



**LION DIVERSIFIED  
HOLDINGS**

# **LION DIVERSIFIED HOLDINGS BERHAD**

(9428-T)

**Laporan Tahunan**

# 2015

**Annual Report**

## CONTENTS

	Page
<b>Notice of Meeting</b>	<b>1</b>
<b>Corporate Information</b>	<b>5</b>
<b>Directors' Profile</b>	<b>6</b>
<b>Corporate Governance Statement</b>	<b>10</b>
<b>Statement on Risk Management and Internal Control</b>	<b>19</b>
<b>Audit Committee Report</b>	<b>22</b>
<b>Nomination Committee</b>	<b>27</b>
<b>Remuneration Committee</b>	<b>27</b>
<b>5 Years Group Financial Highlights</b>	<b>28</b>
<b>The Group's Businesses</b>	<b>29</b>
<b>Chairman's Statement:</b>	
Bahasa Malaysia	<b>30</b>
English	<b>35</b>
Chinese	<b>39</b>
<b>Financial Statements:</b>	
Directors' Report	<b>43</b>
Statement by Directors	<b>48</b>
Statutory Declaration	<b>48</b>
Independent Auditors' Report	<b>49</b>
Statements of Profit or Loss	<b>52</b>
Statements of Other Comprehensive Income	<b>54</b>
Consolidated Statement of Financial Position	<b>55</b>
Statement of Financial Position	<b>57</b>
Consolidated Statement of Changes in Equity	<b>58</b>
Statement of Changes in Equity	<b>59</b>
Statements of Cash Flows	<b>60</b>
Notes to the Financial Statements	<b>62</b>
<b>List of Group Properties</b>	<b>185</b>
<b>Analysis of Shareholdings</b>	<b>186</b>
<b>Other Information</b>	<b>189</b>
<b>Form of Proxy</b>	<b>Enclosed</b>

## NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Fifth Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 24 November 2015 at 2.30 pm for the following purposes:

### AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2015. **Note 3**
2. To approve the payment of Directors' fees amounting to RM203,800 (2014: RM215,000). **Resolution 1**
3. To re-elect Directors:  
  
In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Cheng Yong Kim retires by rotation and, being eligible, offers himself for re-election. **Resolution 2**  
  
In accordance with Article 99 of the Company's Articles of Association, the following Directors who were appointed during the financial year retire and, being eligible, offer themselves for re-election:  
  
Y. Bhg. Dato' Mohamad Kamarudin bin Hassan **Resolution 3**  
Mr Ooi Kim Lai **Resolution 4**
4. 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. Tan Sri William H.J. Cheng be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**
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 6**
6. Special Business  
  
To consider and, if thought fit, pass the following resolutions as 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 7**

## 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 of the Circular to Shareholders of the Company dated 2 November 2015 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

### Resolution 8

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

- (i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next annual general meeting of the Company 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 authorities, the Company be and is hereby authorised to buy back such number of ordinary shares of RM0.50 each in the Company ("Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that:

### Resolution 9

- (i) the aggregate number of shares bought back and/or held by the Company 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 ordinary 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 cancel the Shares so purchased by the Company, to retain the Shares so purchased as treasury shares, or to retain part of such Shares so purchased as treasury shares and cancel the remainder, and to distribute the treasury shares as share dividends and/or resell the treasury shares on the market of Bursa Securities;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to execute all necessary documents, to give full effect to the Proposed Share Buy-Back with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities or as may be deemed necessary by the Directors and to take all steps and actions as may be required by the relevant authorities and as the Directors may deem necessary and expedient to finalise, implement and give full effect to the Proposed Share Buy-Back."

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

By Order of the Board

**LIM KWEE PENG**  
**YASMIN WEILI TAN BINTI ABDULLAH**  
Secretaries

Kuala Lumpur  
2 November 2015

**Notes:**

1. *Proxy*

- *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 November 2015 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.*

**Notes:** (Continued)

2. Circular to Shareholders dated 2 November 2015 (“Circular”)

*Details on the following are set out in the Circular enclosed together with the 2015 Annual Report:*

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

(ii) 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 7

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

*As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 2 December 2014 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.*

5. Resolution 8

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

6. Resolution 9

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

**STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

Details of the Director standing for re-appointment at the Forty-Fifth Annual General Meeting of the Company are set out in the Directors’ Profile on page 6 of the 2015 Annual Report.

## CORPORATE INFORMATION

<b>Board of Directors</b>	:	Y. Bhg. Tan Sri William H.J. Cheng (Chairman) Y. Bhg. Tan Sri Cheng Yong Kim (Managing Director) Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat Y. Bhg. Dato' Mohamad Kamarudin bin Hassan Mr Ooi Kim Lai
<b>Secretaries</b>	:	Ms Lim Kwee Peng Puan Yasmin Weili Tan binti Abdullah
<b>Company No</b>	:	9428-T
<b>Registered Office</b>	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Website : <a href="http://www.lion.com.my/liondiv">www.lion.com.my/liondiv</a>
<b>Share Registrar</b>	:	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
<b>Auditors</b>	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
<b>Principal Bankers</b>	:	Kuwait Finance House (Malaysia) Berhad The Bank of Nova Scotia Berhad Industrial and Commercial Bank of China (Malaysia) Berhad
<b>Stock Exchange Listing</b>	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
<b>Stock Name</b>	:	LIONDIV
<b>Bursa Securities Stock No</b>	:	2887
<b>Reuters Code</b>	:	LDIV.KL
<b>ISIN Code</b>	:	MYL2887OO007

## DIRECTORS' PROFILE

### **Tan Sri William H.J. Cheng**

*Non-Independent Non-Executive Chairman*

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 72, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994. He is also a member of the Nomination Committee of the Company.

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

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

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

- Chairman of Lion Forest Industries Berhad
- Chairman and Managing Director of Lion Corporation Berhad and Parkson Holdings Berhad

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

Tan Sri William Cheng has a direct shareholding of 364,586,607 ordinary shares of RM0.50 each in the Company ("LDHB Shares") and an indirect interest in 318,694,862 LDHB Shares. 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 188 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

Tan Sri William Cheng is the uncle of Y. Bhg. Tan Sri Cheng Yong Kim, the Managing Director and a major shareholder of the Company.

Tan Sri William Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2015.



**Tan Sri Cheng Yong Kim**  
*Managing Director*

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 65, was appointed the Managing Director of the Company on 26 January 2007. He is also a member of the 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 PT 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 Lion Industries Corporation Berhad 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 and in 2013, he was appointed the First Director of Malaysia Steel Institute. In 2014, Tan Sri Cheng was appointed the Chairman of the International Chamber of Commerce Malaysia, and a permanent member of the Steering Committee of the Construction Products of Construction Industry Development Board Malaysia.

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

- Managing Director of Lion Industries Corporation 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 9,841,337 ordinary shares of RM0.50 each in the Company ("LDHB Shares") and an indirect interest in 379,157,070 LDHB Shares. 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 188 of this Annual Report. He also has interests 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 William H.J. Cheng, the Chairman and a major shareholder of the Company.

Tan Sri Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2015.

**Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat**

*Independent Non-Executive Director*

Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat, a Malaysian, aged 64, was appointed to the Board on 1 December 2007. He is also the Chairman of the Audit Committee, Nomination Committee, Remuneration Committee and Executive Share Option Scheme Committee of the Company.

Tan Sri Dato' Seri Dr Aseh graduated with a Bachelor of Arts (Honours) in Economics from the University of Malaya and received his Master of Public Administration from the University of Southern California in the United States of America and his PhD (Honorary) in Foreign Relations from Limkokwing University of Creative Technology, Cyberjaya, Malaysia.

Tan Sri Dato' Seri Dr Aseh joined the Ministry of Finance, Malaysia in March 1974 and held various positions as Assistant Secretary, Secretary and Principal Assistant Secretary of the Education Services Commission in Kuala Lumpur, Sarawak and Sabah during his 8 years with the Commission. Since 1984, he served in the Ministry of Home Affairs, Malaysia in various positions including Principal Assistant Secretary of the Security and Police Affairs Division; Undersecretary of Security and Preventive Division, and Management Division; and Deputy Director General and Director General of the Department of Immigration, Malaysia. In February 2001, Tan Sri Dato' Seri Dr Aseh was appointed Secretary General of the Ministry of Home Affairs, Malaysia, a post he held until his retirement on 22 October 2007. He was the President of Putrajaya Corporation from August 2012 to July 2015.

Tan Sri Dato' Seri Dr Aseh is active in community service and is currently the Chairman of the University Council of Limkokwing University of Creative Technology, Cyberjaya, Trustee and Chairman of Football Association of Malaysia Vetting, Monitoring and Integrity Committee, President of Rifle Association of Malaysia, President of Tiara Golf & Country Club, Melaka and President of UMNO Club, Retired Senior Civil Servants. He was also active in the Administrative and Diplomatic Service (ADS) and was its longest serving President.

Tan Sri Dato' Seri Dr Aseh is the Chairman of MWE Holdings Berhad, a public listed company.

Tan Sri Dato' Seri Dr Aseh has an indirect interest of 250,000 ordinary shares of RM0.50 each in the Company by virtue of options granted to him pursuant to the Executive Share Option Scheme of the Company to subscribe for 250,000 shares in the Company at a subscription price of RM0.50 per share.

Tan Sri Dato' Seri Dr Aseh attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2015.

**Dato' Mohamad Kamarudin bin Hassan**  
*Independent Non-Executive Director*

Y. Bhg. Dato' Mohamad Kamarudin bin Hassan, a Malaysian, aged 60, was appointed to the Board on 8 December 2014. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Dato' Mohamad Kamarudin graduated with a Bachelor of Economics (Honours) (Majoring in Business Administration) from the University of Malaya in 1978 and received his Diploma in Public Management from the National Institute of Public Administration (INTAN) in 1979 and Master of Business Administration (Majoring in Finance) from Oklahoma City University in the United States of America in 1988.

Dato' Mohamad Kamarudin began his career with the Administrative & Diplomatic Service in 1979 with his first posting to the Macro-economic Division of the Economic Planning Unit in the Prime Minister's Department. In 1988, Dato' Mohamad Kamarudin was transferred to the Ministry of International Trade and Industry ("MITI") where he had served in various divisions of the Ministry. From January 1992 to 1994, Dato' Mohamad Kamarudin was posted to the Malaysian Embassy in Washington DC, the United States of America as an Economic Counsellor. Thereafter, Dato' Mohamad Kamarudin was seconded to Malaysia External Trade Development Corporation (MATRADE) as the Deputy Chief Executive Officer, a post he held from January 2006 until his retirement on 31 August 2013. He was a member of the Board of Directors of Malaysian Handicraft Development Corporation from 2007 until August 2013.

Dato' Mohamad Kamarudin is also a Director of CCM Duopharma Biotech Berhad, ManagePay Systems Berhad, Muhibbah Engineering (M) Bhd and Malaysian Pacific Industries Berhad, all public listed companies.

Dato' Mohamad Kamarudin attended the three (3) Board Meetings of the Company held during the financial year ended 30 June 2015 subsequent to his appointment.

**Ooi Kim Lai**  
*Non-Independent Non-Executive Director*

Mr Ooi Kim Lai, a Malaysian, aged 48, was appointed to the Board on 27 February 2015. He is also a member of the Audit Committee and Remuneration Committee of the Company.

Mr Ooi obtained his Diploma in Accountancy from Tunku Abdul Rahman College and is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Mr Ooi started his career in 1991 as an auditor in a public accounting firm and joined the Lion Group in 1993 as Group Accountant. He is presently the Group Chief Accountant and is responsible for the accounting and financial management of certain listed companies in Malaysia and overseas within the Lion Group. He is also actively involved in the corporate exercises of the Lion Group including initial public offerings (IPOs), corporate restructuring, mergers and acquisitions, and undertakes investor relations by engaging with fund managers and analysts on various industries covering retail, branding, credit financing, steel, property, mining and services.

Mr Ooi is also a Director of Parkson Holdings Berhad, a public listed company.

Mr Ooi has a direct shareholding of 116 ordinary shares of RM0.50 each in the Company.

Mr Ooi attended the two (2) Board Meetings of the Company held during the financial year ended 30 June 2015 subsequent to his appointment.

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

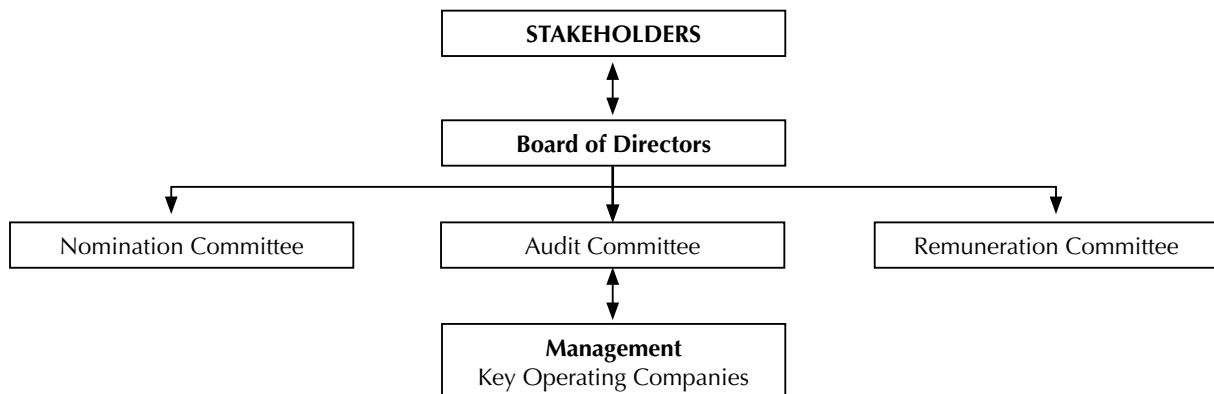
## CORPORATE GOVERNANCE STATEMENT

### Introduction

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 2015 except where otherwise rationalised herein. The Board has also taken into account the requirements issued by the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and under the various Guides.

### Corporate Governance Framework



### Board Charter

The Board has established a Board Charter which is available on the Company's website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv). The Board Charter clearly sets out the principal roles 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.

## ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### Roles and Responsibilities of the Board

The Board establishes the vision and strategic objectives of the Group and 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 delegates to the Managing Director ("MD"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD may delegate aspects of his authority and powers but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units and operations.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2015, six (6) Board Meetings were held. While Y. Bhg. Dato' Mohamad Kamarudin bin Hassan and Mr Ooi Kim Lai who were appointed during the financial year attended all the three (3) and two (2) Board Meetings held subsequent to their respective appointment, all the other Directors attended all the Board Meetings held during the financial year. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

### **Delegation by the Board**

The Board delegates certain functions to several committees, namely the Audit Committee, the Nomination Committee and the 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.

### **Board Composition, Independence and Diversity Balance**

The Board comprises five (5) Directors, four (4) of whom are non-executive. The current Board composition complies with the Listing Requirements. The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

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 fulfilment 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 two (2) 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.

The Board acknowledges that although the current Board composition complies with the Listing Requirements, the Company was not able to apply the recommendation of the MCCG which requires that the board must comprise a majority of independent directors where the chairman of the board is not an independent director and the Board will endeavour to fulfil the recommendation under the MCCG.

### **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 ("CCM") which can be viewed from the CCM's website at [www.ssm.com.my](http://www.ssm.com.my), 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 Practice for all Directors and employees of the Group, including the Whistleblower Policy, Competition Policy, Sexual Harassment Policy and Sustainability Policy & Framework of the Group and such codes, policies and ethics are made aware to all Directors and employees and accessible for reference within the Group. Key policies including the Code of Business Practice and the Whistleblower Policy are available on the Company's website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv).

The Board ensures the implementation of appropriate internal control system to support, promote and ensure the compliance with the above and notes any exception and monitors the resolutions of the issues highlighted via the Compliance Risk Self-Assessment reporting on a half-yearly basis.

## **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 carried out by the Group are set out in the Sustainability section of the Chairman's Statement on pages 35 to 38 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 19 to 21 of this Annual Report.

## **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 are 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 or at the request of the Board.

## **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 Company Secretaries also facilitate the communication of decisions made at Board and Board Committees to the relevant Management for appropriate actions.

The Company Secretaries update and appraise the Directors on a continuing basis on new and revised requirements to the Listing Requirements and the MCCG.

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

## **STRENGTHEN COMPOSITION**

### **Nomination Committee**

The Nomination Committee comprises three (3) members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat, 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 27 of this Annual Report.

### **Appointment to the Board and the Effectiveness of the Board**

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board and the Board Committees. 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 fulfilment of the respective 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.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the competencies, commitment, contribution, performance and board diversity including the appropriateness and the fulfilment 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 Director's Profile on pages 6 to 9 of this Annual Report.

#### **Activities of the Nomination Committee for the Financial Year**

The Nomination Committee met three times since the date of the last Annual Report and had carried out the following duties in accordance with the terms of reference whereat both Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat and Y. Bhg. Tan Sri William H.J. Cheng attended whilst Y. Bhg. Dato' Mohamad Kamarudin bin Hassan attended the meeting held subsequent to his appointment:

- (i) Reviewed and assessed the effectiveness of the Board and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms approved by the Board, and made the appropriate recommendation to the Board.
- (ii) Reviewed the retirement and re-election, and re-appointment of Directors for Board's consideration.
- (iii) Reviewed the training needs of the Directors.
- (iv) Approved and recommended for Board's consideration the Nomination Committee Report for inclusion in the Annual Report.
- (v) Reviewed and recommended for Board's consideration, the appointment of (a) Y. Bhg. Dato' Mohamad Kamarudin bin Hassan as an independent non-executive Director and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company; and (b) Mr Ooi Kim Lai as a non-independent non-executive Director and a member of the Audit Committee and Remuneration Committee of the Company.

#### **Re-election, Re-appointment and Retention 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. The Nomination Committee is responsible for recommending to the Board for re-appointment of those Directors who are over 70 years of age and the retention of the independent Directors whose tenure of service will exceed nine (9) years or has exceeded nine (9) years, for shareholders' approval at the next annual general meeting.

#### **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 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 27 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 2015 are categorised as follows:

	<b>Fees RM'000</b>	<b>Salaries &amp; Other Emoluments RM'000</b>	<b>Total RM'000</b>
<u>Continuing operations</u>			
Executive Director	25	605	630
Non-executive Directors*	179	–	179
	<hr/> 204	<hr/> 605	<hr/> 809
<u>Discontinued operation</u>			
Non-executive Directors	24	656	680
	<hr/> 228	<hr/> 1,261	<hr/> 1,489
Total	<hr/> <hr/> 228	<hr/> <hr/> 1,261	<hr/> <hr/> 1,489

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

<b>Range of Remuneration (RM)</b>	<b>Number of Directors</b>	
	<b>Executive</b>	<b>Non-executive*</b>
50,000 & below	–	5
600,001 – 650,000	1	–
700,001 – 750,000	–	1

\* Including two (2) Directors who had resigned and two (2) Directors who were appointed during the financial year.

## REINFORCE INDEPENDENCE

### Assessment of Independent Directors and Board Performance Evaluation

The Board observes the recommendation by the MCCG in ensuring that the independent Directors bring independent and objective judgement to the Board deliberations. Accordingly, the Board assisted by the Nomination Committee assesses the independent Directors on an annual basis. In addition, the independent Directors affirm their independence annually to the Board. 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 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.

Based on the assessment carried out for the financial year ended 30 June 2015, the Board was satisfied with the level of independence of the independent non-executive Directors and their ability to act in the best interest of the Company. The Board was also satisfied that the Board and the Board Committees have discharged their duties and responsibilities effectively and 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.



## The Role and Functions of Chairman and MD

There is a clear division of responsibilities between the Chairman and the MD 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 MD is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

## FOSTER COMMITMENT

### Time Commitment

A Director shall notify the Chairman of the Board of his acceptance of any new directorship in public listed companies. In any event the maximum number of appointments in public listed companies shall be limited to five (5) or any other number as set out in the Listing Requirements.

The notification shall include an assurance of his continued time commitment to serve the existing Board and that his other appointments shall not be in conflict or compete with the existing appointment with the Company.

### 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 attended and/or participated as a presenter at the following conference, seminars 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, management and entrepreneurship, regulatory updates and requirements, finance, and sustainability covering community, environment, marketplace and workplace:

Name of Directors	Programmes
Tan Sri William H.J. Cheng	<ul style="list-style-type: none"> <li>Lion Group In-house Directors' Training on:               <ol style="list-style-type: none"> <li>General pillars of ASEAN Economic Community ("AEC")</li> <li>Protection of intellectual property in view of the AEC single market</li> </ol> </li> <li>Seminar on Hong Kong Regulatory Requirement on Directors – Disclosure of Inside Information</li> </ul>
Tan Sri Cheng Yong Kim	<ul style="list-style-type: none"> <li>Bursa Malaysia in collaboration with FTSE – Education Seminar: Overview of Environmental, Social and Governance Index and Industry Classification Benchmark</li> <li>Khazanah Megatrends Forum 2014 – Scaling the Efficiency Frontier: Institutions, Innovation, Inclusion</li> <li>The Boston Consulting Group Leaders' Forum 2014: Winning in ASEAN</li> <li>Khazanah Global Lectures 2014</li> <li>Lion Group In-house Directors' Training on:               <ol style="list-style-type: none"> <li>The Key Factors of Goods and Services Tax and its Implementation</li> <li>Transfer Pricing</li> </ol> </li> <li>Invest Malaysia 2015 – ASEAN's Multinational Marketplace</li> <li>Lion Group In-house Directors' Training on:               <ol style="list-style-type: none"> <li>General pillars of ASEAN Economic Community ("AEC")</li> <li>Protection of intellectual property in view of the AEC single market</li> </ol> </li> </ul>
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	<ul style="list-style-type: none"> <li>New Companies Bill <i>vis-à-vis</i> Malaysian Companies Law</li> <li>Participated as a presenter under the session "Smart City Catalyst" for Greater KL &amp; Malaysia Smart City Conference 2015 on "Creating Intelligent Citizens through Sustainable City Management" organised by Asian Strategy &amp; Leadership Institute</li> </ul>

Name of Directors	Programmes
Dato' Mohamad Kamarudin bin Hassan	<ul style="list-style-type: none"> <li>Lion Group In-house Directors' Training on: <ol style="list-style-type: none"> <li>The Key Factors of Goods and Services Tax and its Implementation</li> <li>Transfer Pricing</li> </ol> </li> <li>Institute of Enterprise Risk Practitioners Training Centre – Qualified Risk Director Programme: Green &amp; Brown Belts</li> <li>Malaysian Institute of Accountants – Financial Essentials for Non-Financial Professionals</li> <li>KPMG, Association of Chartered Certified Accountants and Minority Shareholder Watchdog Group – Corporate Governance: Balancing Rules &amp; Practices</li> <li>Asia Policy Partners LLC – Shaking Things Up: Technology that Transforms and How to Keep Pace</li> </ul>
Ooi Kim Lai	<ul style="list-style-type: none"> <li>Lion Group In-house Directors' Training on: <ol style="list-style-type: none"> <li>General pillars of ASEAN Economic Community (“AEC”)</li> <li>Protection of intellectual property in view of the AEC single market</li> </ol> </li> </ul>

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 and appraised on a continuing basis by the Company Secretaries on new and revised requirements to the Listing Requirements and the MCGG (“Continuing Updates”).

The Board, after having undertaken an assessment of the training needs of each Director, 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.

## UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 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 discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the quarterly financial results and the annual audited 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) members, with a majority of them being independent Directors. The terms of reference and the main activities undertaken by the Audit Committee during the financial year under review are set out in the Audit Committee Report on pages 22 to 26 of this Annual Report.

### **Directors' Responsibility in Financial Reporting**

The Board is responsible for ensuring that the quarterly and annual financial statements are prepared in accordance with the applicable financial reporting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements. The Board is satisfied that for the financial year ended 30 June 2015, 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.

### **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 evaluates the performance and assesses the suitability and independence of the 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.

The Audit Committee has obtained written confirmation from the external auditors on their independence in undertaking the annual audit of the Company's financial statements.

## **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 Board delegates the oversight of risk management and internal control to the Audit Committee. The Audit Committee is assisted by the Risk Management Committee ("RMC") in overseeing the implementation of the risk management framework via the Corporate Performance Scorecards ("CPS") and the Corporate Risk Scorecards ("CRS"). The Risk Management Team of each key operating company together with the RMC reports the CPS and CRS to the Audit Committee on a half-yearly basis. The detailed processes of risk management are described in the Statement on Risk Management and Internal Control on pages 19 to 21 of this Annual Report.

The RMC also assesses all material and key risks associated with the Group's businesses and operations as well as corporate proposals.

### **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 the interests of stakeholders including 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 19 to 21 of this Annual Report.

### **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 22 to 26 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.

## **ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

The Board acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Board ensures its adherence to and compliance with the disclosure requirements of the Listing Requirements as well as the Corporate Disclosure Guide issued by Bursa Securities.

The Company's shareholders and members of the public may gain access to any latest corporate information of the Company on its website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv) which is linked to the announcements published on the website of Bursa Securities at [www.bursamalaysia.com](http://www.bursamalaysia.com).

## **STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

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

The annual general meetings and the extraordinary general meetings are 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 said meetings 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 Chairman also shares with the shareholders, the Company's responses to questions submitted in advance of the annual general meetings by the Minority Shareholder Watchdog Group.

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 through meetings, teleconferencing and emails. In this regard, information is disseminated with strict adherence to the disclosure requirements of Bursa Securities.

The Company's website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv) provides easy access to corporate information, Board Charter, key policies, annual reports and company announcements 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.

## 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 interests of stakeholders (including 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 (2<sup>nd</sup> 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 risk management and internal control which is key to managing principal risks which may impede the achievement of the Group's corporate and business objectives, consistent with the requirements of Principle 6 of the Malaysian Code on Corporate Governance 2012. This responsibility includes reviewing the adequacy and integrity of this system which covers enterprise risk management, financial, organisational, operational and compliance controls. However, in view of the inherent limitations in any system, such system of internal control can only provide reasonable and not absolute assurance against material misstatements, frauds or losses and unforeseen emerging risks.

The Board regards risk management as an integral part of business operations and confirms that the Management will continue to undertake the process of identifying, evaluating and managing significant risks. The Board delegates the oversight of risk management and internal control to the Audit Committee.

### Management Responsibility

The Management is responsible for implementing the framework, policies and procedures on risk and internal control approved by the Board.

The Risk Management Committee ("RMC") 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.

### Risk Management Process

In establishing a bottom-up reporting of the risk profile of the key operating companies ("KOCs"), the respective Risk Management Team ("RMT") in the KOCs identified possible and actual risks faced by the KOC together with an analysis of the causes, impact and mitigating actions.

The KOCs' business performance objectives for the financial year are reflected in their Corporate Performance Scorecard ("CPS") which outlined the critical action plans across their value chain system. Key Performance Indicators ("KPI") were assigned to these objectives and their performance were tracked by the KPI owners under the supervision of the heads of the KOCs.

The RMTs identified and analysed risks which may thwart the successful achievement of these objectives and such risks often made up the baseline risks in the KOCs' risk profile. The risk owners were responsible to ensure preventative, detective and corrective controls were in place to address these risks. Gaps in controls and continual improvements were implemented through management action plans. This process were executed by the RMTs and documented in the Corporate Risk Scorecard ("CRS").

The Group's Compliance Function conducted review of the risk profiles, either focusing on specific risk issues or the completeness of the risk assessment process for selected risk profiles. The results of the review were communicated to the administrators of risk scorecards and/or heads of KOCs for improvement and implementation.

The CPS and CRS were presented by the RMT and RMC to the Audit Committee on a half-yearly basis for review on the status of the performance objectives and management action plans implementation.

The Audit Committee reviewed significant risks, if any, across Strategic, Business, Financial and Operational risk themes and guided the KOCs on further mitigations where required.

## Key Elements of Risk Management and Internal Control

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. The authority matrix outlines the decision areas and the persons empowered to requisite, authorise and approve the expenditure/commitment. Delegated authority carries with it the obligation to exercise sound judgement, good business sense and accountability.
- A set of Group level internal policies and procedures which is maintained centrally and accessible to employees via intranet. The policies and procedures at both Group level and business or operational level are regularly reviewed for updates to resolve operational deficiencies or to meet new compliance requirements. Enhancement efforts to streamline local policies, guidelines or procedures at business or operational level to key Group Policies and Procedures are continuing.
- An annual exercise involving all business units to prepare a comprehensive budget and business plan which includes development of business strategies and the establishment of key performance indicators against which the overall performance of the companies within the Group can be measured and evaluated.
- 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.
- Review of business processes and systems of internal control by the internal audit function which submits its reports to the Audit Committee on a quarterly basis. Regular and systematic risk based reviews of the system of internal control of the operating companies within the Group are performed to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in accordance with Management instructions, policies and guidelines; and in a manner consistent with company objectives and with high standards of administrative practice.
- Confirmation of the effectiveness of internal control and risk assessment process by the respective head of KOC and head of accounts and finance (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.
- A Corporate Risk Management System encompassing an Enterprise Wide Risk Management Framework (CRMS-ERM) that sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring as well as in determining the Group's risks appetite.
- Compliance Risk Self-Assessment (CRSA) with mitigations identified to address breaches or material non-compliance.
- Updates and tracking of CPS which are developed based on balanced scorecard approach and CRS of operating companies with appropriate performance and risk indicators via an automated and web-based tool, namely Q-Radar system.
- Development of Compliance Matrices reflecting requirements of key Group Policies and Procedures and major statutory and regulatory compliances.
- A compliance programme reviewed by the Audit Committee on an annual basis addressing key compliance areas of statutory and regulatory requirements, 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.
- A formalised groupwide integrity framework that accentuates the Group's commitment to uphold integrity in all manner of conduct by its employees at all times in their interaction with various stakeholders, both internal and external. This framework includes Integrity & Fraud Risk Policy which interphases with many of the existing policies adopted within the Group and also addresses fraud reporting and investigation.

- A formalised Group Procurement/Tender Policy providing a fairly standardised, uniform and consistent set of controls by promoting accountability, ownership and transparency. This increases the ability of the Group to develop a pool of reliable and competent vendors through proper governance, selection of appropriate procurement method and vendor management.
- A Code of Business Practices which sets out the principles to guide employees' conduct to the highest standards of personal and corporate integrity. The code covers areas such as conflict of interest, use of company assets, confidentiality of proprietary information, acceptance of gifts and business courtesies as well as prohibition of kickbacks.
- A Whistleblower Policy providing the channels to report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. The implementation of this policy enables the Group to address such concerns that may adversely affect the reputation and interests of the Group more effectively.
- Other key policies such as Competition Policy and Sexual Harassment Policy which complement the Group's Code of Business Practices. These policies direct the employees to behave ethically and professionally in ensuring compliance with relevant laws and creation of a conducive working environment.
- A Crisis Management and Communication Policy and process established under the Corporate Communications Function to guide the handling of external communications in the event of any crisis/disaster.
- Development and enhancements to existing operations and safety and hazards action plans of operating companies which include Emergency Action Plan with a view to developing the Business Continuity Management and implementing a roadmap to enhance the business resilience and robustness in contingencies, crisis management and disaster recovery management.
- An appropriate insurance programme to safeguard major assets against financial loss resulting from property damage, machinery breakdown, business interruption and general liability, which is reviewed annually.
- A Group Sustainability Framework and Plan 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 throughout the Group is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group's operations.

Implementation measures are continuously taken to strengthen the system of risk management and internal control so as to safeguard shareholders' investments and the Group's assets.

## Review by External Auditors

The external auditors have reviewed the Statement on Risk Management and Internal Control in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Recommended Practice Guide 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group.

Based on the limited assurance procedures and review, the external auditors have informed the Board that nothing has come to their attention that has caused them to believe that the Statement on Risk Management and Internal Control has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers* or that it is factually inaccurate.

## AUDIT COMMITTEE REPORT

### COMPOSITION

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

- **Members**

Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat (elected as the Chairman on 27 February 2015)  
(Chairman, Independent Non-Executive Director)

Y. Bhg. Dato' Mohamad Kamarudin bin Hassan (appointed on 8 December 2014)  
(Independent Non-Executive Director)

Mr Ooi Kim Lai (appointed on 27 February 2015)  
(Non-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 Diversified Holdings Berhad, Ms Lim Kwee Peng 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 fulfil 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

The Terms of Reference of the Audit Committee which are in line with the provisions of the Listing Requirements and other best practices are available for reference on the Company's website at [www.lion.com.my/liondiv](http://www.lion.com.my/liondiv).



## ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held. Y. Bhg. Dato' Mohamad Kamarudin bin Hassan attended all the three (3) Meetings and Mr Ooi Kim Lai attended all the two (2) Meetings held subsequent to their respective appointment as a member of the Audit Committee, while Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat attended all the six (6) 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 are as follows:

- **Financial Results**

Reviewed the quarterly interim unaudited financial statements and the annual audited 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, and the main factors contributing to the financial performance of the Group in terms of revenue and earnings.

- **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 recommendations. Where appropriate, the Audit Committee has directed Management to rectify and improve control procedures and workflow processes based on the internal auditors' recommendations and suggestions for improvement.
- (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
- (e) Reviewed the annual Risk Management and Internal Control – Self-Assessment ratings submitted by the respective operations management. The internal auditors would validate the ratings during their audit review and adjustments to the ratings, if any, would be made accordingly and reported to the Audit Committee.
- (f) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders' Mandate.
- (g) Reviewed the Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the external auditors is set out on pages 19 to 21 of this Annual Report.
- (h) Approved the Audit Committee Report and recommended the same for Board's approval for inclusion in the Annual Report.

- **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 and assessed the suitability and independence of the external auditors during the year vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Audit Committee.

The Audit Committee had received from the external auditors written confirmation that they are not aware of any relationships or matters that, in their professional judgement, may reasonably be thought to bear on their independence and that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

- (e) Recommended to the Board on the appointment of the external auditors and their remuneration.
- (f) Notation of the non-audit fees paid to the external auditors.
- (g) Convened two (2) meetings with the external auditors without executive Board members and Management being present to discuss issues arising from their review.

- **Corporate Governance**

**Compliance**

- (a) Monitored on a half-yearly basis the implementation progress and shortfall, if any, of the Compliance Program/Work Plan for the financial year ended 30 June 2015 ("2015 Compliance Program/Work Plan"). The 2015 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.

The Audit Committee noted the establishment of the following policies which formed part of the Compliance Program/Work Plan, during the year:

- Integrity and Fraud Risk Policy

The objective of the Integrity and Fraud Risk Policy is to formalise the culture of integrity and professionalism in the Group. It also served as a sustainable business practice of integrity and transparency in the way things were done and to address incidences of integrity breaches and fraud risks management in an integrated manner.

- Procurement Policy

The Procurement Policy enabled progressive enhancement to the Group's procurement capabilities through improved abilities to compare prices more effectively and to establish the capability of potential vendors. The governance and structured processes provided means for check and balance and prevent the risk of or opportunity for fraud, bribery and/or kickbacks.

- (b) Ensured that all material non-compliances/breaches of regulatory and/or statutory requirements were reported vide a half-yearly Compliance Risk Self-Assessment declaration by the Chief Executive Officer, Chief Financial Officer, Heads of Business/Operations, Chief Accountant and Company Secretary.
- (c) Notation and review of the Analysis of Corporate Governance Disclosures in Annual Reports, Annual Reports 2012-2013 by Bursa Securities. The Audit Committee directed that measures be put in place to close the gaps and enhance both the practise of corporate governance and the quality of governance disclosures.

