FINANCIAL STATEMENTS 2013

For The Financial Year Ended 30 June 2013

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

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

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

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

SIGNIFICANT AND SUBSEQUENT EVENTS

Significant events during the financial year and event subsequent to financial year are disclosed in Notes 37 and 38 to the Financial Statements, respectively.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	25,638	11,427
Income tax expense	(14,753)	(2,673)
Profit for the year	10,885	8,754
Profit attributable to:		
Owners of the Company	10,866	
Non-controlling interests	19	
	10,885	

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

DIVIDENDS

The final dividend of 2.0 sen per ordinary share, tax exempt, amounting to RM4.6 million proposed in respect of the previous financial year and dealt with in the previous Directors' Report was paid by the Company during the current financial year.

The Directors proposed a first and final dividend of 2.0 sen per ordinary share, less 25% tax, amounting to RM3.5 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

An ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group was implemented on 2 February 2011 for a period of 5 years. The main features of the ESOS are as disclosed in Note 25 to the Financial Statements.

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (continued)

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

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

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

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

As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI, as disclosed in Note 33 to the Financial Statements.

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

DIRECTORS

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

Tan Sri William H.J. Cheng
Chan Ho Wai
Dato' Kalsom binti Abd. Rahman
Dato' Eow Kwan Hoong *(appointed on 14 December 2012)*
Lin Chung Dien
Dato' Mohamad bin Haji Ahmad *(retired on 11 December 2012)*
Zainab binti Dato' Hj. Mohamed *(retired on 11 December 2012)*

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

In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Dato' Eow Kwan Hoong who was appointed during the financial year retires and, being eligible, offers himself for re-election.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served on the Board as an independent non-executive Director for more than nine years, shall retire at the forthcoming Annual General Meeting and the Company shall seek shareholders' approval for her re-appointment as an independent non-executive Director.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As of 1.7.2012	**Additions**	**Disposals**	**As of 30.6.2013**
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Lin Chung Dien	7,060	–	–	7,060
Indirect interest				
Tan Sri William H.J. Cheng	182,478,348	–	(3,150,000)	179,328,348

DIRECTORS' INTERESTS (continued)

	Number of ordinary shares of RM1.00 each			
	As of 14.12.2012[1]	Additions	Disposals	As of 30.6.2013
Direct interest				
Dato' Eow Kwan Hoong	8,026	–	–	8,026

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

	Number of ordinary shares of RM1.00 each			
	As of 1.7.2012	Additions	Disposals	As of 30.6.2013
Direct interest				
Lion Industries Corporation Berhad				
Tan Sri William H.J. Cheng	102,000,000	114,865,498	–	216,865,498
Lin Chung Dien	25,320	–	(25,320)	–

	Nominal value per ordinary share	Number of shares			
		As of 1.7.2012	Additions	Disposals	As of 30.6.2013
Indirect interest					
Tan Sri William H.J. Cheng					
Holdsworth Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	RM1.00	212,500	–	–	212,500
Lion AMB Holdings Pte Ltd	*	31,750,100	–	–	31,750,100
Lion AMB Resources Berhad	RM1.00	300,750,401	18,024	–	300,768,425
Lion Industries Corporation Berhad	RM1.00	236,209,236	–	(189,338,125)	46,871,111
Lion Rubber Industries Pte Ltd	*	10,000,000	–	–	10,000,000
LLB Enterprise Sdn Bhd	RM1.00	690,000	–	–	690,000
Marvenel Sdn Bhd	RM1.00	100	–	–	100
Ototek Sdn Bhd	RM1.00	1,050,000	–	–	1,050,000
P.T. Lion Intimung Malinau	USD1.00	4,750,000	–	–	4,750,000
Posim EMS Sdn Bhd	RM1.00	800,000	–	–	800,000
Soga Sdn Bhd	RM1.00	4,502,389	–	–	4,502,389
Steelcorp Sdn Bhd	RM1.00	99,750	–	–	99,750
Zhongsin Biotech Pte Ltd	*	1,000,000	–	–	1,000,000

DIRECTORS' INTERESTS (continued)

	Nominal value per ordinary share	Number of shares			
		As of 24.7.2012(2)	Additions	Disposals	As of 30.6.2013
Indirect interest					
Tan Sri William H.J. Cheng					
Angkasa Amsteel Pte Ltd	*	11,517,999	–	–	11,517,999
Angkasa Welded Mesh Pte Ltd	*	100,000	–	–	100,000

	Number of ordinary shares of RM1.00 each			
	As of 2.11.2012(3)	Additions	Disposals	As of 30.6.2013
Indirect interest				
Tan Sri William H.J. Cheng				
Brands Pro Management Sdn Bhd	700,000	–	–	700,000

Investment in the People's Republic of China	**Currency**	**As of 1.7.2012**	**Additions**	**Disposals**	**As of 30.6.2013**
Indirect interest					
Tan Sri William H.J. Cheng					
Tianjin Baden Real Estate Development Co Ltd	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary)	USD	10,878,944	–	–	10,878,944

	Nominal value per preference share	Number of shares			
		As of 1.7.2012	Additions	Redeemed	As of 30.6.2013
Indirect interest					
Tan Sri William H.J. Cheng					
Lion AMB Resources Berhad	RM0.01	18,186,741	–	(18,186,741)	–

*	Shares in companies incorporated in Singapore do not have a par value.
(1)	Appointed a Director on 14 December 2012.
(2)	Became related companies on 24 July 2012.
(3)	Became a related company on 2 November 2012.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies or persons connected with such Directors have interests as disclosed in Note 19 to the Financial Statements.

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

HOLDING COMPANIES

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

AUDITORS

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

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
28 October 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Financial Statements

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2013 and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 124.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4(ii)(e) and Note 30 to the Financial Statements, which further explained an uncertainty regarding the provision made for damages estimated to arise from a litigation claim and to Note 4(ii)(b) regarding the credit risk with a related party, Megasteel Sdn Bhd.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) We have considered the accounts and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 13 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

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

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

Other Matters

(a) As stated in Note 2 to the Financial Statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as of 30 June 2012 and 1 July 2011, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 30 June 2012 and related disclosures. The application of these standards have not affected the comparative information as previously reported in accordance with Financial Reporting Standards. We were not engaged to report on these comparative information which are now presented in accordance with Malaysian Financial Reporting Standards and hence, it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as of 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

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

Other Reporting Responsibilities

The supplementary information set out in page 125 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Company are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN
Partner - 2903/11/13 (J)
Chartered Accountant

Petaling Jaya
28 October 2013

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Revenue	5	**1,011,304**	1,046,090	**86,279**	145,308
Other operating income		**34,427**	28,429	**18,969**	17,056
Changes in inventories of finished goods and trading merchandise		**10,510**	23,954	**–**	–
Raw materials and consumables used		**(23,906)**	(23,483)	**–**	–
Purchase of trading merchandise		**(920,382)**	(977,112)	**(70,824)**	(73,946)
Staff costs	6	**(21,584)**	(17,617)	**(3,482)**	(1,955)
Depreciation of:					
Property, plant and equipment	11	**(3,892)**	(3,681)	**(78)**	(77)
Investment properties	12	**(29)**	(29)	**(29)**	(29)
(Loss)/Gain on foreign exchange:					
Realised		**(410)**	1,499	**279**	835
Unrealised		**(1)**	22	**(140)**	(28)
Other operating expenses		**(28,551)**	(26,173)	**(10,370)**	(1,025)
Profit from operations	6	**57,486**	51,899	**20,604**	86,139
Finance costs	7	**(363)**	(647)	**(9,177)**	(6,285)
Share in results of associated companies		**4,086**	7,915	**–**	–
Gain on disposal of an associated company		**–**	30,748	**–**	–
Settlement arising from litigation claim against a former subsidiary company		**–**	(40,000)	**–**	(40,000)
Impairment losses on:					
Trade receivables		**(26,557)**	(4,359)	**–**	–
Quoted investments		**(3,612)**	(17,093)	**–**	–
Loss on redemption of unquoted investments		**(5,402)**	–	**–**	–
Log extraction premium paid to State Government of Sabah		**–**	(3,385)	**–**	(3,385)
Profit before tax		**25,638**	25,078	**11,427**	36,469
Income tax expense	8	**(14,753)**	(14,603)	**(2,673)**	(2,023)
Profit for the year		**10,885**	10,475	**8,754**	34,446
Profit attributable to:					
Owners of the Company		**10,866**	2,762	**8,754**	34,446
Non-controlling interests		**19**	7,713	**–**	–
Profit for the year		**10,885**	10,475	**8,754**	34,446
Earnings per ordinary share attributable to owners of the Company (sen)	9				
- Basic and diluted		4.69	1.19		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit for the year	**10,885**	10,475	**8,754**	34,446
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss	**–**	–	**–**	–
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences arising from foreign operations	**1,150**	15,434	**–**	–
Changes in fair value of available-for-sale financial assets and assets classified as held for sale	**66**	2,405	**–**	–
Realisation of fair value gain on disposal of assets classified as held for sale	**(2,256)**	–	**–**	–
Other comprehensive (loss)/ income for the year	**(1,040)**	17,839	**–**	–
Total comprehensive income for the year	**9,845**	28,314	**8,754**	34,446
Total comprehensive income attributable to:				
Owners of the Company	**9,431**	19,397	**8,754**	34,446
Non-controlling interests	**414**	8,917	**–**	–
Total comprehensive income for the year	**9,845**	28,314	**8,754**	34,446

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2013

	Note	The Group 30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	11	**28,031**	26,456	28,565
Investment properties	12	**650**	1,247	1,276
Investment in associated companies	14	**78,085**	74,816	85,935
Other investments	15	**13,487**	24,990	35,191
Intangible assets	16	**–**	–	–
Goodwill on consolidation	17	**–**	–	–
Deferred tax assets	18	**3,359**	766	680
Total Non-Current Assets		**123,612**	128,275	151,647
Current Assets				
Inventories	20	**29,532**	39,516	64,763
Other investments	21	**9,325**	10,573	12,003
Trade receivables	22(a)	**464,957**	401,147	279,120
Other receivables and prepayments	22(b)	**246,690**	220,104	146,912
Amount owing by an associated company	14	**–**	–	–
Amout owing by immediate holding company	19	**150,293**	130,669	138,173
Amount owing by other related companies	19	**120,760**	115,051	114,762
Tax recoverable		**1,604**	2,353	990
Fixed deposits, cash and bank balances	23	**236,017**	296,755	497,595
		1,259,178	1,216,168	1,254,318
Assets classified as held for sale	24	**470**	21,989	–
Total Current Assets		**1,259,648**	1,238,157	1,254,318
Total Assets		**1,383,260**	1,366,432	1,405,965

(Forward)

	Note	30.6.2013 RM'000	The Group 30.6.2012 RM'000	1.7.2011 RM'000
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	25	**231,572**	231,572	231,572
Reserves	26	**980,451**	975,631	988,046
Equity attributable to owners of the Company		**1,212,023**	1,207,203	1,219,618
Non-controlling interests		**32,024**	32,423	29,121
Total Equity		**1,244,047**	1,239,626	1,248,739
Non-Current and Deferred Liabilities				
Redeemable cumulative convertible preference shares	27	**–**	–	12,833
Hire-purchase payables	28	**753**	1,468	3,267
Deferred tax liabilities	18	**1,226**	1,082	1,421
Total Non-Current and Deferred Liabilities		**1,979**	2,550	17,521
Current Liabilities				
Trade payables	29(a)	**52,456**	41,576	73,519
Other payables and accrued expenses	29(b)	**52,795**	42,448	37,879
Provision	30	**15,000**	15,000	15,000
Amount owing to ultimate holding company	19	**717**	–	707
Amount owing to other related companies	19	**5,401**	1,280	76
Redeemable cumulative convertible preference shares ("RCCPS")	27	**–**	12,388	–
Hire-purchase payables	28	**917**	2,364	2,322
Bank borrowings	31	**5,771**	3,954	3,667
Tax liabilities		**4,177**	5,246	6,535
Total Current Liabilities		**137,234**	124,256	139,705
Total Liabilities		**139,213**	126,806	157,226
Total Equity and Liabilities		**1,383,260**	1,366,432	1,405,965

