,089
Interest income received		**283**	1,097
Proceeds from disposal of property, plant and equipment		**135**	–
(Increase)/Decrease in amount owing by subsidiary companies		**(45,839)**	24,058
Purchase of:			
Property, plant and equipment		**(476)**	(223)
A subsidiary company		**–**	(24,136)
An associated company		**–**	(49,152)
Net Cash Used In Investing Activities		**(39,918)**	(25,957)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase in amount owing to subsidiary companies		**37,660**	10,639
Proceeds from borrowings		**18,496**	84,230
Decrease in cash and cash equivalents - restricted		**43**	1,881
Finance costs paid		**(10,850)**	(7,229)
Dividend paid to owners of the Company		**(7,170)**	(7,177)
Purchase of treasury shares		**(727)**	(152)
Repayment of:			
Borrowings		**–**	(51,307)
Hire-purchase obligations		**(164)**	(142)
Net Cash From Financing Activities		**37,288**	30,743
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(7,199)**	656
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**10,470**	9,814
CASH AND CASH EQUIVALENTS AT END OF YEAR	39	**3,271**	10,470

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's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 46.

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

The Registered Office of the Company is located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur.

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 21 October 2014.

2. SIGNIFICANT CORPORATE EVENTS

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

(i) Proposed joint venture in the blast furnace project ("Project") among the Company, Lion Diversified Holdings Berhad and Lion Forest Industries Berhad in the equity participation of 29:51:20 by way of a subscription of new ordinary shares of RM1 each at par for cash in the capital of Lion Blast Furnace Sdn Bhd ("LBF") to the value of USD92 million (equivalent to RM281 million);

(ii) Proposed disposal by Amsteel Mills Sdn Bhd (a 99% owned subsidiary company of the Company) to LBF of a parcel of freehold land located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres, for a cash consideration of approximately RM16.22 million for the Project; and

(iii) Proposed provision of corporate guarantee and pledge of securities by the Group and the Company in favour of LBF on the loan of USD740 million (equivalent to RM2,257 million) granted to LBF in relation to the Project proportionate to the Group's and the Company's shareholding of 49% and 20% in LBF amounting to USD363 million (equivalent to RM1,107 million) and USD215 million (equivalent to RM656 million) respectively.

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

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Malaysian Financial Reporting Standards

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

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

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

On 2 September 2014, the MASB announced that entities other than private entities and private entities that have in the alternative chosen to apply the FRS Framework shall comply with the MFRS Framework latest by 1 January 2017.

The Group and the Company fall within the scope of definition of TEs and have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of their financial statements. Accordingly, the Group and the Company will be required to apply MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards* in their financial statements for the financial year ending 30 June 2018, being the first set of financial statements prepared in accordance with new MFRS Framework.

The Group is currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of authorisation for issue of these financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

Adoption of New Financial Reporting Standards

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

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

Annual Improvements to FRSs 2009 – 2011 cycle

The adoption of these new and revised FRSs 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.

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

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

The Group and the Company have applied the amendments to FRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to FRS 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 FRS 10 *Consolidated Financial Statements,* FRS 11 *Joint Arrangements,* FRS 12 *Disclosure of Interests in Other Entities,* FRS 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 FRS 10, FRS 11 and FRS 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 FRS 10, FRS 11, FRS 12, FRS 127 (IAS 27 as revised by IASB in May 2011) and FRS 128 (IAS 28 as revised by IASB in May 2011) together with the amendments to FRS 10, FRS 11 and FRS 12 regarding the transitional guidance.

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

Impact of the application of FRS 10

FRS 10 replaces the parts of FRS 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and IC Interpretation 112 *Consolidation – Special Purpose Entities*. FRS 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 FRS 10 to explain when an investor has control over an investee. Some guidance included in FRS 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 Directors of the Company have reviewed and assessed the classification of the Group's investment in subsidiary companies in accordance with the requirements of FRS 10 and have concluded that the adoption of FRS 10 has not affected the amounts reported on the financial statements of the Group and of the Company.

Impact of the application of FRS 12

FRS 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 FRS 12 has resulted in more extensive disclosures in the financial statements.

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

FRS 13 Fair Value Measurement

The Group and the Company have applied FRS 13 for the first time in the current year. FRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of FRS 13 is broad; the fair value measurements of FRS 13 apply to both financial instrument items and non-financial instrument items for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 2, leasing transactions that are within the scope of FRS 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).

FRS 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 FRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, FRS 13 includes extensive disclosure requirements.

FRS 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 FRS 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:

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

Annual Improvements to FRSs 2010 – 2012 cycle[3]

Annual Improvements to FRSs 2011 – 2013 cycle[3]

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

[1] The mandatory effective date of FRS 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 FRS 9 Financial Instruments: *Hedge Accounting* and amendments to FRS 9, FRS 7 and FRS 139. The effective date of FRS 9 will be decided when IASB's IFRS 9 project is closer to completion. However, each version of the FRS 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 of 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.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention 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 consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transactions that are within the scope of FRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 or value in use in FRS 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 statements of profit or loss 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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 FRSs). The fair 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 FRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associated company 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 FRS 112 *Income Taxes* and FRS 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 FRS 2 *Share-based Payment* at the acquisition date; and

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

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 FRSs.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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 FRS 139 or FRS 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 and Joint Venture

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associated companies and joint venture 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 FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associated company or a joint venture are initially recognised in the statements 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 company or joint venture. When the Group's share of losses of an associated company or a joint venture exceeds the Group's interest in that associated company or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company or joint venture), 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 or joint venture.

An investment in an associated company or a joint venture is accounted for using the equity method from the date on which the investee becomes an associated company or a joint venture. On acquisition of the investment in an associated company or a joint venture, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies and Joint Ventures (continued)

The requirements of FRS 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 or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 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 form part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 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 a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associated company or joint venture 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 FRS 139. The difference between the carrying amount of the associated company or joint venture 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 or joint venture is included in the determination of the gain or loss on disposal of the associated company or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associated company or joint venture on the same basis as would be required if that associated company or joint venture 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 or joint venture 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.

The Group continues to use the equity method when an investment in an associated company becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associated company. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associated company or a joint venture 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 an associated company or a joint venture of the Group, profit or losses resulting from the transactions with the associated company and joint venture are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associated company or joint venture that are not related to the Group.

Revenue and Revenue Recognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

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

(i) **Steel Division**

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

(ii) **Property Development Division**

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

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

Rental income - on accrual basis.

(iii) **Building Materials Division**

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

(iv) **Other Divisions**

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

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

Foreign Currency

(i) **Functional and Presentation Currencies**

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

(ii) **Foreign Currency Transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency (continued)

(ii) **Foreign Currency Transactions (continued)**

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

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

Employee Benefits

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

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

(ii) **Defined Contribution Plans**

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

(iii) **Equity Compensation Benefits**

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

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

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

Deferred tax is accounted for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that sufficient 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 each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the assets to be recovered.

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

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

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

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

Impairment of Assets Excluding Goodwill

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill (continued)

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

Property, Plant and Equipment

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

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

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Other buildings	2% - 18%
Plant, machinery and equipment	2% - 25%
Prime movers and trailers	15%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Floating cranes	5%
Tug boats and barges	10%
Infrastructure	7%
Renovations	2% - 20%

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

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

Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 40 to 83 years (2013: 41 to 84 years).

Capitalisation of Borrowing Cost

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment Properties

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

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

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

Leases

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

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

Property, Plant and Equipment under Finance Leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included at the end of the reporting period as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Property, Plant and Equipment under Hire-Purchase Arrangement

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

Land held for Property Development

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Current Assets Classified as Held for Sale

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

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

Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

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

Property Development Activities

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

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

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

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

Islamic Securities Programme ("Sukuk")

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

The bond is initially recognised at cost, being the fair value of the consideration received. After initial recognition, the profit element attributable to the bond in each period is recognised as an expense on a straight-line basis to the maturity of each series respectively.

Redeemable Cumulative Convertible Preference Shares ("RCCPS")

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

The RCCPS are classified as non-current liabilities in the statements of financial position and the preferential dividends are recognised as finance costs in profit or loss in the year in which they are incurred. The RCCPS were fully redeemed during the financial year ended 30 June 2013.

Provisions

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent Liabilities

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

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

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") investments 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.

<u>Effective interest method</u>

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 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 instructions other than those financial assets classified as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

Held-to-maturity investments

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

Loans and receivables

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

AFS investments

AFS investments are those that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, AFS investments are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in 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 and the Company's right to receive the dividends is established.

AFS investments are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

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

Financial Assets (continued)

Impairment of financial assets

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

(a) Loans and receivables

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

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

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

(b) AFS investments

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

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

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

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

(c) Held-to-maturity investments

The Group assesses at the end of each reporting period whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial assets original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities and Equity Instruments (continued)

<u>Other financial liabilities</u>

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

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest 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.

<u>Derecognition of financial liabilities</u>

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

Statements of Cash Flows

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

Cash and cash equivalents which comprise deposits, cash and bank balances, and bank overdrafts are short-term, highly liquid investments that are readily convertible to cash with insignificant risks of changes in value.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Assets

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

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Property, plant and equipment	**49,486**	15,595	**–**	–
Land held for property development	**9,478**	9,478	**–**	–
Property development costs	**8,445**	8,445	**–**	–
Long-term investments	**83,932**	70,287	**4,546**	–
Investment in subsidiary companies	**–**	–	**174,811**	174,811

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

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

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

(b) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the VIU of the cash-generating units to which goodwill has been allocated. The VIU calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2013: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 22.

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

(ii) Key sources of estimation uncertainty (continued)

(c) Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group amounted to RM105,986,000 (2013: RM70,520,000).

(d) 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, additional 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	**562,732**	433,817
Lion DRI Sdn Bhd	**81,485**	192,402
	644,217	626,219
Concentration of credit risk	**65%**	65%
Other receivables		
Megasteel Sdn Bhd	**48,560**	48,558
Lion DRI Sdn Bhd	**45,157**	49,000
Graimpi Sdn Bhd	**272,180**	109,545
	365,897	207,103

During the financial year, the Group recognised impairment losses amounting to RM251,355,000 and RM178,421,000 (2013: RM42,977,000 and RM4,527,000) 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 businesses were affected by the rampant dumping of steel products by the foreign steel producers in the local market.

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

(ii) Key sources of estimation uncertainty (continued)

(e) Depreciation of Property, Plant and Equipment

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

(f) Provisions

As mentioned in Note 36, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of Lion Forest Industries Berhad at the time the litigation claim was made, the Group provided for indemnity on liquidated damages from litigation claims amounting to RM15,000,000. The provision is made based on management's best judgement and estimate using information currently available. 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.

6. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sale of goods	**4,384,042**	4,662,815	**–**	–
Revenue from:				
Property development	**35,209**	15,883	**–**	–
Sale of land under development and completed property units	**944**	8,032	**–**	–
Gross rental income	**1,384**	580	**–**	–
Service rendered	**60,767**	61,158	**–**	–
Gross dividend income from:				
Associated companies (quoted in Malaysia)	**–**	–	**4,224**	16,489
Subsidiary companies	**–**	–	**902**	16,832
Other investments	**5**	2	**3**	2
	4,482,351	4,748,470	**5,129**	33,323

7. (LOSS)/PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impairment losses on investment properties (Note 14)	**–**	(98)	**–**	–
Allowance for obsolescence of inventories	**(1,306)**	(905)	**–**	–
Rental expense of:				
Jetties and leasehold land	**(4,817)**	(7,941)	**–**	–
Premises	**(759)**	(1,135)	**–**	–
Plant, machinery and equipment	**(10,366)**	(3,637)	**–**	–
Property, plant and equipment written off	**(116)**	(1,071)	**(15)**	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	**(860)**	(838)	**(115)**	(107)
Underprovision in prior years	**(11)**	(33)	**(8)**	(12)
Other auditors:				
Current year	**(12)**	(18)	**–**	–
(Loss)/Gain on foreign exchange (net):				
Realised	**(3,280)**	30,076	**(49)**	–
Unrealised	**2,099**	(5,405)	**17**	49
Rental income from premises	**10,319**	10,822	**–**	–
Impairment losses no longer required for:				
Long-term investments	**39**	–	**–**	–
Trade and other receivables (Note 25)	**983**	1,567	**–**	–
Property development costs (Note 16)	**–**	56	**–**	–
Allowance no longer required for obsolescence of inventories	**157**	127	**–**	–
Gain/(Loss) on disposal of:				
Property, plant and equipment	**584**	1,001	**48**	(2)
Assets held for sale	**–**	931	**–**	–
Fair value adjustments on investment properties (Note 14)	**472**	(32)	**–**	–
Interest income from Housing Development Accounts	**672**	610	**75**	123
Bad debts written off	**–**	2	**–**	–
Bad debts recovered	**17**	9	**–**	–
Bargain purchase gain on acquisition of a subsidiary company (Note 17)	**–**	303	**–**	–

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

Analysis of staff costs is as follows:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, bonuses and allowances	**153,780**	148,615	**6,840**	6,704
Defined contribution plans	**15,348**	14,597	**842**	710
	169,128	163,212	**7,682**	7,414

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

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Salaries, bonuses and allowances	**3,803**	3,454
Defined contribution plans	**384**	283
	4,187	3,737

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group and of the Company as disclosed in Note 8, otherwise than in cash from the Group amounted to RM67,399 (2013: RM80,425).