- **Risk Management**

Reviewed the performance status as presented by the Risk Management Team (“RMT”) of Key Operating Companies (“KOCs”) together with the Risk Management Committee via half-yearly Corporate Performance Scorecard updates. The Audit Committee also reviewed the KOCs’ Corporate Risk Scorecard in addressing any significant risk that may impact the achievement of the KOCs’ performance objectives and the mitigation actions as identified by the RMTs.

- **Related Party Transactions**

- (a) Reviewed related party transactions entered into by the Group, and recommended the same for approval of the Board.
- (b) Reviewed recurrent related party transactions of a revenue or trading nature on a quarterly basis for compliance under the Shareholders’ Mandate.

- **Material Transaction**

Reviewed material transaction entered into by the Group, and recommended the same for approval of the Board.

- **Other Activities**

**Tax**

Reviewed the readiness of the Group for the implementation of the Goods and Services Tax which took effect on 1 April 2015.

## **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 approved by the Audit Committee.

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 Corporate Performance and Risk Scorecards.

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 RM183,590.

## NOMINATION COMMITTEE

<b>Chairman</b>	:	Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat (Independent Non-Executive Director)
<b>Members</b>	:	Y. Bhg. Tan Sri William H.J. Cheng (Non-Independent Non-Executive Chairman)  Y. Bhg. Dato' Mohamad Kamarudin bin Hassan (Independent Non-Executive Director)
<b>Terms of Reference</b>	:	<ul style="list-style-type: none"> <li>To recommend to the Board, candidates for directorships in Lion Diversified Holdings Berhad</li> <li>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</li> <li>To recommend to the Board, Directors to fill the seats on Board Committees</li> <li>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</li> <li>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</li> </ul>

## REMUNERATION COMMITTEE

<b>Chairman</b>	:	Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat (Independent Non-Executive Director)
<b>Members</b>	:	Y. Bhg. Dato' Mohamad Kamarudin bin Hassan (Independent Non-Executive Director)  Mr Ooi Kim Lai (Non-Independent Non-Executive Director)
<b>Terms of Reference</b>	:	<ul style="list-style-type: none"> <li>To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary</li> <li>To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time</li> </ul>

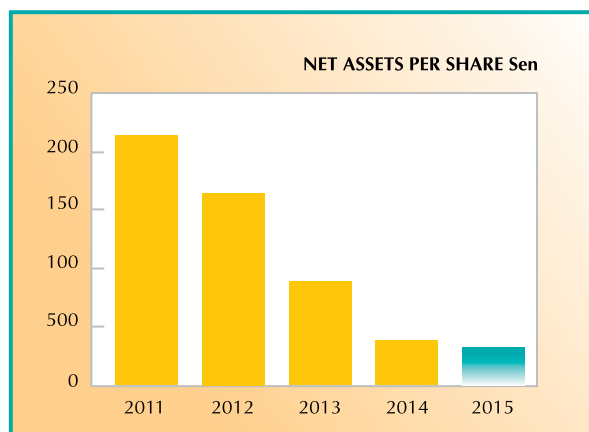
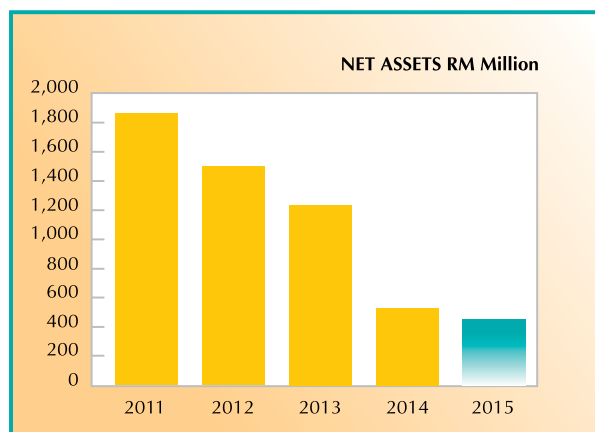
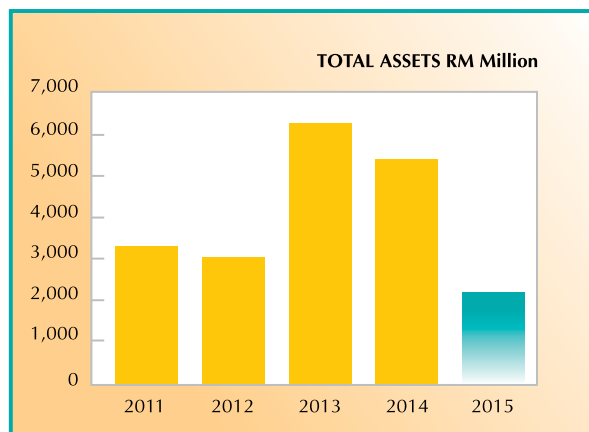
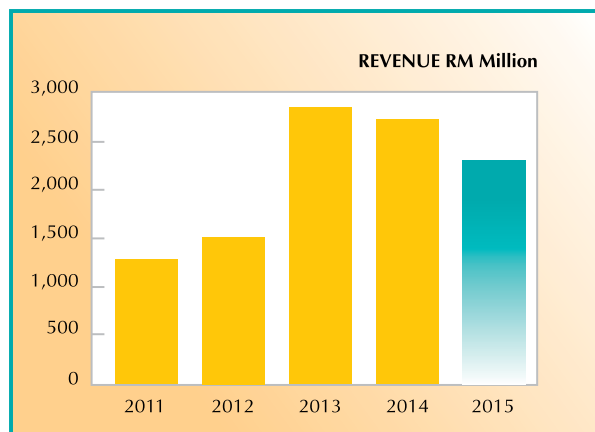
## 5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2011	2012	2013	2014 *	2015 *
Revenue	(RM'000)	1,279,092	1,516,718	2,855,572	2,730,352	2,306,317
Loss before tax	(RM'000)	(29,158)	(231,288)	(233,840)	(864,870)	(418,606)
Loss after tax	(RM'000)	(52,118)	(249,329)	(222,616)	(852,911)	(438,258)
Net loss attributable to owners of the Company	(RM'000)	(52,118)	(249,329)	(158,533)	(696,203)	(183,000)
Total assets	(RM'000)	3,295,665	3,011,981	6,269,239	5,407,335	2,200,667
Net assets	(RM'000)	1,864,502	1,501,753	1,236,418	529,070	447,955
Total borrowings	(RM'000)	529,472	507,955	2,245,285	2,289,760	470,321
Loss per share	(Sen)	(3.7)	(17.9)	(11.4)	(50.0)	(13.1)
Net assets per share	(Sen)	214	165	89	38	32
Dividends (Paid and Proposed):						
Rate	(Sen)	1.0	1.0	1.0	—	#
Amount (net of tax)	(RM'000)	7,372	7,372	13,922	—	#

Notes:

\* 2014 and 2015 figures include financial results of both continuing and discontinued operations.

# During the financial year, a total of 198,873,071 ordinary shares of RM1.00 each in Lion Corporation Berhad ("LCB Shares") were distributed by way of dividend-in-specie to the shareholders of the Company, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded.



## THE GROUP'S BUSINESSES



- The Direct Reduced Iron (DRI) plant (right photo) in Banting, Selangor produces DRI (top photo), a substitute raw material for scrap, to make high grade steel.
- *Kilang 'Direct Reduced Iron' (DRI) (gambar kanan) di Banting, Selangor mengeluarkan DRI (gambar atas), bahan mentah gantian bagi besi lusuh untuk menghasilkan keluli bermutu tinggi.*



- The Group's subsidiary, Likom undertakes electronic and mechanical contract manufacturing services in Melaka and Mexico.
- *Anak syarikat kumpulan, Likom terbabit dalam perkhidmatan kontrak pembuatan elektronik dan mekanikal di Melaka dan Mexico.*



- Two blocks of Rome Garden high-rise residential apartments by D' Venice Residence in Changshu, China were handed over to the purchasers during the year.
- *Dua blok pangsapuri bertingkat tinggi Rome Garden oleh D' Venice Residence di Changshu, China telah diserahkan kepada para pembeli pada tahun dalam kajian.*



## PENYATA PENERUSI

Bagi pihak Lembaga Pengarah, saya dengan ini membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Diversified Holdings Berhad ("LDHB" atau "Syarikat") bagi tahun kewangan berakhir 30 Jun 2015.

### PRESTASI KEWANGAN

Tahun kewangan ini sekali lagi menjadi satu tempoh yang sukar kepada industri keluli di Malaysia apabila terus berdepan dengan persaingan sengit dan tekanan kerana terdapatnya lebihan bekalan keluli di peringkat dunia. Kegiatan lambakan yang menjadi-jadi terutamanya dilakukan oleh kilang-kilang keluli China, menyebabkan harga keluli terjejas dan mengurangkan margin keuntungan yang dinikmati oleh kilang-kilang keluli tempatan.

Kumpulan yang terlibat terutamanya dalam pengilangan produk-produk keluli, terjejas berikutan persekitaran operasi yang tidak menggalakkan dan kegiatan lambakan produk keluli yang dilakukan secara berleluasa. Berikutan itu, Bahagian Keluli Kumpulan mencatatkan perolehan dan keuntungan segmen lebih rendah, masing-masing sebanyak RM0.9 bilion dan RM53 juta. Walau bagaimanapun, Kumpulan mampu mengekalkan perolehannya pada RM1.2 bilion dengan operasi yang dilanjutkan berikutan perolehan lebih tinggi yang dicapai oleh Bahagian Hartanah, dan kerugian sebelum cukai lebih rendah yang dicatatkan sebanyak RM129 juta.

Pada akhir tahun kewangan, Lion Corporation Berhad ("LCB") tidak lagi menjadi anak syarikat LDHB berikutan pengagihan saham-saham biasa bernilai RM1.00 setiap satu dalam LCB ("Saham LCB") secara "dividend-in-specie" kepada pemegang saham LDHB. Keputusan kewangan Kumpulan LCB untuk tempoh sehingga tarikh penyelesaian dilaporkan sebagai "operasi dihentikan" dalam penyata kewangan. LCB, kemudiannya menjadi syarikat bersekutu LDHB dan keputusan kewangan diambil kira dengan menggunakan kaedah ekuiti.

Secara keseluruhannya, Kumpulan mencatatkan kerugian yang lebih rendah selepas cukai sebanyak RM438 juta berbanding RM853 juta pada tahun sebelumnya.

### PERKEMBANGAN KORPORAT

Dalam tahun kewangan ini, Kumpulan telah melaksanakan cadangan korporat penting yang berikut:

- Pada 30 Jun 2015, Syarikat telah selesai mengagihkan sejumlah 198.87 juta Saham LCB secara "dividend-in-specie" kepada para pemegang saham Syarikat yang layak, pada asas satu (1) saham LCB untuk setiap tujuh (7) saham biasa bernilai RM0.50 sesaham yang dipegang dalam Syarikat, pecahan saham LCB tidak diambil kira.

### TINJAUAN OPERASI (Operasi yang Dilanjutkan)

Kumpulan pada dasarnya terbabit dalam aktiviti berikut:

- Pembuatan dan penjualan produk berkaitan keluli ("Keluli");
- Perkhidmatan kontrak pembuatan elektronik dan mekanikal ("CMS");
- Pembangunan dan pengurusan hartanah ("Hartanah"); dan
- Pegangan pelaburan, perdagangan dan lain-lain ("Lain-lain").

(Tahun Kewangan Berakhir 30 Jun)	Perolehan		Keuntungan/(Kerugian) Mengikut Segmen	
	2015 RM Juta	2014 RM Juta	2015 RM Juta	2014 RM Juta
Keluli	<b>949</b>	958	<b>53</b>	60
CMS	<b>148</b>	148	<b>10</b>	12
Hartanah	<b>111</b>	94	<b>22</b>	27
Lain-lain	<b>1</b>	1	<b>(6)</b>	(3)
	<b>1,209</b>	1,201	<b>79</b>	96

### Bahagian Keluli

Operasi keluli Kumpulan yang terletak di Banting, Malaysia dikendalikan oleh syarikat berikut:

- Lion DRI Sdn Bhd ("Lion DRI") terbabit dalam pembuatan "direct reduced iron" ("DRI"), bahan caj ferus berkualiti tinggi dan pengganti untuk sekerap yang digunakan dalam proses pembuatan keluli. Lion DRI adalah salah satu daripada dua pengeluar DRI di negara ini dan kebanyakan produknya digunakan dalam operasi pengeluaran Megasteel Sdn Bhd ("Megasteel").
- Megasteel, sebuah syarikat sekutu terbabit dalam proses keluli hiliran menerusi pembuatan gegelung gelek panas ("HRC") dan gegelung gelek sejuk ("CRC"), dan merupakan pengeluar tunggal HRC di Malaysia yang menawarkan bekalan untuk pasaran domestik dan antarabangsa.

2015 kekal menjadi tahun yang sukar dan mencabar bagi industri keluli.

Pada bulan Februari 2015, Kerajaan telah mengenakan duti anti-lambakan ke atas HRC yang diimport dari China dan Indonesia bagi tempoh selama lima tahun yang pada peringkat awalnya menyebabkan permintaan terhadap HRC tempatan menjadi lebih tinggi. Kadar duti yang rendah, bagaimanapun, gagal menghalang kemasukan keluli import yang lebih murah. Keadaan ini telah membawa kepada kemerosotan permintaan terhadap HRC tempatan menjelang akhir tahun kewangan yang diburukkan lagi oleh sentimen pasaran yang lemah.



Operasi DRI kita yang mempunyai perjanjian dagangan jangka panjang dengan Megasteel turut terjejas, dan mencatatkan perolehan dan keuntungan operasi yang lebih rendah, masing-masing sebanyak RM0.9 bilion dan RM53 juta.

Memandangkan pengenaan duti anti-lambakan dilihat kurang berkesan dan sebagai usaha mengelakkan keadaan lebih buruk menimpa industri keluli rata domestik, Megasteel pada bulan Julai 2015, telah mengemukakan petisyen kepada Kerajaan supaya diberikan duti pelindungan yang akan menambah duti import HRC sekarang pada 15%. Ini akan mewujudkan suasana persaingan yang lebih adil kepada industri keluli rata di Malaysia, sejajar dengan negara-negara jiran yang juga anggota Asean yang mengenakan duti anti-lambakan yang lebih tinggi.

Pada bulan September 2015, Kerajaan mengumumkan bahawa pihaknya telah memulakan siasatan untuk melindungi produk tempatan daripada produk HRC yang diimport. Penentuan awal penyiasatan akan dibuat dalam tempoh 90 hari daripada tarikh siasatan dimulakan. Siasatan lanjut akan dijalankan sekiranya Kerajaan mendapati adanya asas yang mencukupi untuk meneruskannya dan pada masa ini, Kerajaan boleh mengenakan duti sementara sebagai pelindung kepada lambakan import HRC, bagi tujuan mengurangkan kesan yang serius terhadap industri tempatan.

#### **Bahagian CMS**

Bahagian CMS kita beroperasi sebagai pusat sehenti bersepadu pengilang perkakasan asal ("OEM") yang menyediakan perkhidmatan kontrak pembuatan kepingan logam, acuan suntikan plastik, pengeluaran komponen dan "enclosures" berkaitan IT terutama pemasangan produk penyimpanan data dan binaan kotak untuk industri elektronik, elektrik dan barangan pengguna. Rangkaian produk utama kita termasuk komponen berkaitan IT seperti bingkai televisyen dan bingkai monitor, komponen dan 'enclosures' untuk penyimpanan data, penggera keselamatan dan 'private branch exchange' ("PBX") dan kotak 'set-top'. Barangan elektronik pula termasuk kad ujian peralatan kawalan, suis elektrik dan peralatan komunikasi. Kilang kita terletak di Melaka, Malaysia dan di Juarez, Mexico disokong oleh pejabat jualan di Amerika Syarikat untuk menyediakan perkhidmatan sokongan pelanggan.

Bagi tahun kewangan dalam kajian, Bahagian CMS mengekalkan perolehannya pada RM148 juta. Bagaimanapun, keuntungan operasi adalah lebih rendah sebanyak RM10 juta terutamanya disebabkan oleh kenaikan harga bahan mentah dan kos overhead.

Kita percaya bahawa strategi meningkatkan dan memperbaiki perhubungan perniagaan dengan pelanggan sedia ada, memperluaskan asas pelanggan kami melalui wakil perniagaan/ejen, menyediakan penyelesaian sehati kepada pelanggan dan mengekalkan kos operasi dan pengeluaran pada tahap yang dioptimumkan untuk mengukuhkan kecekapan kita, akan mengekalkan prestasi kita pada tahun-tahun akan datang.

#### **Bahagian Hartanah**

Projek hartanah utama Kumpulan terdiri daripada projek pembangunan bercampur yang dikenali sebagai "D' Venice Residence", di Changshu City dalam wilayah Jiangsu di China, melibatkan empat bidang tanah yang terletak sebelah menyebelah dengan keluasan berjumlah 20.1 hektar. Dalam tahun kewangan ini, 518 buah apartmen kediaman bertingkat tinggi dan lapan buah lot kedai di bawah pembangunan Fasa 2 telah ditawarkan untuk jualan. Bersama-sama dengan 458 buah apartmen kediaman bertingkat tinggi yang dilancarkan pada tahun kewangan lalu, projek ini mencatatkan kadar penerimaan pelanggan keseluruhannya sekitar 50%.

Bagi tahun kewangan yang dikaji, Bahagian ini mencatatkan perolehan lebih tinggi sebanyak RM111 juta berbanding RM94 juta pada tahun lalu. Keuntungan segmen ini bagaimanapun menyusut kepada RM22 juta berbanding RM27 juta tahun lalu terutamanya disebabkan oleh kos promosi yang lebih tinggi. Bahagian ini akan meneruskan dan meningkatkan strategi promosi yang agresif bagi meraih lebih banyak jualan dalam tahun-tahun mendatang.

#### **KELESTARIAN**

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

#### **Komuniti**

Ketika mengendalikan operasi perniagaan, Kumpulan sentiasa sedar akan tanggungjawabnya sebagai warga korporat dalam menyumbang kepada masyarakat, di samping meningkatkan keuntungan dan nilai pemegang kepentingan. Kumpulan menumpukan kepada usaha membantu masyarakat mencapai kemajuan melalui pendidikan dan rawatan perubatan menerusi dua buah yayasan yang diasaskan oleh Syarikat-syarikat Kumpulan Lion di mana Kumpulan menjadi 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. Yayasan telah menganjurkan satu larian amal pada bulan September 2014 untuk mengumpul dana bagi pembinaan fasa 2 dan 3 Rumah Untuk Kanak-kanak Cacat dan Terencat Akal di Selangor. Tabung Bantuan Perubatan Kumpulan Lion pula menyediakan bantuan kewangan kepada golongan kurang bernasib baik yang menderita penyakit kritikal dan 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 pelbagai 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 terkini dan menerima pakai amalan perniagaan yang mesra alam, mengoptimalkan penggunaan sumber dan menggalakkan penggunaan tenaga secara cekap. Operasi-operasi Kumpulan dikendalikan mengikut peruntukan undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri kendaliannya. Ini termasuk pengurusan pelepasan asap dan pengurangan sisa, pemulihan dan pelupusan oleh loji-loji perkilangan kita, dan mengadakan landskap yang mempunyai tumbuhan hijau dan kemudahan taman bertujuan menggalakkan “kehidupan mesra alam” dalam projek-projek hartanah kita.

Kumpulan mengguna pakai peraturan-peraturan keselamatan, kesihatan dan alam sekitar secara sistematik, diperkukuhkan dengan latihan dan pengawasan, dan menubuhkan Pasukan Tindakan Kecemasan di kilang-kilang kita untuk memastikan keselamatan dan kesejahteraan para pekerja.

#### **Dalam Pasaran**

Berikutan pelaksanaan Akta Perlindungan Data Peribadi, 2010 pada tahun 2014, Kumpulan telah melaksanakan Rangka Kerja Pelindungan Data Kumpulan yang bertujuan mewujudkan kawalan yang lebih efisien untuk memudahkan cara pematuhan Akta tersebut.

Kita telah memantapkan lagi nilai-nilai korporat dan etika perniagaan baik dengan merumuskan polisi-polisi antara lain. Polisi Integriti & Risiko Penipuan, Pemerolehan Kumpulan, Kod Amalan Perniagaan, Persaingan dan Pemberi Maklumat yang juga merupakan usaha untuk mendekati pihak pemegang kepentingan di pasaran dengan peningkatan ketelusan melalui polisi-polisi yang dipaparkan di laman web korporat kami.

Selaras dengan pelaksanaan Cukai Barangan dan Perkhidmatan (GST) pada 1 April 2015, Kumpulan telah melaksanakan tindakan yang perlu termasuk latihan pekerja, mengkaji semula prosedur operasi standard dan menaik taraf perisian perakaunan yang sedia ada bagi memastikan pematuhan GST.

#### **Tempat Kerja**

Kakitangan adalah aset utama, oleh itu pengurusan bakat di semua peringkat menjadi keutamaan. Dasar dan garis panduan Sumber Manusia (HR) kita mematuhi semua peraturan yang berkaitan dan bertujuan untuk memastikan tempat kerja merangkumi kepelbagaian, penyertaan, kesaksamaan dan inovasi. Paling penting, kita mengharapkan kejujuran, integriti dan sifat saling menghormati diterapkan dalam semua urusan dan interaksi kita, baik di dalam mahupun di luar Kumpulan.

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.

Berikut merupakan tumpuan utama usaha kita untuk membentuk tempat kerja yang sihat dan persekitaran yang sesuai.

- **Pencarian Bakat**

Kita menilai pemohon yang ingin mendapatkan pekerjaan dalam kumpulan syarikat-syarikat kita berdasarkan kriteria yang objektif tanpa mengira latar belakang etnik, jantina, umur, agama, kecacatan atau sebarang faktor yang tiada kaitan dengan keperluan pekerjaan. Program biasiswa Lion-Parkson merupakan satu saluran yang baik dalam mendapatkan bakat-bakat baharu untuk operasi kita.

- **Pembangunan Bakat**

Kita mengambil kira keperluan tenaga mahir untuk perniagaan dan memastikan kakitangan kita berpeluang mengembangkan karier ke jawatan kanan dan yang lebih mencabar dalam Syarikat dan Kumpulan.

- **Membina Keupayaan**

Kita menyediakan peluang pembelajaran dan pembangunan berkenaan dengan teknikal, kecekapan fungsi dan tingkah laku untuk kakitangan kita selaras dengan keperluan pekerjaan mereka dan aspirasi kerjaya. Intervensi pembelajaran berlangsung di tempat kerja, melalui acara-acara rasmi dan pendidikan berterusan.

- **Ganjaran dan Prestasi**

Kita mengkaji semula dan melaksanakan amalan imbuhan yang kompetitif jika dibandingkan dengan pihak luar dan juga adil dan saksama di peringkat dalaman. Proses ganjaran kita berkait rapat dengan proses pengurusan prestasi; para pekerja kita boleh mengharapkan untuk menerima pelarasan gaji dan anugerah bonus seiring dengan prestasi dan sumbangan mereka.

- **Kecemerlangan Operasi HR**

Kita terus memperkemaskan, menyeragamkan dan memudahkan dasar dan proses HR selaras dengan keperluan organisasi global kita. Untuk tujuan ini, kita akan melaksanakan Sistem Maklumat HR Global LionPeople (HRIS) pada tahun 2016. Inisiatif ini akan meningkatkan agenda pengurusan warga kerja kita ke tahap yang seterusnya.

- **Penglibatan Pekerja**

Kita memberi perhatian penting kepada keperluan untuk melibatkan diri dan mendengar suara hati kakitangan kita dalam usaha mewujudkan tempat kerja yang kondusif, gembira dan produktif. Kita mewujudkan pelbagai forum yang menyaksikan penglibatan pekerja secara berkesan seperti perjumpaan "town hall", "lunch & learn", pengajuran rumah terbuka ketika perayaan, aktiviti/kegiatan sukan dan rekreasi. Penglibatan seumpama ini mengisi kedua-dua keperluan pekerjaan dan sosial para pekerja kita.

- **Keselamatan dan Kesihatan di Tempat Kerja**

Keselamatan dan kesihatan para pekerja adalah penting untuk perniagaan kita, maka kita secara aktif menggalakkan budaya kerja yang selamat dan sihat. Kita memastikan latihan dan peralatan tersedia untuk mengelakkan kemalangan dan kecederaan daripada berlaku setiap ketika. Sebarang insiden diambil serius; disiasat dan tindakan sewajarnya diambil untuk mengelakkannya berulang.

- **Kod Etika Pekerja**

Kita menilai kakitangan kita berdasarkan Kod Tatalaku Kumpulan dan keperluan untuk menjalankan perniagaan mengikut piawaian etika yang tertinggi. Kita mengamalkan toleransi sifar ke atas amalan rasuah dan korup atau tingkah laku yang mendatangkan keburukan kepada Kumpulan atau pekerjanya.

## **PROSPEK**

Persekitaran operasi keluli Kumpulan dijangka kekal sukar berikutan keadaan ekonomi tempatan dan global yang tidak menentu. Rantaian bekalan industri keluli Malaysia boleh dipulihkan apabila sahaja kemasukan produk keluli murah ke dalam negara dapat disekat.

Pengumuman Kerajaan pada bulan September 2015 berkenaan siasatan perlindungan adalah baik untuk Kumpulan. Tanpa pelaksanaan dan penguatkuasaan yang ketat melalui langkah-langkah berkesan dilaksanakan oleh Kerajaan untuk menangani aktiviti lambakan, para pengeluar keluli tempatan akan terus menderita. Sentimen pasaran yang lemah dan nilai mata wang Ringgit yang semakin rendah dijangka akan menambah tekanan kepada industri keluli tempatan dalam jangka sederhana hingga panjang. Berikutan itu, persekitaran operasi Bahagian Keluli Kumpulan dijangka kekal mencabar pada tahun kewangan yang akan datang.

Bagi Bahagian Hartanah, Kumpulan dijangka dapat mengekalkan keputusan kewangan yang memuaskan berikutan pelaksanaan projek pembangunan bercampur yang sedang berjalan di China, manakala Bahagian CMS kita dijangka terus memberikan sumbangan positif kepada Kumpulan.

## **LEMBAGA PENGARAH**

Lembaga Pengarah ingin mengalu-alukan pelantikan Y.Bhg. Dato' Mohamad Kamarudin bin Hassan dan Encik Ooi Kim Lai sebagai Pengarah Syarikat dalam tahun kewangan ini. Lembaga Pengarah yakin bahawa Syarikat akan mendapat manfaat daripada pengalaman dan kepakaran mereka yang tidak ternilai.

Pada 27 Januari 2015, Encik Heah Sieu Lay meletak jawatan sebagai Pengarah Syarikat atas sebab kesihatan. Encik Heah juga berkhidmat sebagai Pengerusi Jawatankuasa Audit dan Jawatankuasa Ganjaran dan ahli Jawatankuasa Pencalonan Syarikat. Bagi pihak Lembaga Pengarah, saya ingin merakamkan ucapan terima kasih dan penghargaan kepada Encik Heah atas sumbangan beliau yang tidak ternilai sepanjang tempoh perkhidmatannya sebagai Pengarah Syarikat, Pengerusi dan anggota dalam Jawatankuasa Lembaga Pengarah Syarikat.

## PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin menyampaikan penghargaan dan ucapan terima kasih kepada semua pelanggan, pembiaya, rakan perniagaan, pihak berkuasa kerajaan dan para pemegang saham atas sokongan kerjasama dan keyakinan mereka yang berterusan terhadap Kumpulan.

Saya juga ingin merakamkan setinggi-tinggi penghargaan dan terima kasih kepada rakan-rakan Pengarah atas bimbingan, sokongan dan sumbangan yang tidak ternilai di sepanjang tahun dan juga kepada warga kerja kita atas kerja keras, dedikasi dan komitmen berterusan mereka kepada Kumpulan.

**TAN SRI WILLIAM H.J. CHENG**  
Pengerusi

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Lion Diversified Holdings Berhad ("LDHB" or "the Company") for the financial year ended 30 June 2015.

### FINANCIAL PERFORMANCE

The year under review was undoubtedly another tough year for the Malaysian steel industry which continued to face intense competition and pressures from the oversupply of steel globally. In particular, the rampant dumping activities by Chinese steel mills had led to depressed steel prices and squeezed the profit margin of local steel mills.

The Group, which is primarily involved in the manufacturing of steel products, was invariably affected by the unfavourable operating environment and the rampant dumping of steel products. As a result, the Group's Steel Division recorded a lower revenue and segment profit of RM0.9 billion and RM53 million respectively. However, the Group was able to maintain its revenue at RM1.2 billion from continuing operations with higher revenue achieved by our Property Division and a lower loss before tax of RM129 million.

At the end of the financial year, Lion Corporation Berhad ("LCB") ceased to be a subsidiary of LDHB following the distribution of ordinary shares of RM1.00 each in LCB ("LCB Shares") by way of dividend-in-specie to the shareholders of LDHB. The financial results of the LCB Group for the period up to the completion date were reported as "discontinued operation" in the financial statements. Thereafter, LCB became an associated company of LDHB and its results were accounted for using equity method.

Overall, the Group registered a lower loss after taxation of RM438 million as compared to RM853 million in the previous year.

### CORPORATE DEVELOPMENT

During the financial year, the Group had undertaken the following significant corporate exercise:

- On 30 June 2015, the Company completed the distribution of a total of 198.87 million LCB Shares by way of dividend-in-specie to the entitled shareholders of the Company, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded.

### REVIEW OF OPERATIONS (Continuing Operations)

The Group is principally engaged in the following activities:

- Manufacturing and sale of steel related products ("Steel");
- Electronic and mechanical contract manufacturing services ("CMS");
- Property development and management ("Property"); and
- Investment holding, trading and others ("Others").

(Financial Year Ended 30 June)	Revenue		Segment Profit/(Loss)	
	2015 RM Million	2014 RM Million	2015 RM Million	2014 RM Million
Steel	949	958	53	60
CMS	148	148	10	12
Property	111	94	22	27
Others	1	1	(6)	(3)
	1,209	1,201	79	96

### Steel Division

The Group's steel operations, located in Banting, Malaysia are undertaken by the following companies:

- Lion DRI Sdn Bhd ("Lion DRI") is involved in the manufacturing of direct reduced iron ("DRI"), a high quality ferrous charge material and a substitute for scrap used in the steelmaking process. Lion DRI is one of the two producers of DRI in the country and its products are mostly used in Megasteel Sdn Bhd's ("Megasteel") production.
- Megasteel, an associated company is involved in the downstream steel process through manufacturing of hot rolled coils ("HRC") and cold rolled coils ("CRC"), and is the sole producer of HRC in Malaysia servicing the domestic and international markets.

2015 continued to be a tough and challenging year for the steel industry.

In February 2015, the Government had imposed anti-dumping duties on imported HRC from China and Indonesia for five years which initially drove demand for local HRC higher. The low duty rates were however, unable to effectively deter cheap imports. This had led to deterioration of demand for local HRC towards the end of the financial year compounded by the weakening market sentiments.

Our DRI operation which has a long term off-take agreement with Megasteel was similarly affected, and registered a lower revenue and operating profit of RM0.9 billion and RM53 million respectively.

In view of the ineffectiveness of the anti-dumping duties, to avoid further serious injury to the domestic flat steel industry, Megasteel had in July 2015, petitioned the Government for a safeguard duty which would be in addition to the existing import duty of 15% on HRC. This would create an equitable and level playing field for the domestic flat steel industry, in line with neighbouring Asean countries which have much higher anti-dumping duties in place.

In September 2015, the Government had announced that it has initiated a safeguard investigation on imports of HRC. Preliminary determination will be made within 90 days from the date of commencement of the investigation. Further investigation would be carried out if preliminary affirmative determination is made by the Government and during this time, the Government may impose a provisional safeguard duty on the imports of HRC, for the purpose of reducing the effects of serious injury to the domestic industry caused by the imports.

#### **CMS Division**

Our CMS Division operates as an integrated one-stop original equipment manufacturer ("OEM") which provides contract manufacturing services for sheet metal stamping, plastic injection moulding, production of IT related components and enclosures especially the assembly of data storage and box build products for the electronics, electrical and consumer goods industries. Our major product range includes IT related components such as television frames and monitor frames, components and enclosures for data storage, security alarm, and private branch exchange ("PBX") and set-top boxes. The electronic items include test equipment control cards, electrical switching and communication devices. Our production facilities are located in Melaka, Malaysia and in Juarez, Mexico supported by a sales office in the USA to provide customer support services.

For the financial year under review, CMS Division maintained its revenue at RM148 million. However, operating profit was lower at RM10 million mainly due to increase in raw material prices and overhead costs.

We believe that the strategies to enhance and improve our business relationships with existing customers, expand our customer base via business representative/agent, provide one-stop solution to customers and keep operational and manufacturing costs at an optimised level to strengthen our competencies, will sustain our performance in the coming years.

#### **Property Division**

The Group's main property project comprises a mixed development project known as "D' Venice Residence", located at Changshu City in Jiangsu Province in China, on four pieces of contiguous land totalling 20.1 hectares. During the financial year, another 518 units of high-rise residential apartment and 8 units of shop lot under Phase 2 development had been offered for sale. Together with the 458 units high-rise residential apartment launched in the last financial year, the project has a combined total take-up rate of approximately 50%.

For the financial year under review, the Division posted a higher revenue of RM111 million compared with RM94 million last year. Segment profit was however, lower at RM22 million compared with RM27 million last year mainly due to higher promotion costs. The Division will continue to pursue and enhance its aggressive promotion strategies to secure more sales for the coming years.

#### **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**

Corporate Social Responsibility is an integral part of our business ethos with the Group ever mindful of its role 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 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 Foundation had organised a charity run in September 2014 to raise funds for the construction of phases 2 and 3 of the Home for Handicapped and Mentally Disabled Children in Selangor. The Lion Group Medical Assistance Fund provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery, purchase of medical equipment and medication. The Fund also sponsors community health programmes such as medical camps, and the purchase of dialysis machines for Dialysis Centres providing subsidised treatment to those suffering from kidney failure.

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

## Environment

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

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.

## Marketplace

Following the implementation of the Personal Data Protection Act, 2010 in 2014, the Group has embarked on a Group Data Protection Framework that aims to put in place, more efficient controls to facilitate compliance with the Act.

We have reinforced corporate values and good business ethics through the formalisation of policies namely, Integrity & Fraud Risk, Group Procurement, Code of Business Practice, Competition, and Whistleblower Policies which also seek to reach out to stakeholders in the marketplace via increased transparency with the policies published on our corporate website.

In line with the implementation of the Goods and Services Tax (GST) on 1 April 2015, the Group had undertaken the necessary action including employee training, reviewing standard operating procedures and upgrading the existing accounting software to ensure compliance with GST.

## Workplace

We recognise our employees as key assets, hence managing talent at all levels is a key priority. Our Human Resource (HR) policies and guidelines comply with all relevant legislations and have been designed to ensure that our workplace embraces diversity, inclusion, equality and innovation. Above all, we expect honesty, integrity and respect to be exhibited in our dealings and interactions within and outside the Group.

The Group's efforts to attract, develop, motivate and retain its employees are pursued within the ambit of five HR strategic focus areas or pillars – Talent Management, Rewards, Capability Building, HR Operational Excellence and Employee Engagement.

The following are key highlights of our efforts to create a healthy and conducive work-place:

- **Talent Acquisition**

We assess applicants for employment in our Group of Companies based on objective criteria regardless of their ethnic background, gender, age, religion, disability or any factors which do not have bearing on job requirements. Lion-Parkson scholarship programme builds a healthy pipeline of talent for our businesses.