(Forward)

	Note	30.6.2013 RM'000	The Company 30.6.2012 RM'000	1.7.2011 RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	11	**5,006**	5,084	5,151
Investment properties	12	**650**	1,247	1,276
Investment in subsidiary companies	13	**60,206**	33,133	31,471
Other investments	15	**18**	18	18
Amount owing by a subsidiary company	13	**–**	11,981	11,622
Total Non-Current Assets		**65,880**	51,463	49,538
Current Assets				
Trade receivables	22(a)	**4,028**	4,028	4,031
Other receivables and prepayments	22(b)	**11,325**	3,063	3,197
Amount owing by subsidiary companies	13	**737,279**	713,768	521,774
Amount owing by other related companies	19	**120,265**	114,626	107,733
Tax recoverable		**958**	–	–
Fixed deposits, cash and bank balances	23	**153,489**	200,063	339,694
		1,027,344	1,035,548	976,429
Assets classified as held for sale	24	**470**	–	–
Total Current Assets		**1,027,814**	1,035,548	976,429
Total Assets		**1,093,694**	1,087,011	1,025,967
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	25	**231,572**	231,572	231,572
Reserves	26	**529,726**	525,603	519,524
Total Equity		**761,298**	757,175	751,096
Non-Current and Deferred Liabilities				
Hire-purchase payables	28	**199**	251	333
Deferred tax liabilities	18	**280**	280	280
Amount owing to a subsidiary company	13	**12,337**	11,981	11,622
Total Non-Current and Deferred Liabilities		**12,816**	12,512	12,235
Current Liabilities				
Trade payables	29(a)	**9,017**	10,865	11,095
Other payables and accrued expenses	29(b)	**5,260**	5,234	5,339
Provision	30	**15,000**	15,000	15,000
Amount owing to subsidiary companies	13	**290,251**	285,531	229,068
Amount owing to other related companies	19	**–**	37	69
Hire-purchase payables	28	**52**	55	27
Tax liabilities		**–**	602	2,038
Total Current Liabilities		**319,580**	317,324	262,636
Total Liabilities		**332,396**	329,836	274,871
Total Equity and Liabilities		**1,093,694**	1,087,011	1,025,967

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

The Group	Note	Share capital RM'000	Non-distributable reserves: Share premium RM'000	Non-distributable reserves: Translation adjustment account RM'000	Non-distributable reserves: Capital reserve RM'000	Non-distributable reserves: Capital redemption reserve RM'000	Non-distributable reserves: Fair value reserve RM'000	Distributable reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 July 2011		231,572	689,330	(17,281)	264	9	212	315,512	1,219,618	29,121	1,248,739
Profit for the year		–	–	–	–	–	–	2,762	2,762	7,713	10,475
Other comprehensive income for the year		–	–	14,230	–	–	2,405	–	16,635	1,204	17,839
Total comprehensive income		–	–	14,230	–	–	2,405	2,762	19,397	8,917	28,314
Dividends paid	10	–	–	–	–	–	–	(28,367)	(28,367)	–	(28,367)
Disposal of an associated company		–	–	12,806	–	–	–	(17,848)	(5,042)	5,042	–
Acquisition of non-controlling interests		–	–	–	–	–	–	1,597	1,597	(10,657)	(9,060)
As of 30 June 2012		231,572	689,330	9,755	264	9	2,617	273,656	1,207,203	32,423	1,239,626

(Forward)

The Group	Note	Share capital RM'000	← Non-distributable reserves: Share premium RM'000	Translation adjustment account RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000 →	Distributable reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 July 2012		231,572	689,330	9,755	264	9	2,617	273,656	1,207,203	32,423	1,239,626
Profit for the year		–	–	–	–	–	–	10,866	10,866	19	10,885
Other comprehensive income/(loss) for the year		–	–	755	–	–	(2,190)	–	(1,435)	395	(1,040)
Total comprehensive income		–	–	755	–	–	(2,190)	10,866	9,431	414	9,845
Dividend paid	10	–	–	–	–	–	–	(4,631)	(4,631)	–	(4,631)
Dividend paid to non-controlling interests of a subsidiary company		–	–	–	–	–	–	–	–	(786)	(786)
Redemption of redeemable cumulative convertible preference shares by a subsidiary company		–	–	–	–	271	–	(271)	–	–	–
Acquisition of non-controlling interests		–	–	–	–	–	–	20	20	(27)	(7)
As of 30 June 2013		231,572	689,330	10,510	264	280	427	279,640	1,212,023	32,024	1,244,047

(Forward)

The Company	**Note**	**Share capital RM'000**	← **Non-distributable reserves** **Share premium RM'000**	**Capital reserve RM'000** →	**Accumulated losses RM'000**	**Total equity RM'000**
As of 1 July 2011		231,572	689,330	264	(170,070)	751,096
Total comprehensive income for the year		–	–	–	34,446	34,446
Dividends paid	10	–	–	–	(28,367)	(28,367)
As of 30 June 2012		231,572	689,330	264	(163,991)	757,175
As of 1 July 2012		**231,572**	**689,330**	**264**	**(163,991)**	**757,175**
Total comprehensive income for the year		**–**	**–**	**–**	**8,754**	**8,754**
Dividend paid	10	**–**	**–**	**–**	**(4,631)**	**(4,631)**
As of 30 June 2013		**231,572**	**689,330**	**264**	**(159,868)**	**761,298**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

The Group	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**10,885**	10,475
Adjustments for:		
Impairment losses on:		
Trade receivables	**26,557**	4,359
Quoted investments	**3,612**	17,093
Investment properties	**98**	–
Income tax expense recognised in profit or loss	**14,753**	14,603
Loss on redemption of unquoted investments	**5,402**	–
Depreciation of:		
Property, plant and equipment	**3,892**	3,681
Investment properties	**29**	29
Finance costs	**363**	647
Allowance for slow-moving and obsolete inventories	**149**	56
Bad debts written off	**2**	1
Interest income	**(29,057)**	(26,254)
Share in results of associated companies	**(4,086)**	(7,915)
Impairment losses no longer required for trade receivables	**(1,327)**	(509)
Gain on disposal of:		
Assets classified as held for sale	**(976)**	–
Property, plant and equipment	**(834)**	(839)
An associated company	**–**	(30,748)
Dividend income from:		
Quoted investments	**(3)**	(537)
Unquoted investments	**(480)**	–
Unrealised loss/(gain) on foreign exchange	**1**	(22)
Settlement arising from litigation claim against a former subsidiary company	**–**	40,000
Log extraction premium paid to State Government of Sabah	**–**	3,385
Property, plant and equipment written off	**–**	2
Gain on acquisition of Redeemable Cumulative Convertible Preference Shares ("RCCPS") issued by a subsidiary company	**–**	(13)
Operating Profit Before Working Capital Changes	**28,980**	27,494
(Increase)/Decrease in:		
Inventories	**9,835**	25,191
Trade receivables	**(180,556)**	(351,846)
Other receivables and prepayments	**68,358**	133,251
Amount owing by immediate holding company	**(19,660)**	7,521
Amount owing by other related companies	**(63)**	6,605
Increase/(Decrease) in:		
Trade payables	**10,879**	(31,921)
Other payables and accrued expenses	**6,569**	4,569
Cash Used In Operations	**(75,658)**	(179,136)
Interest received	**15,765**	7,159
Income tax paid	**(18,719)**	(17,680)
Income tax refunded	**1,197**	–
Net Cash Used In Operating Activities	**(77,415)**	(189,657)

(Forward)

The Group	**Note**	**2013 RM'000**	**2012 RM'000**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**26,891**	173,750
Amount owing by ultimate holding company		**717**	(707)
Amount owing by immediate holding company		**36**	(17)
Amount owing by other related companies		**(5,646)**	(6,894)
Proceeds from disposal of:			
Assets classified as held for sale		**20,709**	–
Property, plant and equipment		**1,033**	1,445
An associated company		**–**	58,827
Interest received from:			
Fixed deposits with licensed banks		**6,024**	10,779
Other related companies		**7,268**	6,892
Dividend income received from:			
An associated company		**1,853**	1,778
Quoted investments		**3**	537
Unquoted investments		**480**	–
Proceeds from redemption of other investments		**487**	514
Purchase of property, plant and equipment (Note)		**(5,453)**	(1,681)
Acquisition of non-controlling interests		**(7)**	(9,060)
Settlement arising from litigation claim against a former subsidiary company		**–**	(40,000)
Log extraction premium paid to State Government of Sabah		**–**	(3,385)
Acquisition of RCCPS issued by a subsidiary company		**–**	(432)
Net Cash From Investing Activities		**54,395**	192,346
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase in:			
Amount owing to other related companies		**4,121**	1,204
Bank borrowings		**1,817**	287
Redemption of RCCPS		**(8,610)**	–
Dividends paid to:			
Owners of the Company		**(4,631)**	(28,367)
Non-controlling shareholders of a subsidiary company		**(786)**	–
Payment of hire-purchase payables		**(2,375)**	(2,256)
Finance costs paid		**(363)**	(647)
Net Cash Used In Financing Activities		**(10,827)**	(29,779)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(33,847)**	(27,090)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**131,224**	158,314
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**97,377**	131,224

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

	2013 RM'000	**2012 RM'000**
Cash purchase	**5,453**	1,681
Hire-purchase financing	**213**	499
	5,666	2,180

(Forward)

The Company	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**8,754**	34,446
Adjustments for:		
Finance costs	**9,177**	6,285
Loss/(Gain) on disposal of:		
A subsidiary company	**9,127**	–
Property, plant and equipment	**(29)**	(52)
Income tax expense recognised in profit or loss	**2,673**	2,023
Unrealised loss on foreign exchange	**140**	28
Impairment losses on investment properties	**98**	–
Depreciation of:		
Property, plant and equipment	**78**	77
Investment properties	**29**	29
Dividend income	**(15,356)**	(71,000)
Interest income	**(18,929)**	(16,697)
Settlement arising from litigation claim against a former subsidiary company	**–**	40,000
Log extraction premium paid to State Government of Sabah	**–**	3,385
Operating Loss Before Working Capital Changes	**(4,238)**	(1,476)
(Increase)/Decrease in:		
Trade receivables	**–**	3
Other receivables and prepayments	**(8,262)**	134
Increase/(Decrease) in:		
Trade payables	**(1,848)**	(230)
Other payables and accrued expenses	**26**	(105)
Cash Used In Operations	**(14,322)**	(1,674)
Income tax paid	**(1,898)**	(3,459)
Net Cash Used In Operating Activities	**(16,220)**	(5,133)

(Forward)

The Company	Note	2013 RM'000	2012 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividend received from subsidiary companies		**13,021**	71,000
Interest received from:			
Fixed deposits with licensed banks		**4,790**	8,845
Other related companies		**7,268**	6,892
Subsidiary companies		**395**	601
Others		**257**	–
Proceeds from disposal of property, plant and equipment		**29**	52
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**(3,781)**	205,463
Amount owing by subsidiary companies		**(41,504)**	(192,353)
Amount owing by other related companies		**(5,639)**	(6,893)
Purchase of:			
Investment in a subsidiary company		**(7)**	(1,662)
Property, plant and equipment		**–**	(10)
Settlement arising from litigation claim against a former subsidiary company		**–**	(40,000)
Log extraction premium paid to State Government of Sabah		**–**	(3,385)
Net Cash (Used In)/From Investing Activities		**(25,171)**	48,550
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**4,580**	56,794
Amount owing to other related companies		**(37)**	(32)
Finance costs paid		**(8,821)**	(5,926)
Dividends paid		**(4,631)**	(28,367)
Payment of hire-purchase payables		**(55)**	(54)
Net Cash (Used In)/From Financing Activities		**(8,964)**	22,415
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(50,355)**	65,832
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**75,367**	9,535
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**25,012**	75,367

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. GENERAL INFORMATION

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

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

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

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 28 October 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of Malaysian Financial Reporting Standards

The Group's and the Company's financial statements for the financial year ended 30 June 2013 have been prepared in accordance with MFRSs for the first time. In the previous years, these financial statements were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia.