8. DIRECTORS' REMUNERATION

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Director:				
Fee	**25**	25	**25**	25
Salary and other emoluments	**865**	816	**865**	816
Defined contribution plans	**104**	98	**104**	98
	994	939	**994**	939
Non-executive Directors:				
Fees	**219**	240	**219**	240
Salary and other emoluments	**12**	24	**12**	24
	231	264	**231**	264
Total	**1,225**	1,203	**1,225**	1,203

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM97,127 (2013: RM96,570).

9. INVESTMENT INCOME

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income from:				
Fixed deposits	**12,382**	12,336	**208**	256
Related parties	**26,550**	16,601	**404**	20
Long-term investments	**1,098**	1,753	**539**	794
Subsidiary companies	**–**	–	**2,853**	–
Associated companies	**–**	1,410	**–**	–
Others	**1,634**	3,743	**–**	718
	41,664	35,843	**4,004**	1,788

10. FINANCE COSTS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
Term loans	**22,658**	21,486	**10,560**	7,122
Security deposits received from customers	**2,190**	3,506	**–**	–
Bills payable	**5,169**	7,078	**–**	–
Bank overdrafts	**1,172**	1,506	**201**	–
Finance lease and hire-purchase	**11,040**	12,521	**23**	29
Product financing liabilities	**7,057**	1,301	**–**	–
Others	**6,979**	3,559	**66**	78
Profit element on Sukuk	**12,960**	12,960	**–**	–
	69,225	63,917	**10,850**	7,229

11. TAX CREDIT/(EXPENSE)

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Estimated tax payable:				
Current year	**(18,882)**	(5,269)	**(185)**	–
Underprovision in prior years	**(11,289)**	(4,147)	**(355)**	(3,184)
	(30,171)	(9,416)	**(540)**	(3,184)
Deferred taxation (Note 21):				
Current year	**20,730**	(5,581)	**–**	–
Overprovision in prior years	**11,841**	13,770	**–**	–
	32,571	8,189	**–**	–
Total tax credit/(expense)	**2,400**	(1,227)	**(540)**	(3,184)

The Budget 2014 announced on 25 October 2013 reduced the corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Following this, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the respective expected rates.

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit before tax	**(580,786)**	(30,377)	**(50,741)**	11,151
Tax credit/(expense) at statutory tax rate of 25% (2013: 25%)	**145,197**	7,594	**12,685**	(2,788)
Tax effects of:				
Non-taxable income	**20,949**	43,158	**1,061**	7,601
Non-deductible expenses	**(74,063)**	(71,689)	**(10,587)**	(2,503)
Tax effect on share in results of associated companies and joint venture	**11,140**	22,394	**–**	–
Deferred tax assets not recognised	**(101,768)**	(13,436)	**(3,344)**	(2,310)
Realisation of deferred tax assets previously not recognised	**393**	1,129	**–**	–
Over/(Under)provision in prior years:				
Income tax	**(11,289)**	(4,147)	**(355)**	(3,184)
Deferred taxation	**11,841**	13,770	**–**	–
	2,400	(1,227)	**(540)**	(3,184)

12. LOSS PER ORDINARY SHARE

(a) Basic loss per share

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

	2014 RM'000	2013 RM'000
Loss attributable to owners of the Company	**(505,946)**	(34,497)

	2014 '000	2013 '000
Weighted average number of ordinary shares:		
At beginning of year	**717,539**	717,689
Effect of treasury shares	**(526)**	(76)
At end of year	**717,013**	717,613

	2014	2013
Basic loss per share (sen)	**(70.56)**	(4.81)

(b) Diluted loss per share

	2014 RM'000	2013 RM'000
Loss attributable to owners of the Company	**(505,946)**	(34,497)

	2014 '000	2013 '000
Weighted average number of ordinary shares in issue	**717,013**	717,613

	2014	2013
Diluted loss per share (sen)	**(70.56)**	(4.81)

The basic and diluted loss per share are the same for 2014 and 2013 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

The main features of the ESOS are set out in Note 29.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

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

(Forward)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	COST							
	As of 1 July 2013 RM'000	**Additions RM'000**	**Disposals RM'000**	**Transfer to investment properties (Note 14) RM'000**	**Write-offs RM'000**	**Reclass-ification RM'000**	**Acquisition of subsidiary company RM'000**	**As of 30 June 2014 RM'000**
Freehold land	77,101	–	–	–	–	–	–	**77,101**
Freehold buildings	304,967	84	–	–	–	–	–	**305,051**
Buildings under long lease	135,020	1,338	–	240	–	–	–	**136,598**
Buildings under short lease	466	–	–	–	–	–	–	**466**
Plant, machinery and equipment	1,515,457	22,675	(76,483)	–	(22,307)	22,484	–	**1,461,826**
Prime movers and trailers	28,452	–	(247)	–	–	–	–	**28,205**
Motor vehicles	17,133	1,660	(1,182)	–	–	–	–	**17,611**
Furniture and office equipment	75,829	5,018	(4,467)	–	(1,594)	(8)	–	**74,778**
Computer equipment	5,438	292	(95)	–	(31)	–	–	**5,604**
Floating cranes	87,616	–	–	–	–	–	–	**87,616**
Tug boats and barges	71,615	–	–	–	–	–	–	**71,615**
Infrastructure	107,100	–	–	–	–	–	–	**107,100**
Renovations	1,724	184	(24)	–	–	–	–	**1,884**
Construction work-in-progress	146,144	37,570	–	–	–	(22,476)	–	**161,238**
Total	2,574,062	68,821	(82,498)	240	(23,932)	–	–	**2,536,693**

(Forward)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

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

(Forward)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

ACCUMULATED DEPRECIATION	As of 1 July 2013 RM'000	Charge for the year RM'000	Disposals RM'000	Transfer to investment properties (Note 14) RM'000	Write-offs RM'000	Reclassi- fication RM'000	Acquisition of subsidiary company RM'000	As of 30 June 2014 RM'000
Freehold land	–	–	–	–	–	–	–	**–**
Freehold buildings	144,574	14,913	–	–	–	–	–	**159,487**
Buildings under long lease	88,285	3,088	–	–	–	–	–	**91,373**
Buildings under short lease	466	–	–	–	–	–	–	**466**
Plant, machinery and equipment	908,078	71,529	(73,218)	–	(22,228)	(1,546)	–	**882,615**
Prime movers and trailers	14,867	1,878	(247)	–	–	–	–	**16,498**
Motor vehicles	8,288	1,854	(1,094)	–	–	1,546	–	**10,594**
Furniture and office equipment	60,791	3,173	(4,409)	–	(1,572)	–	–	**57,983**
Computer equipment	3,655	465	(92)	–	(16)	–	–	**4,012**
Floating cranes	14,271	4,162	–	–	–	–	–	**18,433**
Tug boats and barges	32,870	6,817	–	–	–	–	–	**39,687**
Infrastructure	28,560	7,140	–	–	–	–	–	**35,700**
Renovations	1,149	100	(24)	–	–	–	–	**1,225**
Construction work-in-progress	–	–	–	–	–	–	–	**–**
Total	1,305,854	115,119	(79,084)	–	(23,816)	–	–	**1,318,073**

(Forward)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED IMPAIRMENT LOSSES					NET BOOK VALUE	
	As of 1 July 2012 RM'000	Charge for the year RM'000	As of 30 June 2013 RM'000	Charge for the year RM'000	As of 30 June 2014 RM'000	As of 30 June 2014 RM'000	As of 30 June 2013 RM'000
Freehold land	1,754	–	1,754	–	**1,754**	**75,347**	75,347
Freehold buildings	–	–	–	–	**–**	**145,564**	160,393
Buildings under long lease	–	–	–	–	**–**	**45,225**	46,735
Buildings under short lease	–	–	–	–	**–**	**–**	–
Plant, machinery and equipment	478	–	478	–	**478**	**578,733**	606,901
Prime movers and trailers	3,215	–	3,215	–	**3,215**	**8,492**	10,370
Motor vehicles	–	–	–	–	**–**	**7,017**	8,845
Furniture and office equipment	–	–	–	–	**–**	**16,795**	15,038
Computer equipment	–	–	–	–	**–**	**1,592**	1,783
Floating cranes	–	–	–	–	**–**	**69,183**	73,345
Tug boats and barges	–	–	–	–	**–**	**31,928**	38,745
Infrastructure	–	–	–	–	**–**	**71,400**	78,540
Renovations	–	–	–	–	**–**	**659**	575
Construction work-in-progress	7,952	2,196	10,148	33,891	**44,039**	**117,199**	135,996
Total	13,399	2,196	15,595	33,891	**49,486**	**1,169,134**	1,252,613

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

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

			COST		
	As of 1 July 2013 RM'000	Additions RM'000	Disposal RM'000	Write-off RM'000	As of 30 June 2014 RM'000
Motor vehicles	2,043	–	(1,054)	–	**989**
Furniture and office equipment	1,464	152	–	–	**1,616**
Computer equipment	2,825	151	(11)	(31)	**2,934**
Renovations	834	173	–	–	**1,007**
Total	7,166	476	(1,065)	(31)	**6,546**

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

		ACCUMULATED DEPRECIATION				NET BOOK VALUE
	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 30 June 2014 RM'000
Motor vehicles	1,513	205	(968)	–	**750**	**239**
Furniture and office equipment	1,323	37	–	–	**1,360**	**256**
Computer equipment	1,820	205	(10)	(16)	**1,999**	**935**
Renovations	260	98	–	–	**358**	**649**
Total	4,916	545	(978)	(16)	**4,467**	**2,079**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As of 30 June 2014, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM1,023.2 million (2013: RM1,117.7 million) have been charged as collaterals to certain financial institutions for the finance lease payables and borrowings granted to the Group (Notes 32, 33, 34 and 37).

Included in property, plant and equipment of the Group and of the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM111,143,000 (2013: RM125,428,000) and RM235,000 (2013: RM508,000) respectively.

14. INVESTMENT PROPERTIES

	The Group	
	2014	**2013**
	RM'000	**RM'000**
At beginning of year	**4,012**	4,627
Fair value adjustments during the year (Note 7)	**472**	(32)
Transfer to property, plant and equipment (Note 13)	**(240)**	(15)
Transfer to assets classified as held for sale (Note 28)	**–**	(470)
Impairment loss (Note 7)	**–**	(98)
At end of year	**4,244**	4,012

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 investment properties are measured using Level 2 valuation technique as disclosed in Note 3. There were no transfer between Levels 2 and 3 during the financial year.

The rental income earned by the Group from its investment properties amounted to RM17,900 (2013: RM30,400). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the year amounted to RM1,800 (2013: RM3,800).

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM25,300 (2013: RM27,100).

As of 30 June 2014, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair values totalling RM3,612,000 (2013: RM3,965,000) have been charged as collaterals to certain local banks for the bank overdrafts and other credit facilities granted to the Group (Notes 32 and 37).

Investment properties amounting to RM3,612,000 (2013: RM3,362,000) for the Group are held under leasehold interest.

15. PREPAID LAND LEASE PAYMENTS

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Cost:		
At beginning and end of year	**83,749**	83,749
Cumulative amortisation:		
At beginning of year	**34,036**	32,198
Amortisation for the year	**1,838**	1,838
At end of year	**35,874**	34,036
Net book value	**47,875**	49,713

Prepaid land lease payments relate to lease of land for the Group's factory buildings, office complexes and warehouses located in the Mukim of Bukit Raja, Klang, Selangor and Pasir Gudang Industrial Estate, Johor and the leases will expire between the years 2025 and 2097. The Group does not have an option to purchase the leased land upon the expiry of the lease period.

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

As of 30 June 2014, certain parcels of leasehold land of the Group with carrying values totalling RM47.9 million (2013: RM49.7 million) have been charged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 32 and 37).