- **Talent Development**

We take stock of talent requirements for our businesses and ensure that our employees are developed and progressed to senior and challenging roles within the Company and Group.

- **Capability Building**

We provide learning and development opportunities in respect of technical, functional and behaviour competencies for our employees in line with their job requirements and career aspirations. Learning interventions are delivered on-the-job, via formal events and continuing education.

- **Reward and Performance**

We review and implement remuneration practices that are externally competitive and internally fair and equitable. Our reward process is closely linked to performance management process; our employees can expect to receive salary adjustments and bonus awards which directly relate to their performance and contributions.

- **HR Operational Excellence**

We continue to streamline, standardise and simplify our HR policies and processes in line with the requirements of our global organisation. To this end, we will be implementing LionPeople Global HR Information System (HRIS) in 2016. This initiative will take our people management agenda to the next level.

- **Employee Engagement**

We espouse the requirement to engage and listen to our employees in order to create a conducive, happy and productive workplace. We create forums to enable effective employee engagement such as town hall meetings, “lunch & learn”, festival open houses, sports and recreation activities/pursuits. Such engagements address both work and social requirements of our employees.

- **Safety & Health in the Workplace**

The safety and health of our employees is vital to our businesses, hence we actively promote a safe and healthy culture. We ensure training and equipment are in place to prevent accidents and injuries at all times. Incidents are taken seriously; they are investigated and appropriate actions taken to prevent recurrence.

- **Employee Code of Conduct**

We appraise our employees on the Group’s Code of Conduct and the need to conduct business at the highest ethical standards. We adopt zero tolerance to bribery and corrupt practices or behaviours that may bring disrepute to the Group or its employees.

## **PROSPECTS**

The operating environment for the Group’s steel operations is expected to remain difficult in view of the uncertainties surrounding the local and global economies. The supply chain of the Malaysian steel industry can be restored once the influx of cheap steel products into the country is curtailed.

The announcement by the Government in September 2015 on the safeguard investigation augurs well for the Group. Without the implementation and strict enforcement of effective measures by the Government to curb dumping activities, local steel producers will continue to suffer. Poor market sentiments and the weakening Ringgit are expected to add pressure on the local steel industry in the medium to long term. Under such circumstances, the operating environment of the Group’s Steel Division is expected to remain challenging in the coming financial year.

As for the Property Division, the Group is expected to sustain its satisfactory results with the on-going mixed development project in China, whilst our CMS Division is anticipated to continue to contribute positively to the Group.

## **BOARD OF DIRECTORS**

The Board would like to extend its warm welcome to Y. Bhg. Dato’ Mohamad Kamarudin bin Hassan and Mr Ooi Kim Lai on their appointment as Directors of the Company during the financial year. The Board is confident that the Company will benefit from their invaluable experience and expertise.

On 27 January 2015, Mr Heah Sieu Lay resigned as a Director of the Company due to medical reasons. Mr Heah also served as Chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee of the Company. On behalf of the Board, I would like to record a vote of thanks and my sincere appreciation to Mr Heah for his invaluable contribution during his tenure as a Director of the Company, Chairman and member of the Company’s aforementioned Board Committees.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I wish to extend my sincere thanks and appreciation to all our valued customers, financiers, business associates, Government authorities and shareholders for their continued support, co-operation and confidence in the Group.

I would also like to express my deepest appreciation and gratitude to my fellow Directors for their invaluable guidance, support and contribution throughout the year and to our employees for their untiring hard work, dedication and commitment to the Group.

**TAN SRI WILLIAM H.J. CHENG**  
Chairman



## 主席报告

我谨代表董事会，提呈金狮多元控股有限公司（“金狮多元控”）股截至2015年6月30日会计年度报告和经审核财务报告。

### 财务表现

对马来西亚钢铁工业而言，本会计年度无疑是另一个艰难的年头，因为它继续面对全球钢铁供应过剩所带来的激烈竞争和压力。尤其是中国钢铁厂猖獗的倾销活动，导致钢铁价格被压低，以及本地钢铁厂的利润率收窄。

本集团主要从事制造钢铁产品，因此一直受到不利的营业环境以及钢铁产品猖獗的倾销所影响。结果本集团以及钢铁组的营业额和利润，分别减少到9亿令吉和5,300万令吉。不过，由于我们的产业组取得更高的营业额，使本集团的总营业额保持在12亿令吉，税前亏损减少到1亿2,900万令吉。

在本会计年度结束时，金狮机构有限公司（“金狮机构”）停止作为本集团的子公司，这是由于之前把金狮机构的每股RM1.00的普通股（“金狮机构普通股”）当作股息分发给金狮多元控股的股东，直到完成日期的那个时期，金狮集团的财务业绩在财务报告中被当作“终止营业”。因此，金狮集团成为本集团的联号公司，其业绩用产权法记账。

总体而言，本集团税后亏损减少到4亿3,800万令吉，上一个会计年度是亏损8亿5,300万令吉。

### 公司发展

在本会计年度，本集团采取下述重大的公司运作：

- 在2015年6月30日，公司完成把金狮集团的1亿9,887万股股票，当作股息分配给本公司有权享有股息的股东的工作，做法是在本公司每拥有每股RM0.50的普通股，每7股分配到金狮机构的股票1股。金狮机构股票不足1股者不计。

### 业务检讨（继续营业）

本集团主要从事以下业务：

- 制造和销售与钢铁相关的产品（“钢铁”）；
- 电子和机械合同生产服务（“合同生产服务”）；
- 产业发展和管理（“产业”）；以及
- 投资控股、贸易及其他（“其他”）。

(6月30日的 会计年度)	营业额		组别利润/ (亏损)	
	2015 (百万 令吉)	2014 (百万 令吉)	2015 (百万 令吉)	2014 (百万 令吉)
钢铁	949	958	53	60
合同生产 服务	148	148	10	12
产业	111	94	22	27
其他	1	1	(6)	(3)
	1,209	1,201	79	96

### 钢铁组

本集团的钢铁业务是坐落在马来西亚的万津，由以下公司负责：

- 金狮直接还原铁私人有限公司（“金狮直接还原铁”）涉及制造直接还原铁，这是一种高品质的铁质原料，在制钢过程中作为废铁的代替品。金狮直接还原铁是马来西亚的两家直接还原铁制造厂之一，其产品主要供应给美佳钢铁私人有限公司（“美佳钢铁”）用来制钢。
- 美佳钢铁是本集团的联号，从事钢铁的下游生产，制造热轧钢卷和冷轧钢卷。是马来西亚唯一热轧钢卷的生产者，产品供应国内市场及国际市场。

对钢铁工业而言，2015年仍然是艰难的一年。

在2015年2月，政府对来自中国和印尼的入口热轧钢卷实施为期5年的反倾销税。这项措施最初推高市场对本地热轧钢卷的需求；不过，由于反倾销税太低，无法有效抑制廉价钢铁的入口。加上本地市场情绪疲弱，使到在本会计年度接近结束时，对本地热轧钢卷的需求减少。

我们的直接还原铁业务和美佳钢铁订有长期购买合约，它同样受到影响，使到营业额和营业利润都减少，分别只有9亿令吉和5,300万令吉。

由于反倾销税无效，为了避免本地平板钢铁工业受到进一步的冲击，美佳钢铁在2015年7月向政府提呈请愿书，要求征收保护税，这将提高热轧钢卷现有的15%入口税。也将为本地的平板钢铁工业提供公平和平等的平台，这也和东盟各邻国的立场相一致，它们原本就征收较高的反倾销税。

在2015年9月，政府宣布，它正在对热轧钢卷的入口展开一项保护性调查。在开始调查的90天之内，将会有初步决定。如果政府的初步决定是肯定的，将会有进一步调查，在这段期间内，政府可能对进口的热轧钢卷实施临时性保护税，目的是为了减少对本地钢铁工业的严重冲击。

### 合同生产服务组

我们的合同生产服务组是综合一站式代工生产商，提供合约生产服务，包括金属片压印、塑料注射铸造、生产资讯工艺有关的部件和附件，尤其是为电子业、电器业和消费品工业装备资料储存和盒式产品。我们生产与资讯工艺有关的产品，包括电视盒和电视框、储存资料的部件和配件、保安警铃、私人分支交换系统和电视顶上盒，电子产品包括测试配备控制卡，电子开关产品以及通信器材。生产设备坐落在马来西亚的马六甲和墨西哥的Juarez。另外在美国设有销售办事处，以支援客户。

在本会计年度，本组的营业额保持在1亿4,800万令吉，不过，营业利润只有1,000万令吉，主要是由于原料价格上涨以及营运成本增加。

我们认为，实行以下的策略，即提高和改善与现有客户的商业关系，通过商业代表/代理扩大客户群，为客户提供一站式解决方案，使营运成本和制造成本维持在最优化水平以加强竞争能力，以便在未来的年头持续有良好表现。

### 产业组

本集团的主要产业计划，是一项称为“D’ VENICE RESIDENCE”的综合发展计划，坐落在中国江苏省常熟市，由4片毗邻的土地组成，总面积20.1公顷。在本会计年度，在第二阶段发展计划下，518个单位的高层住宅公寓和8个单位的商店可供出售。加上在上一个会计年度推出的458个单位的高层住宅公寓，本计划的总合出售率是大约50%。

在本会计年度，产业组的营业额增加到1亿1,100万令吉，上一个会计年度是9,400万令吉。不过，本组本年度的利润比较低，只有2,200万令吉，上一年度是2,700万令吉，主要是由于促销费用增加。本组将继续积极推动促销策略，以便在未来的年头获得更多的销售。

### 可持续性

本集团根据“全球报告倡议”，朝向更全面性的可持续性报告，以应对我们的工作场所、市场、社区和环境所面临的挑战、机会和利益。这反映我们的承诺，朝向更好的企业管理方法和我们的商业营运的可持续性。

### 社区

企业社会责任是我们的商业精神特质的组成部分，本集团一向明瞭其作为企业公民的角色，是在加强账本底线的价值和利益相关者的价值的同时，对社会作出贡献。本集团集中在通过教育和医疗照顾协助社区进步，我们是通过由金狮集团各家公司（本集团是其中一个成员）设立的两项基金进行教育和医疗照顾工作。

金狮一百盛基金派发基金充作各种需要，诸如教育、慈善和科学研究；每一年，基金提供奖学金给在本地大学深造的本科生。基金在2014年9月主办义跑，以便筹款为设在雪兰莪的“残障和智障儿童之家”进行第二期和第三期的兴建工程。金狮集团医药援助基金为患重病需要医药治疗（包括动手术、购买医药器材和药品）的贫穷人士提供财务援助。这项基金也赞助社区健康计划，诸如主办医药营，为向肾病患者提供津贴治疗的洗肾中心购买洗肾机等。

本集团内的各家公司，也在它们营业的地点支持当地社区，参加慈善计划和展开筹款工作以协助需要的人士。

### 环保

本集团继续捍卫对环境的关注，强调采用对环境有利、最优化的使用资源和节用能源的新技术和最佳的企业行为。本集团的业务，符合其营业地点管制工业的环境法律和条例。这包括我们的制造厂的废气管理，对废料的减少、回收和处理，以及在我们的产业计划用青葱的草木和公园设施进行景观美化工作，以促进“绿化生活”。

本集团有系统的支持安全、健康和环境条例，通过定期训练和加强监督，以及在我们的厂房设立紧急反应队伍，以确保我们的雇员的安全与福利。

### 市场

随着2014年落实的2010年个人资料保护法令，本集团也制定了集团资料保护架构，以便达到更有效的控制，遵守相关法令的规定。

我们也通过制定一些政策，比如廉正与欺诈风险、集团采购、商业行为守则、竞争及告密者政策，加强企业价值与奉行良好的商业道德，同时也通过在我们的企业网站公布这些政策提高透明度，让市场上的利益相关者同样遵守这些政策。

配合在2015年4月1日消费税的实施，本集团已采取相应的措施，包括员工培训、审查标准作业程序和优化现有的会计软件，以确保符合消费税的要求。

## 工作场所

我们认为我们的雇员是资产，因此管理各阶层的人才是要务。我们的人力资源政策和指南，符合所有法规，其设计是确保我们的工作场所包括多元性，包容性、平等和创新。最重要的是，我们要确保在本集团的内部和对外的交易与互动展现真诚、廉正和尊重。

本集团致力于吸引、发展、激发和保留其雇员，是在人力资源的5个策略集中区域或支柱的范畴内进行一人才管理、奖掖、建立能力、人力资源营运优越以及雇员接触。

以下是我们致力于创造健全和建设性工作场所的努力的重点：

- **引进人才**

我们根据客观标准来评估到本集团属下各公司求职的申请者，而不理会他们的种族、性别、年龄、宗教信仰，是否残废以及和工作要求没有关系的其他因素。金狮一百盛奖学金计划，为我们的业务建立了健全的人才来源管道。

- **人才发展**

我们重视我们的业务的人才要求，确保我们的雇员得到发展和晋升到在本公司和本集团内担任高级职员及负起挑战性任务。

- **建立能力**

我们为雇员们提供学习和发展的机会，包括技术、功能及行为能力，以符合他们的工作要求和职业生涯抱负，学习是通过正常的重大事件和持续教育在职进行。

- **奖掖和表现**

我们检讨和实施的薪酬措施，对外具有竞争性，对内公平和平等。我们给的薪酬，与表现管理程序息息相关；我们的雇员可以预期，能够得到和他们的表现和贡献直接相关的调薪和花红。

- **人力资源营运优越**

我们继续合理化、标准化和简化我们的人力资源政策与程序，以符合我们作为全球性机构的要求，为了达到这个目标，我们将在2016年实施“金狮民众全球人力资源资讯系统”。这项倡议将把我们的民众管理议程提升到另一个层次。

- **雇员接触**

我们深信和雇员接触和倾听他们心声的需要，以便创造具有建设性、愉快和生产性的工作场所。我们设立论坛，和雇员进行有效接触，诸如会议、“午餐兼学习”、节日开放门户、体育、和休闲活动/娱乐。这类接触迎合了我们的雇员的工作和社交需求。

- **工作场所的安全和健康**

我们的雇员的安全和健康，对于我们的业务非常重要，因此我们积极推动安全和健康文化。我们确保训练与配备就位，以便在任何时候都防止意外和受伤。意外事件受到高度重视；它们受到调查和采取适当行动，以防止再度发生。

- **雇员行为准则**

我们根据本集团的行为准则和根据最高道德标准的要求来推行业务来评估我们的雇员。我们采取绝不容忍贿赂和贪污的做法或行为的立场，因为那些行为会使本集团或其雇员们蒙羞。

## 展望

鉴于本地经济和全球经济笼罩着不确定性，本集团钢铁组的营运环境预料将继续困难。一旦外国的廉价钢铁产业湧入我国的现象受到遏制，马来西亚钢铁工业的供应链将会恢复正常。

政府在2015年9月宣布进行保障调查对本集团而言是好消息。如果政府没有实施和严格执行抑制倾销活动的有效的措施，本地的钢铁产品将继续受害。疲弱的市场情绪，加上马币疲软，预料在中期及长期内，会对本地的钢铁工业加强压力。在这种情况下，在下一个会计年度，本集团的钢铁组的营业环境预料将继续面对挑战。

至于产业组，由于在中国的综合发展计划在继续运作，预料将持续令人满意的业绩。而我们的合同生产服务组，预料将继续对本集团作出积极的贡献。

## 董事会

董事会热烈欢迎Y. Bhg. Dato' Mohamad Kamarudin bin Hassan和黄金来先生在本会计年度被委任为本集团的董事。董事会深信，本公司将会从他们的宝贵经验和专门知识中受惠。

在2015年1月27日，连寿礼先生由于健康原因辞去本公司的董事职位。他曾是本公司审计委员会主席和薪酬委员会主席，也是本公司任命委员会的委员。我谨代表董事会，真诚感谢连先生在担任本公司董事以及本公司的上述委员会的主席及委员期间，对本公司所作出的宝贵贡献。

## 鸣谢

我谨代表董事会，真诚感谢所有尊贵的客户、银行家、商业伙伴、政府机构以及股东们，继续给予本集团支持与合作，以及对本集团有信心。

我也要深切赞扬和感谢董事们，在过去一年来给予可贵的指导、支持和所作出的贡献。也要感谢我们各级雇员不懈的献身精神及对本集团的贡献。

主席  
丹斯里锺廷森

## FINANCIAL STATEMENTS

# 2015

For The Financial Year Ended 30 June 2015

## DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2015.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

### RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit from continuing operations, net of tax	(134,099)	17,718
Loss from discontinued operation, net of tax	(304,159)	—
	<hr/>	<hr/>
(Loss)/Profit, net of tax	(438,258)	17,718
	<hr/>	<hr/>
Attributable to:		
Owners of the Company	(183,000)	17,718
Non-controlling interests	(255,258)	—
	<hr/>	<hr/>
	(438,258)	17,718
	<hr/>	<hr/>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the dilution of the Group's equity interest in Lion Corporation Berhad which resulted in a gain of RM235.0 million as disclosed in Note 15 to the financial statements.

### DIVIDEND

The amount of dividend paid by the Company since 30 June 2014 was as follows:

In respect of the financial year ended 30 June 2015, a total of 198,873,071 ordinary shares of RM1.00 each in Lion Corporation Berhad ("LCB Shares") were distributed by way of dividend-in-specie to the shareholders of the Company on 30 June 2015, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded.

The Directors do not recommend any payment of final dividend in respect of the financial year ended 30 June 2015.

## DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri William H.J. Cheng	
Tan Sri Cheng Yong Kim	
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	
Dato' Mohamad Kamarudin bin Hassan	(Appointed on 8 December 2014)
Ooi Kim Lai	(Appointed on 27 February 2015)
Heah Sieu Lay	(Resigned on 27 January 2015)

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

In accordance with Article 99 of the Company's Articles of Association, Dato' Mohamad Kamarudin bin Hassan and Ooi Kim Lai who were appointed during the financial year retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri William H.J. Cheng retires and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than those arising from the share options granted under the Executive Share Option Scheme ("ESOS") of the Company as disclosed below.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 39 to the financial statements.

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company during and at the end of the financial year are as follows:

	Number of Ordinary Shares of RM0.50 Each			
	1.7.2014	Acquired	Disposed	30.6.2015
<b>Direct Interest</b>				
Tan Sri William H.J. Cheng	364,586,607	—	—	364,586,607
Tan Sri Cheng Yong Kim	9,841,337	—	—	9,841,337
<b>Indirect Interest</b>				
Tan Sri William H.J. Cheng	318,694,862	—	—	318,694,862
Tan Sri Cheng Yong Kim	379,157,070	—	—	379,157,070
	Number of Ordinary Shares of RM0.50 Each			
	27.2.2015 *	Acquired	Disposed	30.6.2015
<b>Direct Interest</b>				
Ooi Kim Lai	116	—	—	116

# **DIRECTORS' INTERESTS (Continued)**

In addition, the following Director is deemed to have an interest in shares in the Company by virtue of the options granted to him pursuant to the ESOS of the Company as follows:

	1.7.2014	Number of Options		30.6.2015
		Granted	Exercised	
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	–	250,000	–	250,000

The interests of the Directors in office at the end of the financial year in shares in the related corporations during and at the end of the financial year are as follows:

## **Indirect Interest**

**Tan Sri William H.J. Cheng**  
**Tan Sri Cheng Yong Kim**

	1.7.2014	Number of Ordinary Shares		30.6.2015
		Acquired	Disposed	
LDH Investment Pte Ltd	4,500,000	–	–	4,500,000

	1.7.2014	Number of Ordinary Shares of RM1.00 Each		30.6.2015
		Acquired	Disposed	
Jernih Aktif Sdn Bhd	70	–	–	70

Note:

\* Date of appointment as a Director of the Company.

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

## **ESOS**

The ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group was implemented on 2 February 2011 for a period of 5 years. The main features of the ESOS of the Company are set out in Note 36 to the financial statements.

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

During the financial year, the Company granted 5,094,500 options to eligible non-executive Director of the Company and executive employees of the Group at a subscription price of RM0.50 per share.

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

Grant date	Subscription price per share	Number of Options				
		1.7.2014	Granted	Exercised	Lapsed	30.6.2015
25.11.2014	RM0.50	–	5,094,500	–	(1,789,000)	3,305,500

The exercise period for the above options will expire on 2 February 2016.

**ESOS (Continued)**

The Company has been granted an exemption pursuant to Section 169A(1) of the Companies Act, 1965 by the Registrar of the Companies Commission of Malaysia from having to disclose the names of eligible employees who have been granted less than 75,000 options. The eligible non-executive Director of the Company and executive employees of the Group who were granted 75,000 options or more during the financial year are as follows:

**Number of options granted  
at the subscription price of RM0.50  
per share on 25 November 2014**

**Name of non-executive Director**

Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	250,000
---	---------

**Name of executive employees**

1. Chai Voon Choy	150,000
2. Cheng Toek Waa	125,000
3. Chow Kim Ming	100,000
4. Ng Chieng Ee	100,000
5. Koh Hong Tia	75,000
6. Lim Kwee Peng	75,000
7. Loh Soon Bian @ Loo Soon Bian	75,000
8. Ng See Hin	75,000
9. Tang Kim Kok	75,000
10. Wong Tze Yee	75,000
11. Yeoh Boon Chuan	75,000

**OTHER STATUTORY INFORMATION**

- (a) Before the statements of profit or loss, the statements of other comprehensive income and the statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
  - (i) 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
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in respect of these financial statements; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances 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.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.



**OTHER STATUTORY INFORMATION** (Continued)

- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, save as disclosed in Notes 15 and 22 to the financial statements; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors, save as disclosed in Note 2.1 to the financial statements:
- (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) 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 the operations of the Group and of the Company for the financial year in which this report is made.

**SIGNIFICANT EVENT**

Significant event is disclosed in Note 40 to the financial statements.

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 September 2015.

**TAN SRI WILLIAM H.J. CHENG**  
Chairman

Kuala Lumpur, Malaysia

**TAN SRI CHENG YONG KIM**  
Managing Director

## STATEMENT BY DIRECTORS

### PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI WILLIAM H.J. CHENG** and **TAN SRI CHENG YONG KIM**, being two of the Directors of **LION DIVERSIFIED HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 52 to 183 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 46 to the financial statements on page 184 has been 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 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 dated 21 September 2015.

**TAN SRI WILLIAM H.J. CHENG**  
Chairman

Kuala Lumpur, Malaysia

**TAN SRI CHENG YONG KIM**  
Managing Director

## STATUTORY DECLARATION

### PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION DIVERSIFIED HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 52 to 184 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed **TAN SRI CHENG YONG KIM**  
at Kuala Lumpur in the Federal Territory  
on 21 September 2015.

**TAN SRI CHENG YONG KIM**

Before me,

**W530**  
**TAN SEOK KETT**  
Commissioner for Oaths

Kuala Lumpur

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Lion Diversified Holdings Berhad, which comprise statements of financial position as at 30 June 2015 of the Group and of the Company, and statements of profit or loss, statements of other 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 52 to 183.

#### *Directors' responsibility for the financial statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the 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 about whether the financial statements are free from material misstatement.

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

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

#### *Basis for qualified opinion*

- (a) As disclosed in Note 3.2(g) to the financial statements, the Group is contractually bound to acquire freight service at rates above the current market rates from a third party service provider. However, no provision for onerous contract has been made for the abovementioned cost of freight. We are unable to obtain sufficient appropriate audit evidence in relation to the reasonableness of the assumptions used by management in their assessment of the Group's future profitability in order to satisfy ourselves that no provision for onerous contract is required in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets.
- (b) Our auditors' report on the financial statements for the year ended 30 June 2014 was qualified on a similar basis as in paragraph (a) above and deferred tax assets. In the financial statements for the year ended 30 June 2014, the Group has recognised deferred tax assets of RM418.1 million as at the reporting date. We were unable to obtain sufficient appropriate audit evidence in relation to the reasonableness of the assumptions used by management in their assessment of the Group's future profitability in order to satisfy ourselves on the quantum and extent of future taxable profit that will be available against which the temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Consequently, we were unable to determine the reasonableness of the carrying amount of the deferred tax assets of the Group.

#### *Qualified opinion*

In our opinion, except for the effects, if any, on the matters described in the "Basis for qualified opinion" paragraph, the financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD (Continued)

### *Emphasis of matters*

Without further qualifying our opinion:

- (a) We draw attention to Note 2.1 to the financial statements which discloses that the Group incurred a net loss of approximately RM438.3 million (2014: RM852.9 million) for the year ended 30 June 2015 and as at that date, the Group's current liabilities exceeded its current assets by RM292.9 million (2014: RM1,998.9 million). These conditions along with other matters as set forth in Note 2.1 to the financial statements indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify certain non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.
- (b) We draw attention to Note 28 to the financial statements which discloses that a loan obtained by Lion DRI Sdn Bhd ("Lion DRI"), a wholly-owned subsidiary company, contains certain covenants that entitle the lender ("LDRI Lender") to accelerate repayment or to withdraw the advance of credit should Megasteel Sdn Bhd ("Megasteel"), an associated company and a major customer of the Group, defaults on payments on its borrowings. In the event the LDRI Lender exercises its right, certain other borrowings of the Group and of the Company may become immediately payable on demand.

We also draw attention to Note 22 to the financial statements which discloses that the Group has a significant concentration of credit risk in the form of trade receivable due from Megasteel constituting approximately 91% (RM335.1 million) of the total receivables balances as at the reporting date. Up to the date of this report, Megasteel has repaid approximately RM98.7 million to the Group. Should Megasteel defaults on its borrowings, this will also indicate that significant uncertainty exists over the recoverability of the balance of the amount due from Megasteel.

- (c) The recoverability of amounts due from certain subsidiaries to the Company totalling RM464.7 million (2014: RM464.7 million) is closely related to the recovery of debts due from Megasteel. In the event Megasteel is not able to repay its debts to the Group, significant uncertainty exists over the recoverability of the amounts due from these subsidiaries.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any material qualification and in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act except the auditors' reports for Lion DRI was qualified in respect of matters discussed below:
  - (i) qualification on the same matter stated in the "Basis for qualified opinion" - paragraph (a) above; and
  - (ii) inclusion of an "Emphasis of matter" highlighting the uncertainty that may cast significant doubt about the ability of Lion DRI to continue as a going concern and the uncertainty over the recoverability of the debts due from Megasteel.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD (Continued)

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 46 to the financial statements on page 184 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 the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

**Ernst & Young**  
**AF: 0039**  
**Chartered Accountants**

Kuala Lumpur, Malaysia  
21 September 2015

**Low Khung Leong**  
**No. 2697/01/17(J)**  
**Chartered Accountant**

**STATEMENTS OF PROFIT OR LOSS****FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Continuing operations</b>					
Revenue	4	<b>1,208,672</b>	1,201,387	<b>208</b>	8
Other income	5	<b>54,295</b>	71,438	<b>76,804</b>	3,562
Changes in inventories		<b>(10,394)</b>	9,484	–	–
Raw materials and consumables used		<b>(925,022)</b>	(970,918)	–	–
Property development expenditure		<b>(80,278)</b>	(62,371)	–	–
Employee benefits expense	6	<b>(53,738)</b>	(50,980)	<b>(616)</b>	(500)
Depreciation and amortisation		<b>(36,596)</b>	(35,976)	<b>(67)</b>	(173)
Other expenses		<b>(77,504)</b>	(44,044)	<b>(4,156)</b>	(517)
		<b>79,435</b>	118,020	<b>72,173</b>	2,380
Finance costs	8	<b>(76,664)</b>	(73,511)	<b>(11,617)</b>	(7,862)
Gain/(Loss) on disposal of subsidiaries		–	120	–	(1,651)
Impairment losses on:					
- Plant and equipment	12	<b>(20,000)</b>	(435,970)	–	–
- Investments in subsidiaries	15	–	–	<b>(650)</b>	(170,562)
- Investments in associates	16	<b>(15,861)</b>	–	<b>(8,144)</b>	–
- Investment securities		<b>(42,873)</b>	(62,005)	<b>(6,269)</b>	(7,348)
- Receivables from subsidiaries	22	–	–	<b>(27,775)</b>	(538,492)
- Trade and other receivables	22	<b>(50,000)</b>	(231,922)	–	–
Share of results of associates		<b>(4,283)</b>	–	–	–
Share of results of joint ventures		<b>786</b>	3,655	–	–
(Loss)/Profit before tax from continuing operations	7	<b>(129,460)</b>	(681,613)	<b>17,718</b>	(723,535)
Income tax expense	9	<b>(4,639)</b>	(11,337)	–	(1,545)
(Loss)/Profit from continuing operations, net of tax		<b>(134,099)</b>	(692,950)	<b>17,718</b>	(725,080)
<b>Discontinued operation</b>					
Loss from discontinued operation, net of tax	15	<b>(304,159)</b>	(159,961)	–	–
(Loss)/Profit, net of tax		<b>(438,258)</b>	(852,911)	<b>17,718</b>	(725,080)
Attributable to:					
- Owners of the Company		<b>(183,000)</b>	(696,203)	<b>17,718</b>	(725,080)
- Non-controlling interests		<b>(255,258)</b>	(156,708)	–	–
		<b>(438,258)</b>	(852,911)	<b>17,718</b>	(725,080)

## STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

	Note	Group 2015	2014
<b>Loss per share from continuing operations attributable to owners of the Company (sen per share)</b>			
Basic	10(a)	(9.6)	(49.8)
Diluted	10(b)	(9.6)	(49.8)
		<hr/>	<hr/>
<b>Loss per share from discontinued operation attributable to owners of the Company (sen per share)</b>			
Basic	10(a)	(3.5)	(0.2)
Diluted	10(b)	(3.5)	(0.2)
		<hr/>	<hr/>
<b>Loss per share attributable to owners of the Company (sen per share)</b>			
Basic	10(a)	(13.1)	(50.0)
Diluted	10(b)	(13.1)	(50.0)
		<hr/>	<hr/>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(Loss)/Profit, net of tax	<b>(438,258)</b>	(852,911)	<b>17,718</b>	(725,080)
<b><u>Other comprehensive income/(loss)</u></b>				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Foreign currency translations	<b>9,625</b>	3,923	–	–
Surplus on valuation of freehold land, net of deferred tax liabilities	<b>264,836</b>	–	–	–
Net (loss)/gain on available-for-sale financial assets:				
- Loss on fair value changes	<b>(558)</b>	(47,197)	–	–
- Gain reclassified to profit or loss	–	49,251	–	–
Share of other comprehensive income/(loss) of associates	<b>10,006</b>	(675)	–	–
Other comprehensive income for the year, net of tax, representing items that may be reclassified subsequently to profit or loss	<b>283,909</b>	5,302	–	–
Total comprehensive (loss)/income for the year	<b>(154,349)</b>	(847,609)	<b>17,718</b>	(725,080)
Attributable to:				
- Owners of the Company	<b>28,767</b>	(693,426)	<b>17,718</b>	(725,080)
- Non-controlling interests	<b>(183,116)</b>	(154,183)	–	–
	<b>(154,349)</b>	(847,609)	<b>17,718</b>	(725,080)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 RM'000	Group 2014 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	839,810	2,992,729
Investment properties	13	10,431	11,175
Land held for property development	14(a)	24,347	71,299
Investments in associates	16	–	53,845
Investments in joint ventures	17	24,903	24,026
Investment securities	18	91,164	25,051
Intangible assets	19	10,484	10,484
Deferred tax assets	20	847	418,082
		<b>1,001,986</b>	<b>3,606,691</b>
<b>Current assets</b>			
Property development costs	14(b)	208,382	102,515
Inventories	21	219,459	833,792
Investment securities	18	4,004	137,068
Trade and other receivables	22	421,057	257,905
Derivative assets	23	–	92
Tax recoverable		4,635	3,515
Cash and bank balances	24	311,663	465,757
		<b>1,169,200</b>	<b>1,800,644</b>
Non-current assets classified as held for sale	25	29,481	–
		<b>1,198,681</b>	<b>1,800,644</b>
<b>TOTAL ASSETS</b>		<b>2,200,667</b>	<b>5,407,335</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2015 (Continued)

	Note	Group 2015 RM'000	2014 RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	26	696,074	696,074
Share premium		330,967	330,967
Other reserves	27	128,489	17,655
Accumulated losses		(707,575)	(515,626)
		<b>447,955</b>	529,070
<b>Non-controlling interests</b>		–	(209,762)
<b>Total equity</b>		<b>447,955</b>	319,308
<b>Non-current liabilities</b>			
Loans and borrowings	28	128,976	907,200
Deferred tax liabilities	20	131,709	125,688
Derivative liabilities	31	407	–
Deferred liabilities	32	–	255,600
		<b>261,092</b>	1,288,488
<b>Current liabilities</b>			
Trade and other payables	33	981,452	1,986,664
Provisions	34	38,000	38,000
Product financing liabilities	35	127,878	383,218
Loans and borrowings	28	341,345	1,382,560
Derivative liabilities	31	104	43
Tax payable		2,841	9,054
		<b>1,491,620</b>	3,799,539
<b>Total liabilities</b>		<b>1,752,712</b>	5,088,027
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,200,667</b>	5,407,335

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Company 2015 RM'000	2014 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	147	214
Investments in subsidiaries	15	120,627	80,435
Investments in associates	16	–	–
Investment securities	18	7,685	13,954
		<u>128,459</u>	<u>94,603</u>
<b>Current assets</b>			
Other receivables	22	755,056	718,394
Tax recoverable		784	784
Cash and bank balances	24	9,580	7,575
		<u>765,420</u>	<u>726,753</u>
<b>TOTAL ASSETS</b>		<u><u>893,879</u></u>	<u><u>821,356</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	26	696,074	696,074
Share premium		330,967	330,967
Other reserves	27	–	–
Accumulated losses		(522,056)	(530,825)
<b>Total equity</b>		<u>504,985</u>	<u>496,216</u>
<b>Non-current liability</b>			
Loans and borrowings	28	–	108
<b>Current liabilities</b>			
Other payables	33	288,363	263,176
Loans and borrowings	28	100,531	61,856
		<u>388,894</u>	<u>325,032</u>
<b>Total liabilities</b>		<u>388,894</u>	<u>325,140</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>893,879</u></u>	<u><u>821,356</u></u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 30 JUNE 2015**

Note	Attributable to Owners of the Company				Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000 (Note 26)	Share Premium RM'000	Other Reserves RM'000 (Note 27)	Accumulated Losses RM'000			
<b>Group 2015</b>							
At 1 July 2014	696,074	330,967	17,655	(515,626)	529,070	(209,762)	319,308
<b>Total comprehensive income/(loss) for the year</b>	-	-	211,767	(183,000)	28,767	(183,116)	(154,349)
	696,074	330,967	229,422	(698,626)	557,837	(392,878)	164,959
<b>Transactions with owners</b>							
Dilution of subsidiaries	-	-	(100,933)	-	(100,933)	392,878	291,945
Dividends	-	-	-	(8,949)	(8,949)	-	(8,949)
Total transactions with owners	-	-	(100,933)	(8,949)	(109,882)	392,878	282,996
At 30 June 2015	696,074	330,967	128,489	(707,575)	447,955	-	447,955
<b>2014</b>							
At 1 July 2013	368,612	330,967	301,865	234,974	1,236,418	(55,579)	1,180,839
<b>Total comprehensive income/(loss) for the year</b>	-	-	2,777	(696,203)	(693,426)	(154,183)	(847,609)
	368,612	330,967	304,642	(461,229)	542,992	(209,762)	333,230
<b>Transactions with owners</b>							
Transfer to capital reserve	-	-	195	(195)	-	-	-
Issuance of ordinary shares pursuant to conversion of ICULS	327,462	-	(287,182)	(40,280)	-	-	-
Dividends	-	-	-	(13,922)	(13,922)	-	(13,922)
Total transactions with owners	327,462	-	(286,987)	(54,397)	(13,922)	-	(13,922)
At 30 June 2014	696,074	330,967	17,655	(515,626)	529,070	(209,762)	319,308