The transition to MFRSs is accounted for in accordance with MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, with 1 July 2011 as the date of transition. The adoption of MFRSs has not affected the amounts reported in the financial statements of the Group and of the Company, except as diclosed below.

Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments are applied retrospectively upon adoption and hence, the presentation of items of other comprehensive income is modified accordingly to reflect the changes.

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

Standards and IC Interpretations in issue but not effective

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

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Amendments relating to government loans)[1]
MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)[1]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[2]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[2]
MFRS 10	Consolidated Financial Statements[1]
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)[1]
MFRS 11	Joint Arrangements[1]
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance)[1]
MFRS 12	Disclosure of Interests in Other Entities[1]
MFRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance)[1]
MFRS 13	Fair Value Measurement[1]
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)[1]
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)[1]
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)[1]
MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[3]
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

Amendments to MFRSs contained in the document entitled Annual Improvements 2009 - 2011 Cycle issued in July 2012[1]

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

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

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

The Directors anticipate that the adoption of the abovementioned standards and interpretations, when they become effective, are not expected to have material impact on the financial statements of the Group and of the Company in the period of initial application, except as discussed below.

Amendments to MFRS 7 and MFRS 132: Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to MFRS 132 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to MFRS 7 introduce new disclosure requirements relating to rights of offset and related arrangements for financial instruments under an enforceable master netting agreements or similar arrangements. Both MFRS 132 and MFRS 7 require retrospective application upon adoption.

To date, the Group has not entered into any such agreements or similar arrangements. However, the application of these amendments to MFRS 132 and MFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures

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

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) ("MFRS 9") relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" which became immediately effective on the issuance date of 1 March 2012 amended the mandatory effective date of MFRS 9 to annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, with earlier application still permitted as well as modified the relief from restating prior periods. MFRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduces new disclosure requirements that are either permitted or required on the basis of the entity's date of adoption and whether the entity chooses to restate prior periods.

Key requirements of MFRS 9 are described as follows:

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

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

The application of MFRS 9 may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until a detailed review has been completed.

MFRS 10, MFRS 11, MFRS 12, MFRS 127 and MFRS 128

In November 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, comprising MFRS 10, MFRS 11, MFRS 12, MFRS 127 (IAS 27 as amended by IASB in May 2011) and MFRS 128 (IAS 28 as amended by IASB in May 2011).

Key requirements of these five Standards are described below.

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

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

MFRS 10, MFRS 11, MFRS 12, MFRS 127 and MFRS 128 (continued)

MFRS 11 replaces MFRS 131 *Interests in Joint Ventures*. MFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. *IC Int 113 Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of MFRS 11. Under MFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under MFRS 131, there are three types of joint arrangements; jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under MFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under MFRS 131 can be accounted for using the equity method of accounting or proportionate consolidation.

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

In July 2012, the amendments to MFRS 10, MFRS 11 and MFRS 12 were issued to clarify certain transitional guidance on the application of these MFRSs for the first time.

The Group is currently assessing the impact of adoption of MFRS 10 and MFRS 11.

MFRS 13: Fair Value Measurement

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

The application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to MFRSs: Annual Improvements 2009 - 2011 Cycle

The Annual Improvements 2009 - 2011 Cycle include a number of amendments to various MFRSs. The amendments to MFRSs include:

- Amendments to MFRS 101 *Presentation of Financial Statements*;
- Amendments to MFRS 116 *Property, Plant and Equipment*; and
- Amendments to MFRS 132 *Financial Instruments: Presentation*

<u>Amendments to MFRS 101</u>

MFRS 101 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to MFRS 101 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. Hence, the adoption of the amendments when it becomes effective will affect the presentation of the third statement of financial position and related notes in the future periods.

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

Amendments to MFRSs: Annual Improvements 2009 - 2011 Cycle (continued)

Amendments to MFRS 116

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The amendments to MFRS 116 is not expected to have a significant effect on the Group's and Company's financial statements.

Amendments to MFRS 132

The amendments to MFRS 132 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with MFRS 112 *Income Taxes*. The amendments to MFRS 132 is not expected to have effect on the Group's and Company's financial statements as this treatment has already been adopted.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to the end of the financial year. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than half of the voting power of the entity.

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

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

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

Business Combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

Revenue and Revenue Recognition

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

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

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

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

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

The Company and certain subsidiary companies make statutory contributions to approved provident funds and the contributions are charged to profit or loss. The approved provident funds are defined contribution plans. The Group's foreign incorporated subsidiary companies and its eligible employees also made contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, there are no further payment obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits (continued)

(iii) Equity compensation benefits

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

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

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

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

Taxation

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

Current tax

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

Deferred tax

Deferred tax is accounted for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Conversion

The individual financial statements of each foreign subsidiary company are presented in the currency of the primary economic environment in which such entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

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

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

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

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

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

Freehold land are not depreciated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment (continued)

Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

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

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

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

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

Non-Current Assets Classified as Held for Sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Subsidiary Companies

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

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

Investment in Associated Companies

An associated company is a non-subsidiary company in which the Group holds as long term investment not less than 20% of the equity voting rights and in which the Group is in a position to exercise significant influence in its management.

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

Unrealised profits and losses arising from transactions between the Group and its associated companies are eliminated to the extent of the Group's equity interest in the associated companies except where unrealised losses provide evidence of an impairment of asset transferred.

Intangible Assets

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

Goodwill on Consolidation

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in the subsequent period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

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

Provisions

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

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

Segment Reporting

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

Contingent Liabilities

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

Financial Instruments

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

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

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

<u>Financial Assets</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

<u>Financial assets at FVTPL</u>

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

A financial asset is classified as held for trading if:

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

AFS financial assets

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

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

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

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

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

Derecognition of financial assets

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

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

Statements of Cash Flows

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

Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Non-Current Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2013, the Group and the Company recognised impairment losses in respect of the following:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**3,216**	3,216	**–**	–
Investment in subsidiary companies	**–**	–	**800**	800
Other investments	**47,586**	47,586	**–**	–
Intangible assets	**304**	304	**–**	–
Goodwill on consolidation	**191**	191	**–**	–

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

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

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

(b) Impairment of Trade Receivables

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

As of 30 June 2013, the Group has trade receivable of RM221,426,000 (2012: RM205,367,000) due from a related party, Megasteel Sdn Bhd ("Megasteel"), which constitutes approximately 44% (2012: 50%) of the Group's trade receivables, of which RM192,914,000 (2012: RM154,716,000) is past due but not impaired.

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

(ii) Key sources of estimation uncertainty (continued)

(b) Impairment of Trade Receivables (continued)

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

During the financial year, the Group recognised an impairment loss amounting to RM23,995,000 (2012: RMNil) on the trade receivables due from Megasteel. Based on the management's assessment, Megasteel may require a longer period to fully settle its outstanding trade amounts due to the weak international sentiments and the local market condition for the steel industry. The impairment loss represents the time value of money, calculated based on discounted future cash flow, on the collection of the said trade receivables.

(c) Depreciation of Property, Plant and Equipment

Except for freehold land and capital work-in-progress, the costs of property, plant and equipment are depreciated on a straight-line basis over the assets' useful lives.

The Group reviews the remaining useful lives of property, plant and equipment at the end of each reporting period and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

(d) Deferred Tax Assets

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

(e) Provision

As disclosed in Note 30, as a result of the Federal Court's decision to dismiss the appeal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of the Company at the time the litigation claim was made, the Company provided for liquidated damages from litigation claims amounting to RM15,000,000. The provision is made based on the management's best judgement and estimate using information currently available. As the legal case has been remitted to the High Court of Kota Kinabalu for the assessment of damages payable by SFI, the ultimate amount of damages that will be awarded by the High Court may differ from the provision made and the difference may be material.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**989,650**	1,028,594	**70,923**	74,308
Services rendered	**21,654**	17,496	**–**	–
Gross dividend income from subsidiary companies	**–**	–	**15,356**	71,000
	1,011,304	1,046,090	**86,279**	145,308

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income on:				
Fixed deposits with licensed banks	**6,024**	10,779	**4,790**	8,845
Other receivables	**12,764**	5,524	**257**	–
Advances to:				
Other related company	**7,268**	6,892	**7,268**	6,892
Subsidiary companies	**–**	–	**6,614**	960
Others	**3,001**	3,059	**–**	–
Impairment losses no longer required on trade receivables	**1,327**	509	**–**	–
Gain/(Loss) on disposal of:				
Assets classified as held for sale	**976**	–	**–**	–
Property, plant and equipment	**834**	839	**29**	52
A subsidiary company	**–**	–	**(9,127)**	–
Dividend income from:				
Quoted investments	**3**	537	**–**	–
Unquoted investments	**480**	–	**–**	–
Rental income from:				
Investment properties rented to:				
Subsidiary companies	**–**	–	**7**	7
Third party	**3**	–	**3**	–
Others	**213**	–	**–**	–
Bad debts recovered	**4**	72	**1**	63
Gain on acquisition of RCCPS issued by a subsidiary company	**–**	13	**–**	–
Impairment loss on investment properties	**(98)**	–	**(98)**	–
Hire of plant and machinery	**(1,723)**	(262)	**–**	–
Rental of premises payable to:				
Third parties	**(571)**	(463)	**(21)**	–
Subsidiary company	**–**	–	**(19)**	(19)
Directors' remunerations (Note 19)	**(565)**	(561)	**(545)**	(549)

6. PROFIT FROM OPERATIONS (continued)

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Auditors' remuneration:				
Statutory audit:				
Current year	**(212)**	(196)	**(50)**	(45)
Underprovision in prior year	**(18)**	(30)	**(5)**	(25)
Non-statutory audit	**(5)**	(5)	**(5)**	(5)
Allowance for slow-moving and obsolete inventories	**(149)**	(56)	**–**	–
Bad debts written off	**(2)**	(1)	**–**	–
Property, plant and equipment written off	**–**	(2)	**–**	–

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM2,260,000 and RM254,000 (2012: RM1,887,000 and RM161,000), respectively.