16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year:				
Land costs	**37,409**	77,187	**53**	53
Development costs	**6,292**	16,043	**60**	60
	43,701	93,230	**113**	113
Costs incurred:				
Development costs	**83**	15	**–**	–
Cost transferred to property development costs (Note 16(b))				
Land costs	**–**	(39,778)	**–**	–
Development costs	**–**	(9,766)	**–**	–
	–	(49,544)	**–**	–
At end of year:				
Land costs	**37,409**	37,409	**53**	53
Development costs	**6,375**	6,292	**60**	60
	43,784	43,701	**113**	113
Accumulated impairment losses:				
At beginning of year	**(9,478)**	(14,229)	**–**	–
Transferred to property development costs (Note 16(b))	**–**	4,751	**–**	–
At end of year	**(9,478)**	(9,478)	**–**	–
Net	**34,306**	34,223	**113**	113

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

(b) Property Development Costs

	The Group	
	2014	**2013**
	RM'000	**RM'000**
At beginning of year:		
Land cost	**55,068**	13,052
Development costs	**70,476**	48,339
	125,544	61,391
Costs incurred:		
Land cost	**–**	2,238
Development costs	**19,715**	16,065
	19,715	18,303
Cost transferred to completed units	**–**	(3,694)
Transfer from land held for property development (Note 16(a))		
Land cost	**–**	39,778
Development costs	**–**	9,766
	–	49,544
At end of year:		
Land cost	**55,068**	55,068
Development costs	**90,191**	70,476
	145,259	125,544
Costs recognised as expenses in profit or loss:		
Previous years	**(57,206)**	(43,215)
Current year	**(20,715)**	(13,991)
	(77,921)	(57,206)
Accumulated impairment losses:		
At beginning of year	**(8,445)**	(3,750)
Transfer from land held for property development (Note 16(a))	**–**	(4,751)
No longer required (Note 7)	**–**	56
At end of year	**(8,445)**	(8,445)
Net	**58,893**	59,893

17. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2014 RM'000	The Company 2013 RM'000
Shares quoted in Malaysia:		
At beginning and end of year	**42,232**	42,232
Unquoted shares in Malaysia:		
At cost	**309,495**	309,495
Deemed capital contribution	**13,629**	13,629
	323,124	323,124
Accumulated impairment losses	**(174,811)**	(174,811)
	148,313	148,313
Total	**190,545**	190,545
Market value of quoted shares	**46,932**	57,763

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

Acquisition of subsidiary companies

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

	Fair value recognised on acquisition 2013 RM'000
Property, plant and equipment (Note 13)	23,811
Net current assets	628
Fair value of identifiable net assets acquired	24,439
Share of assets acquired	24,439
Less: Total cost of investment	(24,136)
Gain on bargain purchase (Note 7)	303

17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies (continued)

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

	2013 RM'000
Cash and cash equivalents acquired	687
Less: Consideration paid	(24,136)
Net cash outflows on acquisition, net of cash and cash equivalents	(23,449)

The acquisition had contributed the following results to the Group:

	2013 RM'000
Revenue for the year	580
Loss for the year	(143)

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

	2013 RM'000
Revenue for the year	1,378
Loss for the year	(6,069)

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

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

Dissolution of a subsidiary company

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

Disposal of a subsidiary company

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

As of 30 June 2014, the investment in quoted subsidiary company of the Company with carrying value of RM24,332,000 (2013:RM Nil) has been pledged as collaterals to certain financial institutions for borrowings granted to the Company (Notes 32 and 37).

17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiary companies		Number of non wholly-owned subsidiary companies	
		2014	**2013**	**2014**	**2013**
Property development	Malaysia	**8**	8	**2**	2
Manufacture and sale and distribution of steel products	Malaysia	**–**	–	**3**	3
Manufacture and sale and distribution of other products	Malaysia	**–**	–	**6**	6
Investment and development in agriculture	Cambodia	**–**	–	**23**	23
Investment holding	British Virgin Islands	**–**	–	**27**	27
Others	Malaysia	**24**	24	**24**	24
Others	Other countries	**–**	–	**10**	10
		32	32	**95**	95

Non-Controlling Interest in Subsidiary Companies

The Group's subsidiary company that has material non-controlling interests ("NCI") is LFIB.

	Percentage of ownership interests held by NCI	Profit/ (Loss) allocated to NCI RM'000	Accumulated NCI RM'000
2014			
LFIB	**27%**	**(67,631)**	**260,947**
Other individually immaterial subsidiary companies with NCI		**(4,809)**	**54,318**
		(72,440)	**315,265**
2013			
LFIB	27%	2,947	328,751
Other individually immaterial subsidiary companies with NCI		(54)	59,558
		2,893	388,309

17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Non-Controlling Interest in Subsidiary Companies (continued)

Summarised financial information in respect of each 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.

	LFIB	
	2014	**2013**
	RM'000	**RM'000**
Non-current assets	**122,260**	123,612
Current assets	**1,047,450**	1,259,648
Non-current liabilities	**(1,801)**	(1,979)
Current liabilities	**(174,963)**	(137,234)
Total equity	**992,946**	1,244,047
Equity attributable to owners of the Company	**962,049**	1,212,023
Non-controlling interests	**30,897**	32,024
	992,946	1,244,047
Revenue	**817,922**	1,011,304
(Loss)/Profit for the year	**(250,006)**	10,885
(Loss)/Profit attributable to:		
Owners of the Company	**(249,339)**	10,866
Non-controlling interests	**(667)**	19
	(250,006)	10,885
Other comprehensive income/(loss) attributable to:		
Owners of the Company	**2,822**	(1,435)
Non-controlling interests	**351**	395
	3,173	(1,040)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(246,517)**	9,431
Non-controlling interests	**(316)**	414
	(246,833)	9,845
Dividends paid to non-controlling interests	**942**	1,256
Net cash (outflow)/inflow from:		
Operating activities	**(32,247)**	(77,415)
Investing activities	**(27,135)**	54,395
Financing activities	**13,732**	(10,827)
Net cash outflow	**(45,650)**	(33,847)

18. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At cost:				
Quoted investments	**389,885**	378,479	**67,367**	67,367
Unquoted investments	**139,641**	138,041	**38,054**	38,054
	529,526	516,520	**105,421**	105,421
Share in post-acquisition results and reserves less dividends received	**344,559**	324,399	**–**	–
	874,085	840,919	**105,421**	105,421
Market value of quoted investments	**598,575**	823,853	**152,892**	219,496

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

2014	**Parkson RM'000**	**Other individually immaterial associated companies RM'000**	**Total RM'000**
Summarised financial information			
Proportion of the Group's effective ownership interest	**19%**		
Assets and Liabilities			
Current assets	**3,993,828**	**2,310,903**	**6,304,731**
Non-current assets	**4,474,975**	**3,922,951**	**8,397,926**
Current liabilities	**(2,236,445)**	**(4,200,227)**	**(6,436,672)**
Non-current liabilities	**(2,038,849)**	**(1,302,716)**	**(3,341,565)**
Non-controlling interests	**(1,604,685)**	**1,616**	**(1,603,069)**
Net assets	**2,588,824**	**732,527**	**3,321,351**
Results			
Revenue	**3,553,882**	**3,926,836**	**7,480,718**
Profit/(Loss) for the year	**240,388**	**(805,700)**	**(565,312)**
Other comprehensive (loss)/income for the year	**(2,680)**	**5,306**	**2,626**
Total comprehensive income/(loss) for the year	**237,708**	**(800,394)**	**(562,686)**
Group's share of profit of associated companies	**25,476**	**561**	**26,037**
Dividend received from associated companies	**–**	**6,371**	**6,371**
Reconciliation of net assets to carrying amount			
Group's share of net assets	**490,582**	**152,743**	**643,325**
Other adjustments	**230,760**	**–**	**230,760**
Carrying amount in the statements of financial position	**721,342**	**152,743**	**874,085**

18. INVESTMENT IN ASSOCIATED COMPANIES (continued)

2013	Parkson RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised financial information			
Proportion of the Group's effective ownership interest	17%		
Assets and Liabilities			
Current assets	4,121,004	1,641,832	5,762,836
Non-current assets	4,417,373	2,070,044	6,487,417
Current liabilities	(2,225,140)	(1,690,648)	(3,915,788)
Non-current liabilities	(1,928,750)	(370,905)	(2,299,655)
Non-controlling interest	(1,625,336)	(1,778)	(1,627,114)
Net assets	2,759,151	1,648,545	4,407,696
Results			
Revenue	3,454,958	2,119,090	5,574,048
Profit/(Loss) for the year	434,938	(169,822)	265,116
Other comprehensive income/(loss) for the year	63,341	(47,263)	16,078
Total comprehensive income/(loss) for the year	498,279	(217,085)	281,194
Group's share of profit of associated companies	41,500	20,664	62,164
Dividend received from associated companies	33,291	11,832	45,123
Reconciliation of net assets to carrying amount			
Group's share of net assets	469,056	145,053	614,109
Other adjustments	226,810	–	226,810
Carrying amount in the statements of financial position	695,866	145,053	840,919

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

	The Group 2014 RM'000	The Group 2013 RM'000
Share of net assets (excluding goodwill)	**620,879**	609,441
Share of goodwill of associated companies	**253,206**	231,478
	874,085	840,919

18. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2014	**2013**
	RM'000	**RM'000**
At beginning of year	**(225,499)**	(171,012)
Current year	**(90,951)**	(54,487)
At end of year	**(316,450)**	(225,499)

As of 30 June 2014, the investment in quoted associated companies of the Group and of the Company with carrying value of RM116,142,000 and RM67,367,000 (2013: RM116,142,000 and RM67,367,000) respectively has been pledged as collaterals to certain financial institutions for borrowings granted to the Group (Notes 32 and 37).

19. INVESTMENT IN JOINT VENTURE

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Unquoted shares:		
At cost	**125**	125
Share in post-acquisition results less dividend received	**56,849**	88,113
	56,974	88,238

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name of Joint Venture	Financial Year End	Country of Incorporation	Effective Percentage Ownership 2014 %	2013 %	Principal Activity
Mergexcel Property Development Sdn Bhd ("Mergexcel")	31 March	Malaysia	**49**	49	Property development

The joint venture is audited by a firm of auditors other than the auditors of the Company.

19. INVESTMENT IN JOINT VENTURE (continued)

The summarised unaudited financial information in respect of the Group's joint venture is set out below:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Assets and Liabilities		
Current assets	**139,220**	217,154
Non-current assets	**2,752**	36,430
Current liabilities	**(40,536)**	(86,383)
Non-current liabilities	**–**	(9,250)
Net assets	**101,436**	157,951
Results		
Revenue	**49,868**	222,561
Profit for the year	**33,485**	56,936
Group's share of profit of joint venture	**18,524**	31,497
Dividend received from joint venture	**49,788**	–

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Reconciliation of net assets to carrying amount		
Group's share of net assets, which represents carrying amount in the statements of financial position	**56,974**	88,238

The above profit or loss for the year including the following:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Depreciation of property, plant and equipment	**2**	2
Interest income	**3,567**	1,455
Finance cost	**838**	3,765

Amount owing by joint venture arose mainly from advances granted and payments made on behalf of the joint venture. The said amount is interest-free (2013: interest-free) and repayable on demand.

20. LONG-TERM 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				
Quoted investments in Malaysia:				
At fair value				
Shares	**18,966**	56,561	**48**	94
Warrants	**460**	506	**194**	213
Irredeemable Convertible Unsecured Loan Stock ("ICULS")*	**–**	25,213	**–**	–
	19,426	82,280	**242**	307
Quoted investments outside Malaysia:				
Shares - at fair value	**257**	237	**59**	59
Unquoted investments:				
Shares - at cost	**1,313**	1,313	**400**	400
	20,996	83,830	**701**	766
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, adjusted for accretion of interest	**75,867**	79,120	**–**	–
Less: Accumulated impairment losses	**(75,867)**	(70,287)	**–**	–
	–	8,833	**–**	–
Redeemable within one year (Note 24)	**–**	(8,833)	**–**	–
	–	–	**–**	–
Loans and receivables				
At amortised cost:				
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")**	**11,860**	14,915	**6,633**	7,170
Less: Accumulated impairment losses	**(8,065)**	–	**(4,546)**	–
	3,795	14,915	**2,087**	7,170
Redeemable within one year (Note 24)	**(3,795)**	(12,054)	**(2,087)**	(3,460)
	–	2,861	**–**	3,710
Total	**20,996**	86,691	**701**	4,476

* Represents ICULS issued by Lion Diversified Holdings Berhad ("LDHB").