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

<div> <div>← Non-Distributable →</div> <div>Retained Profits/ (Accumulated Losses)</div> </div>					
	Note	Share Capital RM'000 (Note 26)	Share Premium RM'000	Other Reserves RM'000 (Note 27)	Total RM'000
<b>Company</b>					
<b>2015</b>					
At 1 July 2014		696,074	330,967	–	496,216
<b>Total comprehensive income for the year</b>		–	–	–	17,718
		696,074	330,967	–	513,934
<b>Transactions with owners</b>					
Dividends, representing total transactions with owners	11	–	–	–	(8,949)
At 30 June 2015		696,074	330,967	–	504,985
<b>2014</b>					
At 1 July 2013		368,612	330,967	287,182	1,235,218
<b>Total comprehensive loss for the year</b>		–	–	–	(725,080)
		368,612	330,967	287,182	510,138
<b>Transactions with owners</b>					
Issuance of ordinary shares pursuant to conversion of ICULS	26	327,462	–	(287,182)	–
Dividends	11	–	–	–	(13,922)
Total transactions with owners		327,462	–	(287,182)	(13,922)
At 30 June 2014		696,074	330,967	–	496,216

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>				
(Loss)/Profit before tax from continuing operations	<b>(129,460)</b>	(681,613)	<b>17,718</b>	(723,535)
Loss before tax from discontinued operation	<b>(289,146)</b>	(183,257)	–	–
(Loss)/Profit before tax, total	<b>(418,606)</b>	(864,870)	<b>17,718</b>	(723,535)
Adjustments for:				
Depreciation and amortisation	<b>161,975</b>	164,520	<b>67</b>	173
Write off of plant and equipment	<b>3,416</b>	645	–	–
Gain on disposal of property, plant and equipment	<b>(177)</b>	(17)	<b>(36)</b>	–
Reversal of impairment loss				
- Trade and other receivables	<b>(1,715)</b>	(80)	–	–
- Investment securities	<b>(1,002)</b>	(1,325)	<b>(1,002)</b>	(1,325)
(Gain)/Loss on disposal of subsidiaries	–	(22,899)	–	1,651
Gain on liquidation of joint venture	<b>(91)</b>	–	–	–
Gain on dilution of subsidiaries	<b>(235,006)</b>	–	–	–
Impairment loss/Write off on:				
- Investments in subsidiaries	–	–	<b>650</b>	170,562
- Investments in associates	<b>15,861</b>	–	<b>8,144</b>	–
- Investment securities	<b>45,137</b>	62,035	<b>6,269</b>	7,348
- Plant and equipment	<b>25,915</b>	446,389	–	–
- Receivables from subsidiaries	–	–	<b>27,775</b>	538,492
- Trade and other receivables	<b>3,063</b>	582	–	–
Fair value loss/(gain) on derivative liability	<b>560</b>	(16,346)	–	–
Fair value gain on derivative assets	–	(92)	–	–
Provision for defined benefit plan	<b>311</b>	178	–	–
Inventories written down/written off (net)	<b>26,627</b>	33,876	–	–
Waiver of debts	<b>3</b>	283	–	–
Reversal of provision for impairment loss on investment in subsidiary	–	–	<b>(45,915)</b>	–
Unrealised foreign exchange loss/(gain) (net)	<b>65,434</b>	(9,772)	<b>(29,270)</b>	(2,227)
Interest expense	<b>293,037</b>	284,897	<b>11,617</b>	7,862
Interest income	<b>(10,798)</b>	(9,374)	–	(10)
Dividend income	<b>(208)</b>	(175)	<b>(208)</b>	(8)
Share of results of associates	<b>42,734</b>	(2,172)	–	–
Share of results of joint ventures	<b>(786)</b>	(3,655)	–	–
Operating profit/(loss) before working capital changes	<b>15,684</b>	62,628	<b>(4,191)</b>	(1,017)
Changes in working capital:				
Inventories	<b>297,496</b>	205,907	–	–
Receivables	<b>29,604</b>	(16,340)	<b>9</b>	4
Payables	<b>(80,238)</b>	14,695	<b>4,950</b>	871
Property development costs	<b>(86,725)</b>	(6,478)	–	–
Cash generated from/(used in) operations	<b>175,821</b>	260,412	<b>768</b>	(142)
Interest received	<b>10,021</b>	7,836	–	10
Interest paid	<b>(93,954)</b>	(135,738)	<b>(11,617)</b>	(1,508)
Retirement benefit paid	<b>(38)</b>	(134)	–	–
Taxes (paid)/refund	<b>(26,606)</b>	(17,915)	–	3,155
Net cash generated from/(used in) operating activities	<b>65,244</b>	114,461	<b>(10,849)</b>	1,515

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015 (Continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from investing activities</b>				
Proceeds from disposal of subsidiaries	–	32,996	–	120
Cash outflow from dilution of subsidiaries	(133,370)	–	–	–
Proceeds from disposal of property, plant and equipment	136	43	36	–
Proceeds from redemption of unquoted bonds	6,740	7,697	1,002	1,325
Purchase of property, plant and equipment (Note 12(c))	(26,655)	(6,712)	–	–
Addition to non-current assets classified as held for sale (Note 25)	–	(267)	–	–
Payment to investment in associates	–	–	(12,020)	–
Deferred payment for acquisition of subsidiary (Note 30)	(16,831)	(18,940)	(16,831)	(18,940)
Dividends received from investment securities	208	175	208	8
Advances from/(Payment to) subsidiaries	–	–	625	(25,576)
Dividends received from associate	–	314	–	–
Net cash (used in)/generated from investing activities	(169,772)	15,306	(26,980)	(43,063)
<b>Cash flows from financing activities</b>				
Dividends paid	–	(13,922)	–	(13,922)
Increase of deposits with licensed banks	(8,837)	(159)	–	–
Repayment of bank borrowings	(295,534)	(351,379)	–	(6,603)
Redemption of Exchangeable Bonds	(14,496)	(46,454)	–	–
Redemption of bonds and debts	(35,170)	(25,914)	–	–
Proceeds from bank borrowings	286,373	250,280	15,000	–
Repayment of obligations under finance leases	(465)	(439)	(68)	(67)
Net cash (used in)/generated from financing activities	(68,129)	(187,987)	14,932	(20,592)
<b>Net decrease in cash and cash equivalents</b>	(172,657)	(58,220)	(22,897)	(62,140)
<b>Effects of changes in foreign exchange rates</b>	9,726	84	1,267	89
<b>Cash and cash equivalents at beginning of year</b>	380,265	438,401	(54,211)	7,840
<b>Cash and cash equivalents at end of year (Note 24)</b>	217,334	380,265	(75,841)	(54,211)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

## 1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 15. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The registered office and the principal place of business of the Company are both located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 September 2015.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except where otherwise indicated.

The Group reports the following conditions and events:

- (i) the Group incurred a net loss of approximately RM438.3 million (2014: RM852.9 million) for the financial year ended 30 June 2015 and as at that date, the Group's current liabilities exceeded its current assets by RM292.9 million (2014: RM1,998.9 million);
- (ii) the Group and the Company have defaulted in payments to certain creditors as disclosed in Note 30. During the financial year, the Group has proposed further deferment of payments and is in the midst of formulating plans of deferment of payments to these creditors; and
- (iii) a material associate and major customer of the Group, Megasteel Sdn Bhd ("Megasteel"), faces material uncertainty on its ability to realise its assets and discharge its liabilities in the normal course of business.

Megasteel is working together with an independent consultant and the authorities had conducted a study on turnaround action plans to address the issues pertaining to the repayment of the liabilities and borrowings. The independent consultant has identified a set of action plans which include:

- undertaking a corporate and debt restructuring exercise to address capital and funding issues;
- engaging global experts in the steel industry to transfer technical know-how and best practise in the industry into Megasteel; and
- implementing certain cost saving plans and changes to the sales strategies.

To address the action plans identified by the independent consultant, Megasteel has carried out the following actions:

- Megasteel has entered into discussions with the relevant authorities in implementing certain policies for the steel industry; and
- during the financial year, Megasteel entered into discussions with a potential third party investor to provide technical and management support with the ultimate view of improving operational efficiency. The discussion is currently on-going.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

In June 2014, the relevant authorities started an investigation on alleged illegal dumping of steel products from overseas in response to a petition made that these dumping activities will have adverse effect on the steel industry in Malaysia. Following the final determination of the investigation, the authorities imposed anti-dumping duties for products from certain countries in February 2015. In view of the ineffectiveness of the measures imposed by the authorities, Megasteel has petitioned for further protection in July 2015.

Notwithstanding the action plans above, multiple uncertainties exist as to whether Megasteel will be able to achieve its plans and measures as described above. Whether Megasteel will be able to continue as a going concern would depend upon Megasteel's ability to generate adequate financing and operating cash flows through the following:

- (i) the successful petition for further protection from the relevant authorities;
- (ii) the successful negotiations with the lenders for the renewal of or extension of repayment of existing borrowings;
- (iii) the ability of Megasteel to obtain additional new sources of financing as and when needed;
- (iv) the successful and timely execution of its cost reduction measures; and
- (v) the ability of Megasteel to comply with the terms and obligations under the Proposed Restructuring Scheme detailed in Note 28 so as to ensure that there will be no default in the future and that the lenders agree not to exercise or enforce such rights as permitted therein.

The Directors have concluded that the combination of the circumstances highlighted above indicate material uncertainty that may cast significant doubt for the Group's and for the Company's abilities to continue as going concerns and, therefore may be unable to realise their assets and discharge the liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors believe that the results from the proposed measures above will enable the Group and the Company to generate sufficient cash flows to meet its above mentioned obligation and improve the cash flows of the Group and of the Company. For these reasons, the Directors are of the opinion that the Group and the Company will be able to continue in operational existence for the foreseeable future.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2014, the Group and the Company adopted the following new and amended FRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 July 2014:

Amendments to FRS 132 Offsetting Financial Assets and Financial Liabilities  
 Amendments to FRS 10, FRS 12 and FRS 127 Investment Entities  
 Amendments to FRS 136 Recoverable Amount Disclosures for Non-Financial Assets  
 Amendments to FRS 139 Novation of Derivatives and Continuation of Hedge Accounting  
 IC Interpretation 21 Levies  
 Amendments to FRS 119 Defined Benefit Plans: Employee Contributions  
 Annual improvements FRSs 2010-2012 cycle  
 Annual improvements FRSs 2011-2013 cycle

Adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group and of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Changes in accounting policies (Continued)

#### Revaluation of freehold land (property, plant and equipment)

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. The Group has previously measured all property, plant and equipment using cost as set out in FRS 16, whereby after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

During the financial year, the Group elected to change the method of accounting for freehold land classified in property, plant and equipment, as the Group believes that revaluation model more effectively demonstrates the fair value of the freehold land. In addition, the activity in the property markets in which these assets are located provides observable market data on which reliable fair value estimates can be derived.

After initial recognition, the Group uses the revaluation model, whereby freehold land will be measured at fair value at the date of the revaluation less any subsequent accumulated impairment losses. The Group applied the revaluation model prospectively. Details of this change in accounting policy is provided in Note 12(g).

### 2.3 Standards and Interpretations issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to FRSs 2012 – 2014 Cycle	1 January 2016
Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 116 and FRS 141 Agriculture: Bearer Plant	1 January 2016
Amendments to FRS 10 and FRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 101 Disclosure Initiatives	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128 Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 14 Regulatory Deferral Accounts	1 January 2016
FRS 15 Revenue from Contracts with Customers	1 January 2017
FRS 9 Financial Instruments	1 January 2018

The Directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below:

#### **FRS 9 Financial Instruments**

In November 2014, Malaysian Accounting Standards Board ("MASB") issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Standards and Interpretations issued but not yet effective (Continued)

#### Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS until the MFRS Framework becomes mandatory for Transitioning Entities for annual periods beginning on or after 1 January 2017.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2018. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening accumulated losses.

The Group has opted to defer the adoption of the MFRS Framework to the financial period beginning on 1 July 2017.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. Control is achieved when the Group exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its investment with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if these result in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation, except for unrealised losses, which are not eliminated when there are indications of impairment.

A change in the ownership of interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a charge to OCI. If the contingent consideration is not within the scope of FRS 139, it is measured in accordance with the appropriate FRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Basis of consolidation (Continued)

#### Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### 2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in profit or loss and within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company.

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if it results in a deficit balance.

### 2.6 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- (i) expected to be realised or intended to sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Foreign currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM). For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### (a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

#### (b) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### 2.8 Property, plant and equipment

Construction in progress, and plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Property, plant and equipment (Continued)

Freehold land is measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Leasehold land is measured at cost less accumulated depreciation and accumulated impairment losses.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to accumulated losses is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to accumulated losses.

Leasehold land is depreciated based on the period of 99 years.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings, land improvements and infrastructure	2% - 10%
Plant and machinery	3% - 33%
Motor vehicles	10% - 22%
Office equipment, furniture and fittings	2% - 33.33%
Renovation	10% - 20%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 2.9 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Land held for property development and property development costs

#### (i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

#### (ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

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

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

### 2.11 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.11 Impairment of non-financial assets (Continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### 2.12 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its investment with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.13 Investment in associates and joint ventures

An associate 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Investment in associates and joint ventures (Continued)

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies to in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

### 2.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Intangible assets (Continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

### 2.15 Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, the date that the Group commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- AFS financial assets.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by FRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 Financial assets (Continued)

#### Subsequent measurement (Continued)

##### (b) Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in the profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

##### (c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in profit or loss. The losses arising from impairment are recognised in profit or loss as finance costs.

##### (d) AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 Financial assets (Continued)

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### 2.16 Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### (a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.16 Impairment of financial assets (Continued)

#### (a) Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

#### (b) AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

### 2.17 Inventories

Industrial land and properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

Other inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present location and conditions. The cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value is the estimated selling price in ordinary course of business less estimated costs to completion and estimated costs necessary to make the sale.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

### 2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.20 Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in FRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Financial liabilities (Continued)

#### Subsequent measurement (Continued)

##### (b) Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

##### (c) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Employee benefits

#### (a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (b) Defined contribution plans

The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

#### (c) Unfunded defined benefit plan

In the previous year, the Lion Corporation Berhad ("LCB") Group operated an unfunded, defined retirement benefit scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, was determined based on actuarial computations by independent actuaries who carry a full valuation of the plan every three years, through which the amount of benefit that employees have earned in return for their service in the current and prior years was estimated. That benefit was discounted in order to determine its present value. LCB is deconsolidated during the financial year.

### 2.23 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### (a) As lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Leases (Continued)

#### (b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### 2.24 Non-current assets held for distribution to equity holders of the parent and discontinued operation

A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale. Any differences are included in the statement of profit or loss.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Non-current assets are not depreciated or amortised once classified as held for sale. Additional disclosures are provided in Note 25.

### 2.25 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The Group has concluded that it is the principal in all of its revenue arrangement since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risk.

The specific recognition criteria described below must also be met before revenue is recognised.

#### (i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.25 Revenue recognition (Continued)

#### (ii) Sale of industrial land and completed properties

Revenue from sale of industrial land and completed properties is recognised upon the transfer of significant risk and rewards of ownership.

#### (iii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

#### (iv) Rental income

Rental income is recognised on a straight line basis over the term of the lease.

#### (v) Sales commission

Sales commission is recognised upon fulfilment of the terms of the sales contract.

#### (vi) Dividend income

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### (vii) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

### 2.26 Income taxes

#### (a) Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.26 Income taxes (Continued)

#### (b) Deferred tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in statement of profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.26 Income taxes (Continued)

#### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- when receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

### 2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

### 2.28 Equity instrument

#### (a) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

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

#### (b) ICULS

The convertible loan stocks are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible bond to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

#### (c) Share-based payments

Employees (including senior executives) of the Group and of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.30 Fair value measurement

The Group measures financial instruments, such as, derivatives and non-financial assets such as investment properties, at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.30 Fair value measurement (Continued)

Management determines the policies and procedures for both recurring fair value measurement, such as investment properties, unquoted AFS financial assets and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as investment properties, AFS financial assets and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, senior management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 2.31 Earnings/Loss per share ("EPS")/("LPS")

Basic EPS or LPS amounts are calculated by dividing the profit/loss for the year attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding during the year.

Diluted EPS or LPS amounts are calculated by dividing the profit/loss attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the number of ordinary shares outstanding during the year plus the number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### 2.32 Derivative financial instruments

#### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.32 Derivative financial instruments (Continued)

#### Initial recognition and subsequent measurement (Continued)

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

#### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.



### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

#### 3.1 Judgements made in applying accounting policies

In the process of applying the Company's accounting policies, Management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### (a) Impairment of available-for-sale investments

The Group reviews its debt securities classified as AFS investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on AFS equity investments when there has been a 'significant' or 'prolonged' decline in the fair value below their cost.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. The Group impaired quoted and unquoted equity instruments with 'significant' decline in fair value greater than 20% and 30% respectively, and 'prolonged' period as greater than 12 months or more.

Based on Management's review, impairment losses of RM45.1 million (2014: RM62.0 million) and RM6.3 million (2014: RM7.3 million) were recognised on the Group's and the Company's investment securities respectively during the financial year.

##### (b) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 Investment Property in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

##### (c) Joint ventures

The Group has interest in several investments which it regards as joint ventures although the Group owns less than half of the equity interest in these entities. These entities have not been regarded as subsidiaries of the Group as Management has assessed that the contractual arrangements with the respective joint venture parties have given rise to joint control over these entities in accordance with FRS 11 Joint Arrangements.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

#### 3.1 Judgements made in applying accounting policies (Continued)

##### (d) Financial guarantee contracts

At each reporting date, the Group determines the fair value of the guarantees based on the likelihood of the guaranteed party defaulting within the guarantee period and estimates the loss exposure (after taking into account of the value of assets pledged for the loans).

For the financial year ended 30 June 2015, the Group and the Company have assessed the financial guarantee contracts and determined that the guarantees are more likely not to be called upon by the banks. Financial impact of such guarantees is disclosed in Note 38(i).

##### (e) De-facto control of LCB

As disclosed in Note 11, the Company distributed a total of 198,873,071 ordinary shares of RM1.00 each in LCB by way of dividend-in-specie to the shareholders of the Company. Resulting from this distribution, the Group's equity interest in LCB was diluted from 49.1% to 34.0%. Significant judgement is required when assessing whether the Group has de-facto control on LCB. Based on the remaining number of shares held by the Group in LCB, it is possible that the other non-controlling shareholders can outvote the Group. Following this dilution, the Group is no longer deemed to have de-facto control on LCB.

#### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (a) Property development

The Group recognises property development revenue and expenses in the profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

A 5% difference in the estimated total property development cost would increase or decrease the Group's loss for the year by RM1.2 million (2014: RM1.8 million).

##### (b) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

#### 3.2 Key sources of estimation uncertainty (Continued)

##### (b) Taxes (Continued)

Deferred tax assets are recognised for unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has unrecognised tax benefits of RM156.1 million (2014: RM1,175.4 million) in the form of unused tax losses and unabsorbed capital allowances. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses and unabsorbed capital allowances.

##### (c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating a value-in-use amount requires Management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill are disclosed in Note 19.

##### (d) Depreciation, useful lives, residual value and impairment of plant and machinery

The cost of plant and machinery for the manufacture of direct reduced iron products is depreciated on straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 25 years. The estimation of the useful lives of plant and machinery has been based on historical experience and judgement with respect to technical obsolescence, physical deterioration, maintenance programmes and usage capacity of the assets in addition to any legal restriction on usage. Residual values of the plant and machinery are estimated by the Management based on the assets commercial value at end of their useful lives. These are common life expectancies applied in the steel industry until there is technological development which could impact the economic useful lives and the residual values of these assets.

Management will review the estimated useful lives and residual values of plant and machinery at each financial year end and adjustments to useful lives are made when considered necessary. Therefore, future depreciation charges could be revised.

The Group also carried out impairment test, which required the estimation of the value-in-use and the fair value less cost to sell of certain property, plant and equipment as detailed in Note 12.

The Group carries its Blast Furnace Project ("Project") at its salvageable value. Significant judgement is required in determining the market value and the quantity of the Project. In making the judgement, the Group estimates the salvageable value based on information available in the steel market report and the report prepared by the supplier.

The carrying amount of assets of the Group arising from the Project is disclosed in Note 12(e).

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

#### 3.2 Key sources of estimation uncertainty (Continued)

##### (e) Provision for potential claims

The Group determines whether a present obligation from potential claims arising from the arrangement entered with contractors in relation to the construction of property, plant and equipment that exist at the reporting date by taking into account all available evidence. On the basis of such evidence, the Directors considered if provisions are required to be recognised in the financial statements and if required, the estimated amounts are provided. Adequate provisions have been made in respect of financial obligations arising from the potential claims from the arrangement entered with certain contractors of the Group as disclosed in Note 34.

##### (f) Derivative liability

The Group measures the derivative liability by reference to the fair value of the derivative liability at reporting date. Estimating fair value of the derivative liability requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the derivative liability. This estimate also requires determining the most appropriate inputs into the valuation model including the expected life of the derivative liability, expected volatility and making relevant assumptions about them. The assumptions and models used for estimating fair value of derivative liability and its carrying amount are disclosed in Note 31.

##### (g) Provision for onerous contract

The Group is contractually bound to acquire freight service from a third party service provider which is above the current market rates. There may exist an onerous contract where the Group may need to incur unavoidable costs which may exceed the economic benefits expected to be received from it. However, there is an Offtake Agreement signed between the Group and Megasteel where Megasteel is required to take the product on a cost plus basis. Management has assumed that the cost committed for the shipments in years 2016 and 2017 would be fully passed over to Megasteel via the Offtake agreement.

Management estimates that the Group will not be able to utilise all the contracted shipments before the Offtake Agreement expires in year 2017. Subsequently when the Offtake Agreement expires, the Group may need to incur unavoidable costs which may exceed the economic benefits expected to be received from it. Management has assumed that there will be sales to external parties in addition to the sales to Megasteel. Management has provided a forecast of the manufacturing of Direct Reduced Iron ("DRI") to show that the operation is at a gross profit position. Accordingly, no provision for onerous contract has been made for the aforementioned cost of freight service.

##### (h) Impairment of investment securities

At reporting date, Management determines whether the carrying amounts of its investments are impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts.

In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The growth rates used to forecast the projected cash flow for the following year approximate the performances of the respective investments based on the latest available management accounts.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** (Continued)

**3.2 Key sources of estimation uncertainty** (Continued)

**(i) Impairment of loans and receivables**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loans and receivables at the reporting date are disclosed in Note 22.

Recoverability of debts due from Megasteel

Significant assumptions made by Management with regards to the recoverability of debts due from Megasteel are disclosed in Note 22.

Impairment of amount due from subsidiaries

As disclosed in Note 22, Megasteel is the major customer of Lion DRI Sdn Bhd ("Lion DRI") and a material associate of the Group. The Directors have a reasonable expectation that Megasteel will be given the necessary support to turnaround its business and will successfully implement its turnaround action plans. As such, the Directors are of the opinion that no further impairment is required for debts due from Lion DRI.

**(j) Impairment of investment in subsidiaries**

At reporting date, Management determines whether the carrying amounts of its investments in subsidiaries are impaired.

Based on Management's review, an impairment loss of RM0.7 million (2014: RM170.6 million) is recognised for the Company's investment in subsidiaries during the current financial year as further disclosed in Note 15.

#### 4. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sale of goods	1,097,171	1,106,205	–	–
Property development	110,097	94,189	–	–
Sales commission	638	596	–	–
Rental income	96	151	–	–
Dividend income from quoted investment securities	208	8	208	8
Others	462	238	–	–
	<b>1,208,672</b>	<b>1,201,387</b>	<b>208</b>	<b>8</b>

#### 5. OTHER INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income from short term deposits and others	5,901	28,645	–	10
Rental income	136	195	–	–
Compensation claim	–	5,253	–	–
Dividend income	147	159	–	–
Reversal of provision for impairment loss on investment in subsidiary	–	–	45,915	–
Fair value gain on derivative liabilities (Note 31)	–	16,346	–	–
Fair value gain on derivative assets (Note 23)	–	92	–	–
Reversal of impairment loss on unquoted bonds (Note 18(a))	1,002	1,325	1,002	1,325
Foreign exchange gain:				
- Realised	2,434	2,977	–	–
- Unrealised	35,870	5,736	29,270	2,227
Other income	8,805	10,710	617	–
	<b>54,295</b>	<b>71,438</b>	<b>76,804</b>	<b>3,562</b>

**6. EMPLOYEE BENEFITS EXPENSE**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Wages, salaries and bonuses	<b>40,120</b>	38,418	<b>540</b>	439
Pension costs - defined contribution plans	<b>3,377</b>	3,285	<b>65</b>	53
Other staff related expenses	<b>10,241</b>	9,277	<b>11</b>	8
	<b>53,738</b>	50,980	<b>616</b>	500

Included in employee benefits expense of the Group and of the Company is an executive Director's remuneration as further disclosed in Note 7(a).

**7. (LOSS)/PROFIT BEFORE TAX**

(Loss)/Profit before tax is stated after charging/(crediting):

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Auditors' remuneration:				
- Current year	<b>507</b>	531	<b>30</b>	30
- (Over)/Under provision in prior years	<b>(10)</b>	19	<b>-</b>	2
Directors' remuneration (Note 7(a))	<b>809</b>	707	<b>809</b>	707
Depreciation:				
- Property, plant and equipment (Note 12)	<b>36,337</b>	35,720	<b>67</b>	173
- Investment properties (Note 13)	<b>259</b>	256	<b>-</b>	-
Write off of plant and equipment	<b>3,414</b>	17	<b>-</b>	-
Foreign exchange loss:				
- Realised	<b>7,163</b>	-	<b>-</b>	-
- Unrealised	<b>30,057</b>	3,389	<b>-</b>	-
Rental expenses:				
- Plant, machinery and equipment	<b>4,380</b>	3,492	<b>-</b>	-
- Premises	<b>1,884</b>	1,883	<b>-</b>	-
Waiver of debts	<b>3</b>	283	<b>-</b>	-
Gain on disposal of property, plant and equipment	<b>(96)</b>	-	<b>(36)</b>	-
Gain on dilution of joint venture	<b>(91)</b>	-	<b>-</b>	-
Fair value loss on derivative liabilities	<b>560</b>	-	<b>-</b>	-

7. (LOSS)/PROFIT BEFORE TAX (Continued)

(a) Directors' remuneration

The details of remuneration receivable by Directors of the Company during the year are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive Director:				
Fees	25	25	25	25
Salary and other emoluments	540	439	540	439
Pension costs - defined contribution plans	65	53	65	53
	<b>630</b>	<b>517</b>	<b>630</b>	<b>517</b>
Non-executive Directors:				
Fees	179	190	179	190
	<b>809</b>	<b>707</b>	<b>809</b>	<b>707</b>

The number of Directors of the Group whose remuneration during the year fell within the following ranges are analysed below:

	Group Number of Directors	
	2015	2014
<u>Executive Director</u>		
RM500,001 - RM550,000	—	1
RM600,001 - RM650,000	1	—
<u>Non-executive Directors</u>		
RM50,000 and below	5 *	4
RM50,001 - RM100,000	1	—

\* Including two Directors who had resigned and two Directors who were appointed during the financial year.



## 8. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense on:				
- Exchangeable Bonds and ICULS	9,527	11,038	–	380
- Loans and borrowings	25,797	15,440	3,476	–
- Amounts owing to subsidiaries and related parties	26,065	22,298	52	44
- Deferred payments (Note 30)	4,450	5,974	4,450	5,974
- Product financing liabilities (Note 35)	9,968	19,608	–	–
- Obligations under finance leases	49	54	7	9
- Bank overdrafts	3,632	1,455	3,632	1,455
	<b>79,488</b>	<b>75,867</b>	<b>11,617</b>	<b>7,862</b>
Less: Interest expense capitalised in property development cost (Note 14)	(2,824)	(2,356)	–	–
	<b>76,664</b>	<b>73,511</b>	<b>11,617</b>	<b>7,862</b>

## 9. INCOME TAX EXPENSE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Statement of profit or loss</b>				
Continuing operations				
Current income tax:				
- Malaysian income tax	4,411	2,870	–	–
- Foreign income tax	367	11,382	–	–
	<b>4,778</b>	<b>14,252</b>	<b>–</b>	<b>–</b>
Under provision in respect of previous years:				
- Malaysian income tax	(132)	(95)	–	–
- Foreign income tax	(294)	–	–	–
	<b>(426)</b>	<b>(95)</b>	<b>–</b>	<b>–</b>

9. INCOME TAX EXPENSE (Continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred income tax - continuing operations (Note 20):				
- Origination and reversal of temporary differences	376	(3,679)	–	1,545
- Under provision in respect of previous years	(89)	859	–	–
	<u>287</u>	<u>(2,820)</u>	<u>–</u>	<u>1,545</u>
Income tax attributable to continuing operations	4,639	11,337	–	1,545
Income tax attributable to discontinued operation (Note 15)	15,013	(23,296)	–	–
	<u>19,652</u>	<u>(11,959)</u>	<u>–</u>	<u>1,545</u>
Deferred tax related to items in OCI				
- Revaluation of freehold land	<u>13,938</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Group is subject to income tax on an entity basis on the profit arising or derived from the tax jurisdictions in which members of the Group are domiciled and operates.

**9. INCOME TAX EXPENSE** (Continued)

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 June 2015 and 30 June 2014 is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(Loss)/Profit before tax from continuing operations	<b>(129,460)</b>	(681,613)	<b>17,718</b>	(723,535)
Loss before tax from discontinued operation (Note 15)	<b>(289,146)</b>	(183,257)	–	–
(Loss)/Profit before tax	<b>(418,606)</b>	(864,870)	<b>17,718</b>	(723,535)
Tax at Malaysian statutory rate of 25% (2014: 25%)	<b>(104,652)</b>	(216,218)	<b>4,430</b>	(180,884)
Different tax rates in other country	–	985	–	–
Adjustments:				
Effect on opening deferred tax of reduction in Malaysian income tax rate	<b>(4,538)</b>	–	–	–
Non-deductible expenses	<b>33,753</b>	145,791	<b>5,253</b>	182,431
Income not subject to tax	<b>(72,407)</b>	(13,002)	<b>(9,683)</b>	(2)
(Over)/Under provision of income tax in respect of previous years:				
- continuing operations	<b>(426)</b>	(95)	–	–
- discontinued operation	<b>620</b>	361	–	–
(Over)/Under provision of deferred tax in respect of previous years:				
- continuing operations	<b>(89)</b>	859	–	–
- discontinued operation	<b>1,585</b>	–	–	–
Deferred tax assets not recognised in current year	<b>155,696</b>	71,225	–	–
Deferred tax assets recognised on previously unrecognised tax losses	<b>(377)</b>	(408)	–	–
Share of results of associates:				
- continuing operations	<b>1,071</b>	–	–	–
- discontinued operation	<b>9,613</b>	(543)	–	–
Share of results of joint ventures	<b>(197)</b>	(914)	–	–
Tax expenses/(benefit) for the year	<b>19,652</b>	(11,959)	–	1,545

## 9. INCOME TAX EXPENSE (Continued)

Domestic current income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% effective year of assessment 2016.

Under the relevant People's Republic of China ("PRC") income tax law, the PRC companies of the Group were subject to corporate income tax at a rate of 25% (2014: 25%) on their respective taxable income.

Lion DRI Sdn Bhd ("Lion DRI") was granted Pioneer Status incentive with full tax exemption for 5 years effective from 1 September 2008 to 31 August 2013. In June 2014, Lion DRI was granted the approval for exemption from the authority for another 5 years effective from 1 September 2013 to 31 August 2018.

Tax savings during the financial year arising from:

	Group	
	2015 RM'000	2014 RM'000
Utilisation of previously unrecognised tax losses	(377)	(408)

The following are tax credits which are available for offset against future taxable profits:

	Group	
	2015 RM'000	2014 RM'000
Unabsorbed capital allowances *	151,909	2,988,612
Unutilised tax losses *	4,166	1,370,883
Unutilised reinvestment allowances *	–	42,471
Other deductible temporary difference *	–	70,053

\* The unabsorbed capital allowances, unutilised tax losses, unutilised reinvestment allowances and other deductible temporary difference have been restated upon the finalisation of prior year's tax computation.

The availability of unutilised business losses for offsetting against future taxable profits of the Company are subject to no substantial changes in shareholdings of the Company under Section 44(5A) and (5B) of Income Tax Act, 1967. Deferred tax asset has not been recognised in respect of this item as it is uncertain that taxable profits will be available in the foreseeable future to utilise the above item.

## 10. LOSS PER SHARE

### (a) Basic

The following reflects the income and share data used in the basic loss per share ("LPS") computations:

	Group	
	2015	2014
Loss attributable to ordinary equity holders of the Company:		
- Continuing operations (RM'000)	(134,099)	(692,950)
- Discontinued operation (RM'000)	(48,901)	(3,253)
	<u>(183,000)</u>	<u>(696,203)</u>
Loss attributable to ordinary equity holders of the Company (RM'000)	<u>(183,000)</u>	<u>(696,203)</u>
Number of ordinary shares in issue ('000)	<u>1,392,147</u>	<u>1,392,147</u>

To calculate the LPS for discontinued operation (Note 15), the number of ordinary shares for the basic LPS is as per the table above.

### (b) Diluted

There was no dilutive effect from the potential ordinary shares for shares granted under the ESOS. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 11. DIVIDENDS

	Dividends in respect of financial year			Dividends recognised in financial year	
	2015	2014	2013	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends on ordinary shares					
- First and final dividend of 2% for 2013, tax exempt (1.0 sen per ordinary share)	-	-	13,922	-	13,922
Dividend-in-specie	<u>8,949</u>	<u>-</u>	<u>-</u>	<u>8,949</u>	<u>-</u>

In respect of the financial year ended 30 June 2015, a total of 198,873,071 ordinary shares of RM1.00 each in Lion Corporation Berhad ("LCB Shares") were distributed by way of dividend-in-specie to the shareholders of the Company on 30 June 2015, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded.

The Directors do not recommend any payment of final dividend in respect of the financial year ended 30 June 2015.