Included in staff costs of the Group and of the Company are remuneration of the Executive Director and other members of key management as follows:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries and other remuneration	**1,446**	1,396	**1,081**	1,041
Defined contribution plans	**89**	103	**44**	76
Benefits-in-kind	**57**	54	**37**	27
	1,592	1,553	**1,162**	1,144

7. FINANCE COSTS

Finance costs represent:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on:				
Hire-purchase	**171**	332	**9**	9
Bank overdrafts and other borrowings	**192**	191	**–**	–
RCCPS	**–**	124	**–**	–
Advances from subsidiary companies	**–**	–	**9,168**	6,276
	363	647	**9,177**	6,285

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Estimated tax payable:				
Current	**15,684**	15,154	**2,733**	2,198
Under/(Over)provision in prior years	**1,518**	(126)	**(60)**	(175)
	17,202	15,028	**2,673**	2,023
Deferred tax (Note 18):				
Current	**(71)**	(128)	**–**	–
Overprovision in prior years	**(2,378)**	(297)	**–**	–
	(2,449)	(425)	**–**	–
	14,753	14,603	**2,673**	2,023

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

	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
Profit before tax	**25,638**	25,078	**11,427**	36,469
Tax at applicable tax rate of 25% (2012 : 25%)	**6,410**	6,270	**2,857**	9,117
Tax effects of:				
Non-deductible expenses	**19,005**	16,236	**2,882**	11,218
Non-taxable items	**(9,049)**	(8,270)	**(3,006)**	(18,137)
Deferred tax assets not recognised	**44**	1,044	**–**	–
Realisation of deferred tax assets previously not recognised	**(797)**	(254)	**–**	–
Under/(Over)provision in prior years:				
Income tax	**1,518**	(126)	**(60)**	(175)
Deferred tax	**(2,378)**	(297)	**–**	–
	14,753	14,603	**2,673**	2,023

8. INCOME TAX EXPENSE (continued)

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unutilised tax credits which would give rise to net deferred tax asset are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2013, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of its realisation, is as follows:

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Temporary differences arising from:		
Property, plant and equipment	**(17)**	43
Others	**612**	612
Unused tax losses and unabsorbed capital allowances	**3,148**	6,099
	3,743	6,754

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

As of 30 June 2013, the Company has the following tax exempt accounts:

	The Company	
	2013	**2012**
	RM'000	**RM'000**
Tax exempt accounts in respect of:		
Income tax waived in accordance with the Income Tax (Amendment) Act, 1999	**7,579**	7,579
Tax exempt dividends received	**273,422**	273,422
	281,001	281,001

Subject to agreement with the tax authorities, these tax exempt accounts are available for distribution as tax exempt dividends up to the same amounts.

9. EARNINGS PER ORDINARY SHARE

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

	The Group	
	2013	**2012**
	RM'000	**RM'000**
Profit attributable to owners of the Company	**10,866**	2,762
	2013	**2012**
	'000	**'000**
Number of ordinary shares in issue	**231,572**	231,572
	2013	**2012**
Basic earnings per share (sen)	**4.69**	1.19
Diluted earnings per share (sen)	**4.69**	1.19

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

10. DIVIDENDS

	The Group and The Company	
	2013	**2012**
	RM'000	**RM'000**
In respect of financial year ended 30 June 2011:		
Final dividend of 3 sen, less 25% tax	**–**	5,210
In respect of financial year ended 30 June 2012:		
Interim dividend of 10 sen, tax exempt	**–**	23,157
Final dividend of 2 sen, tax exempt	**4,631**	–
	4,631	28,367

The Directors proposed a first and final dividend of 2.0 sen per ordinary share, less 25% tax, amounting to RM3.5 million in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

The Group	COST As of 1 July 2011 RM'000	Additions RM'000	Disposals RM'000	Write-off RM'000	As of 30 June 2012 RM'000
Freehold land	4,777	–	–	–	4,777
Freehold buildings	6,706	110	(447)	–	6,369
Plant and machinery	13,463	1,215	(1,507)	–	13,171
Office equipment	1,049	44	(27)	–	1,066
Furniture and fittings	11,392	5	(39)	–	11,358
Motor vehicles	2,410	517	(508)	–	2,419
Prime movers and trailers	31,697	–	–	–	31,697
Office renovation	726	–	(27)	–	699
Computer equipment	2,014	289	(71)	(17)	2,215
Chiller max equipment	105	–	–	–	105
	74,339	2,180	(2,626)	(17)	73,876

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	As of 1 July 2011 RM'000	Charge for the year RM'000	Disposals RM'000	Write-off RM'000	As of 30 June 2012 RM'000
	ACCUMULATED DEPRECIATION				
Freehold land	–	–	–	–	–
Freehold buildings	1,805	126	–	–	1,931
Plant and machinery	10,377	1,097	(1,385)	–	10,089
Office equipment	957	58	(27)	–	988
Furniture and fittings	11,292	8	(39)	–	11,261
Motor vehicles	1,698	216	(472)	–	1,442
Prime movers and trailers	14,330	1,892	–	–	16,222
Office renovation	726	–	(27)	–	699
Computer equipment	1,327	263	(70)	(15)	1,505
Chiller max equipment	46	21	–	–	67
	42,558	3,681	(2,020)	(15)	44,204

The Group	As of 1 July 2012 RM'000	Charge for the year RM'000	Disposals RM'000	Write-off RM'000	As of 30 June 2013 RM'000
	ACCUMULATED DEPRECIATION				
Freehold land	**–**	**–**	**–**	**–**	**–**
Freehold buildings	**1,931**	**146**	**–**	**–**	**2,077**
Plant and machinery	**10,089**	**1,236**	**(625)**	**–**	**10,700**
Office equipment	**988**	**40**	**(3)**	**–**	**1,025**
Furniture and fittings	**11,261**	**70**	**–**	**–**	**11,331**
Motor vehicles	**1,442**	**253**	**(148)**	**–**	**1,547**
Prime movers and trailers	**16,222**	**1,888**	**(3,243)**	**–**	**14,867**
Office renovation	**699**	**–**	**–**	**–**	**699**
Computer equipment	**1,505**	**238**	**(59)**	**–**	**1,684**
Chiller max equipment	**67**	**21**	**–**	**–**	**88**
	44,204	**3,892**	**(4,078)**	**–**	**44,018**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED IMPAIRMENT LOSSES					NET BOOK VALUE		
	As of 1 July 2011 RM'000	Charge for the year RM'000	As of 30 June 2012/ 1 July 2012 RM'000	Charge for the year RM'000	As of 30 June 2013 RM'000	As of 30 June 2013 RM'000	As of 30 June 2012 RM'000	As of 1 July 2011 RM'000
Freehold land	–	–	**–**	**–**	**–**	**4,777**	4,777	4,777
Freehold buildings	–	–	**–**	**–**	**–**	**6,157**	4,438	4,901
Plant and machinery	–	–	**–**	**–**	**–**	**4,573**	3,082	3,086
Office equipment	–	–	**–**	**–**	**–**	**85**	78	92
Furniture and fittings	–	–	**–**	**–**	**–**	**297**	97	100
Motor vehicles	–	–	**–**	**–**	**–**	**1,029**	977	712
Prime movers and trailers	3,216	–	**3,216**	**–**	**3,216**	**10,369**	12,259	14,151
Office renovation	–	–	**–**	**–**	**–**	**–**	–	–
Computer equipment	–	–	**–**	**–**	**–**	**727**	710	687
Chiller max equipment	–	–	**–**	**–**	**–**	**17**	38	59
	3,216	–	**3,216**	**–**	**3,216**	**28,031**	26,456	28,565

The Company	COST					
	As of 1 July 2011 RM'000	Addition RM'000	Disposals RM'000	As of 30 June 2012/ 1 July 2012 RM'000	Disposals RM'000	As of 30 June 2013 RM'000
Freehold land	4,777	–	–	**4,777**	**–**	**4,777**
Office equipment	262	–	–	**262**	**(1)**	**261**
Furniture and fittings	392	–	–	**392**	**–**	**392**
Motor vehicles	840	–	(143)	**697**	**(139)**	**558**
Office renovation	256	–	–	**256**	**–**	**256**
Computer equipment	267	10	(5)	**272**	**(27)**	**245**
	6,794	10	(148)	**6,656**	**(167)**	**6,489**

The Company	ACCUMULATED DEPRECIATION							NET BOOK VALUE		
	As of 1 July 2011 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2012/ 1 July 2012 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2013 RM'000	As of 30 June 2013 RM'000	As of 30 June 2012 RM'000	As of 1 July 2011 RM'000
Freehold land	–	–	–	**–**	**–**	**–**	**–**	**4,777**	4,777	4,777
Office equipment	262	–	–	**262**	**–**	**(1)**	**261**	**–**	–	–
Furniture and fittings	392	–	–	**392**	**–**	**–**	**392**	**–**	–	–
Motor vehicles	466	75	(143)	**398**	**76**	**(139)**	**335**	**223**	299	374
Office renovation	256	–	–	**256**	**–**	**–**	**256**	**–**	–	–
Computer equipment	267	2	(5)	**264**	**2**	**(27)**	**239**	**6**	8	–
	1,643	77	(148)	**1,572**	**78**	**(167)**	**1,483**	**5,006**	5,084	5,151

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	The Group		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Motor vehicles	**975**	876	531
Prime movers and trailers	**6,735**	8,687	10,065
	7,710	9,563	10,596

	The Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Motor vehicles	**223**	299	374

12. INVESTMENT PROPERTIES

	The Group and The Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Cost:			
At beginning of year	**1,638**	1,638	1,638
Transfer to assets classified as held for sale (Note 24)	**(732)**	–	–
At end of year	**906**	1,638	1,638
Accumulated depreciation:			
At beginning of year	**391**	362	362
Charge for the year	**29**	29	–
Transfer to assets classified as held for sale (Note 24)	**(164)**	–	–
At end of year	**256**	391	362
Accumulated impairment losses:			
At beginning of year	**–**	–	–
Charge for the year	**98**	–	–
Transfer to assets classified as held for sale (Note 24)	**(98)**	–	–
At end of year	**–**	–	–
Net book value	**650**	1,247	1,276
Fair value	**865**	1,365	1,225

The income earned by the Group from the rental of investment properties to third party amounted to RM3,000 (30 June 2012 and 1 July 2011: RMNil).

12. INVESTMENT PROPERTIES (continued)

The income earned by the Company from the rental of investment properties to subsidiary companies amounted to RM7,200 (30 June 2012: RM7,200; 1 July 2011: RM7,200).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM3,100 (30 June 2012: RM500; 1 July 2011: RM500). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM9,100 (30 June 2012: RM12,500; 1 July 2011: RM12,900).

The fair value of the investment properties is arrived at on the basis of valuations carried out by Henry Butcher Malaysia (SEL) Sdn Bhd, an independent valuer that is not related to the Group. Valuations are based on current prices in an active market for the properties.

13. INVESTMENT IN SUBSIDIARY COMPANIES

		The Company	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Unquoted shares - at cost	**61,006**	24,806	23,144
Deemed capital contribution	**–**	9,127	9,127
	61,006	33,933	32,271
Less: Accumulated impairment losses	**(800)**	(800)	(800)
Net	**60,206**	33,133	31,471

(a) Amount owing by subsidiary companies consist of:

		The Company	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Gross amount	**737,279**	731,968	539,974
Less: Unamortised discount	**–**	(6,219)	(6,578)
	737,279	725,749	533,396
Less : Amount due within 12 months (shown under current assets)	**(737,279)**	(713,768)	(521,774)
Non-current portion	**–**	11,981	11,622

Amount owing by a subsidiary company (non-current portion) in prior years, which arose as a result of a long-term loan on-lend to LFIB Plantations Sdn Bhd ("LFIB Plantations"), was unsecured and had a tenure of 10 years from 2006. On 27 February 2013, the Company disposed of its entire equity interest in LFIB Plantations to Akurjaya Sdn Bhd, a related party. As a result, the unamortised discount amounting to RM6,219,000 was derecognised and reversed into profit or loss as interest income and the deemed capital contribution amounting to RM9,127,000 was derecognised and included in the calculation of loss on disposal of a subsidiary company amounting to RM9,127,000 as disclosed in Note 6 respectively.