** Represents RCSLS issued by Lion Corporation Berhad ("LCB").

During the current financial year, the carrying values of ICULS amounting to RM11,406,000 held by the Group were converted into 60,030,000 ordinary shares of LDHB at RM0.50 each. As a result, the said carrying values were reclassified to investment in associated companies in the statements of financial position.

20. LONG-TERM INVESTMENTS (continued)

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have made an impairment loss amounting to RM69,941,000 (2013: RM25,299,000) and RM4,616,000 (2013: RM132,000) in profit or loss of the Group and of the Company respectively.

Certain of the Group's investments with carrying values totalling RM16.23 million (2013: RM45.97 million) have been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 32 and 37).

The investment in unquoted bonds, ICULS and RCSLS of the Company and of certain subsidiary companies bear a yield-to-maturity at rates ranging from 4.00% to 7.00% (2013: 4.00% to 7.00%) per annum respectively.

During the previous financial year, LCB, the issuer of the RCSLS, redeemed a certain amount of the RCSLS on a pro-rata basis at approximately RM0.231 for every RM1.00 RCSLS held. As a result, the Group and the Company recorded a loss on redemption amounting to RM8.76 million and RM3.36 million respectively.

21. DEFERRED TAX ASSETS/(LIABILITIES)

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**48,288**	40,099	**–**	–
Transfer to/(from) profit or loss (Note 11):				
Property, plant and equipment	**9,300**	(13,075)	**(27)**	(39)
Others	**9,208**	34,630	**–**	385
Property development activities	**–**	4	**–**	–
Provision	**–**	(106)	**–**	(106)
Unused tax losses and unabsorbed capital allowances	**14,063**	(13,264)	**27**	(240)
	32,571	8,189	**–**	–
At end of year	**80,859**	48,288	**–**	–

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 offsetting) for the statements of financial position purposes:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**105,986**	70,520	**–**	–
Deferred tax liabilities	**(25,127)**	(22,232)	**–**	–
	80,859	48,288	**–**	–

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

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

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets				
Temporary differences arising from:				
Others	**26,475**	16,297	**–**	–
Unused tax losses and unabsorbed capital allowances	**192,142**	178,079	**334**	361
	218,617	194,376	**334**	361
Offsetting	**(112,631)**	(123,856)	**(334)**	(361)
Deferred tax assets (after offsetting)	**105,986**	70,520	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**132,634**	141,934	**334**	361
Others	**5,124**	4,154	**–**	–
	137,758	146,088	**334**	361
Offsetting	**(112,631)**	(123,856)	**(334)**	(361)
Deferred tax liabilities (after offsetting)	**25,127**	22,232	**–**	–

As mentioned in Note 4, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2014, the estimated amount of temporary differences, unused tax losses and unabsorbed capital allowances, for which the tax effects are not recognised in the financial statements due to uncertainty of its realisation, is as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Temporary differences arising from:				
Property, plant and equipment	**14**	(17)	**–**	–
Trade and other receivables	**419,221**	28,003		
Property development activities	**4,277**	5,229	**–**	–
Others	**9,498**	8,756	**–**	–
Unused tax losses and unabsorbed capital allowances	**108,366**	93,906	**53,902**	40,525
	541,376	135,877	**53,902**	40,525

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

22. GOODWILL

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Goodwill on consolidation:		
At beginning and end of year	**131,644**	131,644
Cumulative impairment loss:		
At beginning and end of year	**(1,201)**	(1,201)
Net	**130,443**	130,443

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 4% (2013: 5%) per annum. The discount rate used is 12% (2013: 8%) per annum.

The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregrate recoverable amount of the CGU.

23. INVENTORIES

Inventories consist of the following:

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Property:				
Completed units for sale (net of provision for write down of RMNil (2013: RM3,072,000 for the Group)	**9,697**	10,090	**43**	43
Products at cost:				
Raw materials	**218,844**	204,046	**–**	–
Finished goods	**284,101**	472,413	**–**	–
General and consumable stores	**172,878**	168,375	**–**	–
Trading merchandise	**12,026**	23,964	**–**	–
Goods-in-transit	**137,254**	181,095	**–**	–
	825,103	1,049,893	**–**	–
Less: Allowance for obsolescence of inventories	**(16,945)**	(16,408)	**–**	–
	808,158	1,033,485	**–**	–
Net	**817,855**	1,043,575	**43**	43

Certain of the Group's inventories with carrying values totalling RM789.81 million (2013: RM1,003.96 million) have been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 32 and 37) and for trade financing arrangement with a third party (Note 35(a)).

During the financial year, inventories amounting to RM612,000 (2013: RMNil) were written off against allowance for inventories obsolescence.

24. SHORT-TERM INVESTMENTS

	The Group 2014 RM'000	The Group 2013 RM'000	The Company 2014 RM'000	The Company 2013 RM'000
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, redeemable within one year (Note 20)	**–**	8,833	**–**	–
Loans and receivables				
At amortised cost				
RCSLS, redeemable within one year (Note 20)	**3,795**	12,054	**2,087**	3,460
	3,795	20,887	**2,087**	3,460

25. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group 2014 RM'000	The Group 2013 RM'000
Non-Current		
Trade receivables	**644,217**	216,909
Less: Accumulated impairment losses	**(294,332)**	(42,977)
	349,885	173,932
Current		
Trade receivables	**344,514**	749,953
Less: Accumulated impairment losses	**(23,170)**	(18,655)
	321,344	731,298
Net	**671,229**	905,230

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

The credit period granted to customers ranges from 30 to 90 days (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 has trade receivables amounting to RM374.39 million (2013: RM495.79 million) that are past due at the end of the reporting period but against which the Group has not recognised impairment losses as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	The Group 2014 RM'000	The Group 2013 RM'000
Neither past due nor impaired	**296,838**	409,442
31 - 60 days past due but not impaired	**98,222**	111,712
61 - 90 days past due but not impaired	**70,773**	77,605
91 - 120 days past due but not impaired	**59,057**	4,125
More than 120 days past due but not impaired	**146,339**	302,346
	671,229	905,230
Past due and impaired	**317,502**	61,632
Total trade receivables	**988,731**	966,862

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

(a) Trade receivables (continued)

Movements in the accumulated impairment losses are as follows:

	The Group 2014 RM'000	The Group 2013 RM'000
At beginning of year	**61,632**	18,794
Impairment losses recognised during the year	**256,951**	45,539
Amount recovered during the year	**(582)**	(1,567)
Amount written off during the year	**(499)**	(1,134)
At end of year	**317,502**	61,632

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	The Group 2013 RM'000
Megasteel	**562,732**	433,817
Lion DRI	**81,485**	192,402
	644,217	626,219
Concentration of credit risk	**65%**	65%
Past due but not impaired:		
Megasteel	**298,164**	370,826
Lion DRI	**40,532**	105,583
	338,696	476,409

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

During the financial year, the Group recognised an impairment loss amounting to RM251.36 million (2013: RM42.98 million) 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 businesses were affected by the rampant dumping of steel products by the foreign steel producers in the local market.

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

(a) Trade receivables (continued)

The currency profile of trade receivables is as follows:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Ringgit Malaysia	**613,008**	855,431
United States Dollar	**55,181**	46,137
Singapore Dollar	**3,040**	3,662
	671,229	905,230

As of 30 June 2014, the trade receivables of the Group amounting to RM259.43 million (2013: RM245.01 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Notes 32 and 37).

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-Current				
Orther receivables	**365,897**	24,294	**–**	–
Less: Accumulated impairment losses	**(182,948)**	(4,527)	**–**	–
	182,949	19,767	**–**	–
Current				
Orther receivables	**142,389**	298,392	**14,645**	17,497
Less: Accumulated impairment losses	**(25,472)**	(20,037)	**(940)**	(940)
	116,917	278,355	**13,705**	16,557
Tax recoverable	**3,490**	6,611	**226**	3,626
Refundable deposits	**86,223**	95,293	**679**	679
Prepayments	**62,892**	93,659	**4,334**	5,188
	269,522	473,918	**18,944**	26,050
	452,471	493,685	**18,944**	26,050

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

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

Movements in the accumulated impairment losses are as follows:

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of year	**24,564**	19,957	**940**	940
Impairment losses recognised during the year	**187,692**	4,607	**–**	–
Amount recovered during the year	**(401)**	–	**–**	–
Amount written off during the year	**(3,435)**	–	**–**	–
At end of year	**208,420**	24,564	**940**	940

(i) As of 30 June 2014, other receivables, deposits and prepayments of the Group with carrying values of RM142.61 million (2013: RM197.96 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Notes 32 and 37).

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

(a) RM272.18 million (2013: RM109.55 million) due from Graimpi, representing debts novated from Lion DRI, which bear interest at 8.85% per annum. These amounts were rescheduled to be fully settled by August 2014.

During the financial year, a total repayment of RM16.56 million was made by Graimpi to the Group.

During the financial year, the Group recognised an impairment loss amounting to RM136.09 million (2013: RMNil) on the said outstanding receivables due from Graimpi.

(b) RM8.67 million (2013: RM8.06 million) due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, representing a reimbursement for amounts incurred by the Group in the proposed acquisition by Akurjaya of PT Varita Majutama pursuant to the share sale agreement entered into between Akurjaya and LFIB for the disposal of the entire equity interest in LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd) together with the proposed investment in PT Varita Majutama by 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.

(c) RM48.56 million (2013: RM48.56 million) 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 RM19.75 million (2013: RM4.53 million) on the said outstanding receivables due from Megasteel.

(d) RM45.16 million (2013: RM49.00 million) due from Lion DRI are unsecured, interest-free and repayable on demand.

During the financial year, the Group recognised an impairment loss amounting to RM22.58 million (2013: RMNil) on the said outstanding receivables due from Lion DRI.

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

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

(iii) Included in deposits of the Group are deposits totalling RM79.89 million (2013: RM89.28 million) 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.

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

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Ringgit Malaysia	**315,253**	319,577	**18,944**	26,050
United States Dollar	**123,328**	166,456	**–**	–
Chinese Renminbi	**5,802**	4,354	**–**	–
Singapore Dollar	**4,937**	1,079	**–**	–
Others	**3,151**	2,219	**–**	–
	452,471	493,685	**18,944**	26,050

26. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company	
	2014 RM'000	**2013 RM'000**
Amount owing by subsidiary companies	**1,224,234**	1,175,542
Less: Accumulated impairment losses	**(174,466)**	(141,781)
Net	**1,049,768**	1,033,761
Amount owing to subsidiary companies	**155,734**	117,823

<u>Movement in the accumulated impairment losses is as follows:</u>

	The Company	
	2014 RM'000	**2013 RM'000**
At beginning of year	**141,781**	141,189
Impairment losses recognised during the year	**32,685**	592
At end of year	**174,466**	141,781

Amount owing by subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is either interest-free or bears interest at 8% (2013: interest-free) per annum and repayable on demand.

Amount owing to subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is interest-free (2013: interest-free) and repayable on demand.

26. RELATED COMPANY TRANSACTIONS (continued)

(a) Amount owing by/to subsidiary companies (continued)

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

	The Company	
	2014	**2013**
	RM'000	**RM'000**
Ringgit Malaysia	**1,049,768**	1,033,717
Singapore Dollar	**–**	44
	1,049,768	1,033,761

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

	The Company	
	2014	**2013**
	RM'000	**RM'000**
Ringgit Malaysia	**136,747**	99,078
Singapore Dollar	**10,150**	9,899
Chinese Renminbi	**8,836**	8,836
United States Dollar	**1**	10
	155,734	117,823

(b) Amount owing by associated companies

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Amount owing by associated companies	**35,216**	29,863
Less: Accumulated impairment losses	**(24,465)**	(24,465)
Net	**10,751**	5,398

<u>Movement in the accumulated impairment losses is as follows:</u>

	The Group	
	2014	**2013**
	RM'000	**RM'000**
At beginning and end of year	**24,465**	24,465

Amount owing by associated companies, which arose from trade and advances, is interest-free (2013: bore interest at 8% per annum) and repayable on demand.

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

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Singapore Dollar	**10,751**	5,398

27. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks and financial institutions:				
Restricted	**174,156**	168,807	**2,628**	2,551
Unrestricted (Note 39)	**93,589**	247,892	**3,200**	4,031
	267,745	416,699	**5,828**	6,582
Housing Development Accounts (Note 39)	**26,857**	25,800	**3,795**	3,720
Cash and bank balances:				
Restricted	**4,150**	5,614	**103**	223
Unrestricted (Note 39)	**163,622**	124,898	**440**	2,719
	462,374	573,011	**10,166**	13,244

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

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

(a) amount totalling RM47.55 million (2013: RM47.56 million) and RM2.73 million (2013: RM2.77 million) of the Group and of the Company, respectively, which have been earmarked for the purposes of repayment of the borrowings (Notes 32 and 37) and pledged as collaterals for bank guarantees granted.