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings, Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction in Progress RM'000 Note (e)	Total RM'000
<b>Cost/Valuation</b>									
At 1 July 2014	362,623	21,670	761,727	3,907,892	9,573	51,124	1,234	500,759	5,616,602
Additions	-	-	1,487	21,723	330	2,770	162	183	26,655
Disposals	-	-	-	-	(1,500)	(2)	-	-	(1,502)
Written off	-	-	-	(4,622)	(18)	(43)	-	-	(4,683)
Reclassification	-	(168)	1,227	-	-	-	-	(1,059)	-
Transfer to investment properties (Note 13)	-	-	(452)	-	-	-	-	-	(452)
Reclassified to assets held for sale (Note 25)	(15,125)	(2,213)	(13,262)	-	-	-	-	-	(30,600)
Revaluation (Note (g))	278,774	-	-	-	-	-	-	-	278,774
Dilution of subsidiaries (Note 15)	(426,672)	(13,496)	(600,666)	(3,179,478)	(3,357)	(47,123)	-	(23,554)	(4,294,346)
Exchange differences	-	-	498	5,118	281	345	217	-	6,459
At 30 June 2015	199,600	5,793	150,559	750,633	5,309	7,071	1,613	476,329	1,596,907
Representing items at:									
Cost	-	5,793	150,559	750,633	5,309	7,071	1,613	476,329	1,397,307
Valuation	199,600	-	-	-	-	-	-	-	199,600
	199,600	5,793	150,559	750,633	5,309	7,071	1,613	476,329	1,596,907
<b>Accumulated depreciation and impairment</b>									
At 1 July 2014	9,673	3,720	227,953	1,890,093	6,923	38,313	1,228	445,970	2,623,873
Depreciation charge for the year	-	86	21,143	136,567	842	3,033	45	-	161,716
Disposals	-	-	-	-	(1,268)	(2)	-	-	(1,270)
Written off	-	-	-	(1,216)	(14)	(37)	-	-	(1,267)
Reclassification	-	-	-	-	(77)	77	-	-	-
Impairment loss	-	-	7,671	18,244	-	-	-	-	25,915
Reclassified to assets held for sale (Note 25)	-	(191)	(1,865)	-	-	-	-	-	(2,056)
Dilution of subsidiaries	(9,673)	(3,022)	(217,609)	(1,786,098)	(2,893)	(36,079)	-	-	(2,055,374)
Exchange differences	-	-	74	4,801	163	305	217	-	5,560
At 30 June 2015	-	593	37,367	262,391	3,676	5,610	1,490	445,970	757,097
<b>Comprising:</b>									
Accumulated depreciation	-	593	37,367	242,391	3,676	5,610	1,490	13,525	304,652
Accumulated impairment	-	-	-	20,000	-	-	-	432,445	452,445
	-	593	37,367	262,391	3,676	5,610	1,490	445,970	757,097
<b>Net carrying amount</b>									
At 30 June 2015	199,600	5,200	113,192	488,242	1,633	1,461	123	30,359	839,810

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings, Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction in Progress RM'000 Note (e)	Total RM'000
<b>Cost</b>									
At 1 July 2013	362,623	21,670	760,812	3,903,430	9,756	49,598	1,221	502,469	5,611,579
Additions	–	–	872	2,484	81	1,772	–	1,573	6,782
Disposals	–	–	–	(84)	(231)	(5)	–	–	(320)
Written off	–	–	–	(910)	(36)	(252)	–	(628)	(1,826)
Reclassification	–	–	–	2,655	–	–	–	(2,655)	–
Transfer from property development cost (Note 14(b))	–	–	45	–	–	–	–	–	45
Exchange differences	–	–	(2)	317	3	11	13	–	342
At 30 June 2014	362,623	21,670	761,727	3,907,892	9,573	51,124	1,234	500,759	5,616,602
<b>Accumulated depreciation and impairment</b>									
At 1 July 2013	9,673	3,552	206,652	1,741,735	6,225	35,324	1,215	10,000	2,014,376
Depreciation charge for the year	–	168	21,192	138,742	936	3,226	–	–	164,264
Disposals	–	–	–	(84)	(205)	(5)	–	–	(294)
Written off	–	–	–	(901)	(36)	(244)	–	–	(1,181)
Impairment loss	–	–	109	10,310	–	–	–	435,970	446,389
Exchange differences	–	–	–	291	3	12	13	–	319
At 30 June 2014	9,673	3,720	227,953	1,890,093	6,923	38,313	1,228	445,970	2,623,873
<b>Comprising:</b>									
Accumulated depreciation	–	3,720	227,844	1,853,908	6,923	38,313	1,228	–	2,131,936
Accumulated impairment	9,673	–	109	36,185	–	–	–	445,970	491,937
	9,673	3,720	227,953	1,890,093	6,923	38,313	1,228	445,970	2,623,873
<b>Net carrying amount</b>									
At 30 June 2014	352,950	17,950	533,774	2,017,799	2,650	12,811	6	54,789	2,992,729

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Total RM'000
<b>At 30 June 2015</b>			
<b>Cost</b>			
At 1 July 2014	2,056	18	2,074
Disposal	(779)	–	(779)
At 30 June 2015	1,277	18	1,295
<b>Accumulated depreciation</b>			
At 1 July 2014	1,850	10	1,860
Charge for the year	65	2	67
Disposal	(779)	–	(779)
At 30 June 2015	1,136	12	1,148
<b>Net carrying amount</b>			
At 30 June 2015	141	6	147
<b>At 30 June 2014</b>			
<b>Cost</b>			
At 1 July 2013 and 30 June 2014	2,056	18	2,074
<b>Accumulated depreciation</b>			
At 1 July 2013	1,679	8	1,687
Charge for the year	171	2	173
At 30 June 2014	1,850	10	1,860
<b>Net carrying amount</b>			
At 30 June 2014	206	8	214

- (a) Included in building, land improvements and infrastructure and plant and machinery is a direct reduced iron ("DRI") plant of a wholly-owned subsidiary, Lion DRI. The DRI plant is constructed on a piece of land leased from Megasteel for an initial term of thirty (30) years commencing 1 June 2008 and expiring on 31 May 2038, with an option for renewal for a further period of thirty (30) years.
- (b) As at 30 June 2015, the property, plant and equipment of the Group with a net book value of RM791.2 million (2014: RM2,867.9 million) are pledged for bank borrowings, as disclosed in Note 28.



## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (c) Additions of property, plant and equipment were by way of:

	<b>Group</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
Cash payments	<b>26,655</b>	6,712
Finance leases	–	70
	<b>26,655</b>	<b>6,782</b>

- (d) Net book values of property, plant and equipment held under obligations under finance leases as at the reporting date are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
Motor vehicles	<b>1,000</b>	1,809	<b>141</b>	206

- (e) Impairment of Blast Furnace Project (“Project”)

The carrying amount of construction in progress of approximately RM30.4 million (2014: RM30.3 million) relates to the Project. The intended output from the Project is hot metal, which will be used by Megasteel as its raw material.

The Project has been suspended since 2009 pending efforts to secure financing. A term sheet previously signed with a lender had expired in July 2012.

Due to prolonged suspension of the Project, Management is of the opinion that the Project is effectively impaired and it is uncertain whether the Project will resume in future. Impairment loss of RM436.0 million has been provided to write down the carrying amount of the Project to its recoverable amount, as estimated by Management in the previous year.

- (f) Impairment of DRI plant, Megasteel plant and Secomex plant

As at 30 June 2015, the carrying amount of Lion DRI’s plant (“LDRI Plant”), were approximately RM588.4 million (2014: RM632.7 million).

In the previous financial year, the LDRI’s Plant, Megasteel’s plant and Secomex Manufacturing (M) Sdn Bhd’s plant (collectively “the Plant”) (excluding the 900 TPD plant) was grouped as one CGU for the purpose of assessing impairment, whereas the unutilised 900 TPD plant was treated as a separate CGU. The Plant was grouped as one CGU as these three plants are inter-dependent and the production of hot rolled coil and cold rolled coil has to be supported by the operation of these three plants.

The fair value of the Plant is determined by an independent professional valuer (“Valuer”). The Valuer has utilised the Cost Approach in valuing the assets.

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (f) Impairment of DRI plant, Megasteel plant and Secomex plant (Continued)

The Cost Approach considers the cost to replace or reproduce the Plant in accordance with current market prices of similar plants, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence to arrive at a reasonable valuation. The Cost Approach generally furnishes the most reliable indication of value of the Plant where direct market evidence is limited or unavailable.

In the previous financial year, the fair value of the Plant (excluding the 900 TPD plant) as assessed by the Valuer was higher than their carrying amounts. Hence, no impairment was required for the Plant.

The carrying amount of the unutilised 900 TPD plant was higher than its fair value determined, resulting in an impairment loss of approximately RM10.4 million in the previous year.

During the financial year, the carrying amount of the LDRI's Plant is higher than its fair value determined, resulting in an impairment loss of approximately RM20.0 million (2014: Nil). The recoverable amount of the LDRI's Plant is estimated at RM588.4 million (2014: RM632.7 million).

When assessing the impairment that may be required of the Plant, the Valuer has adopted the following significant assumptions to estimate the replacement cost of the LDRI's Plant.

Significant assumptions used by the Valuer are as follows:

Adjustments made for:

#### (i) Physical obsolescence

It represents the loss in value due to the decreased usefulness of a fixed asset as the asset's useful life expires. This can be caused by factors such as wear and tear, deterioration, physical stresses and exposure to various elements.

#### (ii) Functional obsolescence

It represents the loss in value due to the decreased usefulness of a fixed asset that is inefficient or inadequate relative to other more efficient or less costly replacement assets resulting from technological developments.

#### (iii) Economic obsolescence

It represents the loss in value due to decreased usefulness of a fixed asset caused by external factors, independent from the characteristics of the asset or how it operated. Increased cost of raw materials, labour or utilities that cannot be offset by an increase in price due to competition or limited demand; as well as change in environmental or other regulations, inflation or higher interest rates, may also suggest the presence of economic obsolescence.

### (g) Revaluation of freehold land

The revalued freehold land consist of six pieces of land all in Mukim of Tanjung Dua Belas, District Kuala Langat, State of Selangor. Management determined that these constitute one class of asset under FRS 13 Fair Value Measurement, based on the nature, characteristics and risks of the freehold land.

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (g) Revaluation of freehold land (Continued)

Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation on 31 March 2015, the properties' fair values are based on valuations performed by PPC International Sdn Bhd, an accredited independent valuer who has valuation experience for similar properties in Malaysia.

Fair value measurement disclosures for revalued freehold land are provided in Note 41.

As at 30 June 2015, if freehold land was measured using the cost model, the carrying amount would be as follows:

	<b>2015 RM'000</b>
Net carrying amount	<b>69,450</b>

### (h) Leasehold land

As at reporting date, the titles of 2 (2014: 3) pieces of leasehold land with an aggregate carrying amount of RM2.0 million (2014: RM4.4 million) are registered in the name of a related party.

## 13. INVESTMENT PROPERTIES

	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<b>Cost</b>		
At 1 July	<b>13,395</b>	13,395
Transfer from property, plant and equipment (Note 12)	<b>452</b>	–
Transfer to assets held for sale (Note 25)	<b>(1,097)</b>	–
At 30 June	<b>12,750</b>	13,395
<b>Accumulated depreciation</b>		
At 1 July	<b>2,220</b>	1,964
Charge for the year (Note 7)	<b>259</b>	256
Transfer to assets held for sale (Note 25)	<b>(160)</b>	–
At 30 June	<b>2,319</b>	2,220
<b>Net carrying amount</b>		
At 30 June	<b>10,431</b>	11,175
<b>Estimated fair value at 30 June</b>		
Office premises, factory buildings and apartments	<b>13,296</b>	12,673

### 13. INVESTMENT PROPERTIES (Continued)

Fair value for the investment properties, comprising office premises, factory buildings and apartments were computed by reference to market evidence of transaction prices for similar properties.

As at 30 June 2015, investment properties with a net book value of RM10.3 million (2014: RM8.9 million) are pledged for bank borrowings, as disclosed in Note 28. The Group has no restrictions on the realisability of its investment properties except as disclosed above.

### 14. LAND HELD FOR PROPERTY DEVELOPMENT

#### (a) Land held for property development

	Group	
	2015 RM'000	2014 RM'000
<b>Cost</b>		
At 1 July	71,299	76,290
Transferred to property development costs (Note 14(b))	(70,690)	(5,099)
Additions	13,049	162
Dilution of subsidiaries (Note 15)	(755)	—
Exchange difference	11,444	(54)
	<hr/>	<hr/>
At 30 June	24,347	71,299
	<hr/>	<hr/>

#### (b) Property development costs

	Group	
	2015 RM'000	2014 RM'000
<b>Cost</b>		
At 1 July:		
- freehold land	7,012	7,914
- leasehold land	107,662	108,078
- development cost	281,060	177,278
Cost incurred during the financial year:		
- continuing operations	101,269	82,040
- discontinued operation	38,862	51,429
Transferred from land held for property development (Note 14(a))	70,690	5,099
Transferred to property, plant and equipment (Note 12)	—	(45)
Reversal of completed projects	(12,641)	(27,547)
Unsold completed units transferred to inventories	(402)	(8,303)
Dilution of subsidiaries (Note 15)	(26,727)	—
Exchange differences	57,976	(209)
	<hr/>	<hr/>
At 30 June	624,761	395,734
	<hr/>	<hr/>

**14. LAND HELD FOR PROPERTY DEVELOPMENT** (Continued)

**(b) Property development costs** (Continued)

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cumulative costs recognised in profit or loss</b>		
At 1 July	(293,219)	(202,180)
Recognised during the financial year:		
- continuing operations	(80,278)	(62,371)
- discontinued operation	(16,799)	(56,357)
Reversal of completed projects	12,641	27,547
Exchange differences	(38,724)	142
At 30 June	(416,379)	(293,219)
<b>Property development costs as at 30 June</b>	<b>208,382</b>	<b>102,515</b>

The leasehold land under property development cost with carrying value of RM84.4 million (2014: RM72.4 million) is pledged as security for bank borrowings, as disclosed in Note 28. Included in the property development costs incurred during the financial year were interest expense capitalised of RM2.8 million (2014: RM2.4 million).

**Property development in the People's Republic of China**

Pursuant to the provision of the land use right contract and supplemental agreement signed between the Group and the Changshu City Land Resources Bureau, China ("Land Resources Bureau") in March 2008 and October 2011 respectively in relation to the 2 pieces of land located in Changshu City, Jiangsu Province, China, the development of the land is required to be completed by October 2013, failing which, the Land Resources Bureau reserves the right to impose penalty or claim back the said land.

As at the reporting date, these 2 pieces of land with a carrying amount of approximately RM12.8 million (2014: RM12.8 million) are still undeveloped due to soft property market in China. The Group has applied to the Land Resources Bureau to change the development plan but the approval has yet to be obtained.

## 15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
Quoted shares:		
- In Malaysia, at cost	–	213,472
- Less: Accumulated impairment losses	–	(208,416)
	–	5,056
Quoted warrants	–	17
Unquoted shares, at cost	622,260	952,708
Less: Accumulated impairment losses	(501,633)	(877,346)
	120,627	75,362
	120,627	80,435
Market value of:		
- Quoted shares	–	5,056
- Quoted warrants	–	17
	–	5,073

As at 30 June 2015, the unquoted shares of subsidiaries with a carrying value of RM31.7 million (2014: RM37.4 million) are pledged for bank borrowings, bonds and debts, and trade payables as disclosed in Notes 28, 29 and 33.

In August 2015, the unquoted share of a subsidiary with a carrying value of RM1 is pledged for trade payables as disclosed in Note 33.

The Company had performed impairment assessment on investment in a subsidiary by comparing the carrying amount with the recoverable amount of the investment. Therefore, a provision of impairment loss of RM45.9 million has been reversed in the statement of profit or loss during the financial year. The recoverable amount of this subsidiary is estimated at RM45.9 million.

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	100	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	100	100
LDH Trading Sdn Bhd	Malaysia	Property holding	100	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	100	100
Urban Resources Sdn Bhd	Malaysia	Property development	100	100
Megavest Sdn Bhd	Malaysia	Property development and management	100	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	100	100
Likom CMS Sdn Bhd	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	100	100
Likom Caseworks Sdn Bhd	Malaysia	Manufacturing of metal and plastic components including metal stamping, plastic injection moulding and assembly of parts and services	100	100
Parkson Pacific Pte Ltd *	Singapore	Investment holding	100	100
LDH (S) Pte Ltd *	Singapore	Investment holding	100	100
LDH Investment Pte Ltd *	Singapore	Investment holding	60 <sup>(1)</sup>	60 <sup>(1)</sup>
Lion DRI Sdn Bhd	Malaysia	Manufacturing and sale of direct reduced iron products	100	100
Well Morning Limited *	Hong Kong SAR	Investment holding	100	100
Excel Step Investments Limited	British Virgin Islands	Investment holding	100	100
Fusion Energy Sdn Bhd	Malaysia	Dormant	100	100
Lion Blast Furnace Sdn Bhd	Malaysia	Manufacturing and trading in steel products	100	100
Ara Seri Bangun Sdn Bhd	Malaysia	Dormant	100	100
Temasek Potensi Sdn Bhd	Malaysia	Investment holding	100	100
Pioneer Glory International Limited	British Virgin Islands	Investment holding	100	100
Jana Serimas Sdn Bhd	Malaysia	Dormant	100	100
Sharp Synergy Sdn Bhd	Malaysia	Dormant	100	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
Subsidiary of LDH Manufacturing Sdn Bhd				
CPB Enterprise Sdn Bhd	Malaysia	Property management	100	100
Subsidiaries of LDH Trading Sdn Bhd				
Banting Resources Sdn Bhd	Malaysia	Property investment	100	100
LDH Resources Limited	Cayman Islands	Dormant	100	100
Subsidiary of Lion Subang Parade Sdn Bhd				
LDH Management Sdn Bhd	Malaysia	Investment holding and project management	100	100
Subsidiaries of LDH Management Sdn Bhd				
Atlantic Dimension Sdn Bhd	Malaysia	Investment holding	100	100
Viroy Management Services Sdn Bhd	Malaysia	Investment holding and property management	100	100
Shanghai LDH Management Consultant Co Ltd *	People's Republic of China	Management consulting services	100	100
Subsidiary of Likom Caseworks Sdn Bhd				
Likom Caseworks USA Inc *	United States of America	Sale of enclosure for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	100	100
Subsidiary of Likom Caseworks USA Inc				
Likom de Mexico S.A. de C.V *	Mexico	Manufacturing and assembly for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	100	100



15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
Subsidiary of Lion DRI Sdn Bhd				
Limbangan Makmur Sdn Bhd	Malaysia	Provision of chartering services	100	100
Subsidiary of Well Morning Limited				
Changshu Lion Enterprise Co Ltd *	People's Republic of China	Property development	100	100
Subsidiary of Excel Step Investments Limited				
Teraju Varia Sdn Bhd	Malaysia	Investment holding	100	100
Subsidiary of Lion Blast Furnace Sdn Bhd				
LBF Enterprise (L) Limited	Malaysia	Dormant	100	100
Subsidiaries of Temasek Potensi Sdn Bhd				
Ara Aspirasi Sdn Bhd	Malaysia	Dormant	100	100
Gempower Sdn Bhd	Malaysia	Dormant	100	100
Jernih Aktif Sdn Bhd	Malaysia	Dormant	70	70
Tunas Dimensi Sdn Bhd	Malaysia	Dormant	100	100
Subsidiary of Pioneer Glory International Limited				
Fortius Resources (Cambodia) Co Limited	Cambodia	Dormant	100	100

In the previous financial year, pursuant to the adoption of FRS 10, the Group was deemed to have a de-facto control on Lion Corporation Berhad ("LCB") even though it has less than 50% of the voting rights in LCB. On 23 June 2015, being the entitlement date for the distribution of LCB Shares by way of dividend-in-specie to the shareholders of the Company as disclosed in Note 40, the Group's shareholdings in LCB was deemed to be diluted from 49.1% to 34.0% of the issued and paid-up capital of LCB. Resulting therefrom, the Group is now no longer deemed to have de-facto control on LCB.

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
LCB * <sup>(5)</sup>	Malaysia	Investment holding	34.0 <sup>(2)</sup>	49.1 <sup>(3)</sup>

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
Subsidiaries of LCB				
LCB Harta (M) Sdn Bhd *	Malaysia	Managing of debts novated from LCB and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries	–	100
Limpahjaya Sdn Bhd *	Malaysia	Investment holding	–	100
Lion Construction & Engineering Sdn Bhd *	Malaysia	Construction and civil engineering works	–	100
Lion General Trading & Marketing (S) Pte Ltd *	Singapore	General merchant	–	100
Lion Rubber Works Sdn Bhd *	Malaysia	Ceased operations	–	100
Lion Steelworks Sdn Bhd *	Malaysia	Manufacture and distribution of office equipment, security equipment and steel related products	–	100
Lion Trading & Marketing Sdn Bhd *	Malaysia	Trading and marketing of security equipment, office equipment and steel related products	–	100
LCB Harta (L) Limited *	Malaysia	Acquisition and management of USD denominated consolidated and rescheduled debts	–	100
Total Triumph Investments Limited *	British Virgin Islands	Investment holding	–	100
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *	Hong Kong SAR	Ceased operations	–	71
Lion Com Sdn Bhd *	Malaysia	Investment holding	–	100
Lyn (Pte) Ltd *	Singapore	Investment holding	–	79

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
Subsidiaries of Limpahjaya Sdn Bhd (Continued)				
Megasteel Sdn Bhd	Malaysia	Manufacturing of hot rolled coils and cold rolled coils	21.1	100 <sup>(4)</sup>
Umevest Sdn Bhd *	Malaysia	Ceased operations	–	100
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd *	Malaysia	Share registration and secretarial services	–	100
Subsidiary of Lyn (Pte) Ltd				
Logic Furniture (S) Pte Ltd *	Singapore	Ceased operations	–	100
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited	Malaysia	To issue and manage bonds pursuant to its parent company's debt financing exercise	–	100
Secomex Manufacturing (M) Sdn Bhd	Malaysia	Manufacturing and marketing of industrial gases	–	100
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd *	Malaysia	Investment holding	–	100
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd *	Malaysia	Ceased operations	–	100
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd *	Malaysia	Ceased operations	–	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
Subsidiary of Total Triumph Investments Limited				
Bright Steel Sdn Bhd *	Malaysia	Manufacturing, sale and distribution of steel and iron products	—	100
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P Industries Sdn Bhd *	Malaysia	Ceased operations	—	100
Bright Steel Service Centre Sdn Bhd *	Malaysia	Processing and selling of steel coils and sheets	—	57.1
Bright Enterprise (Sdn.) Berhad *	Malaysia	Ceased operations	—	100
Century Container Industries Sdn Bhd *	Malaysia	Ceased operations	—	100
Omali Corporation Sdn Bhd *	Malaysia	Investment holding	—	100
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd *	Malaysia	Property development	—	100

All the companies are audited by Ernst & Young Malaysia except for those marked (\*) which are audited by other auditors.

(1) 30% held by the Company and 30% held by LDH Manufacturing Sdn Bhd.

(2) As at 30 June 2015, the Group hold in total of approximately 34.0% equity interest in LCB, via the Company (6.9%), Graimpi (9.6%), Lion DRI (17.4%), LDH (S) Pte Ltd (0.1%), LDH Management Sdn Bhd (0.01%) and Teraju Varia Sdn Bhd (negligible).

(3) As at 30 June 2014, the Group held in total of approximately 49.1% equity interest in LCB, via the Company (6.8%), Graimpi (24.8%), Lion DRI (17.4%), LDH (S) Pte Ltd (0.1%), LDH Management Sdn Bhd (0.01%) and Teraju Varia Sdn Bhd (negligible).

(4) 78.9% held by Limpahjaya Sdn Bhd and 21.1% held by the Company.

(5) Listed on the Main Market of Bursa Malaysia Securities Berhad.

# 15. INVESTMENTS IN SUBSIDIARIES (Continued)

## Dilution of subsidiaries

As disclosed in Note 40, in respect of the financial year ended 30 June 2015, a total of 198,873,071 ordinary shares of RM1.00 each in LCB ("LCB Shares") were distributed by way of dividend-in-specie to the shareholders of the Company on 30 June 2015, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded. As a result, the Group's shareholdings in LCB had been reduced from 49.1% to 34.0%.

The dilution had the following effects on the Group for the financial year:

## Statement of financial position

	<b>2015 Group As at date of dilution RM'000</b>
Property, plant and equipment (Note 12)	2,238,972
Land held for property development (Note 14)	755
Investments in associates	22,959
Investment securities	567
Held-to-maturity investment - unquoted ACB bond (Note 18(a))	20,418
Deferred tax assets (Note 20)	811,766
Property development cost (Note 14)	26,727
Inventories	290,210
Trade and other receivables	89,458
Less: Allowance for impairment - trade (Note 22)	(11,821)
Less: Allowance for impairment - other receivables (Note 22)	(6,373)
Cash and bank balances	133,370
	<hr/> 3,617,008 <hr/>
Loans and borrowings	1,678,444
Redeemable convertible secured loan stocks (Note 28(b))	278,358
Deferred tax liabilities (Note 20)	404,696
Deferred liabilities	272,307
Defined benefit plan - Unfunded (Note 32(a))	3,151
Trade and other payables	1,382,553
Product financing liabilities	124,450
	<hr/> 4,143,959 <hr/>
Net liabilities	(526,951)
Add: Reserves (Note 27)	(100,933)
Less: Non-controlling interests	392,878
	<hr/>
Gain on dilution of subsidiaries	(235,006)
	<hr/>
Cash and bank balances of the LCB Group, representing cash outflow to the Group on dilution	(133,370)
	<hr/>

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Dilution of subsidiaries (Continued)

Statement of profit or loss

The results of the LCB Group were as follows:

	2015			2014		
	Pre-allocation up to 23 June RM'000	Allocation RM'000	After allocation RM'000	Pre-allocation RM'000	Allocation RM'000	After allocation RM'000
Revenue	2,047,474	(949,829)	1,097,645	2,481,954	(952,989)	1,528,965
Other income	22,362	774	23,136	32,398	(31,097)	1,301
Changes in inventories	(205,039)	–	(205,039)	(43,381)	–	(43,381)
Raw materials and consumables used	(1,443,835)	949,830	(494,005)	(1,938,490)	958,244	(980,246)
Property development expenditure	(16,799)	–	(16,799)	(59,425)	3,068	(56,357)
Employee benefits expense	(90,196)	–	(90,196)	(88,675)	–	(88,675)
Depreciation and amortisation	(139,786)	14,666	(125,120)	(143,807)	15,263	(128,544)
Inventories written down/written off (net)	(26,627)	–	(26,627)	(33,824)	–	(33,824)
Other expenses	(471,609)	(2,535)	(474,144)	(415,657)	(1,807)	(417,464)
(Loss)/Profit from operations	(324,055)	12,906	(311,149)	(208,907)	(9,318)	(218,225)
Finance costs	(261,940)	45,567	(216,373)	(242,878)	31,492	(211,386)
Impairment losses on:						
- Plant and equipment	(5,915)	–	(5,915)	(10,419)	–	(10,419)
- Goodwill	–	–	–	(188,978)	188,978	–
- Investment securities	(2,264)	–	(2,264)	(30)	–	(30)
- Receivables from subsidiaries (elimination)	–	50,000	50,000	–	231,852	231,852
Share of results of associates	(38,537)	86	(38,451)	2,086	86	2,172
Gain on dilution/disposal of subsidiaries	–	235,006	235,006	23,275	(496)	22,779
(Loss)/Profit before tax from discontinued operation	(632,711)	343,565	(289,146)	(625,851)	442,594	(183,257)
Taxation:						
- Income tax	(14,759)	–	(14,759)	(11,212)	–	(11,212)
- Deferred tax	3,467	(3,721)	(254)	38,229	(3,721)	34,508
(Loss)/Profit from discontinued operation, net of tax	(644,003)	339,844	(304,159)	(598,834)	438,873	(159,961)

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Dilution of subsidiaries (Continued)

**Loss before tax**

Loss before tax is stated after charging/(crediting):

	<b>Discontinued operation</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Auditors' remuneration	464	472
Directors' remuneration	893	969
Depreciation of property, plant and equipment	125,379	128,544
Write off of plant and equipment	2	628
Impairment loss on trade and other receivables	3,063	—
Reversal of impairment loss on trade and other receivables	(1,537)	—
Impairment loss on property, plant and equipment	5,915	10,419
Foreign exchange loss/(gain):		
- Realised	(1,290)	13,800
- Unrealised	71,247	(7,425)
Rental expenses:		
- Plant, machinery and equipment	—	77
- Premises	1,502	1,618
Gain on disposal of property, plant and equipment	(81)	(17)

Disposal of a subsidiary

In the previous financial year, the Group disposed of its entire 100% equity interest in Lion Plate Mills Sdn Bhd for a cash consideration of RM33.0 million.

The disposal had the following effects on the financial position of the Group in the previous financial year:

	<b>2014 Group As at date of disposal RM'000</b>
Non-current assets classified as held for sale (Note 25)	10,100
Trade and other receivables	872
Tax recoverable	35
Cash and bank balances	4
Trade and other payables	(910)
Net assets disposed	10,101
Total disposal proceeds	33,000
Gain on disposal to the Group	22,899
Cash inflow arising on disposal:	
Cash consideration	33,000
Cash and bank balances of subsidiary disposed	(4)
	32,996

**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

Deconsolidation of subsidiary

In the previous financial year, the Company deconsolidated a wholly-owned subsidiary, Parkson Management Pte Ltd, which was dissolved on 6 September 2013.

The deconsolidation of Parkson Management Pte Ltd has no material effect to the Group's financial results, financial position and cash flows.

Impairment made during the financial year

During the financial year, the Company had made an impairment loss of RM0.7 million (2014: RM170.6 million) on its investments in subsidiaries as the carrying amounts exceeded the estimated recoverable amounts. The recoverable amount in respect of these subsidiaries is estimated at RM Nil (2014: RM73.5 million).

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<b>LCB</b>		
Carrying amount of non-controlling interests	–	(209,762)
Loss allocated to non-controlling interests	<b>(183,116)</b>	(154,183)

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	<b>2015 RM'000</b>	<b>LCB 2014 RM'000</b>
<b>Summarised statement of profit or loss:</b>		
Revenue	<b>2,047,474</b>	2,481,954
Loss for the year	<b>(644,003)</b>	(598,834)
Loss attributable to:		
- Owners of LCB	<b>(512,937)</b>	(507,071)
- Non-controlling interests of LCB	<b>(131,066)</b>	(91,763)



**15. INVESTMENTS IN SUBSIDIARIES (Continued)**

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations. (Continued)

	<b>LCB</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<b>Summarised statement of financial position:</b>		
Non-current assets	–	2,797,217
Current assets	–	1,042,891
Total assets	–	3,840,108
Non-current liabilities	–	(1,222,615)
Current liabilities	–	(3,035,974)
Total liabilities	–	(4,258,589)
Net liabilities	–	(418,481)
Equity attributable to owners of LCB	–	(286,066)
Non-controlling interests of LCB	–	(132,415)
<b>Summarised cash flows information:</b>		
Net cash generated from operating activities	<b>52,836</b>	71,425
Net cash generated from investing activities	<b>917</b>	40,759
Net cash used in financing activities	<b>(105,016)</b>	(87,191)
Net (decrease)/increase in cash and cash equivalents	<b>(51,263)</b>	24,993

# 16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Quoted shares in Malaysia, at cost	20,144	–	216,560	–
Less: Accumulated impairment losses	(15,861)	–	(216,560)	–
Share of post-acquisition reserves	(4,283)	–	–	–
	–	–	–	–
Quoted shares outside Malaysia, at cost	–	95,994	–	–
Less: Accumulated impairment losses	–	(52,005)	–	–
Share of post-acquisition reserves	–	8,211	–	–
	–	52,200	–	–
Unquoted shares, at cost:				
- In Malaysia	324,463	844,801	324,463	–
- Outside Malaysia	–	5,078	–	–
Less: Accumulated impairment losses	(324,463)	(447,512)	(324,463)	–
Share of post-acquisition reserves	–	(400,722)	–	–
	–	1,645	–	–
	–	53,845	–	–
Market value of quoted shares:				
- In Malaysia	20,144	–	4,109	–
- Outside Malaysia	–	49,651	–	–

The Group's share of losses of certain associates has been recognised to the extent of the carrying amount of the investments. The cumulative unrecognised share of these losses amounted to RM2.5 million (2014: RM502.5 million) and current year's unrecognised share of losses amounted to RM2.5 million (2014: RM227.2 million).

16. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Country of incorporation	Principal activities	Equity interest	
			2015 %	2014 %
<b>Held by the Company:</b>				
LCB * <sup>(3)</sup>	Malaysia	Investment holding	<b>6.9</b> <sup>(1)</sup>	–
Megasteel Sdn Bhd	Malaysia	Manufacturing of hot rolled coils and cold rolled coils	<b>21.1</b>	–
<b>Held through subsidiaries:</b>				
LCB * <sup>(3)</sup>	Malaysia	Investment holding	<b>27.1</b> <sup>(1)</sup>	–
ACB Resources Berhad *	Malaysia	Investment holding	– <sup>(2)</sup>	47.7
Lion Plantations Sdn Bhd *	Malaysia	Investment holding	– <sup>(2)</sup>	30.0
Lion Insurance Company Limited *	Malaysia	Captive insurance business	– <sup>(2)</sup>	40.9
Lion Asiapac Limited (“LAP”) *	Singapore	Investment holding	– <sup>(2)</sup>	30.0
Inner Mongolia Leadar Parkson Plaza Co Ltd *	People’s Republic of China	Ceased operations	–	25.0

\* All the companies are audited by firms other than Ernst & Young.

<sup>(1)</sup> As at 30 June 2015, the Group holds in total of approximately 34.0% equity interest in LCB, via the Company (6.9%), Graimpi (9.6%), Lion DRI (17.4%), LDH (S) Pte Ltd (0.1%), LDH Management Sdn Bhd (0.01%) and Teraju Varia Sdn Bhd (negligible).

<sup>(2)</sup> As at 30 June 2015, the Group did not have control over ACB Resources Berhad, Lion Plantations Sdn Bhd, Lion Insurance Company Limited and LAP in view that the Group has deconsolidated LCB and accounted the equity interest in LCB as an associate.

<sup>(3)</sup> Listed on the Main Market of Bursa Malaysia Securities Berhad.

**16. INVESTMENTS IN ASSOCIATES (Continued)**

Summarised financial information of the Group's material associate is set out below. The summarised financial information represents the amounts in the FRS financial statements of the material associate and not the Group's share of those amounts:

	<b>LCB</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
(i) Summarised statement of financial position:		
Current assets	<b>582,618</b>	—
Non-current assets	<b>2,631,531</b>	—
Total assets	<b>3,214,149</b>	—
Current liabilities	<b>(2,831,800)</b>	—
Non-current liabilities	<b>(1,446,330)</b>	—
Total liabilities	<b>(4,278,130)</b>	—
Net liabilities	<b>(1,063,981)</b>	—
(ii) Summarised statement of profit or loss		
Revenue	<b>40,034</b>	—
Loss for the period	<b>(12,593)</b>	—
(iii) Group's share of net assets, representing carrying amount of the Group's interest in the associate	—	—
(iv) Group's share of results of the associate	<b>(4,283)</b>	—

**Impairment of LCB**

In view that the LCB Shares are thinly traded, the Group has fully impaired its investments in LCB as Management is of the opinion that the fair value less cost to sell is not a representative of the recoverable amount and there will be no further inflow of cash to be derived from this investment.

**16. INVESTMENTS IN ASSOCIATES** (Continued)

	<b>LAP</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
(i) Summarised statement of financial position		
Current assets	–	264,558
Non-current assets	–	63,316
Total assets	–	327,874
Current liabilities	–	(10,406)
Non-current liabilities	–	(8,629)
Total liabilities	–	(19,035)
Net assets	–	308,839
(ii) Summarised statement of profit or loss		
Revenue	<b>83,596</b>	84,454
(Loss)/Profit for the year	<b>(128,007)</b>	4,713
(iii) Group's share of net assets, representing carrying amount of the Group's interest in the associate (before impairment)	–	92,652
(iv) Group's share of results of the associate	<b>(37,481)</b>	1,414

Aggregate information of associates that are not material:

	<b>Group</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
The Group's share of profit before tax	<b>762</b>	767
The Group's share of profit after tax	<b>754</b>	758
The Group's share of total comprehensive income	<b>754</b>	758

The associates had no other contingent liabilities as at 30 June 2015, other than as disclosed in Note 38.