Amount owing by subsidiary companies (shown under current assets) arose mainly from trade transactions, expenses paid on behalf and unsecured advances which are interest-free and repayable on demand, except for amounts of RM14,974,000 (30 June 2012: RM48,994,000; 1 July 2011: RM38,347,000), which bear interest at rates ranging from 1% to 6.2% (30 June 2012: 1% to 6.2%; 1 July 2011: 1% to 8%) per annum.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

(b) Amount owing to subsidiary companies consist of:

	The Company 30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Advances	**289,184**	284,604	228,331
Long-term loan:			
Gross amount	**19,267**	19,127	18,937
Less: Unamortised discount	**(5,863)**	(6,219)	(6,578)
	13,404	12,908	12,359
	302,588	297,512	240,690
Less : Amount due within 12 months (shown under current liabilities)	**(290,251)**	(285,531)	(229,068)
Non-current portion	**12,337**	11,981	11,622

Amount owing to subsidiary companies arose mainly from expenses paid on behalf and unsecured advances, which are interest-free and repayable on demand, except for amounts of RM165,354,000 (30 June 2012: RM193,222,000 and 1 July 2011: RM60,826,000), which bear the following interest rates per annum:

	The Company 30.6.2013 %	30.6.2012 %	1.7.2011 %
Advances	**5.00**	5.00	5.00
Long-term loan	**1.00**	1.00	1.00

The discounted long-term loan of RM12.3 million (30 June 2012: RM12.0 million; 1 July 2011: RM11.6 million), at a principal sum of RM18.2 million (30 June 2012: RM18.2 million; 1 July 2011: RM18.2 million), was granted to the Company in 2006 by Intra Inspirasi Sdn Bhd for on-lend to a former subsidiary company, LFIB Plantations, for the proposed development of an oil palm plantation and construction of palm oil mills in the Malinau Regency, Kalimantan Timur, Republic of Indonesia in the previous financial years. The said loan is unsecured with a repayment period of 10 years.

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

	The Company 30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Ringgit Malaysia	**283,447**	296,947	239,463
United States Dollar	**19,141**	565	1,227
	302,588	297,512	240,690

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Gama Harta Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Investment holding
Harta Impiana Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Lion Agriculture (Indonesia) Sdn Bhd (formerly known as LFIB Plantations Sdn Bhd)	Malaysia	**–**	100.00	100.00	Investment holding
Lion AMB Resources Berhad ("Lion AMB") #	Malaysia	**88.45**	88.44	87.22	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Investment holding
Ototek Sdn Bhd	Malaysia	**70.00**	70.00	70.00	Trading and distribution of spark plugs, lubricants and automotive components
Posim EMS Sdn Bhd	Malaysia	**80.00**	80.00	80.00	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Trading and distribution of building materials and consumer products
Posim Petroleum Marketing Sdn Bhd	Malaysia	**100.00**	100.00	100.00	Trading and distribution of petroleum products
Singa Logistics Sdn Bhd #	Malaysia	**100.00**	100.00	100.00	Provision of transportation services
Harapan Permai Sdn Bhd # (Dissolved)	Malaysia	**–**	100.00	–	Dormant
Quay Class Ltd ^ (Struck off)	British Virgin Islands	**–**	–	100.00	Dormant

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Subsidiary company of Gama Harta Sdn Bhd					
Brands Pro Management Sdn Bhd	Malaysia	**70.00**	–	–	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary company of Intra Inspirasi Sdn Bhd					
Beijing Youshi Trading Co Ltd #	People's Republic China	**100.00**	–	–	Dormant
Subsidiary company of Lion Rubber Industries Sdn Bhd					
P.T. Lion Intimung Malinau #	Republic of Indonesia	**95.00***	95.00	95.00	Dormant
Subsidiary companies of Harta Impiana Sdn Bhd ("BVI Companies")					
Alpha Deal Group Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Bright Triumph Investments Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Brilliant Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Classy Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Distinct Harvest Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Dynamic Shine Holdings Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Elite Harvest Group Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Elite Image Investments Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Subsidiary companies of Harta Impiana Sdn Bhd ("BVI Companies") (continued)					
Eminent Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Eminent Prosper Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Grand Ray Investments Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Great Zone Investments Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Harvest Boom Investments Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Jade Harvest International Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Jade Power Holdings Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Mile Treasure Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Pinnacle Treasure Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Sky Yield Group Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Superb Harvest Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Superb Reap Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding
Ultra Strategy Limited ^	British Virgin Islands	**100.00**	100.00	100.00	Investment holding
Up Reach Limited ^	British Virgin Islands	**100.00**	100.00	–	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Subsidiary companies of BVI Companies					
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Brilliant Elite (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Classy Elite (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Distinct Harvest (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Double Merits (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Dynamic Shine (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Elite Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Elite Image (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Eminent Prosper (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Grand Ray (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Great Zone (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Subsidiary companies of BVI Companies (continued)					
Green Choice (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Harvest Boom (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Jade Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Jade Power (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Mile Treasure (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Sky Yield (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Superb Harvest (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Superb Reap (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Ultra Strategy (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture
Up Reach (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	–	Investment and development in agriculture

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Subsidiary companies of Lion AMB					
AMB Aerovest Limited ^	British Virgin Islands	**88.45**	88.44	87.22	Investment holding
AMB Harta (L) Limited	Malaysia	**88.45**	88.44	87.22	Treasury business
AMB Harta (M) Sdn Bhd #	Malaysia	**88.45**	88.44	87.22	Managing of debts novated from Lion AMB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB and certain of its subsidiary companies
AMB Venture Sdn Bhd #	Malaysia	**88.45**	88.44	87.22	Investment holding
Chrome Marketing Sdn Bhd #	Malaysia	**88.45**	88.44	87.22	Investment holding
Innovasi Istimewa Sdn Bhd # (In liquidation - voluntary)	Malaysia	**88.45**	88.44	87.22	Investment holding
Innovasi Selaras Sdn Bhd #	Malaysia	**88.45**	88.44	87.22	Investment holding
Lion Rubber Industries Pte Ltd #	Singapore	**54.84**	54.83	54.08	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	**88.45**	88.44	87.22	Investment holding
Range Grove Sdn Bhd #	Malaysia	**88.45**	88.44	87.22	Investment holding
Seintasi Sdn Bhd #	Malaysia	**88.45**	88.44	87.22	Investment holding
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	**88.45**	88.44	87.22	Provision of management services
Lion AMB Holdings Pte Ltd #	Singapore	**70.76**	70.75	69.78	Investment holding
CEDR Corporate Consulting Sdn Bhd #	Malaysia	**88.45**	88.44	87.22	Provision of training services

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Subsidiary companies of Lion AMB (continued)					
Willet Investment Pte Ltd #	Singapore	**88.45**	88.44	66.29	Investment holding

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

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

* Acquired from LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd) during the financial year.

Acquisition of subsidiary companies

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

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

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

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

During the previous financial year, 23 Cambodian Companies were incorporated by the 23 BVI Companies to undertake the Proposed Acquisition of Land. Consequently, these Cambodian Companies became wholly-owned subsidiary companies of the Group.

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

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

Dissolution of a subsidiary company

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

Disposal of a subsidiary company

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

14. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
At cost:			
Quoted investment outside Malaysia	**83,486**	83,486	83,486
Unquoted investments	**19,566**	19,566	75,726
	103,052	103,052	159,212
Share of post-acquisition results less dividends received	**(24,967)**	(28,236)	(73,277)
	78,085	74,816	85,935
Market value of quoted investment outside Malaysia	**63,353**	67,554	76,651

The associated companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal activities
Associated companies of Lion AMB Resources Berhad					
Hunan Changfa Automobile Engine Co Ltd #	People's Republic of China	**44.23**	44.22	43.61	Manufacture of automotive engine
Lion Asiapac Limited #	Singapore	**32.44**	32.44	31.99	Investment holding
Renor Pte Ltd #	Singapore	**17.69**	17.69	17.44	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd #	Malaysia	**17.69**	17.69	17.44	Investment holding
Nanjing Jincheng Machinery Co Ltd #	People's Republic of China	**–**	–	33.54	Manufacture of motorcycles

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

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Disposal of associated company

The Group had on 14 October 2011 entered into an agreement with Jincheng Group Co Ltd to dispose of its entire 47.73% equity interest in Nanjing Jincheng Machinery Co Ltd ("Nanjing Jincheng") for a cash consideration of Rmb120 million (equivalent to RM58.82 million). The said proposed disposal was completed on 30 December 2011 and thereafter, Nanjing Jincheng ceased to be an associated company of the Group.

The summarised financial information of the associated companies is as follows:

		The Group	
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Revenue	**235,464**	256,326	830,565
Profit/(Loss) for the year	**15,075**	24,731	(7,732)
Current assets	**183,268**	370,100	686,539
Non-current assets	**276,945**	100,295	298,427
Current liabilities	**(134,319)**	(174,606)	(529,006)
Non-current liabilities	**(18,535)**	(10,343)	(6,683)
Net assets	**307,359**	285,446	449,277

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

	The Group	
	2013 RM'000	**2012 RM'000**
At beginning of year	**45,662**	45,097
Unrecognised share of losses during the year	**288**	565
At end of year	**45,950**	45,662

Amount owing by an associated company is as follows:

		The Group	
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Amount owing by an associated company	**1,606**	1,606	1,606
Less: Accumulated impairment losses	**(1,606)**	(1,606)	(1,606)
Net	**–**	–	–

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

	The Group	
	2013 RM'000	**2012 RM'000**
<u>Movement in the accumulated impairment losses</u>		
At beginning and end of year	**1,606**	1,606

15. OTHER INVESTMENTS

	The Group 30.6.2013 RM'000	The Group 30.6.2012 RM'000	The Group 1.7.2011 RM'000
Available-for-sale investments			
At fair value:			
Quoted investments in Malaysia:			
Ordinary shares	**8,008**	11,526	53
Warrants	**187**	272	612
Quoted investments outside Malaysia	**178**	121	118
	8,373	11,919	783
At cost:			
Unquoted investments	**881**	881	20,612
	9,254	12,800	21,395
Held-to-maturity investments			
At amortised cost:			
Unquoted bonds (at cost, adjusted for accretion of interest)	**53,398**	53,398	53,398
Less: Accumulated impairment losses	**(47,586)**	(47,586)	(47,586)
	5,812	5,812	5,812
Redeemable within one year (Note 21)	**(5,812)**	(5,812)	(5,812)
	–	–	–
Loans and receivables			
At amortised cost:			
Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")	**7,746**	16,951	19,987
Redeemable within one year (Note 21)	**(3,513)**	(4,761)	(6,191)
	4,233	12,190	13,796
Total	**13,487**	24,990	35,191
Market value of quoted investments:			
In Malaysia	**8,195**	11,798	665
Outside Malaysia	**178**	121	118

	The Company 30.6.2013 RM'000	The Company 30.6.2012 RM'000	The Company 1.7.2011 RM'000
Available-for-sale investments			
At fair value:			
Quoted investments	**15**	15	15
Unquoted investments	**3**	3	3
Total	**18**	18	18
Market value of quoted investments	**15**	15	15

15. OTHER INVESTMENTS (continued)

(a) Investment in unquoted bonds and RCSLS of the Group bears yield-to-maturity at 4.75% (30 June 2012: 4.75%; 1 July 2011: 4.75%) per annum and coupon rate of 7.00% (30 June 2012: 7.00%; 1 July 2011: 7.00%) per annum respectively.

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

(b) Included in unquoted investments of the Group as of 1 July 2011 was an amount of RM19,733,000, representing 25% of the equity interest held by the Group in Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) ("Shandong Silverstone"). The Group did not exercise significant influence over Shandong Silverstone as of 1 July 2011.

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

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

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

On 30 May 2012, Toyo Tire exercised its call option to require the Group to dispose of the remaining 25% stake in Shandong Silverstone for a cash consideration of USD6,884,610 (equivalent to RM21,989,000). The said disposal was expected to be completed within 12 months from 30 May 2012. Accordingly, the abovementioned investment has been classified as non-current assets held for sale as of 30 June 2012 as disclosed in Note 24. The said disposal was completed on 20 December 2012.