(b) an amount of RM130.76 million (2013: RM126.86 million) of the Group held under Escrow Account for the purpose of indemnifying Sabah Forest Industries Sdn Bhd ("SFI") and the purchasers of SFI for the legal claims (Note 42(b)).

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks and financial institutions	**1.03% to 4.00%**	1.35% to 3.15%	**2.20% to 3.09%**	2.00% to 2.60%

Deposits of the Group and of the Company have an average maturity of 183 days (2013: 193 days).

27. DEPOSITS, CASH AND BANK BALANCES (continued)

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**436,000**	535,594	**10,166**	13,244
Chinese Renminbi	**21,293**	26,514	**–**	–
United States Dollar	**4,947**	10,536	**–**	–
Singapore Dollar	**21**	99	**–**	–
Others	**113**	268	**–**	–
	462,374	573,011	**10,166**	13,244

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

28. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**470**	22,393	**–**	–
Transfer from investment properties (Note 14)	**–**	470	**–**	–
Disposals	**(470)**	(22,393)	**–**	–
	–	470	**–**	–

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

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

29. SHARE CAPITAL

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

	The Group and The Company	
	2014	2013
	RM'000	RM'000
Ordinary shares of RM1.00 each		
Authorised:		
1,000,000,000 at beginning and end of year	**1,000,000**	1,000,000
Issued and fully paid:		
717,909,365 at beginning and end of year	**717,909**	717,909

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

The main features of the ESOS are as follows:

(a) Executive and non-executive Directors of the Company who had held office for at least six months, and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.

(b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 5% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS subject to the following being complied with:

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

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

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

(d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the five market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(e) The ESOS shall continue to be in force for a period of five years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further five years, without further approval of the relevant authorities.

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

30. RESERVES

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-distributable reserves:				
Share premium	**532,627**	532,627	**532,627**	532,627
Treasury shares	**(1,221)**	(494)	**(1,221)**	(494)
Capital reserve	**13,357**	13,357	**5,145**	5,145
Fair value reserve	**186**	(4,357)	**23**	18
Translation adjustment reserve	**5,931**	5,188	**–**	–
	550,880	546,321	**536,574**	537,296
Retained earnings/ (Accumulated losses)	**1,375,879**	1,888,978	**(172,708)**	(114,257)
	1,926,759	2,435,299	**363,866**	423,039

Share premium

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

Treasury shares

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

During the financial year, the Company repurchased a total of 944,100 (2013: 150,000) of its ordinary shares from the open market at an average price of RM0.77 (2013: RM1.02) per share. The total consideration paid for the repurchase including transaction costs was RM727,364 (2013: RM152,506). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Equity compensation reserve

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

Capital reserve

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

Fair value reserve

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

Translation adjustment reserve

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

31. 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	–	–
	–	–

A subsidiary company of LFIB, 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 LFIB 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) their par value of RM0.01 each; (b) the premium paid thereon of RM0.99 each; and (c) the accumulated and unpaid preferential dividend (as described below) if any, 10 years from and inclusive of the date of issue of the RCCPS ("Redemption Date"). If any registered holder of the RCCPS shall fail or refuse to surrender the certificate for such RCCPS or shall fail or refuse to accept the redemption money payable in respect of them, such money shall be retained and held by Lion AMB in trust for such registered holder but without interest or further obligation whatsoever.

(iv) The RCCPS shall carry a fixed cumulative preferential gross dividend of RM0.01 per RCCPS per annum, from the date of issue until the Redemption Date. Such rights to dividend shall be cumulative and shall be paid in priority to any payment of dividend on the New Lion AMB Shares. Any declaration of the fixed preferential gross dividend of RM0.01 per RCCPS per annum shall be paid in cash and subject to the profits of Lion AMB available for distribution.

(v) The RCCPS carry no right to vote at general meetings of Lion AMB unless the general meeting is (a) for any resolution which varies or is deemed to vary the rights and privileges of such RCCPS or (b) for any resolution for the winding-up of Lion AMB.

(vi) The registered holders of the RCCPS shall have no right to appoint any director to the Board of Lion AMB or to participate in the management of Lion AMB, but shall be entitled to attend meetings and receive all notices, audited accounts and reports which holders of ordinary shares in Lion AMB are entitled to.

(vii) Save and except that the RCCPS shall rank in priority to all other classes of shares in Lion AMB as regards the preferential dividend and return of capital in the event of winding-up, the RCCPS have no right to participate in the surplus assets and profits of Lion AMB.

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

(viii) The RCCPS may be transferred to persons (and their respective successors) within the following categories:

(a) all banks licensed under the Banking and Financial Institutions Act, 1989 or the Offshore Banking Act, 1990; or

(b) any of the RCCPS holders of Lion AMB.

32. LONG-TERM BORROWINGS

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Long-term borrowings		
Outstanding loans (secured)	**5,870**	167,442
Less : Portion due within one year (Note 37)	**(1,468)**	(157,712)
Non-current portion	**4,402**	9,730
Islamic Securities ("Sukuk")		
Outstanding principal	**240,000**	300,000
Debts issuance cost	**(1,503)**	(1,877)
	238,497	298,123
Less : Portion due within one year (Note 37)	**(59,624)**	(59,625)
Non-current portion	**178,873**	238,498
Total non-current portion	**183,275**	248,228

The non-current portion is repayable as follows:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Financial years ending 30 June:		
2015	**–**	69,730
2016	**61,092**	69,730
2017 and thereafter	**122,183**	108,768
	183,275	248,228

32. LONG-TERM BORROWINGS (continued)

(a) Long-term borrowings

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

The long-term borrowings bear interest at rates ranging from 5.80% to 6.60% (2013: 5.35% to 6.60%) per annum.

Long-term borrowings are denominated in Ringgit Malaysia.

(b) Islamic Securities ("Sukuk")

The Sukuk is denominated in Ringgit Malaysia and bears interest at rates ranging from 4.02% to 4.62% (2013: 4.02% to 4.62%) per annum.

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

i. to redeem the outstanding notes under Antara's existing RM500 million Bai' Bithaman Ajil Islamic Debt Securities;
ii. to finance the purchase of machinery and equipment as replacement parts;
iii. to pre-fund the Finance Service Reserve Account; and
iv. to finance the purchase of raw materials.

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

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

The Sukuk is secured by the following:

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

(ii) A debenture creating a fixed and floating charge over all existing and future assets of Antara;

(iii) Assignment and first charge over the designated accounts opened and maintained by Antara;

(iv) Assignment of all insurance policies and contracts of insurance and reinsurance and all the benefits thereof received or receivable by Antara in relation to the Antara Steel Plant and the hot briquetted iron operations; and

(v) Corporate guarantee from the Company.

33. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of minimum lease payment	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amounts payable under finance lease:				
Within one year	**25,949**	25,949	**16,556**	15,070
In the second to third year inclusive	**97,337**	123,286	**89,782**	106,338
	123,286	149,235	**106,338**	121,408
Less: Future finance charges	**(16,948)**	(27,827)	**NA**	NA
Present value of lease payables	**106,338**	121,408	**106,338**	121,408
Less: Amount due within the next 12 months (shown under current liabilities)			**(16,556)**	(15,070)
Non-current portion			**89,782**	106,338

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

	The Group	
	Minimum lease payment	
	2014 RM'000	2013 RM'000
Financial years ending 30 June:		
2015	**–**	16,556
2016	**61,447**	61,447
2017 and thereafter	**28,335**	28,335
	89,782	106,338

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 9.75% (2013: 9.25% to 9.75%) per annum.

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

34. HIRE-PURCHASE OBLIGATIONS

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total outstanding	**4,228**	4,853	**308**	495
Less: Interest-in-suspense	**(508)**	(611)	**(24)**	(47)
Principal outstanding	**3,720**	4,242	**284**	448
Less: Portion payable within one year (shown under current liabilities)	**(896)**	(1,413)	**(99)**	(95)
Non-current portion	**2,824**	2,829	**185**	353

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial years ending 30 June:				
2015	**–**	1,501	**–**	99
2016	**998**	998	**81**	104
2017 and thereafter	**1,826**	330	**104**	150
	2,824	2,829	**185**	353

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.20% to 5.55% (2013: 2.20% to 5.55%) and 2.47% to 2.50% (2013: 2.47% to 2.50%) per annum, respectively.

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

(a) Trade payables

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	**597,601**	573,301	**139**	139
Retention monies	**6,670**	3,465	**27**	27
	604,271	576,766	**166**	166

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2013: 30 to 60 days).

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

(a) Trade payables (continued)

The currency profile of trade payables is as follows:

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**462,791**	458,396	**166**	166
United States Dollar	**126,168**	106,752	**–**	–
Singapore Dollar	**14,205**	9,107	**–**	–
Chinese Renminbi	**33**	1,073	**–**	–
Others	**1,074**	1,438	**–**	–
	604,271	576,766	**166**	166

Included in trade payables is an amount of RM74.43 million (2013: RM139.02 million) representing product financing liabilities which arose from trade financing arrangement with a third party where titles to the inventories pertaining to this arrangement are legally with the third party, and of which the subsidiary companies have obligation to purchase. The obligation to purchase ranges from 30 to 90 days (2013: 30 to 90 days), with an average interest rate of 4% (2013: 4%) per annum.

(b) Other payables, deposits and accrued expenses

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables and deposits	**289,255**	251,499	**970**	1,491
Accrued expenses	**290,344**	384,307	**623**	564
	579,599	635,806	**1,593**	2,055

Included in other payables of the Group, is an amount of RM12.14 million (2013: RM36.54 million) representing security deposits received from customers, which bear interest at rates ranging from 9.50% to 9.75% (2013: 9.50% to 9.75%) per annum and have an average repayment period of 90 days (2013: 90 days).

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

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**519,550**	566,509	**1,593**	2,055
United States Dollar	**51,414**	61,258	**–**	–
Chinese Renminbi	**6,542**	5,719	**–**	–
Others	**2,093**	2,320	**–**	–
	579,599	635,806	**1,593**	2,055

36. PROVISIONS

	The Group	
	2014 RM'000	2013 RM'000
Provision for indemnity 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, Lion Forest Industries Berhad ("LFIB"), a subsidiary company of the Group, agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from litigation claims where the cause of action arose prior to the completion of the disposal of SFI.

On 27 February 2008, the Court of Appeal decided in favour of the plaintiff, 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 42(b).

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, LFIB 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.

37. SHORT-TERM BORROWINGS

	The Group		The Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short-term loans from financial institutions - Secured	**226,003**	117,923	**136,151**	117,923
Bank overdrafts - Secured (Note 39)	**14,587**	12,970	**4,164**	–
Bills payable	**87,479**	120,887	**–**	–
Portion of long-term loans due within one year – Secured (Note 32)	**1,468**	157,712	**–**	–
Portion of Sukuk due within one year - Secured (Note 32)	**59,624**	59,625	**–**	–
	389,161	469,117	**140,315**	117,923

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 13), investment properties (Note 14), prepaid land lease payments (Note 15) and floating charges over the other assets of the subsidiary companies.

The short-term borrowings of the Company are secured by charges on the investment in associated companies (Note 18) and investment in subsidiary companies (Note 17).

The short-term borrowings bear interest at rates ranging from 2.85% to 12.00% (2013: 2.83% to 10.00%) per annum.

37. SHORT-TERM BORROWINGS (continued)

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

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Ringgit Malaysia	**233,717**	396,861	**74,723**	117,923
United States Dollar	**155,444**	72,256	**65,592**	–
	389,161	469,117	**140,315**	117,923

38. DIVIDENDS

	The Group and The Company	
	2014 RM'000	**2013 RM'000**
In respect of financial year ended 30 June 2012:		
A first and final single-tier dividend of 1%	**–**	7,177
In respect of financial year ended 30 June 2013:		
A first and final single-tier dividend of 1%	**7,170**	–
	7,170	7,177

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

39. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash and bank balances (unrestricted) (Note 27)	**163,622**	124,898	**440**	2,719
Deposits with licensed banks and financial institutions (unrestricted) (Note 27)	**93,589**	247,892	**3,200**	4,031
Housing Development Accounts (Note 27)	**26,857**	25,800	**3,795**	3,720
Bank overdrafts (Note 37)	**(14,587)**	(12,970)	**(4,164)**	–
	269,481	385,620	**3,271**	10,470

40. RELATED COMPANIES AND PARTY TRANSACTIONS

Related parties are entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders have interest, excluding those parties disclosed in Notes 17, 18, 19 and 26.