## 17. INVESTMENTS IN JOINT VENTURES

	Group	
	2015 RM'000	2014 RM'000
Unquoted ordinary shares, at cost	88	88
Share of post-acquisition results	24,815	23,938
	<b>24,903</b>	<b>24,026</b>

Details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2015 %	2014 %
Panareno Sdn Bhd ("Panareno")	Malaysia	Property development and property investment	35	35
North Plaza Sdn Bhd ("North Plaza") (Dissolved on 10.6.2015)	Malaysia	Dormant	–	42.5

All companies are audited by firms other than Ernst & Young.

Summarised financial information of material joint venture is set out below. The summarised financial information represents the amounts in the FRS financial statements of the material joint venture and not the Group's share of those amounts:

	Panareno	
	2015 RM'000	2014 RM'000
(i) Summarised statements of financial position		
Non-current asset	1	2
Current assets	87,003	86,653
Total assets	<b>87,004</b>	<b>86,655</b>
Current liabilities	(15,855)	(17,752)
Total liabilities	<b>(15,855)</b>	<b>(17,752)</b>
Net assets	<b>71,149</b>	<b>68,903</b>

## 17. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint venture is set out below. The summarised financial information represents the amounts in the FRS financial statements of the material joint venture and not the Group's share of those amounts: (Continued)

	<b>Panareno</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
(ii) Summarised statements of profit or loss		
Revenue	<b>11,120</b>	44,321
Profit for the year	<b>2,246</b>	9,372
(iii) Group's share of net assets, representing carrying amount of the Group's interest in joint venture	<b>24,903</b>	24,116
(iv) Group's share of results of joint venture	<b>786</b>	3,280

Aggregate information of joint venture that is not material:

	<b>North Plaza</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
The Group's share of loss before tax	–	(5)
The Group's share of loss after tax	–	(5)
The Group's share of total comprehensive loss	–	(5)

The joint venture had no other contingent liabilities as at 30 June 2015 and 30 June 2014, other than as disclosed in Note 38.

## 18. INVESTMENT SECURITIES

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>				
<i>Held-to-maturity investments</i>				
Unquoted:				
- Shares in Malaysia <sup>(b)</sup>	<b>49</b>	35	–	–
<i>Available-for-sale financial assets</i>				
Quoted:				
- Shares in Malaysia	<b>90,995</b>	24,806	<b>7,565</b>	13,832
- Shares outside Malaysia	<b>120</b>	122	<b>120</b>	122
	<b>91,115</b>	24,928	<b>7,685</b>	13,954
Unquoted:				
- Shares in Malaysia <sup>(c)</sup>	–	88	–	–
Total non-current investment securities	<b>91,164</b>	25,051	<b>7,685</b>	13,954

18. INVESTMENT SECURITIES (Continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Current</b>				
<i>Available-for-sale financial assets</i>				
Cash management funds <sup>(d)</sup>	4,004	4,012	–	–
Quoted:				
- Shares in Malaysia	–	109,857	–	–
<i>Held-to-maturity investments</i>				
Unquoted ACB Bonds <sup>(a)</sup> :				
- Cost	8,585	56,944	8,585	9,587
- Impairment	(8,585)	(33,745)	(8,585)	(9,587)
	–	23,199	–	–
Total current investment securities	4,004	137,068	–	–
Total investment securities	95,168	162,119	7,685	13,954
Consists of the following:				
Investments in:				
- Related party entities	91,044	157,985	7,565	13,832
- Others	4,124	4,134	120	122
	95,168	162,119	7,685	13,954
Market value of quoted shares:				
- In Malaysia	90,995	134,663	7,565	13,832
- Outside Malaysia	120	122	120	122

The Group's investments in quoted shares in Malaysia with carrying amounts of RM12.9 million (2014: RM23.5 million) are pledged as security for the banking facilities extended to the Group, as disclosed in Note 28.

The Group's investments in quoted shares in Malaysia with carrying amounts of RM77.9 million (2014: RM109.9 million) are pledged as security for the Exchangeable Bonds, as disclosed in Note 28.

(a) Held-to-maturity investment - unquoted ACB Bonds

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 July	23,199	28,297	–	–
Accreted interest	1,136	967	–	–
Redemption during the year	(6,740)	(7,697)	(1,002)	(1,325)
Impairment loss	(2,264)	–	–	–
Reversal of impairment loss (Note 5)	1,002	1,325	1,002	1,325
Dilution of subsidiaries (Note 15)	(20,418)	–	–	–
Exchange difference	4,085	307	–	–
At 30 June	–	23,199	–	–
Receivable within one year	–	(23,199)	–	–
Receivable more than one year	–	–	–	–



**18. INVESTMENT SECURITIES (Continued)**

**(a) Held-to-maturity investment - unquoted ACB Bonds (Continued)**

The ACB Bonds represent consolidated and rescheduled USD debts issued by Amsteel Harta (L) Limited ("ACB SPV") acquired by the Group, from its holder in prior years. The ACB Bonds constitute a direct, unsubordinated and secured obligations of the ACB SPV and is charged as security for the bonds, debts and RCSLS issued by LCB.

The salient terms of the ACB Bonds are as follows:

(i) Maturity of the ACB Bonds:

Class	Nominal Value USD'000	Net Present Value USD'000	Maturity Date	Cash Yield-To-Maturity (per annum)
B	16,315	14,665	31.12.2014	3.25%
C	6,949	6,318	31.12.2011	4.00%
	<u>23,264</u>	<u>20,983</u>		

The ACB Bonds are receivable annually on 31 December of each calendar year and are subject to late payment charges of 1% per annum above the cash yield-to-maturity; and

- (ii) The ACB Bonds are secured by assets included in the proposed divestment programme for ACB Resources Berhad ("ACB") and its subsidiaries ("ACB Group"), certain assets and investments, and such other securities provided and as may be provided from time to time by the ACB Group to the Security Trustee for the benefit of, *inter alia*, the holders of the ACB Bonds.

The unquoted bonds, bear a yield to maturity which ranges from 4.0% to 4.75% (2014: 4.0% to 4.75%) per annum. The unquoted bonds has been fully impaired by the Company in the previous financial years and no interest is recognised in the comprehensive income.

**(b) Held-to-maturity investment - unquoted shares**

	Group	
	2015 RM'000	2014 RM'000
Unquoted shares in Malaysia, at cost	15	—
Unquoted preference shares in Malaysia, at cost	38	38
Less: Amortisation of premium	(4)	(3)
	<u>49</u>	<u>35</u>

The above represent the amortisation of premium for two preference shares of RM1,000 each which are redeemable at least six months before 5 December 2090 at a redemption price of RM1,000 per share.

**18. INVESTMENT SECURITIES** (Continued)

(c) Available-for-sale financial assets - unquoted shares

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares in Malaysia, at cost	–	393
Less: Accumulated impairment losses	–	(305)
	<u>–</u>	<u>88</u>

(d) Cash management funds

The range of interest rates of cash management funds at the reporting date were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash management funds	<u>2.9 - 3.6</u>	<u>2.6 - 3.1</u>	<u>–</u>	<u>–</u>

**19. INTANGIBLE ASSETS**

	<b>Goodwill on Consolidation</b>	<b>Purchased Goodwill</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>			
<b>Cost</b>			
At 1 July 2013/2014 and 30 June 2014/2015	<u>14,662</u>	<u>18,814</u>	<u>33,476</u>
<b>Accumulated impairment</b>			
At 1 July 2013/2014 and 30 June 2014/2015	<u>(14,662)</u>	<u>(8,330)</u>	<u>(22,992)</u>
<b>Net carrying amount</b>			
At 30 June 2014/2015	<u>–</u>	<u>10,484</u>	<u>10,484</u>

**Impairment tests for goodwill**

Goodwill has been allocated to the Group's CGU identified according to the country of operation and business segment as follows:

	<b>Total</b>
	<b>RM'000</b>
<b>Malaysia</b>	
Contract manufacturing services	
At 30 June 2014/2015	<u>10,484</u>

## 19. INTANGIBLE ASSETS (Continued)

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flows projections from financial budgets approved by Management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections and the forecast growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	Group	
	2015	2014
Revenue growth rates	15%	15%
Pre-tax discount rates	13%	13%

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

- (i) Budgeted gross margins and revenue growth rates - Management determines budgeted gross margin based on performance achieved in the past five years and its expectations on market development.
- (ii) Pre-tax discount rates - Discount rates reflect Management's estimate of the risks specific to these entities. In determining appropriate discount rates for each units, consideration has been given to applicable weighted average cost of capital for each unit.

### Sensitivity to changes in assumptions

With regards to the assessment of value-in-use of the respective CGU, Management believes that no reasonably possible changes in any of the key assumption would cause the carrying value of these CGUs to differ materially from recoverable amounts except for the changes in the prevailing operating environment, the impact of which is not ascertainable.

## 20. DEFERRED TAX

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 July	292,394	255,046	—	1,545
Recognised in profit or loss	(541)	37,328	—	(1,545)
Recognised in OCI (Note 9)	(13,938)	—	—	—
Dilution of subsidiaries (Note 15)	(407,070)	—	—	—
Exchange differences	(1,707)	20	—	—
At 30 June	(130,862)	292,394	—	—

### Presented after appropriate offsetting as follows:

Deferred tax assets	847	418,082	—	—
Deferred tax liabilities	(131,709)	(125,688)	—	—
	(130,862)	292,394	—	—

## 20. DEFERRED TAX (Continued)

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

### Deferred tax assets of the Group:

	Provisions RM'000	Unused tax losses RM'000	Unabsorbed capital allowances RM'000	Other payables and accruals RM'000	ICULS RM'000	Total RM'000
At 1 July 2014	894	81,260	714,771	15,849	–	812,774
Recognised in profit or loss	111	(114)	–	–	–	(3)
Dilution of subsidiaries (Note 15)	–	(81,146)	(714,771)	(15,849)	–	(811,766)
Exchange differences	(158)	–	–	–	–	(158)
At 30 June 2015	847	–	–	–	–	847
At 1 July 2013	588	100,899	709,066	11,068	1,545	823,166
Recognised in profit or loss	297	(19,639)	5,705	4,781	(1,545)	(10,401)
Exchange differences	9	–	–	–	–	9
	894	81,260	714,771	15,849	–	812,774
Offsetting						(394,692)
At 30 June 2014 (after offsetting)						418,082

### Deferred tax liabilities of the Group:

	RCSLS RM'000	Property, plant and equipment RM'000	Unrealised foreign exchange gains RM'000	Others RM'000	Total RM'000
At 1 July 2014	(836)	(504,411)	(15,133)	–	(520,380)
Recognised in profit or loss	734	601	(105)	(1,768)	(538)
Recognised in other comprehensive income	–	(13,938)	–	–	(13,938)
Dilution of subsidiaries (Note 15)	102	387,588	15,238	1,768	404,696
Exchange differences	–	(1,549)	–	–	(1,549)
At 30 June 2015	–	(131,709)	–	–	(131,709)
At 1 July 2013	(1,963)	(553,575)	(12,582)	–	(568,120)
Recognised in profit or loss	1,127	49,153	(2,551)	–	47,729
Exchange differences	–	11	–	–	11
	(836)	(504,411)	(15,133)	–	(520,380)
Offsetting					394,692
At 30 June 2014 (after offsetting)					(125,688)

**20. DEFERRED TAX (Continued)**

**Deferred tax assets of the Company:**

	<b>ICULS RM'000</b>
At 1 July 2013	1,545
Recognised in profit or loss	(1,545)
At 30 June 2014	—

The following are unrecognised deferred tax benefits:

	<b>2015 RM'000</b>	<b>Group 2014 RM'000</b>
Unused tax losses *	<b>151,909</b>	1,045,843
Unabsorbed capital allowances *	<b>4,166</b>	129,528
Unutilised reinvestment allowances *	—	42,471
Others	—	3,131
	<b>156,075</b>	1,220,973

\* The unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances have been restated upon the finalisation of prior year's tax computation.

Deferred tax assets have not been recognised in respect of the unused tax losses and unabsorbed capital allowances as it is not probable that taxable profit will be available against which the unused tax losses and unabsorbed capital allowances can be utilised, considering that the relevant subsidiaries have been incurring losses and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Section 44(5A) and Paragraph 75A of Schedule 3 of the Malaysian Income Tax Act 1967 ("MITA") which became effective in year of assessment 2006 restricts the utilisation of unabsorbed business losses and capital allowances where there is a substantial change in the ordinary shareholder of a company. The test for determining whether there is a substantial change in shareholders is carried out by comparing the shareholders on the last day of the basis period in which the unused tax losses and unabsorbed capital allowances were ascertained with those on the first day of the basis period in which the unused tax losses and unabsorbed capital allowances are to be utilised.

Pursuant to guidelines issued by the Malaysian tax authority in 2008, the Ministry of Finance has exempted all companies from the provisions of Section 44(5A) and Paragraph 75A of Schedule 3 of the MITA except for dormant companies. Therefore, all active subsidiaries are allowed to carry forward their unabsorbed business losses and capital allowances.

## 21. INVENTORIES

	Group	
	2015 RM'000	2014 RM'000
<b>Cost</b>		
Properties held for sale	200	9,707
Raw materials	181,515	303,668
Work-in-progress	821	2,544
Finished goods	6,922	24,819
Spares, supplies and consumables	28,503	143,652
	<b>217,961</b>	<b>484,390</b>
<b>Net realisable value</b>		
Raw materials	–	4,849
Work-in-progress	–	4,883
Finished goods	1,498	336,737
Spares, supplies and consumables	–	2,933
	<b>1,498</b>	<b>349,402</b>
<b>Total</b>	<b>219,459</b>	<b>833,792</b>

The inventories in relation to the product financing liabilities as disclosed in Note 35, where titles are with other parties are as follows:

	Group	
	2015 RM'000	2014 RM'000
<b>Raw materials:</b>		
- with related parties	–	60,278
- with third parties	127,878	112,536
	<b>127,878</b>	<b>172,814</b>
<b>Finished goods:</b>		
- with related parties	–	134,366
- with third parties	–	121,034
	–	255,400
<b>Total</b>	<b>127,878</b>	<b>428,214</b>

The product financing liabilities with related parties have been entered in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

As disclosed in Note 28, inventories of certain subsidiaries of RM73.7 million (2014: RM274.8 million) are pledged for bank borrowings. During the financial year, RM1,634.5 million (2014: RM1,985.1 million) was recognised as an expense.

## 22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Current</b>				
Trade receivables <sup>(a)</sup> :				
- Third parties	33,543	173,884	—	—
- Related parties	660,556	—	—	—
Allowance for impairment	(326,988)	(14,459)	—	—
	<b>367,111</b>	<b>159,425</b>	<b>—</b>	<b>—</b>
Other receivables:				
Amounts owing by subsidiaries <sup>(b)</sup>	—	—	1,499,244	1,434,798
Sundry receivables <sup>(c)</sup>	13,643	38,745	—	—
Deposits	10,156	9,459	3	3
Prepayments	33,046	55,021	12	21
Amounts owing by related parties <sup>(d)</sup>	1,356	3,436	389	389
Amounts owing by joint ventures <sup>(e)</sup>	51	81	—	—
	<b>58,252</b>	<b>106,742</b>	<b>1,499,648</b>	<b>1,435,211</b>
Less: Allowance for impairment:				
- Sundry receivables	(3,961)	(7,917)	—	—
- Amounts owing by subsidiaries	—	—	(744,247)	(716,472)
- Amounts owing by related parties	(345)	(345)	(345)	(345)
	<b>(4,306)</b>	<b>(8,262)</b>	<b>(744,592)</b>	<b>(716,817)</b>
	<b>53,946</b>	<b>98,480</b>	<b>755,056</b>	<b>718,394</b>
Total trade and other receivables	<b>421,057</b>	<b>257,905</b>	<b>755,056</b>	<b>718,394</b>

### (a) Trade receivables

The Group has a significant concentration of credit risk in the form of trade receivable due from Megasteel constituting approximately 91% of the total trade receivables balances as at the reporting date. As at the reporting date, the amount due from Megasteel amounted to RM313.9 million (2014: RM224.0 million) net of allowance for impairment losses of RM325.4 million.

In considering the amount of allowance for impairment loss on the debt due from Megasteel, the Directors have assumed that Megasteel will successfully implement its turnaround plans as disclosed in Note 2.1.

The Directors have a reasonable expectation that Megasteel will successfully implement its turnaround plans. Up to the date of this report, Megasteel has repaid approximately RM98.7 million to the Group. As such, the Directors are of the opinion that the amount outstanding from Megasteel is recoverable. However, as disclosed in Note 28, should Megasteel default on its borrowings, this will indicate that significant uncertainty exists over the recoverability of the balance of the amount due from Megasteel.

Except for the amount due from Megasteel, the Group has no other significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

## 22. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables (Continued)

#### Aging analysis of trade receivables

The aging analysis of the Group's trade receivables is as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Neither past due nor impaired	<b>23,939</b>	139,460
1 to 30 days past due but not impaired	<b>86,721</b>	9,591
31 to 60 days past due but not impaired	<b>102,240</b>	2,546
61 to 90 days past due but not impaired	<b>95,428</b>	3,985
91 to 180 days past due but not impaired	<b>37,154</b>	338
More than 181 days past due but not impaired	<b>21,629</b>	3,505
Past due but not impaired	<b>343,172</b>	19,965
Impaired	<b>367,111</b>	159,425
	<b>326,989</b>	14,459
	<b>694,100</b>	173,884

#### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been re-negotiated during the financial year.

#### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM343.2 million (2014: RM20.0 million) that are past due but not impaired as at the reporting date. None of the trade receivables have been re-negotiated during the financial year.

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	<b>Group</b>	
	<b>Individually impaired</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables - nominal amounts	<b>326,989</b>	14,459
Less: Allowance for impairment	<b>(326,989)</b>	(14,459)
	<b>-</b>	-



## 22. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables (Continued)

Movement in allowance accounts are as follows:

	Group	
	2015 RM'000	2014 RM'000
At 1 July	14,459	14,470
Charge for the year	646	82
Reversal of impairment loss	(1,715)	(80)
Written off	–	(14)
Amount due from associates, previously consolidated	325,389	–
Dilution of subsidiaries (Note 15)	(11,821)	–
Exchange differences	31	1
At 30 June	<b>326,989</b>	<b>14,459</b>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

As at 30 June 2015, allowance for impairment in respect of debts due from Megasteel amounted to RM325.4 million (2014: RM Nil).

### (b) Amounts owing by subsidiaries

The amounts owing by subsidiaries are unsecured, interest free and have no fixed terms of repayment.

During the financial year, the Company made an allowance for impairment loss on the amount owing by subsidiaries amounted to RM27.8 million (2014: RM538.5 million).

The recoverability of amounts due from certain subsidiaries to the Company totalling RM464.7 million (2014: RM464.7 million) is closely related to the recovery of debts due from Megasteel. In the event Megasteel is not able to repay its debts to the Group, significant uncertainty exists over the recoverability of the amounts due from these subsidiaries.

In August 2015, the amount owing by a subsidiary amounted to RM216.7 million is pledged for trade payables as disclosed in Note 33.

### (c) Sundry receivables

Included in sundry receivables are dividend receivable from investments securities of RM2.2 million (2014: RM7.5 million) which are held by the trustees on behalf of the holders of the Exchangeable Bonds.

### (d) Amounts owing by related parties

The amounts owing by related parties are unsecured, interest free and have no fixed terms of repayment. Related parties refer to companies in which certain Directors and substantial shareholders of the Company are directors and/or substantial shareholders.

### (e) Amounts owing by joint ventures

The amounts owing by joint ventures represent shareholders' advance made pursuant to the Joint Venture Agreement. The amounts are unsecured, interest free and have no fixed terms of repayment.

As disclosed in Note 28, trade and other receivables of certain subsidiaries of RM326.8 million (2014: RM261.5 million) are pledged for bank borrowings.

Further details on related party transactions are disclosed in Note 39.

## 22. TRADE AND OTHER RECEIVABLES (Continued)

Movement in allowance accounts (other receivables) are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 July	8,262	7,762	716,817	178,325
Charge for the year	2,417	500	27,775	538,492
Dilution of subsidiaries (Note 15)	(6,373)	–	–	–
At 30 June	<u>4,306</u>	<u>8,262</u>	<u>744,592</u>	<u>716,817</u>

## 23. DERIVATIVE ASSETS

	Group		2014	
	2015		2014	
	Contract/ Notional Amount RM'000	Assets RM'000	Contract/ Notional Amount RM'000	Assets RM'000
<b>Non-hedging derivative:</b>				
Forward currency contracts	–	–	7,147	92

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts were used to manage the foreign currency exposures arising from its receivables denominated in USD which existed at the reporting date, extending to May 2015.

## 24. CASH AND BANK BALANCES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and bank balances:				
Cash at banks and on hand	65,059	174,254	1,143	405
Deposits with licensed banks	246,604	291,503	8,437	7,170
Total cash and bank balances	<u>311,663</u>	<u>465,757</u>	<u>9,580</u>	<u>7,575</u>
Less: Bank overdrafts (Note 28)	(85,421)	(77,132)	(85,421)	(61,786)
Deposits with licensed banks with maturity of more than three months	(6,940)	(6,778)	–	–
Deposits pledged for financial institution	(1,968)	(1,582)	–	–
Cash and cash equivalents	<u>217,334</u>	<u>380,265</u>	<u>(75,841)</u>	<u>(54,211)</u>

## 24. CASH AND BANK BALANCES (Continued)

The cash and bank balances of the subsidiaries in the PRC amounting to RM260.1 million (2014: RM239.5 million) at the reporting date are subject to the exchange control restrictions of that country and are restricted to be used in the PRC for the subsidiaries' operations. These balances are available for use by those subsidiaries and the exchange control restrictions will only apply if the monies are to be remitted to countries outside the PRC.

Included in cash at banks is an Escrow Account of RM1.9 million (2014: RM1.6 million) maintained by a subsidiary which is pledged to the Murabahah Islamic Instrument as detailed in Note 28.

Cash and bank balances pledged with financial institutions for banking facilities extended to the Group, are as detailed below:

- (i) deposits with licensed banks of the Group and of the Company of RM139.8 million (2014: RM80.4 million) and RM8.4 million (2014: RM7.2 million) respectively, are pledged for banking facilities granted to the Group as disclosed in Note 28; and
- (ii) cash and bank balances of the Group amounting to RM Nil (2014: RM11.8 million) are secured by way of a floating charge for borrowings as disclosed in Note 28.

The following cash and bank balances were maintained in the name of a third party accounts to facilitate certain property development projects undertaken by the Group. Control over these balances were with the Group's management:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank balances	–	103,703
Deposits with financial institutions	–	17,862
	<u>–</u>	<u>121,565</u>

In the previous financial year, the third party has provided a confirmation that all beneficial rights over these bank balances rest with a subsidiary of the Group.

Included in bank balances of the Group is an amount of RM Nil (2014: RM103.3 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore, restricted from use for other operations.

The range of interest rates of deposits at the reporting date are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Licensed banks	<u><b>0.1 - 3.1</b></u>	<u>0.1 - 3.1</u>	<u><b>1.5 - 2.9</b></u>	<u>0.2 - 2.9</u>

Deposits of the Group and of the Company have maturity days range from 1 to 364 days (2014: 1 to 364 days).

## 25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2015 RM'000	2014 RM'000
At 1 July	–	9,833
Transfer from property, plant and equipment (Note 12)	28,544	–
Transfer from investment properties (Note 13)	937	–
Addition	–	267
Disposal (Note 15)	–	(10,100)
At 30 June	29,481	–

As at 30 June 2015, the Group intends to dispose of land and buildings located at Cheng Industrial Park, Melaka and Daerah Kuala Langat, Negeri Selangor. No impairment loss was recognised on reclassification of the properties as the Directors expected the fair value (estimated based on the letters of offer received) less costs to sell to be higher than the carrying amounts.

As at reporting date, the title of a leasehold land with a carrying amount of RM2.2 million (2014: RM Nil) is registered in the name of a related party.

## 26. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2015	2014	2015 RM'000	2014 RM'000
<b>Authorised:</b>				
At 1 July/30 June	9,000,000	9,000,000	4,500,000	4,500,000
<b>Issued and fully paid:</b>				
At 1 July	1,392,147	737,223	696,074	368,612
Issuance of shares pursuant to conversion of ICULS	–	654,924	–	327,462
At 30 June	1,392,147	1,392,147	696,074	696,074

During the previous financial year, the issued and paid-up share capital of the Company increased from RM368,611,613.50 divided into 737,223,227 ordinary shares of RM0.50 each to RM696,073,677.50 divided into 1,392,147,355 ordinary shares of RM0.50 each arising from the full conversion of RM327,462,064 nominal value of ICULS into 654,924,128 new ordinary shares of RM0.50 each in the Company as disclosed in Note 28(g).

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

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

## 27. OTHER RESERVES

Group	Fair value adjustment reserve RM'000	Capital reserves RM'000	Exchange fluctuation reserves RM'000	Equity components of ICULS and RCSLS RM'000	Warrant reserve RM'000	Total RM'000
At 1 July 2013	(2,123)	(8,798)	20,033	289,080	3,673	301,865
<b>Other comprehensive income/(loss)</b>						
Available-for-sale investments:						
- Loss on fair value changes	(47,197)	–	–	–	–	(47,197)
- Loss reclassified to profit or loss	49,251	–	–	–	–	49,251
Foreign currency translation difference	–	–	3,923	–	–	3,923
Share of other comprehensive (income)/loss of associates	–	(1,357)	682	–	–	(675)
Less: Non-controlling interests	203	690	(3,418)	–	–	(2,525)
<b>Transaction with owners</b>						
Transfer from retained profits	–	195	–	–	–	195
Conversion of ICULS during the financial year	–	–	–	(287,182)	–	(287,182)
<b>At 30 June 2014</b>	<b>134</b>	<b>(9,270)</b>	<b>21,220</b>	<b>1,898</b>	<b>3,673</b>	<b>17,655</b>

Group	Fair value adjustment reserve RM'000	Capital reserves RM'000	Exchange fluctuation reserves RM'000	Revaluation reserves RM'000	Equity components of RCSLS RM'000	Warrant reserve RM'000	Total RM'000
At 1 July 2014	134	(9,270)	21,220	–	1,898	3,673	17,655
<b>Other comprehensive income/(loss)</b>							
Available-for-sale investments:							
- Loss on fair value changes	(558)	–	–	–	–	–	(558)
Foreign currency translation difference	–	–	9,625	–	–	–	9,625
Surplus on valuation of freehold land, net of deferred tax	–	–	–	264,836	–	–	264,836
Share of other comprehensive income of associates	–	152	9,854	–	–	–	10,006
Dilution of subsidiaries (Note 15)	262	13,401	(6,869)	(102,156)	(1,898)	(3,673)	(100,933)
Less: Non-controlling interests	162	(77)	(3,724)	(68,503)	–	–	(72,142)
<b>At 30 June 2015</b>	<b>–</b>	<b>4,206</b>	<b>30,106</b>	<b>94,177</b>	<b>–</b>	<b>–</b>	<b>128,489</b>

27. OTHER RESERVES (Continued)

	Equity components of ICULS RM'000
<b>Company</b>	
<b>At 1 July 2013</b>	287,182
<b>Transaction with owners</b>	
Conversion of ICULS during the financial year	(287,182)
<b>At 30 June 2014</b>	—
<b>At 1 July 2014/30 June 2015</b>	—

(a) **Fair value adjustment reserve**

Fair value adjustment reserve represents the cumulative fair value changes for available-for-sale financial assets until they are disposed of or impaired.

(b) **Capital reserves**

The capital reserves represent:

- (i) the transfer from distributable earnings of a wholly-owned subsidiary company arising from its bonus issue of shares; and
- (ii) the reserve maintained by the Group's subsidiary in the PRC in accordance with the regulations in that country and are not available for payment of dividend.

(c) **Exchange fluctuation reserves**

The exchange fluctuation reserves represent exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) **Equity components of RCSLS**

The reserve represents the fair value of the equity components of RCSLS, net of deferred tax, as determined on the date of issue. Further details of RCSLS are disclosed in Note 28.

(e) **Warrant reserve**

Warrant reserve relates to the issuance of 36,734,534 warrants as consideration for the conditional take-over offer of the remaining ordinary shares of RM1.00 each in ACB ("ACB Share") on the basis of one new warrant of LCB ("LCB Warrant") for every ten ACB Shares held.

The details of LCB Warrants were as follows:

- (i) each warrant entitles its registered holder to subscribe for one new ordinary share of RM1.00 each in LCB ("LCB Share"). In conjunction with the capital reconstruction undertaken by LCB in the prior years, the exercise price of the LCB Warrant has been adjusted from RM1.00 to RM5.00. The LCB Warrants may be exercised at any time commencing from 21 April 2009 but not later than 20 April 2019 (both dates inclusive);

## 27. OTHER RESERVES (Continued)

### (e) Warrant reserve (Continued)

The details of LCB Warrants were as follows: (Continued)

- (ii) the new LCB Shares to be issued pursuant to the exercise of the LCB Warrants will upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up LCB Shares, save that they will not be entitled to any dividend, right, allotment and/or other distribution, the entitlement date of which is on or before the new LCB Shares are credited into the securities account of the holder maintained with Bursa Malaysia Depository Sdn Bhd; and
- (iii) no LCB Warrants were converted into new LCB Shares during the previous financial year.

## 28. LOANS AND BORROWINGS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Non-current</b>				
Secured:				
Exchangeable Bonds <sup>(a)</sup>	114,237	—	—	—
RCSLS <sup>(b)</sup>	—	90,174	—	—
Term loans <sup>(d)</sup>	14,161	51,044	—	—
Obligations under finance leases <sup>(f)</sup>	578	1,091	—	108
ICULS <sup>(g)</sup>	—	—	—	—
Bonds and debts (Note 29)	—	764,891	—	—
	<b>128,976</b>	<b>907,200</b>	<b>—</b>	<b>108</b>
<b>Current</b>				
Secured:				
Exchangeable Bonds <sup>(a)</sup>	38,506	155,734	—	—
RCSLS <sup>(b)</sup>	—	181,153	—	—
Syndicated Term Loans <sup>(c)</sup>	—	625,603	—	—
Term loans <sup>(d)</sup>	202,012	174,337	—	—
Bank overdrafts <sup>(e)</sup>	85,421	71,727	85,421	61,786
Obligations under finance leases <sup>(f)</sup>	406	425	110	70
ICULS <sup>(g)</sup>	—	—	—	—
Revolving credits <sup>(h)</sup>	15,000	33,000	15,000	—
Bills payable <sup>(i)</sup>	—	70,890	—	—
	<b>341,345</b>	<b>1,312,869</b>	<b>100,531</b>	<b>61,856</b>
Unsecured:				
Bills payable <sup>(i)</sup>	—	64,286	—	—
Bank overdrafts	—	5,405	—	—
	<b>—</b>	<b>69,691</b>	<b>—</b>	<b>—</b>
	<b>341,345</b>	<b>1,382,560</b>	<b>100,531</b>	<b>61,856</b>

28. LOANS AND BORROWINGS (Continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Total borrowings</b>				
Exchangeable Bonds <sup>(a)</sup>	152,743	155,734	—	—
RCLS <sup>(b)</sup>	—	271,327	—	—
Syndicated Term loans <sup>(c)</sup>	—	625,603	—	—
Term loans <sup>(d)</sup>	216,173	225,381	—	—
Bank overdrafts <sup>(e)</sup>	85,421	77,132	85,421	61,786
Obligations under finance leases <sup>(f)</sup>	984	1,516	110	178
ICULS <sup>(g)</sup>	—	—	—	—
Revolving credits <sup>(h)</sup>	15,000	33,000	15,000	—
Bills payable <sup>(i)</sup>	—	135,176	—	—
Bonds and debts (Note 29)	—	764,891	—	—
	<b>470,321</b>	<b>2,289,760</b>	<b>100,531</b>	<b>61,964</b>

The remaining maturities of the loans and borrowings excluding obligations under finance leases as at 30 June 2015 are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
On demand or within one year	340,939	1,382,135	100,421	61,786
More than one year and less than two years	124,562	95,674	—	—
More than two years and less than five years	3,836	482,762	—	—
Over five years	—	327,673	—	—
	<b>469,337</b>	<b>2,288,244</b>	<b>100,421</b>	<b>61,786</b>

(a) Exchangeable Bonds

On 16 November 2007, Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of the Company, issued USD132,110,000 nominal value 5-year 2.5% Exchangeable Bonds ("Bonds") which are constituted by a Trust Deed dated 16 November 2007 made between Excel Step ("Issuer"), the Company ("Guarantor"), The Bank of New York Mellon, London Branch ("Trustee") and AmTrustee Berhad ("Security Trustee") ("Trust Deed").

The Bonds were to have matured on 16 November 2014 and were then exchangeable into approximately 45.1 million ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson") ("Parkson Shares").

The holders of the Bonds had on 3 November 2014, approved an Extraordinary Resolution to amend certain terms and conditions of the Bonds.



## 28. LOANS AND BORROWINGS (Continued)

### (a) Exchangeable Bonds (Continued)

The revised principal terms of the Bonds include but not limited to the following:

- (i) the Bonds shall mature on 16 November 2017;
- (ii) release (on a one-time basis) of RM5,461,000 from the cash amounts held by the Security Trustee under the existing security arrangements to make partial redemption payment due by the Issuer on 16 November 2014; and
- (iii) re-scheduling of the six partial redemptions totalling USD24 million to 16 November 2014, 16 May 2015, 16 November 2015, 16 May 2016, 16 November 2016 and 16 May 2017,

in each case effective from and including 16 November 2014.

On 16 November 2013, the exchange price was adjusted downwards from RM4.89 to RM4.43 per Parkson Share. The exchange price was further adjustment downwards from RM4.43 to RM3.75 per Parkson Share on 16 May 2014. On 8 August 2014, the exchange price was adjusted downwards from RM3.75 to RM3.54 per Parkson Share, followed by a further adjustment on 16 August 2014 from RM3.54 to RM3.24 per Parkson Share and on 26 March 2015 another further adjustment from RM3.24 to RM3.09 per Parkson Share, and on 16 May 2015 another downwards adjustment from RM3.09 to RM2.81 per Parkson Share.

On 16 November 2014 and 16 May 2015, the Issuer had redeemed approximately USD9.4 million (approximately RM32.6 million) Bonds plus accrued interest from the bondholders whereby USD1.5 million (approximately RM5.5 million) was paid using the accrued dividend previously held by the Security Trustee and the remainder by the way of cash.

In the previous financial year, Excel Step had redeemed approximately USD12.7 million (approximately RM41.0 million) Bonds plus accrued interest from the bondholders which was paid by way of cash.

As at the reporting date, the yield to maturity of the Bonds is 6% (2014: 6%) per annum calculated on a quarterly basis.

The Bonds is secured by investment in quoted shares in Malaysia with carrying amounts of RM77.9 million (2014: RM109.9 million) as disclosed in Note 18. As at 30 June 2015, there is a shortfall of approximately RM74.8 million (2014: RM45.9 million) between the carrying amount of investment securities pledged as compared to the outstanding liability of the Bonds. However, as at the reporting date, based on the latest exchange price, the Company is not expected to incur any loss arising from the financial guarantee.

The bondholders have the right to exchange their bonds into Parkson Shares at any time during the exchange period, at any time on and after 27 December 2007 up to close of business on 7 November 2017.