16. INTANGIBLE ASSETS

		The Group	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Cost:			
At beginning and end of year	**500**	500	500
Accumulated amortisation:			
At beginning and end of year	**(196)**	(196)	(196)
Accumulated impairment losses:			
At beginning and end of year	**(304)**	(304)	(304)
	–	–	–

17. GOODWILL ON CONSOLIDATION

	The Group 30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Goodwill on consolidation:			
At beginning and end of year	**191**	191	191
Accumulated impairment losses:			
At beginning and end of year	**(191)**	(191)	(191)
	–	–	–

18. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group 2013 RM'000	2012 RM'000	The Company 2013 RM'000	2012 RM'000
At beginning of year	**(316)**	(741)	**(280)**	(280)
Transfer from/(to) profit or loss (Note 8):				
Property, plant and equipment	**(107)**	409	**–**	–
Inventories	**102**	8	**–**	–
Other payables and accrued expenses	**2,454**	8	**–**	–
	2,449	425	**–**	–
At end of year	**2,133**	(316)	**(280)**	(280)

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

	The Group 30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Deferred tax assets	**3,359**	766	680
Deferred tax liabilities	**(1,226)**	(1,082)	(1,421)
	2,133	(316)	(741)

	The Company 30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Deferred tax assets	**–**	–	–
Deferred tax liabilities	**(280)**	(280)	(280)
	(280)	(280)	(280)

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

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

	The Group		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Deferred tax assets			
Temporary differences arising from:			
Inventories	**207**	105	97
Other payables and accrued expenses	**3,505**	1,051	1,043
	3,712	1,156	1,140
Offsetting	**(353)**	(390)	(460)
Deferred tax assets (after offsetting)	**3,359**	766	680
Deferred tax liabilities			
Temporary differences arising from:			
Property, plant and equipment	**1,561**	1,454	1,863
Other payables and accrued expenses	**18**	18	18
	1,579	1,472	1,881
Offsetting	**(353)**	(390)	(460)
Deferred tax liabilities (after offsetting)	**1,226**	1,082	1,421

	The Company		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Deferred tax liabilities			
Temporary differences arising from:			
Property, plant and equipment	**262**	262	262
Other payables and accrued expenses	**18**	18	18
	280	280	280

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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

a) Amount owing by immediate holding company, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, is interest-free and repayable on demand except for trade amounts which have a credit period of 60 days (30 June 2012: 60 days; 1 July 2011: 60 days).

b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (30 June 2012: 60 days; 1 July 2011: 60 days). The entire amount owing by other related companies of the Group and of the Company are interest-free except for an amount of RM120,265,000 (30 June 2012: RM114,626,000 and 1 July 2011: RM107,733,000) which bears interest rate at 6.20% (30 June 2012: 6.20%; 1 July 2011: 8.00%) per annum.

   As of 30 June 2013, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group, RM120,265,000 (30 June 2012: RM114,626,000; 1 July 2011: RM107,733,000) is due from a related company, which constitutes approximately 99% (30 June 2012: 99%; 1 July 2011: 94%) of the Group's amount owing by other related companies.

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

d) Amounts owing to other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (30 June 2012: 60 days; 1 July 2011: 60 days).

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

Name of Companies	Nature	The Company 2013 RM'000	The Company 2012 RM'000
With subsidiary companies:			
Posim Marketing Sdn Bhd	Trade sales	**70,923**	74,308
	Interest income on advances	**8**	8
	Rental income	**4**	4
Posim Petroleum Marketing Sdn Bhd	Interest income on advances	**–**	27
Posim EMS Sdn Bhd	Rental income	**3**	3
	Interest income on advances	**208**	245
Lion Petroleum Products Sdn Bhd	Rental expenses	**19**	19
Singa Logistics Sdn Bhd	Interest income on advances	**179**	321
Intra Inspirasi Sdn Bhd	Interest expense on advances	**496**	549
LFIB Plantations Sdn Bhd	Interest income on advances	**6,219***	359
Lion AMB Resources Berhad	Interest expense on advances	**8,672**	5,727

* Unamortised discount on amount owing by the subsidiary company is now derecognised and reversed as an interest income in profit or loss as disclosed in Note 13.

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group 2013 RM'000	The Group 2012 RM'000	The Company 2013 RM'000	The Company 2012 RM'000
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	**332,846**	166,907	**–**	–
	Provision of transportation services	**2,714**	3,632	**–**	–
	Provision of training services	**128**	122	**–**	–
With other related companies:					
LLB Harta (M) Sdn Bhd	Interest income on advances	**7,268**	6,892	**7,268**	6,892
Antara Steel Mills Sdn Bhd	Trade sales	**426**	516	**–**	–
	Provision of transportation services	**474**	944	**–**	–
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**121,910**	105,362	**–**	–
Angkasa Amsteel Pte Ltd	Trade purchases	**5,639**	–	**–**	–
With related parties					
Megasteel Sdn Bhd	Trade sales	**39,222**	150,205	**–**	–
	Trade purchases	**61,484**	68,828	**–**	–
	Provision of transportation services	**15,928**	9,736	**–**	–
	Provision of training services	**120**	123	**–**	–
Lion DRI Sdn Bhd	Trade sales	**160,057**	248,240	**–**	–
	Trade purchases	**–**	3,999	**–**	–

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

		The Group		The Company	
Name of Companies	Nature	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
With related parties (continued)					
Parkson Corporation Sdn Bhd	Trade sales	**2,028**	1,353	**–**	–
	Provision of training services	**95**	109	**–**	–
Lion Plate Mills Sdn Bhd	Trade sales	**34**	6,547	**–**	–
	Provision of transportation services	**338**	361	**–**	–
Lion Titco Resources Sdn Bhd	Trade sales	**94**	1,075	**–**	–
Panareno Sdn Bhd	Trade sales	**70**	167	**–**	–
Bright Steel Service Centre Sdn Bhd	Trade sales	**12**	9	**–**	–
Lion Holdings Private Limited	Trade purchases	**–**	19,002	**–**	–
Graimpi Sdn Bhd	Interest income	**12,507**	5,524	**–**	–
Akurjaya Sdn Bhd	Interest income	**257**	–	**257**	–

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

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

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

	The Group		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Receivables:			
Included in trade receivables	**383,187**	304,707	186,131
Included in other receivables	**136,770**	149,045	12,077
Payables:			
Included in trade payables	**4,908**	5,326	2,274
Included in other payables	**–**	19	49

	The Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Receivables:			
Included in other receivables	**8,076**	–	28

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

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

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Fees				
Executive Director	**20**	20	**20**	20
Non-executive Directors	**173**	185	**153**	173
	193	205	**173**	193
Salaries and other emoluments				
Executive Director	**372**	356	**372**	356
	565	561	**545**	549

20. INVENTORIES

	The Group		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Finished goods	**151**	77	62
Raw materials	**5,662**	4,940	5,726
Trading merchandise	**23,964**	34,548	58,517
Others	**1,195**	1,242	1,693
	30,972	40,807	65,998
Less: Allowance for slow-moving and obsolete inventories	**(1,440)**	(1,291)	(1,235)
Net	**29,532**	39,516	64,763

21. OTHER INVESTMENTS

	The Group		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Held-to-maturity investment			
At amortised cost:			
Unquoted bonds, redeemable within one year (Note 15)	**5,812**	5,812	5,812
Loans and receivables			
At amortised cost:			
RCSLS, redeemable within one year (Note 15)	**3,513**	4,761	6,191
	9,325	10,573	12,003

22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade receivables

	The Group		
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Trade receivables	**498,311**	410,405	286,568
Less: Accumulated impairment losses	**(33,354)**	(9,258)	(7,448)
Net	**464,957**	401,147	279,120

	The Company		
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Trade receivables	**4,375**	4,375	4,378
Less: Accumulated impairment losses	**(347)**	(347)	(347)
Net	**4,028**	4,028	4,031

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

The credit period granted for sale of goods ranges from 30 to 90 days (30 June 2012: 30 to 90 days; 1 July 2011: 30 to 90 days). Impairment losses are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group and the Company have trade receivables totalling RM294,186,000 and RM4,028,000 (30 June 2012: RM177,671,000 and RM4,028,000; 1 July 2011: RM142,963,000 and RM4,031,000) respectively that are past due at the end of the reporting period but against which the Group and the Company have not recognised impairment losses as the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	The Group		
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Megasteel	**221,426**	205,367	124,973
Lion DRI	**160,053**	91,592	59,611
	381,479	296,959	184,584
Concentration risk	**77%**	72%	64%
<u>Past due but not impaired:</u>			
Megasteel	**192,914**	154,716	92,754
Lion DRI	**84,318**	–	–
	277,232	154,716	92,754

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

(a) Trade receivables (continued)

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

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

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

		The Group	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Neither past due nor impaired	**170,771**	223,476	136,157
Past due but not impaired	**294,186**	177,671	142,963
Past due and impaired	**33,354**	9,258	7,448
	498,311	410,405	286,568
<u>Aging of past due but not impaired</u>			
1 to 30 days	**50,074**	56,137	1,244
31 to 60 days	**3,355**	17,681	55,732
61 to 90 days	**3,611**	17,601	49,423
More than 90 days	**237,146**	86,252	36,564
	294,186	177,671	142,963

		The Company	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Neither past due nor impaired	**–**	–	–
Past due but not impaired	**4,028**	4,028	4,031
Past due and impaired	**347**	347	347
	4,375	4,375	4,378
<u>Aging of past due but not impaired</u>			
1 to 30 days	**–**	–	–
31 to 60 days	**–**	–	–
61 to 90 days	**–**	–	–
More than 90 days	**4,028**	4,028	4,031
	4,028	4,028	4,031

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

(a) Trade receivables (continued)

Movement in the accumulated impairment losses

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At beginning of year	**9,258**	7,448	**347**	347
Addition	**26,557**	4,359	**–**	–
No longer required	**(1,327)**	(509)	**–**	–
Written off	**(1,134)**	(2,040)	**–**	–
At end of year	**33,354**	9,258	**347**	347

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

During the financial year, the Group recognised an impairment loss amounting to RM23,995,000 (2012: RMNil) on the trade receivables due from Megasteel. Based on the management's assessment, Megasteel may require a longer period to fully settle its outstanding trade amounts due to the weak international sentiments and the local market condition for the steel industry. The impairment loss represents the time value of money, calculated based on discounted future cash flow, on the collection of the said trade receivables.

(b) Other receivables and prepayments

	The Group		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Other receivables	**153,613**	172,202	141,099
Deposits	**90,868**	45,970	3,955
Prepaid expenses	**2,209**	1,932	1,858
	246,690	220,104	146,912

	The Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Other receivables	**10,908**	2,831	2,832
Deposits	**67**	67	70
Prepaid expenses	**350**	165	295
	11,325	3,063	3,197

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

(b) Other receivables and prepayments (continued)

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

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

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

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

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

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

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

- RM6,858,000 (30 June 2012: RM7,054,000) represents deferred cash payment receivable from Megasteel Sdn Bhd pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial year. The said amount was further rescheduled from 31 December 2012 to 30 June 2014.

- As of 30 June 2012, RM11,100,000 (1 July 2011: RM69,294,000) receivable from Shandong Silverstone LuHe Rubber & Tyre Co Ltd (now known as Toyo Tire (Zhucheng) Co Ltd) was in respect of intercompany debt. This debt has been fully settled during the financial year.

  Included in 2011 was sale proceeds receivable from Toyo Tire & Rubber Co Ltd amounting to RM54,623,000 pursuant to the disposal of the 75% equity interest in Shandong Silvertone LuHe Rubber & Tyre Co Ltd.