The Group and the Company have the following significant 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 Company	Nature	2014 RM'000	2013 RM'000
Subsidiary companies			
Inspirasi Elit Sdn Bhd	Administrative fee income	**72**	72
Amsteel Mills Sdn Bhd	Interest income	**2,853**	–

Sales and purchase of goods and services and interest

		The Group		The Company	
Name of Company	Nature	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Megasteel Sdn Bhd	Sale of goods	**642,257**	561,313	**–**	–
	Purchase of goods, raw materials and consumables	**436,654**	550,797	**–**	–
	Provision of transportation services	**23,749**	24,711	**–**	–
	Rental income	**928**	928	**–**	–
	Interest income	**6,342**	3,595	**–**	–
Angkasa Amsteel Pte Ltd	Sale of goods	**48,281**	36,119	**–**	–
Lion DRI Sdn Bhd	Sale of goods	**59,672**	190,902	**–**	–
	Purchase of raw materials	**5,792**	14	**–**	–
	Rental income	**253**	253	**–**	–
Graimpi Sdn Bhd	Interest income	**19,196**	12,507	**–**	–
Akurjaya Sdn Bhd	Interest income	**608**	257	**–**	–
Secomex Manufacturing (M) Sdn Bhd	Purchase of gas	**5,183**	6,903	**–**	–
Lion Blast Furnace Sdn Bhd	Rental income	**146**	146	**–**	–

40. RELATED COMPANIES AND PARTY TRANSACTIONS (continued)

		The Group		The Company	
Name of Company	**Nature**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Bright Steel Sdn Bhd	Sale of goods	**8,404**	10,115	**–**	–
Lion Tooling Sdn Bhd	Purchase of toolings	**4,165**	4,066	**–**	–
Parkson Corporation Sdn Bhd	Sale of goods	**4,126**	2,028	**–**	–
Compact Energy Sdn Bhd	Purchase of consumables	**21,503**	22,205	**–**	–
	Rental income	**366**	366	**–**	–
Panareno Sdn Bhd	Sale of goods	**–**	70	**–**	–

The outstanding balances arising from the above 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	**694,658**	654,209	**–**	–
Included in other receivables	**412,264**	234,265	**5,380**	6,387
Payables:				
Included in trade payables	**3,206**	10,531	**–**	–
Included in other payables	**58,156**	35,951	**561**	1,092

The outstanding balances with related parties are either interest-free or bear interest at 8.00% (2013: either interest-free or bore interest at 8.00%) per annum and repayable on demand.

41. SEGMENTAL INFORMATION

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

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

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

(a) Business Segments:

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

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

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

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

41. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2014

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	3,977,281	37,537	367,032	100,501	–	4,482,351
Inter-segment revenue	103,736	–	350,394	–	(454,130)	–
Total revenue	4,081,017	37,537	717,426	100,501	(454,130)	4,482,351
Results						
Segment results	(51,769)	4,451	14,912	763	–	(31,643)
Unallocated costs						(7,404)
Finance costs	(57,835)	(10,857)	(533)	–	–	(69,225)
Share in results of:						
Associated companies	851	–	–	25,186	–	26,037
Joint venture	–	18,524	–	–	–	18,524
Investment income	11,928	2,654	27,082	–	–	41,664
Impairment losses on:						
Property, plant and equipment	(33,891)	–	–	–	–	(33,891)
Quoted and unquoted investments	(50,879)	(4,617)	(1,110)	(13,335)	–	(69,941)
Trade and other receivables	(179,792)	(4,222)	(231,786)	(28,843)	–	(444,643)
Inventories written down	–	–	–	(10,264)	–	(10,264)
Loss before tax						(580,786)
Tax credit						2,400
Loss for the year						(578,386)

41. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2014

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	2,830,632	257,424	397,418	263,877	–	3,749,351
Investment in associated companies and joint venture	74,161	56,974	–	799,924	–	931,059
Unallocated corporate assets						243,033
Consolidated Total Assets						4,923,443
Segment liabilities	1,494,772	207,429	91,337	112,632	–	1,906,170
Unallocated liabilities						57,340
Consolidated Total Liabilities						1,963,510
Other Information						
Capital expenditure	54,223	449	41	14,108	–	68,821
Depreciation and amortisation	110,358	1,139	178	5,282	–	116,957
Other non-cash expenses	268,972	8,437	232,314	52,017	–	561,740

41. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2013

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	4,042,896	24,496	580,650	100,428	–	4,748,470
Inter-segment revenue	109,501	–	330,227	–	(439,728)	–
Total revenue	4,152,397	24,496	910,877	100,428	(439,728)	4,748,470
Results						
Segment results	(30,253)	(3,781)	32,100	(5,469)	–	(7,403)
Unallocated costs						(4,357)
Finance costs	(56,311)	(7,243)	(363)	–	–	(63,917)
Share in results of:						
Associated companies	16,072	–	–	46,092	–	62,164
Joint venture	–	31,497	–	–	–	31,497
Investment income	10,579	3,475	21,789	–	–	35,843
Impairment losses on:						
Quoted and unquoted investments	(21,555)	(132)	(740)	(2,872)	–	(25,299)
Trade and other receivables	(23,509)	(80)	(23,530)	(3,027)	–	(50,146)
Loss on redemption of unquoted investments	(3,357)	–	(5,402)	–	–	(8,759)
Loss before tax						(30,377)
Tax expense						(1,227)
Loss for the year						(31,604)

41. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2013

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

41. SEGMENTAL INFORMATION (continued)

(b) Geographical Segments:

The Group operates in two main geographical areas:

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

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

	Revenue	
	2014	**2013**
	RM'000	**RM'000**
Malaysia	**3,698,834**	3,944,050
Other countries	**783,517**	804,420
	4,482,351	4,748,470

	Total assets		Capital expenditure	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**4,735,972**	5,473,926	**68,821**	57,980
Other countries	**187,471**	188,152	**–**	–
	4,923,443	5,662,078	**68,821**	57,980

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

Information about major customers

Revenue of the Group for the current financial year amounting to RM725.68 million (2013: RM776.93 million) from the steel division and building materials division are derived from two related parties.

42. CONTINGENT LIABILITIES

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

	The Company	
	2014	**2013**
	RM'000	**RM'000**
Unsecured:		
Subsidiary company	**240,000**	300,000

42. CONTINGENT LIABILITIES (continued)

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

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Indemnity for:		
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**138,855**	128,874
Less: Provision (Note 36)	**(15,000)**	(15,000)
	123,855	113,874
Back pay labour claims from SFI's employees	**23,427**	23,427
	147,282	137,301

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, LFIB 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.

42. CONTINGENT LIABILITIES (continued)

Indemnity for litigation claims in respect of the termination of contracts for the extraction and sales of timber (continued)

The Directors of LFIB 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 LFIB and Avenel Sdn Bhd ("Avenel"), the immediate holding company of SFI then, whereby Avenel agreed to indemnify LFIB in full for all losses which LFIB may incur arising from the litigation brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise, Avenel was however unable to discharge its obligation under the said indemnity and was wound-up on 28 August 2014.

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 ruled that the Federal Court does not have jurisdiction to hear cases which originated from the Labour Court.

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

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

43. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has the following capital commitments:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Purchase of property, plant and equipment:		
Approved and contracted for	**33,238**	75,680
Approved but not contracted for	**40,106**	60,935
	73,344	136,615

44. LEASE COMMITMENTS

As of 30 June 2014, lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Within one year	**11,130**	10,162
Within two to five years	**40,765**	32,332
After five years	**16,834**	26,935
	68,729	69,429

45. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2013.

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

The Group's management reviews the capital structure of the Group on regular basis. As part of this review, 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)	**682,494**	842,995	**140,599**	118,371
Cash and cash equivalents (excluding bank overdrafts)	**(284,068)**	(398,590)	**(7,435)**	(10,470)
Net debt	**398,426**	444,405	**133,164**	107,901
Equity (ii)	**2,959,933**	3,541,517	**1,081,775**	1,140,948
Debt to equity ratio	**13.46%**	12.55%	**12.31%**	9.46%

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

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

45. FINANCIAL INSTRUMENTS (continued)

Significant accounting policies

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

Categories of financial instruments

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Financial assets				
Available-for-sale investments	**20,996**	83,830	**701**	766
Held-to-maturity investments	**–**	8,833	**–**	–
Loans and receivables:				
Investments	**3,795**	14,915	**2,087**	7,170
Trade receivables	**671,229**	905,230	**–**	–
Other receivables and refundable deposits	**306,203**	304,132	**14,384**	17,236
Amount owing by subsidiary companies	**–**	–	**1,049,768**	1,033,761
Amount owing by associated companies	**10,751**	5,398	**–**	–
Amount owing by joint venture	**1,485**	1,551	**–**	–
Deposits, cash and bank balances	**462,374**	573,011	**10,166**	13,244
Financial liabilities				
Other financial liabilities:				
Finance lease payables	**106,338**	121,408	**–**	–
Hire-purchase obligations	**3,720**	4,242	**284**	448
Trade payables	**604,271**	576,766	**166**	166
Other payables, deposits and accrued expenses	**579,599**	635,806	**1,593**	2,055
Amount owing to subsidiary companies	**–**	–	**155,734**	117,823
Borrowings	**572,436**	717,345	**140,315**	117,923

Financial Risk Management Objectives and Policies

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

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

45. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

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

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

	The Group		The Company	
	Assets 2014 RM'000	**Liabilities 2014 RM'000**	**Assets 2014 RM'000**	**Liabilities 2014 RM'000**
United States Dollar	**183,456**	**333,026**	**–**	**65,592**
Chinese Renminbi	**5,802**	**6,575**	**–**	**8,836**
Singapore Dollar	**18,749**	**14,205**	**–**	**10,150**
Others	**3,264**	**3,167**	**–**	**–**
	211,271	**356,973**	**–**	**84,578**

	The Group		The Company	
	Assets 2013 RM'000	**Liabilities 2013 RM'000**	**Assets 2013 RM'000**	**Liabilities 2013 RM'000**
United States Dollar	223,129	240,266	–	10
Chinese Renminbi	4,354	6,792	–	8,836
Singapore Dollar	10,238	9,107	44	9,899
Others	2,487	3,758	–	–
	240,208	259,923	44	18,745

<u>Foreign currency sensitivity analysis</u>

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

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

	The Group		The Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
United States Dollar	**14,957**	1,714	**6,559**	1
Chinese Renminbi	**77**	244	**884**	884
Singapore Dollar	**(454)**	(113)	**1,015**	986
	14,580	1,845	**8,458**	1,871

45. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 37.

The interest rates for the term loans, Sukuk, finance lease payables and hire-purchase obligations, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 32, 33 and 34 respectively.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended 30 June 2014 would increase or decrease by as follows:

	The Group	
	2014	**2013**
	RM'000	**RM'000**
Floating rate liabilities		
Bank overdrafts	**73**	65
Bills payable	**437**	604
Borrowings	**479**	837
	989	1,506

Credit risk

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

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

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

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

Liquidity risk

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

45. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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

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

The Group 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	**529,840**	**–**	**–**	**–**	**529,840**	**–**
Other payables, deposits and accrued expenses	**567,462**	**–**	**–**	**–**	**567,462**	**–**
Interest bearing:						
Trade payables	**74,431**	**–**	**–**	**–**	**74,431**	**4.00**
Other payables, deposits and accrued expenses	**12,137**	**–**	**–**	**–**	**12,137**	**9.50 – 9.75**
Hire-purchase obligations	**1,014**	**1,014**	**2,156**	**44**	**4,228**	**2.20 – 5.55**
Finance lease payables	**25,949**	**25,949**	**71,388**	**–**	**123,286**	**9.25 – 9.75**
Bank borrowings:						
Bank overdrafts	**14,587**	**–**	**–**	**–**	**14,587**	**2.85 – 8.25**
Bills payable	**87,479**	**–**	**–**	**–**	**87,479**	**2.85 – 6.60**
Borrowings	**501,354**	**–**	**–**	**–**	**501,354**	**4.33 – 12.00**
	1,814,253	**26,963**	**73,544**	**44**	**1,914,804**	

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

45. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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	**166**	**–**	**–**	**–**	**166**	**–**
Other payables, deposits and accrued expenses	**1,593**	**–**	**–**	**–**	**1,593**	**–**
Amount owing to subsidiary companies	**155,734**	**–**	**–**	**–**	**155,734**	**–**
Interest bearing:						
Hire-purchase obligations	**88**	**88**	**132**	**–**	**308**	**2.47 – 2.50**
Borrowings	**140,315**	**–**	**–**	**–**	**140,315**	**4.33 – 8.00**
Financial guarantee contract	**–**	**–**	**–**	**–**	**–**	**–**
	297,896	**88**	**132**	**–**	**298,116**	

2013	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	166	–	–	–	166	–
Other payables, deposits and accrued expenses	2,055	–	–	–	2,055	–
Amount owing to subsidiary companies	117,823	–	–	–	117,823	–
Interest bearing:						
Hire-purchase obligations	113	113	269	–	495	2.47 – 2.50
Borrowings	117,923	–	–	–	117,923	7.00 – 8.60
Financial guarantee contract	–	–	–	–	–	–
	238,080	113	269	–	238,462	

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

45. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

	The Group		The Company	
2014	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Loan and receivables:				
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")	**3,795**	**3,795 +**	**2,087**	**2,087 +**
Trade and other receivables	**532,834**	**532,834 ^**	**–**	**–**
Financial liabilities				
Finance lease payables	**106,338**	**106,338 ***	**–**	**–**
Hire-purchase obligations	**3,720**	**3,720 ***	**284**	**284 ***
Borrowings	**572,436**	**572,436 ***	**140,315**	**140,315 ***

	The Group		The Company	
2013	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Held-to-maturity investments:				
Unquoted bonds	8,833	– #	–	–
Loan and receivables:				
Unquoted RCSLS	14,915	14,915 +	7,170	7,170
Trade and other receivables	193,699	193,699 ^	–	–
Financial liabilities				
Finance lease payables	121,408	121,408 *	–	–
Hire-purchase obligations	4,242	4,242 *	448	448 *
Borrowings	717,345	717,345 *	117,923	117,923

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

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

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

^ The fair values of trade and other recievables are estimated using discounted cash flow analysis based on the borrowing rates of the Group.