The number of Parkson Shares to be delivered on exchange of a bond will be determined by dividing the principal amount of the Bonds to be exchanged (translated into Ringgit Malaysia at a fixed exchange rate of RM3.3415: US\$1.00) by the exchange price. Exchange price has been adjusted to RM2.81 (2014: RM3.75).

The agreements governing the Bonds contain covenants that entitle the bondholders to accelerate repayment should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

## 28. LOANS AND BORROWINGS (Continued)

### (b) Redeemable convertible secured loan stocks ("RCSLS")

As reported in the previous financial year, pursuant to the completion of the Lion Corporation Berhad Scheme ("LCB Scheme") which was implemented on 27 February 2009, the Group had converted a portion of its LCB Class B Bonds and LCB Debts into LCB RCSLS as follows:

- (a) RM294,747,299 nominal value of LCB Class B(a) Bonds with present value of RM286,834,000 into RM286,834,000 nominal value of LCB Class B(a) RCSLS;
- (b) RM200,000,000 nominal value of LCB Class B(b) Bonds with present value of RM178,769,000 into RM178,769,000 nominal value of LCB Class B(b) RCSLS; and
- (c) RM5,252,701 nominal value of LCB Debts with present value of RM5,130,000 into RM5,130,000 nominal value of LCB Class B(c) RCSLS.

Salient terms of the RCSLS are as follows:

- (i) The tranches of RCSLS are as follows:

Class	Nominal Value RM'000	Maturity Date	Coupon Rate (per annum)
RCSLS B(a)	286,834	31.12.2015	5.00%
RCSLS B(b)	178,769	31.12.2015	7.00%
RCSLS B(c)	5,130	31.12.2015	4.25%
	<u>470,733</u>		

The RCSLS are subject to late payment charge of 1% per annum above the coupon rate.

- (ii) Conversion right and rate

The RCSLS were convertible into new LCB Shares during the conversion period at the conversion price of RM1.00 nominal amount of the RCSLS for every new LCB Share. In conjunction with the capital reconstruction undertaken by LCB in the previous financial year, the conversion price of the RCSLS has been adjusted from RM1.00 to RM5.00.

- (iii) Conversion period

The RCSLS are convertible into new LCB Shares on or after the issue date (27 February 2009) of the RCSLS but ending on the maturity date (31 December 2015).

- (iv) Redeemability

The redemption of the RCSLS at RM1.00 for every RM1.00 nominal value of RCSLS is as follows:

- Mandatory Early Redemption - to redeem in chronological order of the redemption date in the event the surplus in the Redemption Account is RM5,000,000 or more on a pro rata basis with the LCB Bonds, LCB Debts and RCSLS.
- Redemption Upon Maturity - all outstanding RCSLS and not converted on the expiry of the conversion period will be redeemed for cash at RM1.00 per RCSLS.

## 28. LOANS AND BORROWINGS (Continued)

### (b) Redeemable convertible secured loan stocks ("RCSLS") (Continued)

#### (iv) Redeemability (Continued)

The redemption of the RCSLS at RM1.00 for every RM1.00 nominal value of RCSLS is as follows:  
(Continued)

#### - Mandatory Redemption

- (a) the Group shall redeem 20% of the total RCSLS issued at every redemption date as follows:

- 31 December 2011;
- 31 December 2012;
- 31 December 2013;
- 31 December 2014; and
- 31 December 2015

- (b) all outstanding RCSLS shall be redeemed upon the occurrence of a shareholders' or creditors' winding-up of LCB or upon the declaration of the event of default.

#### (v) Security

The securities for the RCSLS shall be the same as the securities for the LCB Bonds and LCB Debts (Note 29).

#### (vi) Ranking of new shares

The new LCB Shares to be issued pursuant to the conversion of the RCSLS shall rank *pari passu* in all respects with the then existing issued and paid-up shares of LCB, except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the crediting of the new shares into the securities account of the holder maintained with Bursa Malaysia Depository Sdn Bhd.

The value of the RCSLS has been split into the liability component and the equity component, representing the fair value of the conversion option. The RCSLS are accounted for in the statements of financial position as follows:

	<b>Group</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
Liability component at 1 July	<b>271,327</b>	258,236
Interest expenses recognised during the year	<b>18,441</b>	20,982
Repayment during the year	<b>(11,410)</b>	(7,891)
Dilution of subsidiaries (Note 15)	<b>(278,358)</b>	–
Liability component at 30 June	<b>–</b>	271,327
Nominal amount of RCSLS	<b>–</b>	230,806

## 28. LOANS AND BORROWINGS (Continued)

### (b) Redeemable convertible secured loan stocks ("RCSLS") (Continued)

The RCSLS are redeemable over the following periods:

	Group	
	2015 RM'000	2014 RM'000
Within one year	–	181,153
From one to two years	–	90,174
	–	271,327

The entire RCSLS has been deconsolidated following the dilution of LCB from a subsidiary to an associate as disclosed in Note 15.

### (c) Syndicated Term Loans

A restructuring scheme in relation to the Syndicated Term Loans came into effect in 2010 ("Restructured Scheme"). The restructured amount of the Syndicated Term Loans which comprises RM denominated Term Loan ("RM Term Loan") of RM599.0 million and USD denominated Term Loan ("USD Term Loan") of USD205.0 million.

#### Interest servicing

#### (i) Interest

Interest will continue to be serviced semi-annually. The interest rate is as follows:

- From 1 July 2010 onwards : 5% + COF/LIBOR

#### (ii) Default interest

Default rate of 2% will be payable on the defaulted principal instalment.

The interest rates at the reporting date for Syndicated Term Loans are as follows:

	Group	
	2015 %	2014 %
RM Term Loan	–	11.3 - 11.9
USD Term Loan	–	7.2 - 7.3

The Syndicated Term Loans facility was secured against:

- (i) property, plant and equipment of Megasteel and its subsidiaries, including any future additions;
- (ii) floating assets of Megasteel and its subsidiaries; and
- (iii) charge over certain investment in subsidiaries.

## 28. LOANS AND BORROWINGS (Continued)

### (c) Syndicated Term Loans (Continued)

The additional terms and conditions for the Restructured Scheme include the following:

#### (I) Sale of quoted shares of a related party

Tan Sri Cheng Heng Jem ("TSWC") shall grant the Megasteel an option to put to him on behalf of TSWC or its nominee(s), for TSWC to purchase the quoted shares owned by the Megasteel. The disposal was completed in 2010.

#### (II) Sale of certain property, plant and equipment of the Megasteel

Megasteel agreed to dispose of certain of its property, plant and equipment as follows:

- (a) Megasteel shall enter into a sale and purchase agreement with a bona fide purchaser for the sale of certain of its property, plant and equipment no later than 30 June 2010 or such extended date as may be agreed by the Syndicated Term Loan Lenders whose loans represent more than 75% of the aggregate value of the RM Term Loan and USD Term Loan inclusive of principal, interests, commission, fees or expenses respectively as defined in the provisional Term Sheet;
- (b) the sale of the property, plant and equipment shall be subjected to the approvals of shareholders of LCB and other requisite approvals from relevant authorities;
- (c) proceeds from the sale of the property, plant and equipment shall be received by 30 September 2010. In the event the sale cannot be completed by 30 September 2010, Megasteel shall have the option to extend the completion date for a further 3 months; and
- (d) proceeds (net of transaction costs) from the sale of the property, plant and equipment shall be utilised to prepay or repay the principal and/or interest due in chronological order of maturity.

Due to the weak market condition, the realisation of the planned disposal of the Group's assets required by the Restructured Scheme of the Syndicated Term Loans has been delayed. As at 30 June 2014, the Group has not entered into any sale and purchase agreement for the sale of the property, plant and equipment.

In the previous financial years, the Corporate Debt Restructuring Committee ("CDRC") with the concurrence of the authority was facilitating the restructuring of Megasteel's banking facilities. CDRC had issued a letter dated 20 December 2012 to all lenders of the subsidiary ("Lenders") informing them that Megasteel's admission to CDRC has been approved and Lenders were required to observe an informal standstill pending completion of the Proposed Restructuring Scheme ("PRS").

On 28 March 2013, CDRC chaired a meeting during which Megasteel rolled-out a preliminary term sheet to the Lenders outlining the principal terms and conditions of the PRS.

Subsequently, on 14 July 2014, Megasteel has sent out term sheet to syndicated lenders outlining the principal terms and conditions of the PRS. Megasteel is now engaging both CDRC and the Lenders in further discussions and negotiations on the terms of the PRS. The PRS was expected to be completed by 31 December 2014.

**28. LOANS AND BORROWINGS (Continued)**

**(c) Syndicated Term Loans (Continued)**

The PRS involves the following:

- (i) proposed repayment schedule to defer the repayment of the Syndicated Term Loans outstanding to September 2017;
- (ii) to seek the lenders' indulgence for the unpaid default interest of 2% to be payable only on defaulted principal amount and to be paid upon full repayment of principal amount;
- (iii) to revise the RM denominated Term Loan and USD denominated Term Loan interest rate with effect upon completion of the PRS; and
- (iv) to revise certain terms in the existing security arrangement for the Syndicated Term Loans.

Meanwhile, the Syndicated Term Loans had been rolled-over to 31 December 2014. The entire Syndicated Term Loans have been deconsolidated following the dilution of LCB from a subsidiary to an associate as disclosed in Note 15.

**(d) Term loans**

	<b>Group</b>	
	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<u>Current</u>		
RM loan at cost of fund ("COF") + 2.5% per annum <sup>(i)</sup>	<b>5,500</b>	3,500
RM loan at BLR + 1.25% per annum <sup>(ii)</sup>	<b>94,755</b>	103,128
Letter of Credit-i Facility <sup>(iii)</sup>	<b>24,685</b>	24,605
RM loan at COF + 1.5% per annum <sup>(iv)</sup>	<b>—</b>	21,295
RM loan from financial institutions <sup>(v)</sup>	<b>40,000</b>	20,000
Rmb loan at base lending rate in China ("BLR China") x 1.1 times per annum <sup>(vi)</sup>	<b>37,072</b>	1,809
	<b>202,012</b>	174,337
<u>Non-current</u>		
RM loan at COF + 2.5% per annum <sup>(i)</sup>	<b>11,177</b>	16,677
Rmb loan at BLR China x 1.1 times per annum <sup>(vi)</sup>	<b>2,984</b>	34,367
	<b>14,161</b>	51,044
<b>Total</b>	<b>216,173</b>	225,381

## 28. LOANS AND BORROWINGS (Continued)

### (d) Term loans (Continued)

#### (i) RM loan at COF + 2.5% per annum

This loan is secured by the following:

- (I) first legal charge over 6 parcels of land of a wholly-owned subsidiary, Banting Resources Sdn Bhd ("Banting Resources");
- (II) debenture over fixed and floating assets of Banting Resources which consist of the following:

	2015 RM'000	2014 RM'000
Property, plant and equipment	202,781	72,668
Other receivables	395	409
Cash and bank balances	54	179
Total	<u>203,230</u>	<u>73,256</u>

- (III) corporate guarantee from the Company; and
- (IV) memorandum of deposits over the shares in Banting Resources.

On 27 November 2014, Banting Resources has rescheduled the payment of the outstanding term loan owing to the bank and the tenure has been varied to 30 months commencing from 20 March 2015.

#### (ii) RM loan at BLR + 1.25% per annum

This loan is secured by the following:

- (I) debenture incorporating a fixed and floating charge over all present and future assets and undertaking of a wholly-owned subsidiary, Lion DRI, as follows:

	2015 RM'000	2014 RM'000
Property, plant and equipment	588,379	632,693
Investment securities	15,885	27,377
Inventories	73,713	65,407
Trade and other receivables	326,411	261,061
Tax recoverable	1,421	1,421
Cash and bank balances	8,599	9,587
Total	<u>1,014,408</u>	<u>997,546</u>

- (II) irrevocable and unconditional corporate guarantee from the Company;
- (III) first legal charge over the Company's 100% shareholding in Lion DRI;

## 28. LOANS AND BORROWINGS (Continued)

### (d) Term loans (Continued)

#### (ii) RM loan at BLR + 1.25% per annum (Continued)

This loan is secured by the following: (Continued)

- (IV) irrevocable and unconditional letter of undertaking from the Company to support the operations of Lion DRI;
- (V) legal assignment on all present and future rights, title, interests and benefits of Lion DRI in and under the Offtake Agreement dated 16 July 2007 entered into between Lion DRI and Megasteel, and of the lease between Lion DRI and Megasteel of all those pieces and parcels of land;
- (VI) legal assignment of all present and future rights, title, interests and benefits of a cash deposit in the sinking fund account (minimum RM45 million to be maintained) with the lenders. The Group has utilised the RM45 million deposit to partially settle this term loan; and
- (VII) irrevocable and unconditional letter of undertaking from the related party addressed to the lenders and to the subsidiary which the related party has right of way to enable Lion DRI to carry on its operations and business of manufacturing direct reduced iron and hot briquetted iron in the vicinity of the lease of land.

Certain financial covenants requirements of this loan were breached during the financial year. However, the subsidiary has obtained a one-time waiver from the bank not to exercise its rights to accelerate payment up to 30 June 2016.

This loan obtained by Lion DRI contain certain covenants that entitles the lender ("LDRI lender") to accelerate repayment or to withdraw the advance of credit should Megasteel, an associated company and a major customer of the Group, default on its payments on borrowings. In the event LDRI Lender exercises its right; certain borrowings of the Group and of the Company as mentioned in (a), (e) and (h) of this Note may become immediately payable on demand.

#### (iii) Letter of Credit-i Facility

In May 2006, a wholly-owned subsidiary of the Company, Graimpi Sdn Bhd ("Graimpi"), had entered into a facility agreement with Kuwait Finance House (Malaysia) Berhad ("Kuwait Finance House") for an Islamic letter of credit facility, namely Letter of Credit-i Facility, for a maximum aggregate sum of up to RM35 million. In December 2009, the credit facility was reduced to a maximum aggregate sum up to RM25 million. The Letter of Credit-i Facility is a type of Murabahah Islamic Instrument ("Murabahah").



## 28. LOANS AND BORROWINGS (Continued)

### (d) Term loans (Continued)

#### (iii) Letter of Credit-i Facility (Continued)

The Letter of Credit-i Facility bears Murabahah profit margin of 6.1% (2014: 5.5% to 6.5%) per annum and has a tenure of 177 days to 180 days (2014: 180 days).

The Letter of Credit-i Facility is secured by the following:

- (I) all issued and paid-up shares of Graimipi;
- (II) 20.8 million quoted shares with carrying value of RM7.3 million (2014: RM13.3 million) owned by the Company as disclosed in Note 18;
- (III) corporate guarantee from the Company; and
- (IV) assignment over a designated escrow account identified to Kuwait Finance House with a power of attorney in relation thereto as disclosed in Note 24.

#### (iv) RM loan at COF + 1.5% per annum

In the previous financial year, the loan together with bills payable, revolving credits and bank overdrafts were secured against freehold land of certain subsidiaries including all buildings, fixture and fittings and plant and machinery affixed from time to time thereon, floating assets of those subsidiaries.

The entire RM loan at COF + 1.5% per annum has been deconsolidated following the dilution of LCB from a subsidiary to an associate as disclosed in Note 15.

#### (v) RM loan with financial institutions

In the previous financial year ended 30 June 2014, the loan was secured by a charge over the property, plant and equipment and investment properties of the Group with carrying amount of approximately RM15.1 million and RM8.9 million as disclosed in Note 12 and Note 13 respectively.

During the financial year ended 30 June 2015, the loan is secured by a charge over the investment properties and non-current assets classified as held for sale of the Group with carrying amount of approximately RM10.3 million and RM29.5 million as disclosed in Note 13 and Note 25 respectively.

#### (vi) Rmb loan at BLR China x 1.1 times per annum

The loan is secured by a charge over the leasehold land disclosed under property development cost of a subsidiary with a carrying amount of approximately RM84.4 million (2014: RM72.4 million), as disclosed in Note 14.

### (e) Bank overdrafts

Bank overdrafts of the Group and of the Company of RM85.4 million (2014: RM77.1 million) and RM85.4 million (2014: RM61.8 million) respectively are secured by deposits with licensed banks as disclosed in Note 24.

The bank overdraft agreement contains certain covenants that entitle the bank to accelerate repayment or to withdraw the advance of credit should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

**28. LOANS AND BORROWINGS (Continued)**

**(f) Obligations under finance leases**

The Group has finance leases for motor vehicles as disclosed in Note 12.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Minimum lease payments:				
Not later than one year	<b>447</b>	474	<b>117</b>	77
Later than one year and not later than five years	<b>666</b>	1,242	–	117
	<b>1,113</b>	1,716	<b>117</b>	194
Less: Future finance charges	<b>(129)</b>	(200)	<b>(7)</b>	(16)
Present value of finance lease liabilities	<b>984</b>	1,516	<b>110</b>	178
Present value of finance lease liabilities:				
Not later than one year	<b>406</b>	425	<b>110</b>	70
Later than one year and not later than five years	<b>578</b>	1,091	–	108
	<b>984</b>	1,516	<b>110</b>	178
Analysed as:				
Due within one year	<b>406</b>	425	<b>110</b>	70
Due after one year	<b>578</b>	1,091	–	108
	<b>984</b>	1,516	<b>110</b>	178

The obligations under finance leases bore interest at the reporting date at rates ranging from 2.3% to 3.3% (2014: 2.3% to 3.3%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and in the Company.

## 28. LOANS AND BORROWINGS (Continued)

### (g) ICULS

In 2008, the Company issued RM327,462,064 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 ("ICULS") at 100% of its nominal value.

The salient terms of the ICULS were as follows:

#### (a) Conversion rights and rate

The ICULS were convertible into new ordinary shares of RM0.50 each in the Company ("LDHB Share") during the conversion period at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price").

#### (b) Conversion period

The ICULS were convertible at any time during the period of 5 years maturing on the date which is the fifth (5<sup>th</sup>) anniversary of the date of issue of the ICULS.

#### (c) Coupon rate

The ICULS bore a coupon rate of 4% per annum based on the nominal value of the ICULS payable semi-annually in arrears on every 6 months from the date of issue up to the maturity date.

#### (d) Redeemability

There were no redemption of the ICULS. All remaining ICULS on the maturity date were mandatorily converted into new LDHB Shares at the Conversion Price.

#### (e) Ranking

The new LDHB Shares issued upon conversion of the ICULS ranked *pari passu* in all respects with the then existing LDHB Shares, save and except that they are not entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date on which the new LDHB Shares issued pursuant to the conversion of the ICULS are credited into the securities account of the holder of ICULS maintained with Bursa Malaysia Depository Sdn Bhd.

During the previous financial year, all ICULS had been converted into new LDHB Shares.

The value of the ICULS was split into the liability component and the equity component, representing the fair value of the conversion option. The ICULS were accounted for in the statements of financial position as follows:

	<b>Group/Company 2014 RM'000</b>
Nominal value	327,462
Less: Unamortised discount	(327,462)
Net amount	—
Amount due within one year	—
Amount due after one year	—

## 28. LOANS AND BORROWINGS (Continued)

### (g) ICULS (Continued)

The amount recognised in the statements of financial position may be analysed as follows:

	<b>2014 RM'000</b>
Liability component at 1 July	6,223
Interest expenses recognised during the year	380
Interest paid during the year	(6,603)
	<hr/>
Liability component at 30 June	—
	<hr/> <hr/>

Interest expense on the ICULS in 2014 was calculated on the effective yield basis by applying the interest rate of 7% per annum. All ICULS had been converted into new LDHB Shares in the previous financial year as disclosed in Note 26.

### (h) Revolving credits

The revolving credits in the previous financial year were secured against the freehold land of the Group including all buildings, fixtures and fittings and plant and machinery affixed from time to time thereon, the cold rolled mill complex plant and floating assets of the Group.

The balance of revolving credits in relation to the previous financial year have been deconsolidated following the dilution of LCB from a subsidiary to an associate as disclosed in Note 15.

During the financial year, the Company is granted RM15.0 million revolving credit facility which is secured by approximately RM18.1 million cash backed by Standby Letter of Credit ("SBLC") of a subsidiary.

The revolving credits agreements contains certain covenants that entitle the bank to accelerate repayment or to withdraw the advance of credit should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

### (i) Bills payable

Bills payable of the Group in previous financial year were secured by property, plant and equipment as disclosed in Note 12.

The weighted average effective interest rates at the reporting date for the respective credit facilities are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015 %</b>	<b>2014 %</b>	<b>2015 %</b>	<b>2014 %</b>
RCSLS	—	5.8	—	—
Term loans	<b>7.4</b>	9.6	—	—
Bills payable	<b>6.1</b>	7.0	—	—
Revolving credits	<b>5.4</b>	9.6	<b>5.4</b>	—
Bank overdrafts	<b>5.9</b>	9.1	<b>5.9</b>	5.1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 29. BONDS AND DEBTS

	Group	
	2015 RM'000	2014 RM'000
<b>Non-Current</b>		
Secured:		
- LCB Bonds	–	760,816
- LCB Debts	–	4,075
	–	764,891
From two to five years	–	437,218
After five years	–	327,673
	–	764,891

LCB had on 27 February 2009 implemented the LCB Scheme which is to address its debt obligation to redeem/repay the LCB Bonds and LCB Debts issued by the Company pursuant to the Group Wide Restructuring Scheme (“GWRS”) implemented in 2003.

On 27 February 2009, LCB had:

- (i) fully redeemed its LCB Class A Bonds amounting to RM35.9 million;
- (ii) converted RM900,000,000 nominal value of LCB Class B(b) Bonds with a present value of RM804,460,000 into 804,460,000 new ordinary shares of RM1.00 each in LCB; and
- (iii) converted a portion of its LCB Class B Bonds and LCB Debts into RCSLS (Note 28(b)).

The principal terms and conditions of the LCB Bonds and LCB Debts are as follows:

- (i) The tranches of LCB Bonds and LCB Debts were as follows:

Class	Nominal Value RM'000	Net Present Value RM'000	Maturity Date	Cash Yield- to-Maturity (per annum)
LCB Bonds B(a)	592,647	408,881	31.12.2019	5.00%
LCB Bonds B(b)	1,347,652	809,717	31.12.2020	7.00%
LCB Debts B	10,734	7,974	31.12.2019	4.25%
	1,951,033	1,226,572		

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

- (ii) The Security Trustee holds the following securities (“Securities”) for the benefit of the holders of the LCB Bonds and LCB Debts:
  - (a) the assets included in the Proposed Divestment Programme (“PDP”) for the LCB Group. If there is an existing security on any such assets, the Security Trustee will take a lower priority security interest;
  - (b) the LDHB Inter-Co Repayment received by LCB;

## 29. BONDS AND DEBTS (Continued)

The principal terms and conditions of the LCB Bonds and LCB Debts are as follows: (Continued)

- (ii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LCB Bonds and LCB Debts: (Continued)
  - (c) entire/partial investment in Lion Plate Mills Sdn Bhd, Bright Steel Sdn Bhd, Megasteel Sdn Bhd, LCB Harta (L) Limited and certain investment in associates;
  - (d) the Residual Assets, if any;
  - (e) dividends upstreaming from Lion Plate Mills Sdn Bhd and Bright Steel Sdn Bhd;
  - (f) the excess, if any, of the ACB SPV Debts and proceeds of the Property Development Project known as Mahkota Cheras Project;
  - (g) all rights, title and interest of the LCB and Limpahjaya Sdn Bhd under the Deed of Undertaking;
  - (h) proceeds from the disposal of 66,666,667 ordinary shares of RM1.00 each in Megasteel;
  - (i) 33,333,333 ordinary shares of RM1.00 each in Megasteel;
  - (j) shares and assets in Pancar Tulin Sdn Bhd (including the property development project);
  - (k) shares in LCB Harta (L) Limited;
  - (l) such other securities as may be provided from time to time to the Security Trustee for the benefit of the Bondholders, RCSLS Holders and the Lenders; and
  - (m) the Redemption Account and the General Escrow Account held by LCB. The Redemption Account will capture the LCB Dedicated Cash Flows.

Dedicated Cash Flows means cash flow from the following sources:

- net surplus proceeds from the disposal of any assets in the PDP for the Group over which there is presently a security, if applicable;
- net proceeds from the disposal of any assets in the PDP for the Group over which there is presently no security;
- proceeds of the LDHB Inter-Co Repayment received by the LCB (including any loyalty payment received following the full repayment of LDHB Inter-Co Repayment);
- dividends or cash flow from the Deed of Undertaking;
- subject to the proportions allocated pursuant to the Trust Deed, dividends and disposal proceeds from Bright Steel Sdn Bhd and Lion Plate Mills Sdn Bhd;
- repayment proceeds from the ACB SPV Debts and proceeds from the Property Development Project; and
- proceeds from the disposal of 11.1% of the issued and paid-up share capital of Megasteel.

Monies captured in the Redemption Account can only be used towards redemption/repayment of the LCB Bonds, LCB Debts and RCSLS and cannot be utilised for any other purposes.

## 29. BONDS AND DEBTS (Continued)

The principal terms and conditions of the LCB Bonds and LCB Debts are as follows: (Continued)

- (ii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LCB Bonds and LCB Debts: (Continued)

The LCB Bonds, LCB Debts and RCSLS constitute direct, unsubordinated and secured obligations of LCB, being the issuer.

The LCB Bonds, LCB Debts and RCSLS ranked *pari passu* amongst each other over the Securities held by the Security Trustee under items (a) to (m) above.

The entire bonds and debts have been deconsolidated following the dilution of LCB from a subsidiary to an associate as disclosed in Note 15.

## 30. DEFERRED PAYMENTS

	Group/Company	
	2015	2014
	RM'000	RM'000
Deferred payments	60,442	73,408
Interest expense recognised during the year (Note 8)	4,450	5,974
	<b>64,892</b>	79,382
Payments made during the year	<b>(16,831)</b>	(18,940)
	<b>48,061</b>	60,442

Deferred payments represent the outstanding balance of the purchase consideration for the acquisition by the Company and Teraju Varia Sdn Bhd ("Teraju Varia"), a wholly-owned subsidiary of the Company, of RM denominated bonds issued by LCB ("LCB Bonds") for a cash consideration of RM400 million on 27 February 2009. On the same date, the Company and Teraju Varia converted these LCB Bonds into 804,460,000 ordinary shares of RM1.00 each in LCB.

The deferred payments bear interest at the rate of 9% (2014: 9%) per annum and as at 30 June 2015, 90,059,917 (2014: 90,059,917) LCB shares are pledged as security for the outstanding deferred payments.

In the previous financial year, the Company proposed to the creditors for a deferment of the repayment of RM60.4 million on or before 31 December 2014. During the financial year, the Company proposed to the creditors for a further deferment of the repayment of RM48.1 million on or before 31 December 2015. As at the reporting date, majority of the creditors have not reverted with their written consents.

### 31. DERIVATIVE LIABILITIES

	Group			
	2015		2014	
	Contract/ Notional Amount RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Liabilities RM'000
<b>Non-hedging derivative:</b>				
<b>Current</b>				
Forward currency contracts	5,486	104	–	–
Embedded derivatives	–	–	159,323	43
		<b>104</b>		<b>43</b>
<b>Non-current</b>				
Embedded derivatives	132,591	407	–	–
Total derivatives		<b>511</b>		<b>43</b>

This represents the exchange feature which is a separate embedded derivative contained in the Bonds. Bondholders are able to exchange the Bonds into the shares of Parkson Holdings Berhad ("Parkson Shares") at a fixed exchange price as disclosed in Note 28(a). The derivative liability is carried at fair value through profit or loss.

	Group	
	2015 RM'000	2014 RM'000
<b>Bonds:</b>		
At 1 July	43	16,389
Changes in fair value recognised in profit or loss during the year (Notes 5 and 7)	364	(16,346)
At 30 June	407	43
Amount payable within one year	–	(43)
Amount payable after one year	407	–

The fair value changes are calculated using a binomial option pricing model, taking into account the terms and conditions upon which the derivative liability is issued.

The list of inputs to the option pricing model is as follows:

	2015	2014
Parkson Share price (RM)	1.55	2.58
Exchange price (RM)	2.81	3.75
Expected volatility (%)	34	25
Expected life of exchange feature (years)	2.4	0.4
Risk free rate (% per annum)	3.0	3.0



### 31. DERIVATIVE LIABILITIES (Continued)

The expected life of exchange feature is based on the contractual life of the Bonds. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the exchange feature, is indicative of future trends, which may not necessarily be the actual outcome.

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to manage the foreign currency exposures arising from its receivables denominated in USD which existed at the reporting date, extending to March 2016.

### 32. DEFERRED LIABILITIES

	Group	
	2015 RM'000	2014 RM'000
<b>Non-Current</b>		
Unfunded defined benefit plan <sup>(a)</sup>	–	2,878
Deferred creditor <sup>(b)</sup>	–	252,722
	<u>–</u>	<u>255,600</u>

#### (a) Defined benefit plan - Unfunded

The LCB Group operates an unfunded defined benefit plan for its eligible employees. The latest actuarial valuation of the plan was carried out on 11 April 2014 by an independent qualified actuary.

The movements during the financial year in the amounts recognised in the Group's statement of financial position are as follows:

	Group	
	2015 RM'000	2014 RM'000
<b>Non-current</b>		
At 1 July	2,878	2,834
Charged to profit or loss	311	178
Benefit paid	(38)	(134)
Dilution of subsidiaries (Note 15)	(3,151)	–
	<u>–</u>	<u>2,878</u>

The amount recognised is analysed as follows:

- Present value of unfunded defined benefit obligations	–	2,878
	<u>–</u>	<u>2,878</u>

The expenses recognised in the profit or loss are analysed as follows:

- Current service cost	160	153
- Interest cost	151	138
- Past service cost	–	(113)
	<u>311</u>	<u>178</u>

### 32. DEFERRED LIABILITIES (Continued)

#### (a) Defined benefit plan - Unfunded (Continued)

The principal actuarial assumptions used are as follows:

	Group	
	2015 %	2014 %
Discount rate	–	5
Expected rate of salary increase	–	5

The unfunded defined benefit plan has been deconsolidated following the dilution of LCB from a subsidiary to an associate as disclosed in Note 15.

#### (b) Deferred creditor

In April 2014, Megasteel and Tenaga Nasional Berhad (“TNB”) have mutually agreed to settle a RM305.63 million claim made by TNB for the supply of electricity. A consent judgment had been recorded at the High Court of Malaya, stating that Megasteel has been given a 12-month moratorium from 1 April 2015 to pay the amount and that it shall commence the scheduled payment of the amount by 24 monthly instalments from 1 April 2015. Additionally, the supply of electricity by TNB shall be on an advance payment basis effective from 1 April 2014. This deferred creditor has been deconsolidated following the dilution of LCB from a subsidiary to an associate as disclosed in Note 15.

### 33. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade payables <sup>(a)</sup>	657,887	1,505,740	–	–
<u>Other payables</u>				
Sundry payables	108,794	75,362	–	–
Advances from customers <sup>(b)</sup>	49,587	83,895	–	–
Deposits	2,159	824	–	–
Accruals	105,269	198,784	22,718	22,218
Project payables <sup>(c)</sup>	3,242	6,214	–	–
Amounts owing to subsidiaries <sup>(d)</sup>	–	–	213,759	177,708
Amounts owing to related parties <sup>(e)</sup>	6,453	55,403	3,825	2,808
Deferred payments (Note 30)	48,061	60,442	48,061	60,442
	323,565	480,924	288,363	263,176
Total trade and other payables	981,452	1,986,664	288,363	263,176

### 33. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2014: 30 to 120 days).

Included in trade payables are amounts due to related parties amounting to approximately RM374.6 million (2014: RM997.0 million) arising from transactions as further disclosed in Note 39. These balances bear interest at rates ranging from 7.6% to 9.0% (2014: 7.6% to 9.0%) per annum and certain amounts are secured against assets as disclosed in Notes 15 and 22.

(b) Advances from customers

Included in the advances from customers in the previous financial year were security deposits amounted to RM19.6 million which bore interest at rates of 6.5% to 10.0% per annum.

(c) Project payables

Project payables represent accrued construction costs for plant and machinery. These payables are unsecured and non-interest bearing.

(d) Amounts owing to subsidiaries

The amounts owing to subsidiaries are non-interest bearing except for a balance of USD6.2 million (approximately RM23.4 million) (2014: USD6.2 million approximately RM19.9 million) which bears interest at a rate of 0.28% (2014: 0.22%) per annum. These balances are payable on demand and are unsecured.

(e) Amounts owing to related parties

Amounts owing to related parties are unsecured, non-interest bearing and are payable on demand.

### 34. PROVISIONS

	Group	
	2015 RM'000	2014 RM'000
At 1 July/30 June	<b>38,000</b>	38,000

The provision for potential claims represents the estimated quantum of claims by the contractors for the construction of the Project that was suspended as disclosed in Note 12(e). The claims provided are to compensate the losses caused by the delay of the construction of the Project. The Directors are of the opinion that the current provision is adequate to cover the losses incurred. As of the reporting date, no litigation has been initiated by the contractors against the Group. Details of unprovided claims are disclosed in Note 38(ii).

### 35. PRODUCT FINANCING LIABILITIES

	Group	
	2015 RM'000	2014 RM'000
Payable within one year:		
- with related parties	–	165,218
- with external parties	127,878	218,000
	<u>127,878</u>	<u>383,218</u>

The liabilities represent trade financing arrangements contracted with certain parties for the purchase of raw materials. The titles to the inventories pertaining to these arrangements are legally with these parties and of which the Group has the obligation to purchase. The terms of trade financing arrangements are 120 days (2014: 120 days), bear interest at rates ranging from 2.1% to 3.2% (2014: 2.1% to 2.3%) per annum and late payment interest ranging from 7.5% to 12.0% (2014: 7.5% to 12.0%) per annum. The carrying amount of inventories under such arrangements is disclosed in Note 21.

The trade financing arrangements are denominated in US Dollar. Further details of foreign exchange currency risk are as disclosed in Note 42(e).

### 36. EMPLOYEE SHARE-BASED PAYMENT

The main features of the Executive Share Option Scheme (“ESOS”) of the Company, which became effective on 2 February 2011, 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 and each grant of options shall be in multiples of 100 ordinary shares.
- (d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 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 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the shareholders or the relevant authorities.

### 36. EMPLOYEE SHARE-BASED PAYMENT (Continued)

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

During the financial year, the Company granted 5,094,500 options to eligible non-executive Director of the Company and executive employees of the Group at a subscription price of RM0.50 per share.

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

Grant date	Subscription price per share	Number of Options				
		1.7.2014	Granted	Exercised	Lapsed	30.6.2015
25.11.2014	RM0.50	–	5,094,500	–	(1,789,000)	3,305,500

The exercise period for the above options will expire on 2 February 2016.

The fair value of the options granted is estimated at the date of grant using a Binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of options granted during the year was estimated on the date of grant using the following assumptions:

Fair value at grant date 25 November 2014 (RM)	negligible
Dividend yield (%)	1.0
Expected volatility (%)	40.0
Risk-free interest rate (%)	3.0
Expected life (years)	1.2

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

### 37. COMMITMENTS

#### (a) Capital commitments

	Group	
	2015 RM'000	2014 RM'000
Capital expenditure for property, plant and equipment:		
Approved and contracted for	10	18,696
Approved but not contracted for	2,628	42,511
	<u>2,638</u>	<u>61,207</u>

**37. COMMITMENTS (Continued)**

**(b) Non-cancellable operating lease commitments**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Future minimum rentals payable:		
Not later than one year	<b>6,532</b>	3,336
Later than one year and not later than five years	<b>26,263</b>	4,773
	<b>32,795</b>	8,109

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries.