(ii) Included in deposits of the Group are deposits totalling RM89,283,000 (30 June 2012: RM44,838,000; 1 July 2011: RM2,433,000) paid by the Group for the agriculture project in Cambodia, which are mainly for the purchase parcels of land, plant and machinery and seedling.

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

		The Group	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Ringgit Malaysia	**154,673**	161,721	20,214
United States Dollar	**91,627**	47,283	111,311
Chinese Renminbi	**–**	11,100	15,039
Others	**390**	–	348
	246,690	220,104	146,912

23. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Fixed deposits with licensed banks:			
Restricted	**133,249**	125,756	337,666
Unrestricted	**73,936**	107,149	136,313
	207,185	232,905	473,979
Cash and bank balances:			
Restricted	**5,391**	39,775	1,615
Unrestricted	**23,441**	24,075	22,001
	28,832	63,850	23,616
	236,017	296,755	497,595

	The Company		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Fixed deposits with licensed banks:			
Restricted	**126,864**	123,083	328,544
Unrestricted	**19,553**	74,577	8,506
	146,417	197,660	337,050
Cash and bank balances:			
Restricted	**1,613**	1,613	1,615
Unrestricted	**5,459**	790	1,029
	7,072	2,403	2,644
	153,489	200,063	339,694

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

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

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

(iii) Acquisition of land in Cambodia.

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

Fixed deposits with licensed banks earn interest at rates ranging from 1.03% to 3.15% (30 June 2012: 1.35% to 3.15%; 1 July 2011: 1.15% to 2.85%) per annum and have maturity periods ranging from 3 to 365 days (30 June 2012: 1 to 138 days; 1 July 2011: 1 to 138 days).

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

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

	The Group		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Ringgit Malaysia	**203,791**	247,885	492,053
United States Dollar	**10,520**	40,798	2,734
Chinese Renminbi	**21,342**	7,548	2,295
Indonesia Rupiah	**268**	269	267
Others	**96**	255	246
	236,017	296,755	497,595

	The Company		
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Ringgit Malaysia	**149,267**	200,063	339,694
United States Dollar	**4,222**	–	–
	153,489	200,063	339,694

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company in the People's Republic of China ("PRC") amounting to RM21,342,000 (30 June 2012: RM7,548,000; 1 July 2011: RM2,295,000) are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

24. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At beginning of year	**21,989**	–	**–**	–
Transfer from other investments	**–**	21,989	**–**	–
Transfer from investment properties (Note 12)	**470**	–	**470**	–
Disposal	**(21,989)**	–	**–**	–
At end of year	**470**	21,989	**470**	–

Investment in unquoted shares, at fair value

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

Investment properties, at fair value

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

25. SHARE CAPITAL

	The Group and The Company	
	2013	2012
	RM'000	RM'000
Authorised:		
Ordinary shares of RM1.00 each		
500,000,000 at beginning and end of year	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
231,571,732 at beginning and end of year	**231,572**	231,572

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

The main features of the ESOS are as follows:

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

(b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 7.5% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS subject to the following being complied with:

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

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

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

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

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

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

26. RESERVES

	The Group		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Non-distributable reserves:			
Share premium	**689,330**	689,330	689,330
Translation adjustment account	**10,510**	9,755	(17,281)
Capital reserve	**264**	264	264
Capital redemption reserve	**280**	9	9
Fair value reserve	**427**	2,617	212
	700,811	701,975	672,534
Distributable reserve			
Retained earnings	**279,640**	273,656	315,512
	980,451	975,631	988,046

	The Company		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Non-distributable reserves:			
Share premium	**689,330**	689,330	689,330
Capital reserve	**264**	264	264
	689,594	689,594	689,594
Accumulated losses	**(159,868)**	(163,991)	(170,070)
	529,726	525,603	519,524

Share premium

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

Translation adjustment account

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

Capital reserve

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

Capital redemption reserve

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

Fair value reserve

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

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

	The Group 30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Issued and fully paid:			
At beginning of year	**124**	129	129
Acquired by the Group from third parties	**–**	(5)	–
Redeemed during the year	**(124)**	–	–
At end of year	**–**	124	129
Share premium:			
At beginning of year	**12,264**	12,704	12,704
Acquired by the Group from third parties	**–**	(440)	–
Redeemed during the year	**(12,264)**	–	–
At end of year	**–**	12,264	12,704
Total	**–**	12,388	12,833
Redeemable as follows:			
Within the next 12 months (shown under current liabilities)	**–**	12,388	–
After the next 12 months	**–**	–	12,833
	–	12,388	12,833

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

The main features of the RCCPS were as follows:

(i) The RCCPS may be converted into new ordinary and fully paid-up shares of RM1.00 each in Lion AMB ("New Lion AMB Shares") at any time after the third anniversary up to and including the tenth anniversary of the date of 14 March 2003, being the issue date of the RCCPS.

(ii) The conversion price of the RCCPS is fixed at RM1.10 per New Lion AMB Share to be satisfied solely by the tender of RCCPS by the registered holders for cancellation by Lion AMB.

(iii) Unless converted into New Lion AMB Shares, Lion AMB shall be obligated to redeem the RCCPS in cash at a sum equal to the aggregate of (a) the par value of RM0.01 each; (b) the premium paid thereon of RM0.99 each; and (c) the accumulated and unpaid preferential dividend (as described below) if any, 10 years from and inclusive of the date of issue of the RCCPS ("Redemption Date"). If any registered holder of the RCCPS shall fail or refuse to surrender the certificate for such RCCPS or shall fail or refuse to accept the redemption money payable in respect of them, such money shall be retained and held by Lion AMB in trust for such registered holders but without interest or further obligation whatsoever.

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

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

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

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

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

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

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

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

28. HIRE-PURCHASE PAYABLES

		The Group	
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Total outstanding	**1,933**	4,111	6,108
Less: Interest-in-suspense	**(263)**	(279)	(519)
Principal portion	**1,670**	3,832	5,589
Payable as follows:			
Within the next 12 months (shown under current liabilities)	**917**	2,364	2,322
After the next 12 months	**753**	1,468	3,267
	1,670	3,832	5,589

		The Company	
	30.6.2013 RM'000	**30.6.2012 RM'000**	**1.7.2011 RM'000**
Total outstanding	**293**	357	420
Less: Interest-in-suspense	**(42)**	(51)	(60)
Principal portion	**251**	306	360
Payable as follows:			
Within the next 12 months (shown under current liabilities)	**52**	55	27
After the next 12 months	**199**	251	333
	251	306	360

The interest rates implicit in these hire-purchase obligations range from 2.33% to 5.55% (30 June 2012: 2.47% to 5.55%; 1 July 2011: 2.47% to 5.55%) per annum.

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (30 June 2012: 30 to 90 days; 1 July 2011: 30 to 90 days).

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

		The Group	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Ringgit Malaysia	**49,230**	37,400	73,194
United States Dollar	**3,226**	4,176	325
	52,456	41,576	73,519

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

		The Group	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Other payables	**24,359**	17,926	14,631
Accrued expenses	**19,338**	17,165	16,266
Deferred revenue	**9,098**	7,357	6,982
	52,795	42,448	37,879

		The Company	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Other payables	**24**	26	27
Accrued expenses	**5,236**	5,208	5,312
	5,260	5,234	5,339

Included in other payables of the Group was redemption money of RM3.8 million payable to certain registered holders of the redeemable cumulative convertible preference shares ("RCCPS") who have yet to surrender their certificates for the redemption of RCCPS as of 30 June 2013. Such money has been retained and held by the Group in trust for such registered holders but without interest or further obligation whatsoever as disclosed in Note 23.

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

(b) Other payables and accrued expenses (continued)

Deferred Revenue

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

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

		The Group	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Ringgit Malaysia	**48,139**	38,242	33,597
Chinese Renminbi	**3,441**	3,326	3,107
Singapore Dollar	**1,215**	880	1,175
	52,795	42,448	37,879

30. PROVISION

	The Group and The Company	
	2013	**2012**
	RM'000	**RM'000**
Provision for damages arising from litigation claim:		
At beginning and end of year	**15,000**	15,000

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

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

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

Pending the assessment of damages by the court, the Company had made a provision of RM15,000,000 for damages that may arise from the litigation claim by UNP based on management's best judgement and estimate using information currently available. The balance of the amount claimed in the statement of claim by UNP is disclosed as contingent liabilities in Note 33.

31. BANK BORROWINGS

	The Group		
	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Unsecured			
Bankers acceptances, trust receipts and bills payable	**5,771**	3,954	3,667

The Company has given Corporate Guarantees of RM5,771,000 (30 June 2012: RM3,954,000; 1 July 2011: RM3,667,000) to financial institutions for the granting of credit facilities to certain subsidiary companies. The facilities bear interest at rates ranging from 3.29% to 5.65% (30 June 2012: 4.47% to 5.72%; 1 July 2011: 4.09% to 8.00%) per annum.

The bank borrowings pertaining to a subsidiary company are also secured by charges on the subsidiary company's fixed deposits with licensed banks as disclosed in Note 23.

32. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2012.

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

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

Gearing Ratio

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

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Debt (i)	**7,441**	20,174	**251**	306
Equity (ii)	**1,244,047**	1,239,626	**761,298**	757,175
Debt to equity ratio	**0.60%**	1.63%	**0.03%**	0.04%

(i) Debt is defined as RCCPS, hire-purchase payables and bank borrowings as disclosed in Notes 27, 28 and 31 respectively.

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

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

32. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial assets				
Available-for-sale investments	**9,254**	12,800	**18**	18
Held-to-maturity investments	**5,812**	5,812	**–**	–
Loans and receivables:				
Unquoted Redeemable Convertible Secured Loan Stocks	**7,746**	16,951	**–**	–
Trade receivables	**464,957**	401,147	**4,028**	4,028
Other receivables and refundable deposits	**155,198**	173,334	**10,975**	2,898
Amount owing by subsidiary companies	**–**	–	**737,279**	725,749
Amount owing by immediate holding company	**150,293**	130,669	**–**	–
Amount owing by other related companies	**120,760**	115,051	**120,265**	114,626
Fixed deposits, cash and bank balances	**236,017**	296,755	**153,489**	200,063
Financial liabilities				
At amortised cost:				
Redeemable cumulative convertible preference shares	**–**	12,388	**–**	–
Hire-purchase payables	**1,670**	3,832	**251**	306
Trade payables	**52,456**	41,576	**9,017**	10,865
Other payables and accrued expenses	**52,795**	42,448	**5,260**	5,234
Amount owing to ultimate holding company	**717**	–	**–**	–
Amount owing to subsidiary companies	**–**	–	**302,588**	297,512
Amount owing to other related companies	**5,401**	1,280	**–**	37
Bank borrowings	**5,771**	3,954	**–**	–

Financial Risk Management Objectives and Policies

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

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

32. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's and of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in the respective notes.

Foreign currency sensitivity analysis

The Group and the Company are mainly exposed to the foreign currency of United States Dollar.

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

	The Group		**The Company**	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	**(250)**	172	**(1,492)**	(57)

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

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

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 31. The interest rates of hire-purchase payables, which are fixed at the inception of the financing arrangements, are disclosed in Note 28.

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

Credit risk

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

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

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

32. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The Group's and the Company's exposure to credit risk in relation to their receivables, should all its customers fail to perform their obligations as of 30 June 2013, is the carrying amount of these receivables as disclosed in the statements of financial position.