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

45. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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	**19,683**	**–**	**–**	**19,683**
2013				
Financial Assets				
Quoted investments	82,517	–	–	82,517
The Company				
2014				
Financial Assets				
Quoted investments	**301**	**–**	**–**	**301**
2013				
Financial Assets				
Quoted investments	366	–	–	366

45. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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				
Unquoted RCSLS	**–**	**–**	**3,795**	**3,795**
Trade and other receivables	**–**	**–**	**532,834**	**532,834**
Financial Liabilities				
Finance lease payables	**–**	**–**	**106,338**	**106,338**
Hire-purchase payables	**–**	**–**	**3,720**	**3,720**
Borrowings	**–**	**–**	**572,436**	**572,436**
The Group				
2013				
Financial Assets				
Unquoted RCSLS	–	–	14,915	14,915
Trade and other receivables	–	–	193,699	193,699
Financial Liabilities				
Finance lease payables	–	–	121,408	121,408
Hire-purchase payables	–	–	4,242	4,242
Borrowings	–	–	717,345	717,345
The Company				
2014				
Financial Assets				
Unquoted RCSLS	**–**	**–**	**2,087**	**2,087**
Financial Liabilities				
Hire-purchase payables	**–**	**–**	**284**	**284**
Borrowings	**–**	**–**	**140,315**	**140,315**
2013				
Financial Assets				
Unquoted RCSLS	–	–	7,170	7,170
Financial Liabilities				
Hire-purchase payables	–	–	448	448
Borrowings	–	–	117,923	117,923

46. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Percentage Ownership 2014	Effective Percentage Ownership 2013	Principal Activities
Property Division		%	%	
* Amble Legacy Sdn Bhd	Malaysia	**100**	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	Malaysia	**98**	98	Dormant
Berkat Timor Sdn Bhd	Malaysia	**100**	100	Dormant
Citibaru Sendirian Berhad	Malaysia	**100**	100	Dormant
* Crest Wonder Sdn Bhd	Malaysia	**100**	100	Investment holding
Inspirasi Elit Sdn Bhd	Malaysia	**85**	85	Property development
JOPP Builders Sdn Bhd	Malaysia	**100**	100	Contractor for construction and civil engineering works, and property development
Kisan Agency Sdn Bhd	Malaysia	**100**	100	Property development
Lion Courts Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
* Lion Metal Industries Sdn Bhd	Malaysia	**100**	100	Provision of storage facilities
LLB Bina Sdn Bhd	Malaysia	**100**	100	Ceased operations
LLB Damai Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Indah Permai Sdn Bhd	Malaysia	**100**	100	Property development
Malim Courts Property Development Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
Malim Jaya (Melaka) Sdn Bhd	Malaysia	**100**	100	Property development
* Matrix Control Sdn Bhd	Malaysia	**100**	100	Ceased operations
Mcken Sdn Bhd	Malaysia	**100**	100	Ceased operations
PM Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Projek Jaya Sdn Bhd	Malaysia	**100**	100	Investment holding
Seri Lalang Development Sdn Bhd	Malaysia	**100**	100	Ceased operations
Sharikat Pengangkutan East West Sdn Bhd	Malaysia	**100**	100	Dormant
Soga Sdn Bhd	Malaysia	**98**	98	Property development
Sucorp Enterprise Sdn Bhd	Malaysia	**100**	100	Investment holding

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2014 %	2013 %	Principal Activities
Property Division				
Sumber Realty Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	Malaysia	**100**	100	Dormant
* Tianjin Baden Real Estate Development Co Ltd (In liquidation - voluntary)	People's Republic of China	**95**	95	Property development
Steel Division				
+ Amsteel Mills Sdn Bhd	Malaysia	**99**	99	Manufacture and marketing of steel bars and wire rods
Amsteel Mills Marketing Sdn Bhd	Malaysia	**99**	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	Malaysia	**99**	99	Ceased operations
+ Antara Steel Mills Sdn Bhd	Malaysia	**99**	99	Manufacture and sale of steel and related products
+ Lion Waterway Logistics Sdn Bhd	Malaysia	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	Malaysia	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2014)
* LLB Steel Industries Sdn Bhd	Malaysia	**100**	100	Investment holding
* + ^^ Steelcorp Sdn Bhd	Malaysia	**99**	99	Investment holding
Others				
* Holdsworth Investment Pte Ltd	Singapore	**80**	80	Investment holding
+ ^^ Lion Forest Industries Berhad	Malaysia	**72**	72	Investment holding, trading and distribution of building materials, and trading of steel products
* Lion Motor Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Enterprise Sdn Bhd	Malaysia	**69**	69	Dormant
LLB Harta (L) Limited	Malaysia	**100**	100	Treasury business

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2014 %	2013 %	Principal Activities
Others				
# LLB Harta (M) Sdn Bhd	Malaysia	**100**	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies
LLB Nominees Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Strategic Holdings Berhad	Malaysia	**100**	100	Dormant
# LLB Suria Sdn Bhd	Malaysia	**100**	100	Investment holding
* LLB Venture Sdn Bhd	Malaysia	**100**	100	Dormant
Marvenel Sdn Bhd	Malaysia	**70**	70	Dormant
* Slag Aggregate Sdn Bhd	Malaysia	**100**	100	Investment holding
* Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary)	People's Republic of China	**56**	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Worldwide Unilink Education and Consultancy Sdn Bhd (In liquidation - voluntary)	Malaysia	**100**	100	Ceased operations
* Zhongsin Biotech Pte Ltd	Singapore	**67**	67	Investment holding
Subsidiary Companies of Lion Forest Industries Berhad				
Building Materials Division				
+ Posim Marketing Sdn Bhd	Malaysia	**72**	72	Trading and distribution of building materials and consumer products
Others				
^ Alpha Deal Group Limited	British Virgin Islands	**72**	72	Investment holding
^ Brilliant Elite Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Brilliant Elite (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2014 %	Effective Percentage Ownership 2013 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Bright Triumph (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Bright Triumph Investments Limited	British Virgin Islands	**72**	72	Investment holding
Brands Pro Management Sdn Bhd	Malaysia	**51**	51	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
* Beijing Youshi Trading Co Ltd	People's Republic of China	**72**	72	Dormant
^ Classy Elite Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Classy Elite (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Distinct Harvest (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture
^ Distinct Harvest Limited	British Virgin Islands	**72**	72	Investment holding
^ Double Merits (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Double Merits Enterprise Limited	British Virgin Islands	**72**	72	Investment holding
^ Dynamic Shine (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Dynamic Shine Holdings Limited	British Virgin Islands	**72**	72	Investment holding
^ Elite Harvest (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Elite Harvest Group Limited	British Virgin Islands	**72**	72	Investment holding
^ Elite Image (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2014 %	2013 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Elite Image Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Eminent Elite (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture
^ Eminent Elite Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Eminent Prosper (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Eminent Prosper Limited	British Virgin Islands	**72**	72	Investment holding
Gama Harta Sdn Bhd	Malaysia	**72**	72	Investment holding
^ Grand Ray (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Grand Ray Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Great Zone (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Great Zone Investments Limited	British Virgin Islands	**72**	72	Investment holding
^ Green Choice (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Green Choice Holdings Limited	British Virgin Islands	**72**	72	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd (formerly known as Harta Impiana Sdn Bhd)	Malaysia	**72**	72	Investment holding
^ Harvest Boom (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Harvest Boom Investments Limited	British Virgin Islands	**72**	72	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**72**	72	Investment holding

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2014 %	Effective Percentage Ownership 2013 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Jadeford International Limited	British Virgin Islands	**72**	72	Investment holding
^ Jade Harvest (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Jade Harvest International Limited	British Virgin Islands	**72**	72	Investment holding
^ Jade Power (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Jade Power Holdings Limited	British Virgin Islands	**72**	72	Investment holding
* Lion AMB Resources Berhad	Malaysia	**64**	64	Investment holding
Lion Rubber Industries Sdn Bhd	Malaysia	**72**	72	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**72**	72	Manufacturing of petroleum products
^ Mile Treasure (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Mile Treasure Limited	British Virgin Islands	**72**	72	Investment holding
Ototek Sdn Bhd	Malaysia	**51**	51	Trading and distribution of spark plugs, lubricants and automotive components
^ Pinnacle Treasure Limited	British Virgin Islands	**72**	72	Investment holding
Posim EMS Sdn Bhd	Malaysia	**58**	58	Provision of energy management and conservation services
+ Posim Petroleum Marketing Sdn Bhd	Malaysia	**72**	72	Trading and distribution of petroleum products
* P.T. Lion Intimung Malinau	Republic of Indonesia	**69**	69	Dormant
^ Radiant Elite (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture
^ Radiant Elite Holdings Limited	British Virgin Islands	**72**	72	Investment holding
* + Singa Logistics Sdn Bhd	Malaysia	**72**	72	Provision of transportation services

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2014 %	2013 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Sky Yield (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Sky Yield Group Limited	British Virgin Islands	**72**	72	Investment holding
^ Superb Harvest (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Superb Harvest Limited	British Virgin Islands	**72**	72	Investment holding
^ Superb Reap (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Superb Reap Limited	British Virgin Islands	**72**	72	Investment holding
^ Ultra Strategy (Cambodia) Co., Ltd	Cambodia	**72**	72	Investment and development in agriculture
^ Ultra Strategy Limited	British Virgin Islands	**72**	72	Investment holding
^ Up Reach (Cambodia) Co., Limited	Cambodia	**72**	72	Investment and development in agriculture
^ Up Reach Limited	British Virgin Islands	**72**	72	Investment holding
Subsidiary Companies of Lion AMB Resources Berhad				
Others				
^ AMB Aerovest Limited	British Virgin Islands	**64**	64	Investment holding
AMB Harta (L) Limited	Malaysia	**64**	64	Treasury business
* # AMB Harta (M) Sdn Bhd	Malaysia	**64**	64	Managing of debts novated from Lion AMB Resources Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Berhad and certain of its subsidiary companies
* # AMB Venture Sdn Bhd	Malaysia	**64**	64	Investment holding
* # CeDR Corporate Consulting Sdn Bhd	Malaysia	**64**	64	Provision of training services

46. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2014 %	2013 %	Principal Activities
Subsidiary Companies of Lion AMB Resources Berhad				
Others				
* # Chrome Marketing Sdn Bhd	Malaysia	**64**	64	Investment holding
* Innovasi Istimewa Sdn Bhd (In liquidation - voluntary, dissolved on 27 August 2014)	Malaysia	**64**	64	Investment holding
* Innovasi Selaras Sdn Bhd (In liquidation - voluntary)	Malaysia	**64**	64	Investment holding
* # Lion AMB Holdings Pte Ltd	Singapore	**51**	51	Investment holding
* # Lion Rubber Industries Pte Ltd	Singapore	**46**	46	Investment holding
* # Lion Tyre Venture Sdn Bhd	Malaysia	**64**	64	Investment holding
* # Range Grove Sdn Bhd	Malaysia	**64**	64	Investment holding
* # Seintasi Sdn Bhd	Malaysia	**64**	64	Investment holding
* Shanghai AMB Management Consulting Co. Ltd.	People's Republic of China	**64**	64	Provision of management services
* Willet Investment Pte Ltd	Singapore	**64**	64	Investment holding

* The financial statements of these companies are audited by auditors other than the auditors of the Company.