**38. CONTINGENT LIABILITIES**

**(i) Corporate guarantees**

As at reporting date, no values are ascribed on the guarantees provided by the Company to secure banking facilities as the Directors regard the value of the credit enhancement provided by these guarantees as minimal and the probability of default, based on historical track records of the parties receiving the guarantees are remote.

**(ii) Claims from contractors**

As disclosed in Note 34, contractors for the Project have made claims of RM96.0 million (2014: RM96.0 million) to recover the cost incurred for purchasing parts and components for the Project but not delivered, and the compensation for damages incurred by the contractors due to the delay, of which RM38 million (2014: RM38 million) has been provided in the financial statements. The remaining claims were not provided as the Management is unable to obtain appropriate and satisfactory evidence to satisfy themselves as to the validity of these claims.

**(iii) Capital expenditure relating to the Project**

The Group is exposed to liabilities on parts purchased from contractors but not delivered to the site due to the delay in construction of the Project as disclosed in Note 12(e). As at the reporting date, the contractors have yet to submit the invoices and proof of claims for parts purchased. The quantum of the liabilities will be determined based on a mutually agreed sum of work done.

Neither the parts nor the liabilities have been recognised in the financial statements as the Directors are of the opinion that the claims from the contractors cannot be reliably measured as at the reporting date.

**(iv) Contingent liabilities relating to associate/joint venture**

**Associate**

On 1 November 2013, the Malaysia Competition Commission ("MyCC") issued its Proposed Decision on Megasteel. In its Proposed Decision, MyCC is of the view that Megasteel had breached the provision of Section 10(1) of the Competition Act, 2010 in that it had abused its dominant position by charging or imposing a price for its hot rolled coil and cold rolled coil that amounts to a margin squeeze that produces anti-competitive effects in the cold rolled coil market. Based on the Proposed Decision, a financial penalty of RM4.5 million is imposed by MyCC on Megasteel. Megasteel had on 12 December 2013 filed a written representation to MyCC and presented its oral representation on 21 July 2014.

### 38. CONTINGENT LIABILITIES (Continued)

#### (iv) Contingent liabilities relating to associate/joint venture (Continued)

The MyCC had requested a further oral representation to be held on 5 March 2015 for the purpose of seeking clarification on several issues from the representatives of Malaysian Investment Development Authority, the Ministry of International Trade and Industry and the Malaysian Steel Institute. The MyCC had subsequently cancelled its request for further oral representation.

On 29 June 2015, MyCC conducted a case management in which MyCC issued certain directions to both Megasteel and the complainant ("Directions"). On 30 June 2015, Megasteel had raised objections to the Directions which included allowing the complainant to issue written representation as it considers the complainant to be an interested party.

However, the complainant failed to file its written representation on time. The complainant's application for extension of time was also disallowed by MYCC. The next oral representation is fixed for 2 November 2015.

#### Joint venture

A number of contingent liabilities have arisen as a result of the Group's interests in joint ventures. The amount disclosed below represents the aggregate amount of such contingent liabilities before taking into account the Group's proportion of ownership interest.

##### (a) Claims from Crest Builder Sdn Bhd ("Crest Builder")

On 1 March 2013, Crest Builder commenced an arbitration against Panareno Sdn Bhd ("Panareno") on an allegation that Crest Builder is entitled to an extension of time for the completion of the works with an extended completion date of 29 July 2011 and claiming for an amount of RM50,398,443 together with interest thereon for balance sum in the development of project known as Twins, 318 units of serviced residence at Damansara Heights, Kuala Lumpur ("Twins Project"). On 19 April 2013, Panareno had filed a defence and counterclaim of approximately RM77 million against Crest Builder on a declaration that Crest Builder is not entitled to the extension of time and claiming liquidated damages for late delivery and compensation for damages incurred by Panareno due to the delay and rectification works in relation to the Twins Project. The Arbitration Tribunal has completed the hearing of all the witnesses. However, on 13 March 2015, Crest Builder applied to the Arbitration Tribunal to amend its statement of claim. On 15 June 2015, the Arbitration Tribunal allowed Crest Builder's application to amend its statement of claim with costs in the cause. The amendment to the Statement of Claim is mainly for (i) increasing Crest Builder's original claimed sum of RM50.4 million to RM51.4 million; and (ii) adding new claims amounting to RM2.0 million for matters arising from nominated sub-contract with Regal Link Sdn Bhd. Parties are now in the midst of exchanging documents necessitated by the above amendments. Continuation of hearing is fixed on 7 March 2016 to 11 March 2016.

##### (b) Claims from Tenaga Nasional Berhad ("TNB")

Panareno had been served with a writ of summon by TNB claiming the sum to be determined by the court, alleging for damage caused to its underground cables. TNB alleged that the cost to change the cables amounted to RM14.9 million. Panareno had since issued Third Party Proceedings against Vital Project Sdn Bhd ("Vital Project"), the main contractor of the water piping works for Twins project, seeking indemnity for the TNB's claim. Vital Project had in turn brought in Semantra No-Dig Engineering, its sub-contractor into the suit. Trial is fixed on 23 February 2016 to 25 February 2016.

### 39. SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (i) Transactions with other related parties

Related Parties	Nature	Group	
		2015 RM'000	2014 RM'000
Amsteel Mills Sdn Bhd	Trade sales	64,076	546,135
	Trade purchases	60,827	692,152
	Rental income	487	1,196
	Rental expenses	1,386	790
Antara Steel Mills Sdn Bhd	Trade purchases	24,740	30,605
	Trade sales	7,456	13,889
Amsteel Mills Marketing Sdn Bhd	Trade purchases	5,296	8,431
	Rental expenses	1,138	1,116
Lion Waterway Logistics Sdn Bhd	Logistic services	68,052	66,881
Singa Logistics Sdn Bhd	Logistic services	18,035	17,914
Posim Petroleum Marketing Sdn Bhd	Trade purchases	2,227	3,136
Posim Marketing Sdn Bhd	Trade purchases	39,347	42,187
	Trade sales	–	5,976
	Interest expense	26,026	21,956
	Trade purchases	3,205	3,461
Lion Tooling Sdn Bhd	Trade purchases	14,900	9,360
Compact Energy Sdn Bhd	Trade purchases	56,565	34,904
Mitsui & Co., Ltd	Trade purchases	56,565	34,904
	Product financing facilities	67,075	245,852
Lion Holdings Private Limited	Interest expenses	5,194	8,954
	Product financing facilities	–	2,500
	Interest expense	1,477	594

Amsteel Mills Sdn Bhd, Antara Steel Mills Sdn Bhd, Amsteel Mills Marketing Sdn Bhd and Lion Waterway Logistics Sdn Bhd are subsidiaries of LICB, a substantial shareholder of the Company.

Singa Logistics Sdn Bhd, Posim Petroleum Marketing Sdn Bhd and Posim Marketing Sdn Bhd are subsidiaries of Lion Forest Industries Berhad wherein certain Directors and substantial shareholders of the Company are substantial shareholders.

Lion Tooling Sdn Bhd and Compact Energy Sdn Bhd are subsidiaries of ACB Resources Berhad and Lion Asiapac Limited respectively wherein certain Directors and substantial shareholders of the Company is a director and/or substantial shareholders.

Mitsui & Co., Ltd was a substantial shareholder of a subsidiary of LCB, a company in which certain Directors and substantial shareholders of the Company are directors and substantial shareholders.

Lion Holdings Private Limited is a company in which a Director who is also a substantial shareholder of the Company has interest whilst Ributasi Holdings Sdn Bhd is a company in which certain Directors and substantial shareholders of the Company have interests.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2015 are disclosed in Notes 22 and 33.



### 39. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (ii) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages, salaries and bonuses	1,718	1,682	540	439
Pension costs - defined contribution plans	123	120	65	53
	<b>1,841</b>	<b>1,802</b>	<b>605</b>	<b>492</b>

### 40. SIGNIFICANT EVENT

On 8 May 2015, the Company announced the distribution of up to 200,000,000 ordinary shares of RM1.00 each in LCB ("LCB Shares") by way of dividend-in-specie to the shareholders of the Company, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded ("Distribution of Dividend-In-Specie").

The Distribution of Dividend-In-Specie which involved a distribution of a total of 198,873,071 LCB Shares to all entitled shareholders of the Company, was completed on 30 June 2015.

### 41. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### (a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Fair value information has not been disclosed for the Group's investments in equity instrument that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market and does not have any comparable industry peer that is listed.

#### (b) Determination of fair value

##### (i) Financial instruments measured at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

**41. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

**(b) Determination of fair value (Continued)**

**(i) Financial instruments measured at fair value (Continued)**

As at 30 June 2015 and 30 June 2014, the Group and the Company held the following financial instruments carried at fair values in the statement of financial position:

	<b>Date of revaluation</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>
<b>Group</b>				
<b>At 30 June 2015</b>				
<b>Assets measured at fair value</b>				
Property, plant and equipment - freehold land	31.3.2015	–	–	<b>199,600</b>
Investment securities	30.6.2015	<b>95,119</b>	–	–
		<b>95,119</b>	–	<b>199,600</b>
<b>Assets for which fair values are disclosed</b>				
Investment properties	30.6.2015	–	–	<b>13,296</b>
<b>Liability measured at fair value</b>				
Derivative liabilities	30.6.2015	<b>104</b>	<b>407</b>	–
<b>At 30 June 2014</b>				
<b>Assets measured at fair value</b>				
Investment securities	30.6.2014	138,797	–	–
Derivative assets	30.6.2014	92	–	–
		<b>138,889</b>	–	–
<b>Assets for which fair values are disclosed</b>				
Investment properties	30.6.2014	–	–	<b>12,673</b>
<b>Liability measured at fair value</b>				
Derivative liability	30.6.2014	–	43	–

**41. FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

**(b) Determination of fair value** (Continued)

(i) Financial instruments measured at fair value (Continued)

As at 30 June 2015 and 30 June 2014, the Group and the Company held the following financial instruments carried at fair values in the statement of financial position: (Continued)

	Date of revaluation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>Company</b>				
<b>At 30 June 2015</b>				
<b>Assets measured at fair value</b>				
Investment securities	30.6.2014	<b>7,685</b>	–	–
<b>As 30 June 2014</b>				
<b>Assets measured at fair value</b>				
Investment securities	30.6.2014	13,954	–	–
Investments in subsidiaries	30.6.2014	5,073	–	–
		<b>19,027</b>	–	–

During the financial years ended 30 June 2015 and 30 June 2014, there were no transfers between Level 1 and Level 2 fair values measurements.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2015 and 2014 are as shown below:

	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
<b>Group</b>			
<b>Assets for which fair values are disclosed</b>			
Property, plant and equipment - freehold land	Comparison method	Transaction price of comparable property which have been sold or are being offered for sale ("Transaction price")	5% (2014: Nil) increase/ (decrease) in the transaction price would result in an increase/ (decrease) in fair value by RM9,980,000 (2014: Nil)
Investment properties	Comparison method	Transaction price of comparable property which have been sold or are being offered for sale ("Transaction price")	5% (2014: 5%) increase/ (decrease) in the transaction price would result in an increase/ (decrease) in fair value by RM664,800 (2014: RM633,650)

#### 41. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (b) Determination of fair value (Continued)

- (ii) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value are disclosed in the following notes:

	<b>Note</b>
Investment securities	18
Trade and other receivables	22
Cash and bank balances	24
Loans and borrowings	28
Trade and other payables	33
Product financing liabilities	35

- (iii) Amounts due from/(to) subsidiaries, related parties and joint ventures

It is not practical to estimate the fair values of the amounts owing by/to subsidiaries, related parties and joint ventures due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

- (iv) Unquoted investments

It is not practical to estimate the fair value of the Group's unquoted investments due to lack of market information and the inability to estimate fair value without incurring excessive costs. However, the Group does not expect the carrying amounts to be significantly different from recoverable amounts.

- (v) Financial guarantees

The fair values of financial guarantees are determined based on the probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

- the likelihood of the guaranteed party defaulting within the guaranteed period;
- the exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- the estimated loss exposure if the party guaranteed were to default.

## 42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### (a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, market price risk, liquidity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

### (b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

#### Exposure to credit risk

Information regarding the Group's exposure to credit risk is disclosed in Note 22.

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

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22.

Deposits with licensed banks and quoted investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

### (c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by bank borrowings.

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(c) Liquidity risk (Continued)**

**Analysis of financial instruments by remaining contractual maturities**

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	<b>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>Over five years RM'000</b>	<b>Total RM'000</b>
<b>2015</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	981,452	–	–	981,452
Loans and borrowings:				
- Principal	341,345	128,976	–	470,321 *
- Interest	10,931	1,338	–	12,269
Product financing liabilities	127,878	–	–	127,878
Derivative liabilities	104	407	–	511
	<hr/>	<hr/>	<hr/>	<hr/>
Total undiscounted financial liabilities	1,461,710	130,721	–	1,592,431
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	288,363	–	–	288,363
Loans and borrowings:				
- Principal	100,531	–	–	100,531
- Interest	20	–	–	20
	<hr/>	<hr/>	<hr/>	<hr/>
Total undiscounted financial liabilities	388,914	–	–	388,914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

\* As disclosed in Note 28(d)(ii), the loans amounting to RM253.2 million included may become immediately payable or demand.

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(c) Liquidity risk (Continued)**

**Analysis of financial instruments by remaining contractual maturities (Continued)**

	<b>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>Over five years RM'000</b>	<b>Total RM'000</b>
<b>2014</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	1,986,664	–	–	1,986,664
Loans and borrowings:				
- Principal	1,382,560	579,527	327,673	2,289,760
- Interest	7,174	137,125	148,591	292,890
Product financing liabilities	383,218	–	–	383,218
Derivative liability	43	–	–	43
Deferred liabilities - deferred creditor	–	269,524	–	269,524
	<hr/>	<hr/>	<hr/>	<hr/>
Total undiscounted financial liabilities	3,759,659	986,176	476,264	5,222,099
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	263,176	–	–	263,176
Loans and borrowings:				
- Principal	61,856	108	–	61,964
- Interest	7	10	–	17
	<hr/>	<hr/>	<hr/>	<hr/>
Total undiscounted financial liabilities	325,039	118	–	325,157
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**(d) Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(d) Interest rate risk (Continued)**

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting date was:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Fixed rate instruments</b>		
Financial assets	<b>4,004</b>	4,012
Financial liabilities	<b>(208,727)</b>	(1,381,644)
	<b>(204,723)</b>	(1,377,632)
<b>Floating rate instruments</b>		
Financial liabilities	<b>(261,594)</b>	(908,116)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM2.0 million (2014: RM6.8 million) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**(e) Foreign currency risk**

The Group and the Company are exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group and the Company in currencies other than its functional currency. As these transactions are mainly denominated in USD, the Group and the Company's foreign currency exchange risk is primarily due to USD. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group and the Company maintain a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in its functional currency are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Net financial assets</b>		<b>Net financial assets</b>	
	<b>held in non- functional</b>		<b>held in non- functional</b>	
	<b>currencies</b>		<b>currencies</b>	
	<b>USD</b>		<b>USD</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Functional currency	<b>(125,559)</b>	(113,097)	<b>225,138</b>	191,467



**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(e) Foreign currency risk (Continued)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit/loss net of tax to a reasonably possible change in the USD exchange rate against the functional currencies, with all other variables held constant:

		<b>Group Loss, net of tax RM'000</b>	<b>Company Profit/(Loss), net of tax RM'000</b>
<b>2015</b>			
USD/RM	- strengthened 3%	(2,966)	6,716
	- weakened 3%	<u>2,966</u>	<u>(6,716)</u>
<b>2014</b>			
USD/RM	- strengthened 3%	(3,482)	5,611
	- weakened 3%	<u>3,482</u>	<u>(5,611)</u>

**(f) Market price risk**

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Main Market of Bursa Securities. These instruments are classified as available-for-sale financial assets.

To manage its market price risk arising from investments in quoted equity instruments, the Group diversifies and manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis for equity price risk

At the reporting date, if the Group's quoted investments listed on the Bursa Securities had been 2% higher/lower, with all other variables held constant, the Group's other reserve in equity would have been RM1.8 million (2014: RM3.1 million) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)

**(g) Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- (i) Loans and receivables ("L&R")
- (ii) Other liabilities ("OL")

At 30 June 2015	Note	Carrying amount RM'000	L&R RM'000	OL RM'000
<b>Group</b>				
<b>Financial assets</b>				
Trade and other receivables	22	388,011	388,011	–
Cash and bank balances	24	311,663	311,663	–
		<u>699,674</u>	<u>699,674</u>	<u>–</u>
<b>Financial liabilities</b>				
Loans and borrowings	28	(470,321)	–	(470,321)
Trade and other payables	33	(981,452)	–	(981,452)
Product financing liabilities	35	(127,878)	–	(127,878)
		<u>(1,579,651)</u>	<u>–</u>	<u>(1,579,651)</u>
<b>Company</b>				
<b>Financial assets</b>				
Other receivables	22	755,044	755,044	–
Cash and bank balances	24	9,580	9,580	–
		<u>764,624</u>	<u>764,624</u>	<u>–</u>
<b>Financial liabilities</b>				
Loans and borrowings	28	(100,531)	–	(100,531)
Other payables	33	(288,363)	–	(288,363)
		<u>(388,894)</u>	<u>–</u>	<u>(388,894)</u>

**42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**(g) Categories of financial instruments (Continued)**

The table below provides an analysis of financial instruments categorised as follows: (Continued)

<b>At 30 June 2014</b>	<b>Note</b>	<b>Carrying amount RM'000</b>	<b>L&amp;R RM'000</b>	<b>OL RM'000</b>
<b>Group</b>				
<b>Financial assets</b>				
Trade and other receivables	22	202,884	202,884	–
Cash and bank balances	24	465,757	465,757	–
		<u>668,641</u>	<u>668,641</u>	<u>–</u>
<b>Financial liabilities</b>				
Loans and borrowings	28	(2,289,760)	–	(2,289,760)
Trade and other payables	33	(1,986,664)	–	(1,986,664)
Product financing liabilities	35	(383,218)	–	(383,218)
Deferred liabilities	32	(255,600)	–	(255,600)
		<u>(4,915,242)</u>	<u>–</u>	<u>(4,915,242)</u>
<b>Company</b>				
<b>Financial assets</b>				
Other receivables	22	718,373	718,373	–
Cash and bank balances	24	7,575	7,575	–
		<u>725,948</u>	<u>725,948</u>	<u>–</u>
<b>Financial liabilities</b>				
Loans and borrowings	28	(61,964)	–	(61,964)
Other payables	33	(263,176)	–	(263,176)
		<u>(325,140)</u>	<u>–</u>	<u>(325,140)</u>

#### 43. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and liquidity to meet the demands of creditors and lenders.

The Group regularly reviews and manages its capital structure and make adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and borrowings (Note 28)	<b>470,321</b>	2,289,760
Trade and other payables (Note 33)	<b>981,452</b>	1,986,664
Deferred liabilities (Note 32)	<b>–</b>	255,600
Product financing liabilities (Note 35)	<b>127,878</b>	383,218
Less: Cash and bank balances (Note 24)	<b>(311,663)</b>	(465,757)
Net debts (A)	<b>1,267,988</b>	4,449,485
Equity attributable to owners of the Company (B)	<b>447,955</b>	529,070
Total capital and net debts (C = A+B)	<b>1,715,943</b>	4,978,555
Gearing ratio (A/C)	<b>74%</b>	89%

Other than as described above, no changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2015 and 30 June 2014.

#### 44. SEGMENT INFORMATION

##### (a) Reporting format

The primary segment format is determined to be business segment as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

##### (b) Business segments

The Group is organised on a worldwide basis into four major business segments:

- (i) Steel - Manufacturing and sale of steel products
- (ii) Property - Property development and management
- (iii) Contract manufacturing services ("CMS") - Electronic and mechanical contract manufacturing services
- (iv) Others - Investment holding, trading and others

**44. SEGMENT INFORMATION** (Continued)

**(b) Business segments** (Continued)

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit. Group financing (including finance income and finance costs) and income taxes are managed on a group basis and are not allocated to reportable segments.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**2015**

	Continuing operations				Discontinued operation	Adjustments* and elimination	Total
	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	operation RM'000	RM'000	RM'000
<b>Revenue</b>							
External sales	949,229	110,605	147,935	903	1,097,645	(1,097,645)	1,208,672
Inter-segment sales	-	1,551	-	-	-	(1,551)	-
Total revenue	<u>949,229</u>	<u>112,156</u>	<u>147,935</u>	<u>903</u>	<u>1,097,645</u>	<u>(1,099,196)</u>	<u>1,208,672</u>
<b>Results</b>							
Segment results	53,368	21,892	9,952	(6,301)	(241,192)	241,192	78,911
Fair value loss on derivative liabilities	-	-	(196)	(364)	-	-	(560)
Realised and unrealised foreign exchange gain/(loss), net	(10,823)	-	2,873	9,036	(69,957)	69,957	1,086
	<u>42,545</u>	<u>21,892</u>	<u>12,629</u>	<u>2,369</u>	<u>(311,149)</u>	<u>311,149</u>	<u>79,435</u>
Finance costs	(27,842)	(3,122)	(41)	(45,659)	(216,373)	216,373	(76,664)
Impairment loss on:							
- Investment securities	(11,491)	-	-	(31,382)	(2,264)	2,264	(42,873)
- Investments in associates	-	-	-	(15,861)	-	-	(15,861)
- Plant and equipment	(20,000)	-	-	-	(5,915)	5,915	(20,000)
- Trade and other receivables	-	-	-	(50,000)	50,000	(50,000)	(50,000)
Gain on dilution of subsidiaries	-	-	-	-	235,006	(235,006)	-
Share of results of associates	-	-	-	(4,283)	(38,451)	38,451	(4,283)
Share of results of joint ventures	-	-	-	786	-	-	786
Income tax expense	4,527	(4,768)	(4,437)	39	(15,013)	15,013	(4,639)
Loss for the year	<u>(12,261)</u>	<u>14,002</u>	<u>8,151</u>	<u>(143,991)</u>	<u>(304,159)</u>	<u>304,159</u>	<u>(134,099)</u>

\* Adjustments to exclude discontinued operation.

**44. SEGMENT INFORMATION** (Continued)

**(b) Business segments** (Continued)

**2015**

	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>Assets</b>						
Segment assets	1,267,102	738,602	80,879	83,699	–	2,170,282
Investments in joint ventures						24,903
Unallocated corporate assets						5,482
Consolidated total assets						<u>2,200,667</u>
<b>Liabilities</b>						
Segment liabilities	688,647	220,677	24,603	684,235	–	1,618,162
Unallocated corporate liabilities						134,550
Consolidated total liabilities						<u>1,752,712</u>
<b>Other disclosures</b>						
Capital expenditure	10,321	1,168	2,886	187	–	14,562
Depreciation	32,197	887	2,942	631	–	36,657
Impairment losses	24,611	–	–	104,123	–	128,734
Other non-cash expense	29,592	3	501	241	–	30,337

44. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2014

	Continuing operations				Discontinued operation	Adjustments * and elimination	Total
	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	operation RM'000	RM'000	RM'000
<b>Revenue</b>	958,397	94,577	147,809	604	1,528,965	(1,528,965)	1,201,387
Inter-segment sales	–	1,551	–	–	–	(1,551)	–
Total revenue	958,397	96,128	147,809	604	1,528,965	(1,530,516)	1,201,387
<b>Results</b>							
Segment results	59,790	27,536	11,736	(2,804)	(211,850)	211,850	96,258
Fair value gain on derivative liabilities	–	–	92	16,346	–	–	16,438
Realised and unrealised foreign exchange gain/(loss), net	3,927	–	1,481	(84)	(6,375)	6,375	5,324
Finance costs	63,717 (32,121)	27,536 (2,115)	13,309 (40)	13,458 (39,235)	(218,225) (211,386)	218,225 211,386	118,020 (73,511)
Gain on disposal of subsidiaries	–	–	–	120	22,779	(22,779)	120
Impairment loss on:							
- Investment securities	(5,406)	–	–	(56,599)	(30)	30	(62,005)
- Plant and equipment	(435,970)	–	–	–	(10,419)	10,419	(435,970)
- Trade and other receivables	(168,516)	–	(70)	(63,336)	231,852	(231,852)	(231,922)
Share of results of associates	–	–	–	–	2,172	(2,172)	–
Share of results of joint ventures	–	–	–	3,655	–	–	3,655
Income tax expense	211	(6,720)	(3,445)	(1,383)	23,296	(23,296)	(11,337)
Loss for the year	(578,085)	18,701	9,754	(143,320)	(159,961)	159,961	(692,950)

\* Adjustments to exclude discontinued operation.

**44. SEGMENT INFORMATION** (Continued)

**(b) Business segments** (Continued)

**2014**

	<b>Steel RM'000</b>	<b>Property RM'000</b>	<b>CMS RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>						
Segment assets	3,773,451	726,736	78,557	329,123	–	4,907,867
Investments in associates						53,845
Investments in joint ventures						24,026
Unallocated corporate assets						421,597
Consolidated total assets						<u>5,407,335</u>
<b>Liabilities</b>						
Segment liabilities	3,974,283	216,748	24,282	737,972	–	4,953,285
Unallocated corporate liabilities						134,742
Consolidated total liabilities						<u>5,088,027</u>
<b>Other disclosures</b>						
Capital expenditure	4,539	1,070	1,185	255	–	7,049
Depreciation	31,529	836	2,924	687	–	35,976
Impairment losses	609,910	–	70	119,917	–	729,897
Other non-cash expense	34,396	1	86	521	–	35,004



#### 44. SEGMENT INFORMATION (Continued)

##### (c) Geographical segments

The Group's four business segments are operated in three main geographical areas:

- (i) Malaysia - Steel, property, CMS and others
- (ii) People's Republic of China - Property and others
- (iii) Others - CMS and others

An analysis of the Group's revenue, carrying amount of segment assets and capital expenditure by geographical segment are as follows:

	Segment Revenue		Segment Assets		Capital Expenditure	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	<b>966,165</b>	970,251	<b>1,536,922</b>	4,315,438	<b>13,190</b>	6,935
People's Republic of China	<b>110,133</b>	93,220	<b>526,150</b>	444,860	<b>1,091</b>	16
Others	<b>132,374</b>	137,916	<b>107,210</b>	147,569	<b>281</b>	98
Total	<b>1,208,672</b>	1,201,387	<b>2,170,282</b>	4,907,867	<b>14,562</b>	7,049

##### (d) Information about major customers

Revenue from one customer (2014: three customers) (being related parties as disclosed in Note 39) amounting to RM942.8 million (2014: RM952.4 million) arising from sales by the Steel segment.

#### 45. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

**46. SUPPLEMENTARY INFORMATION - BREAKDOWN OF ACCUMULATED LOSSES/RETAINED PROFITS INTO REALISED AND UNREALISED**

The breakdown of the accumulated losses of the Group and of the Company as at 30 June 2015 into realised and unrealised profits/losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad 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 Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total accumulated losses of the Company and its subsidiaries:				
- Realised	<b>(470,780)</b>	(253,961)	<b>(573,077)</b>	(554,804)
- Unrealised	<b>(194,658)</b>	169,577	<b>51,021</b>	23,979
	<b>(665,438)</b>	(84,384)	<b>(522,056)</b>	(530,825)
Total share of accumulated losses from associates:				
- Realised	<b>(4,283)</b>	(394,943)	–	–
- Unrealised	–	2,432	–	–
	<b>(4,283)</b>	(392,511)	–	–
Total share of retained profits from joint ventures:				
- Realised	<b>24,815</b>	23,938	–	–
Less: Consolidated adjustments	<b>(62,669)</b>	(62,669)	–	–
Total accumulated losses	<b>(707,575)</b>	(515,626)	<b>(522,056)</b>	(530,825)

## LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2015

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. Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250 Melaka	Leasehold 13.4.2081	3,885.5 sq metres	Buildings	Apartment (17)	2.3	June 2004
2. Melaka Technology Park PN 54143, Lot 19401 PN 54144, Lot 19402 PN 54155, Lot 19403 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	19.8 acres	Buildings	Factory (23)	24.5	December 2007
3. Geran 64183, Lot 32889 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	63.4 hectares	Land	Vacant	15.1	December 2007
4. GRN 39954, Lot 2324 GRN 173144, Lot 12236 GRN 41084, Lot 8379 GRN 55361, Lot 12164 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	763.7 acres	Land	Vacant	199.6	March 2015
5. PN 22648, Lot 2697 PN 22678, Lot 2699 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Leasehold 14.10.2095	36.2 acres	Land	Vacant	3.2	June 2008
6. 33, Dong Nan Da Dao Changshu City Jiangsu Province China	Leasehold 7.7.2078	488 sq metres	Building	Office (6)	4.0	March 2008

## ANALYSIS OF SHAREHOLDINGS

### Share Capital as at 30 September 2015

Authorised Capital	:	RM4,500,000,000
Issued and Paid-up Capital	:	RM696,073,677.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

### Distribution of Shareholdings as at 30 September 2015

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	266	2.85	6,562	0.00
100 to 1,000	2,264	24.26	1,848,163	0.13
1,001 to 10,000	3,931	42.13	20,161,871	1.45
10,001 to 100,000	2,360	25.29	84,245,374	6.05
100,001 to less than 5% of issued shares	506	5.42	668,468,685	48.02
5% and above of issued shares	4	0.05	617,416,700	44.35
	<u>9,331</u>	<u>100.00</u>	<u>1,392,147,355</u>	<u>100.00</u>

### Substantial Shareholders as at 30 September 2015

Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Sri William H.J. Cheng	364,586,607	26.19	318,125,462	22.85
2. Tan Sri Cheng Yong Kim	9,841,337	0.71	375,657,070	26.98
3. Dynamic Horizon Holdings Limited	363,400,000	26.10	—	—
4. Amsteel Mills Sdn Bhd	116,180,800	8.35	60,029,832	4.31
5. Lion Industries Corporation Berhad	37,518,645	2.70	176,210,632	12.66
6. LLB Steel Industries Sdn Bhd	—	—	176,210,632	12.66
7. Steelcorp Sdn Bhd	—	—	176,210,632	12.66

**Thirty Largest Registered Shareholders as at 30 September 2015**

<b>Registered Shareholders</b>	<b>No. of Shares</b>	<b>% of Shares</b>
1. Dynamic Horizon Holdings Limited	213,400,000	15.33
2. ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	172,016,700	12.36
3. AMSEC Nominees (Asing) Sdn Bhd AmTrustee Berhad for Dynamic Horizon Holdings Limited	150,000,000	10.77
4. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	82,000,000	5.89
5. Antara Steel Mills Sdn Bhd	60,029,832	4.31
6. Narajaya Sdn Bhd	53,997,801	3.88
7. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (8119566)	43,000,000	3.09
8. Cheng Heng Jem	37,569,907	2.70
9. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-4	32,180,800	2.31
10. RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for Cheng Heng Jem	30,000,000	2.15
11. RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for William Cheng Sdn Bhd	30,000,000	2.15
12. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-1	28,000,000	2.01
13. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-2	28,000,000	2.01
14. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-3	28,000,000	2.01
15. Ributasi Holdings Sdn Bhd	17,983,427	1.29
16. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (8106442)	17,000,000	1.22
17. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	15,000,000	1.08
18. Maybank Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Limited (Client A/C)	14,750,000	1.06
19. Lion Holdings Private Limited	12,257,070	0.88
20. Cheng Yong Kim	9,841,337	0.71
21. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LIO0157M)	5,518,645	0.40
22. CIMSEC Nominees (Asing) Sdn Bhd CIMB for Lee Chun Fun (PB)	5,000,000	0.36
23. Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for San Tuan Sam	4,755,600	0.34

**Thirty Largest Registered Shareholders as at 30 September 2015** (Continued)

<b>Registered Shareholders</b>	<b>No. of Shares</b>	<b>% of Shares</b>
24. RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Ng Siong Ket (EPF)	4,354,500	0.31
25. Teh Bee Gaik	3,440,000	0.25
26. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lu Yap Yang	2,862,100	0.21
27. Yong Swee Hing	2,700,000	0.19
28. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Boon Poh (008)	2,622,000	0.19
29. Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Kooi Phing (474509)	2,546,800	0.18
30. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Irene Toh Lai Ping (TJJ/Ken)	2,352,500	0.17

**Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2015**

The Directors' interests in shares in the Company and its related corporations as at 30 September 2015 are as follows:

	<b>Nominal Value per Ordinary Share</b>	<b>Direct Interest No. of Shares</b>	<b>% of Shares</b>	<b>Indirect Interest No. of Shares</b>	<b>% of Shares</b>	<b>No. of Options<sup>^</sup></b>
<b>The Company</b>	RM0.50					
Tan Sri William H.J. Cheng		364,586,607	26.19	318,694,862	22.89	—
Tan Sri Cheng Yong Kim		9,841,337	0.71	379,157,070	27.24	—
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat		—	—	—	—	250,000
Ooi Kim Lai		116	#	—	—	—

**Related Corporations**

**Tan Sri William H.J. Cheng  
Tan Sri Cheng Yong Kim**

	<b>Nominal Value per Ordinary Share</b>	<b>Indirect Interest No. of Shares</b>	<b>% of Shares</b>
LDH Investment Pte Ltd	*	4,500,000	100.00
Jernih Aktif Sdn Bhd	RM1.00	70	70.00

**Notes:**

<sup>^</sup> Options granted pursuant to the Executive Share Option Scheme of the Company to subscribe for ordinary shares of RM0.50 each in the Company.

# Negligible.

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2015.

## OTHER INFORMATION

### (I) MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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 for the financial year was RM55,000 (2014: RM134,000).

### (III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2015 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
<b>Steel related</b>		
(i) Sale of direct reduce iron, scrap iron and other related products and services	Lion Corporation Berhad Group ("LCB Group")	989,176
(ii) Purchase of steel products, scrap iron and other steel related products and services	LCB Group	43,325
	Lion Industries Corporation Berhad Group	77,810
	Lion Forest Industries Berhad Group	39,367
(iii) Rental of industrial land and buildings	LCB Group	1,142

#### Notes:

- "Group" includes subsidiary and associated companies.
- The Related Parties are companies in which certain Directors and certain major shareholders of the Company have substantial interests.

### (IV) SHARE BUY-BACK

There was no share buy-back during the financial year.

### (V) OPTIONS GRANTED TO DIRECTOR AND SENIOR MANAGEMENT AS AT 30 JUNE 2015

Since the commencement of the Executive Share Option Scheme of the Company ("ESOS") on 2 February 2011, the actual percentage granted to a non-executive Director of the Company and senior management of the Group was 1.88% of the total number shares available under the ESOS.

(This page is intentionally to be left blank)



## FORM OF PROXY

CDS ACCOUNT NUMBER

			-				-									
--	--	--	---	--	--	--	---	--	--	--	--	--	--	--	--	--

I/We .....

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

of .....

being a member of LION DIVERSIFIED HOLDINGS BERHAD, hereby appoint .....

of .....

or failing whom, .....

I.C. No. ....

as my/our proxy to vote for me/us and on my/our behalf at the Forty-Fifth 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 24 November 2015 at 2.30 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To re-elect as Director, Y. Bhg. Tan Sri Cheng Yong Kim		
3. To re-elect as Director, Y. Bhg. Dato' Mohamad Kamarudin bin Hassan		
4. To re-elect as Director, Mr Ooi Kim Lai		
5. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng		
6. To re-appoint Auditors		
7. Authority to Directors to Issue Shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
9. Proposed Renewal of Authority for Share Buy-Back		

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

As witness my/our hand this ..... day of ..... 2015

No. of shares: .....

Signed: .....

**Representation at Meeting:**

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 November 2015 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.