^ The financial statements of these companies are examined for the purpose of consolidation.

The auditors' reports on the financial statements of these subsidiary companies include an emphasis of matter regarding the ability of these subsidiary companies to continue as a going-concern in view of their capital deficiency positions at the end of the reporting period. The financial statements of these subsidiary companies have been prepared on a going-concern basis as its holding company has undertaken to provide continued financial support to these subsidiary companies.

\+ The auditors' reports on the financial statements of these subsidiary companies include an emphasis of matter regarding the credit risk with related parties.

^^ The auditors' reports on the financial statements of these subsidiary companies include an emphasis of matter in relation to uncertainty regarding the provision for damages arising from a litigation claim.

47. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Country of Incorporation	Effective Equity Interest 2014 %	2013 %	Principal Activities
Angkasa Amsteel Pte Ltd	30 June	Singapore	**50**	50	Manufacturing and distribution of fabricated steel reinforcement bars
Angkasa Welded Mesh Pte Ltd	30 June	Singapore	**75**	75	Manufacture of welded wire mesh (yet to commence operations as of 30 June 2014)
Kamiya Corporation Sdn Bhd (In liquidation - voluntary, dissolved on 7 August 2013)	30 June	Malaysia	**–**	19	Property development
Renor Pte Ltd	30 June	Singapore	**33**	33	Investment holding
Lion Diversified Holdings Berhad	30 June	Malaysia	**15**	21	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	**37**	37	Captive insurance business
^ Parkson Holdings Berhad	30 June	Malaysia	**19**	17	Investment holding
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	**50**	50	Mixed commercial property development cum cash and carry retail business
Lion Titco Resources Sdn Bhd	30 June	Malaysia	**40**	40	Processing of steel slag and metal extraction
Associated companies of Lion AMB Resources Berhad					
Hunan Changfa Automobile Engine Co Ltd (Dissolved)	31 December	People's Republic of China	**–**	32	Manufacture of automotive engine
Lion Asiapac Limited	30 June	Singapore	**23**	23	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd	31 December	Malaysia	**13**	13	Investment holding

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

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

48. COMPARATIVE FIGURES

Trade and other receivables of the Group amounting to RM173,932,000 and RM19,767,000 respectively as of 30 June 2013 have been reclassified from current assets to non-current assets to conform with current year's presentation.

SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

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

The breakdown of the retained earnings/(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 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 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies				
Realised	**797,014**	1,391,808	**(172,725)**	(114,306)
Unrealised	**52,740**	15,606	**17**	49
	849,754	1,407,414	**(172,708)**	(114,257)
Total retained earnings/(accumulated losses) from associated companies and joint venture				
Realised	**519,833**	478,815	**–**	–
Unrealised	**1,977**	(1,566)	**–**	–
	521,810	477,249	**–**	–
Consolidation adjustments	**4,315**	4,315	**–**	–
Total retained earnings/(accumulated losses)	**1,375,879**	1,888,978	**(172,708)**	(114,257)

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 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 on page 155, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 'Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements' as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

TAN SRI CHENG YONG KIM **CHENG YONG LIANG**

Kuala Lumpur
21 October 2014

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

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN SRI CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 21st day of October, 2014.

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS
Kuala Lumpur

INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

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

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

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

As at 15 October 2014, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

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/ Last Revaluation
1.	PT 19254-59 & 19264 Mukim of Bukit Raja Klang, Selangor	Freehold	0.1 hectares	Land	For future development	0.1	30 October 1992
2.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	11.9 hectares	Land	For future development	7.8	June 1991
3.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	2.0 hectares	Land	Property under development	2.3	June 1991
4.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land	Property under development	0.2	June 1991
5.	Lot 11233 HS(D) 54584 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land	For future development	0.1	June 1991
6.	Mukim 17 North East District Baru Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land	For future development	32.3	June 1991
7.	PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land and buildings	Office and factory (37)	25.1	22 October 1994
8.	PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land and buildings	Office and factory (37)	0.6	22 October 1994
9.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land and buildings	Office and factory (19)	6.7	22 October 1994
10.	Lot 12180, Mukim 12 Barat Daya Pulau Pinang	Leasehold 11.01.2098	1.2 hectares	Land	Property under development	52.7	August 2011
11.	Lot 2320, 2323B, 2582 & 2584 Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	69.4 hectares	Industrial land and buildings	Office and factory (9-14)	216.1	1996

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
12.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold			Office and factory		
	- PLO 417, Jalan Gangsa Satu	17.6.2052	6.3)	Industrial land and buildings	(23)	7.7)	September 2002
	- PLO 218, Jalan Gangsa Satu	26.12.2056	4.4)		(19)	11.0)	
	- PLO 277, Jalan Gangsa Satu	29.9.2038	6.5) hectares		(36)	8.6)	
13.	PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land and buildings	Warehouse (19)	5.0	September 2002
14.	Jalan Perjiranan 10 81707 Pasir Gudang, Johor	Leasehold 5.6.2082	1,287.6 sq metres	Single and double storey houses	Rental (28)	0.6	June 2008
15.	Blok 6, Taman Mawar 81700 Pasir Gudang, Johor	Leasehold 22.2.2087	1,099.2 sq metres	Apartments/ flats	Rental (22)	0.5	June 2008
16.	Blok 17 & 18 Taman Cendana 81700 Pasir Gudang, Johor	Leasehold 28.4.2093	8,281 sq metres	Apartments/ flats	Rental (17-19)	2.6	June 2008
17.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	3,080.8 sq metres	Apartments/ flats	Rental (20)	1.7	June 2008
18.	PT3501, HS(D) 24277 Mukim of Kapar Klang, Selangor	Leasehold 22.10.2088	3.2 hectares	Industrial land and building	Office and factory (25)	23.2	January 2013
19.	Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (20)	10.9	March 2003
20.	12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (29)	0.1	March 2003
21.	Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (16)	0.3	March 2003

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
22.	50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land and building	2-storey shop office (16)	0.2	March 2003
23.	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 July 2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2014

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

Distribution of Shareholdings as at 15 October 2014

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares#
Less than 100	2,866	16.12	123,301	0.02
100 to 1,000	5,582	31.40	3,262,255	0.46
1,001 to 10,000	7,022	39.50	28,085,249	3.92
10,001 to 100,000	1,962	11.04	61,594,313	8.60
100,001 to less than 5% of issued shares*	344	1.94	623,030,247	87.00
5% and above of issued shares				
	17,776	100.00	716,095,365	100.00

Note:

* *Excluding a total of 1,814,000 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 15 October 2014.*

Substantial Shareholders as at 15 October 2014

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares#	Indirect Interest No. of Shares	Indirect Interest % of Shares#
1. Tan Sri Cheng Heng Jem	216,865,498	30.28	46,828,093	6.54
2. Tan Sri Cheng Yong Kim	9,253,289	1.29	113,408,118	15.84
3. Lion Diversified Holdings Berhad	20,820,000	2.91	16,701,500	2.33
4. Dynamic Horizon Holdings Limited	74,472,627	10.40	37,521,500	5.24
5. Lembaga Tabung Haji	44,223,100	6.18	–	–

Note:

\# *Based on the issued and paid-up capital of the Company excluding a total of 1,814,000 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 15 October 2014.*

Thirty Largest Registered Shareholders as at 15 October 2014

Registered Shareholders		No. of Shares	% of Shares*
1.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	59,000,000	8.24
2.	RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Cheng Heng Jem	52,600,000	7.35
3.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	47,000,000	6.56
4.	Lembaga Tabung Haji	44,223,100	6.18
5.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	42,953,673	6.00
6.	Dynamic Horizon Holdings Limited	30,933,576	4.32
7.	RHB Nominees (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited	29,789,051	4.16
8.	Maybank Nominees (Tempatan) Sdn Bhd Kuwait Finance House (Malaysia) Berhad for Lion Diversified Holdings Berhad (Graimpi S/B)	20,800,000	2.90
9.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	16,197,300	2.26
10.	Lion DRI Sdn Bhd	15,900,000	2.22
11.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	14,717,793	2.06
12.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	11,416,000	1.59
13.	HLIB Nominees (Asing) Sdn Bhd Pledged Securities Account for Neo Say Yong (CCTS)	11,303,800	1.58
14.	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited (001)	10,000,000	1.40
15.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	9,784,737	1.37
16.	Cheng Yong Kim	9,234,539	1.29
17.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	7,207,881	1.01
18.	Mayang Jati (M) Sdn Bhd	6,723,472	0.94
19.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Norges BK Lend)	5,836,200	0.82
20.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for GMO Emerging Markets Fund	5,600,495	0.78
21.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	4,791,000	0.67
22.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Kok Thye	4,333,300	0.61
23.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC	4,272,600	0.60
24.	M & A Nominee (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited (M&A)	3,750,000	0.52
25.	HSBC Nominees (Asing) Sdn Bhd TNTC for LSV Emerging Markets Equity Fund L.P.	3,595,900	0.50
26.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Australia)	3,494,300	0.49
27.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (8119566)	3,400,000	0.47
28.	Amanvest (M) Sdn Bhd	3,292,226	0.46
29.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	3,189,100	0.45
30.	Mayang Jati (M) Sdn Bhd	3,100,000	0.43

Note:

* *Based on the issued and paid-up capital of the Company excluding a total of 1,814,000 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 15 October 2014.*

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 Cheng Yong Kim		9,253,289	1.29	113,681,140	15.88
Dato' Kamaruddin @ Abas bin Nordin		28,000	#	–	–
Cheng Yong Liang		47,880	#	–	–
Related Corporations					
Tan Sri Cheng Yong Kim					
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	*	–	–	31,750,100	100.00
Lion AMB Resources Berhad	RM1.00	–	–	300,792,324	88.46
Lion Forest Industries Berhad	RM1.00	130	#	168,960,954	72.96
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	–	–	70	70.00
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 % of 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	56.00

Notes:

^ *Based on the issued and paid-up capital of the Company excluding a total of 1,814,000 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 15 October 2014.*

\# *Negligible.*

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 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 or payable to external auditors by the Company for the financial year was RM8,000.

(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
Steel related		
(i) Sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")	650,661
	Lion Diversified Holdings Berhad Group ("LDHB Group")	59,672
	Lion Teck Chiang Limited Group	48,281
		758,614
(ii) Purchase of scrap iron, gases and other related products and services	LCB Group	441,837
	Lion Asiapac Limited Group ("LAP Group")	21,503
	LDHB Group	5,792
		469,132
(iii) Purchase of tools, dies and spare parts	ACB Resources Berhad Group	4,165
(iv) Provision of storage, leasing and rental of properties, management and support, and other related services	LCB Group	928
	LAP Group	366
	LDHB Group	399
		1,693
(v) Provision of transportation and other related services	LDHB Group	27,362
	LCB Group	23,748
		51,110

Notes:

- "Group" includes subsidiary and associated companies.
- The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

(IV) SCHEDULE OF SHARE BUY-BACK FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Monthly Breakdown	No. of Shares Purchased and Retained as Treasury Share	Purchase Price per Share (RM) Lowest	Purchase Price per Share (RM) Highest	Average Price per Share* RM	Total Consideration RM
August 2013	200,000	0.90	0.905	0.901	181,027.84
September 2013	103,600	0.89	0.90	0.898	93,686.85
December 2013	214,700	0.72	0.75	0.729	157,306.13
January 2014	72,400	0.685	0.72	0.696	50,779.26
February 2014	353,400	0.68	0.725	0.690	244,563.83
Purchased during the financial year	944,100			0.77	727,363.91

* Including transaction cost.

All the shares purchased by the Company were retained as treasury shares. As at 30 June 2014, the Company held 1,314,000 treasury shares. None of the treasury shares were resold or cancelled during the financial year.

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FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Eighty-Fourth 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 4 December 2014 at 10.30 am and at any adjournment thereof.

RESOLUTIONS		FOR	AGAINST
1.	To approve Directors' fees		
2.	To re-appoint as Director, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin		
3.	To re-appoint as an independent non-executive Director, Mr Chong Jee Min		
4.	To re-appoint Auditors		
5.	Authority to Directors to issue shares		
6.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
7.	Proposed Renewal of Authority for Share Buy-Back		
8.	Proposed Grant of Options to Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin		

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 27 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.