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

Cash flow risk

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

Liquidity risk

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

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

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

The Group 2013	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	52,456	–	–	–	52,456	–
Other payables and accrued expenses	52,795	–	–	–	52,795	–
Amount owing to ultimate holding company	717	–	–	–	717	–
Amount owing to other related companies	5,401	–	–	–	5,401	–
	111,369	–	–	–	111,369	
Interest bearing:						
Hire-purchase payables	1,088	273	535	37	1,933	2.33 - 5.55
Bank borrowings	5,771	-	-	-	5,771	3.29 - 5.65
	6,859	273	535	37	7,704	
	118,228	273	535	37	119,073	

32. FINANCIAL INSTRUMENTS (continued)

The Group 2012	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	41,576	–	–	–	41,576	–
Other payables and accrued expenses	42,448	–	–	–	42,448	–
Amount owing to other related companies	1,280	–	–	–	1,280	–
	85,304	–	–	–	85,304	
Interest bearing:						
Redeemable cumulative convertible preference shares	12,388	–	–	–	12,388	1.00
Hire-purchase payables	2,510	1,024	446	131	4,111	2.47 - 5.55
Bank borrowings	3,954	–	–	–	3,954	4.47 - 5.72
	18,852	1,024	446	131	20,453	
	104,156	1,024	446	131	105,757	

The Company 2013	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	**9,017**	**–**	**–**	**–**	**9,017**	**–**
Other payables and accrued expenses	**5,260**	**–**	**–**	**–**	**5,260**	**–**
Amount owing to subsidiary companies	**137,234**	**–**	**–**	**–**	**137,234**	**–**
	151,511	**–**	**–**	**–**	**151,511**	
Interest bearing:						
Amount owing to subsidiary companies	**153,017**	**–**	**18,200**	**–**	**171,217**	**1.00 - 5.00**
Hire-purchase payables	**64**	**64**	**165**	**–**	**293**	**2.33 - 5.55**
	153,081	**64**	**18,365**	**–**	**171,510**	
	304,592	**64**	**18,365**	**–**	**323,021**	

32. FINANCIAL INSTRUMENTS (continued)

The Company 2012	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	10,865	–	–	–	10,865	–
Other payables and accrued expenses	5,234	–	–	–	5,234	–
Amount owing to subsidiary companies	104,290	–	–	–	104,290	–
Amount owing to other related companies	37	–	–	–	37	–
	120,426	–	–	–	120,426	
Interest bearing:						
Amount owing to subsidiary companies	181,241	-	18,200	-	199,441	1.00 - 5.00
Hire-purchase payables	64	64	190	39	357	2.47 - 5.55
	181,305	64	18,390	39	199,798	
	301,731	64	18,390	39	320,224	

Fair values of financial instruments

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

	The Group		**The Company**	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2013				
Financial assets				
Available-for-sale investments:				
Quoted investments	**8,373**	**8,373 ^**	**15**	**15 ^**
Unquoted investments	**881**	**– #**	**3**	**– #**
Held-to-maturity investments:				
Unquoted bonds	**5,812**	**– #**	**–**	**–**
Loans and receivables:				
Unquoted Redeemable Convertible Secured Loan Stocks	**7,746**	**8,069 ***	**–**	**–**
Financial liabilities				
Hire-purchase payables	**1,670**	**1,746 ***	**251**	**280 ***
Amount owing to a subsidiary company	**–**	**–**	**12,337**	**16,076 ***

32. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments (continued)

	The Group		The Company	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2012				
Financial assets				
Available-for-sale investments:				
Quoted investments	11,919	11,919 ^	15	15 ^
Unquoted investments	881	– #	3	- #
Held-to-maturity investments:				
Unquoted bonds	5,812	– #	–	–
Loans and receivables:				
Unquoted Redeemable Convertible Secured Loan Stocks	16,951	16,716 *	–	–
Amount owing by a subsidiary company	–	–	11,981	15,109 *
Financial liabilities				
Redeemable cumulative convertible preference shares	12,388	12,291 *	–	–
Hire-purchase payables	3,832	3,873 *	306	337 *
Amount owing to a subsidiary company	–	–	11,981	15,109 *

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

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

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

Fair value hierarchy

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

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

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

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

32. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2013				
Financial Assets				
Available-for-sale investments	**8,373**	**–**	**–**	**8,373**
The Company				
2013				
Financial Assets				
Available-for-sale investments	**15**	**–**	**–**	**15**
The Group				
2012				
Financial Assets				
Available-for-sale investments	11,919	–	–	11,919
The Company				
2012				
Financial Assets				
Available-for-sale investments	15	–	–	15

33. CONTINGENT LIABILITIES

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	**128,874**	128,874	**128,874**	128,874
Less : Provision (Note 30)	**(15,000)**	(15,000)	**(15,000)**	(15,000)
	113,874	113,874	**113,874**	113,874
Back pay labour claims from SFI's employees	**23,427**	23,427	**23,427**	23,427
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies	**–**	–	**5,771**	3,954
	137,301	137,301	**143,072**	141,255

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

33. CONTINGENT LIABILITIES (continued)

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

The current year litigation claim is the claim by UNP Plywood Sdn Bhd for an amount of RM128,874,435 (as per statement of claim dated 6 May 1997) or damages to be assessed against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993. As disclosed in Note 30, the Federal Court had on 11 September 2009 dismissed SFI's appeal against the Court of Appeal's decision to enter judgement against SFI for damages to be assessed. Subject to the High Court of Kota Kinabalu deciding on the quantum of the damages at a later stage, the Company had made a provision of RM15,000,000 for damages that may arise from the said litigation claim. The balance of the amount claimed in the statement of claim is disclosed as a contingent liability. The High Court of Kota Kinabalu is currently in process of hearing for assessment of damages.

Though indemnity contracts have been signed between the Company and Avenel Sdn Bhd ("Avenel"), the immediate holding company then, whereby Avenel agrees to indemnify the Company in full for all losses, which the Company may incur arising from the litigation brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise. However, Avenel is unable to discharge its obligation under the said indemnity and has on 11 June 2013 commenced winding-up process.

Back pay labour claims from SFI's employees

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

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

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

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

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

34. CAPITAL COMMITMENTS

As of 30 June 2013, the Group and the Company have the following capital commitments:

	The Group		The Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Approved and contracted for:				
Purchase of property, plant and equipment	**9,599**	609	**–**	–
Purchase of prepaid land lease payments	**–**	84,656	**–**	–
Approved but not contracted for:				
Purchase of property, plant and equipment	**27,309**	–	**–**	–
Additional investment	**–**	194,000	**–**	194,000
	36,908	279,265	**–**	194,000

35. SEGMENT INFORMATION

Business Segments

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

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

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

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

The Group 2013	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	**910,877**	**78,657**	**21,770**	**–**	**1,011,304**
Inter-segment sales	**295**	**12**	**–**	**(307)**	**–**
Total revenue	**911,172**	**78,669**	**21,770**	**(307)**	**1,011,304**
Results					
Segment results	**34,597**	**14,380**	**2,783**	**–**	**51,760**
Unallocated expenses					**(1,542)**
Unallocated income					**7,268**
Profit from operations					**57,486**
Finance costs					**(363)**
Share in results of associated companies	**–**	**–**	**4,086**	**–**	**4,086**
Impairment losses on:					
Trade receivables	**(23,529)**	**(595)**	**(2,433)**	**–**	**(26,557)**
Quoted investments	**(740)**	**(1,019)**	**(1,853)**	**–**	**(3,612)**
Loss on redemption of unquoted investments	**–**	**–**	**(5,402)**	**–**	**(5,402)**
Profit before tax					**25,638**
Income tax expense					**(14,753)**
Profit for the year					**10,885**

35. SEGMENT INFORMATION (continued)

The Group 2013	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Consolidated Statement of Financial Position					
Segment assets	**760,801**	**82,830**	**204,849**	**–**	**1,048,480**
Investment in associated companies	**–**	**–**	**78,085**	**–**	**78,085**
Unallocated corporate assets					**256,695**
Consolidated Total Assets					**1,383,260**
Liabilities					
Segment liabilities	**74,368**	**27,531**	**25,793**	**–**	**127,692**
Unallocated corporate liabilities					**11,521**
Consolidated Total Liabilities					**139,213**
Other Information					
Capital expenditure	**348**	**4,997**	**321**	**–**	**5,666**
Depreciation	**136**	**1,787**	**1,998**	**–**	**3,921**
Other non-cash expenses	**22,913**	**1,374**	**8,395**	**–**	**32,682**

35. SEGMENT INFORMATION (continued)

The Group 2012	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	955,052	73,542	17,496	–	1,046,090
Inter-segment sales	–	42	–	(42)	–
Total revenue	955,052	73,584	17,496	(42)	1,046,090
Results					
Segment results	28,508	10,522	7,513	–	46,543
Unallocated expenses					(1,536)
Unallocated income					6,892
Profit from operations					51,899
Finance costs					(647)
Share in results of associated companies	–	–	7,915	–	7,915
Gain on disposal of an associated company	–	–	30,748	–	30,748
Settlement arising from litigation claim against a former subsidiary company	–	–	(40,000)	–	(40,000)
Impairment losses on:					
Trade receivables	(4,093)	(150)	(116)	–	(4,359)
Quoted investments	(3,516)	(4,839)	(8,738)	–	(17,093)
Log extraction premium paid to State Government of Sabah	–	–	(3,385)	–	(3,385)
Profit before tax					25,078
Income tax expense					(14,603)
Profit for the year					10,475

35. SEGMENT INFORMATION (continued)

The Group 2012	**Building materials and steel products RM'000**	**Petroleum, lubricants and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Consolidated Statement of Financial Position					
Segment assets	757,039	81,530	207,582	–	1,046,151
Investment in associated companies	–	–	74,816	–	74,816
Unallocated corporate assets					245,465
Consolidated Total Assets					1,366,432
Liabilities					
Segment liabilities	60,533	23,648	22,629	–	106,810
Unallocated corporate liabilities					19,996
Consolidated Total Liabilities					126,806
Other Information					
Capital expenditure	33	1,991	156	–	2,180
Depreciation	142	1,578	1,990	–	3,710
Other non-cash expenses/ (income)	7,253	4,326	(22,200)	–	(10,621)

Geographical Segments

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

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

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

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

	Revenue	
	2013 RM'000	**2012 RM'000**
Malaysia	**1,011,304**	1,046,090

35. SEGMENT INFORMATION (continued)

Geographical Segments (continued)

	Total assets		Capital expenditures	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**1,200,306**	1,178,690	**5,666**	2,180
Singapore	**66,119**	65,413	**–**	–
Other countries	**116,835**	122,329	**–**	–
	1,383,260	1,366,432	**5,666**	2,180

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

Information about major customers

Revenue of the Group of approximately RM550,767,000 (2012: RM578,720,000) from the building materials, steel products and petroluem, lubricants and automotive products divisions and transportation services are derived from two related parties and immediate holding company.

36. CASH AND CASH EQUIVALENTS

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

		The Group	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 23)	**73,936**	107,149	136,313
Cash and bank balances (unrestricted) (Note 23)	**23,441**	24,075	22,001
	97,377	131,224	158,314

		The Company	
	30.6.2013	**30.6.2012**	**1.7.2011**
	RM'000	**RM'000**	**RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 23)	**19,553**	74,577	8,506
Cash and bank balances (unrestricted) (Note 23)	**5,459**	790	1,029
	25,012	75,367	9,535

37. SIGNIFICANT EVENTS

(a) Harta Impiana Sdn Bhd ("Harta Impiana"), a wholly-owned subsidiary company of the Company, had on 7 July 2011 entered into a Master Service Agreement with Seng Enterprise Co Ltd ("Seng Enterprise") whereby Seng Enterprise shall assist to procure economic land concession ("ELC") in Cambodia for a concession period of not less than 70 years for the purposes of planting rubber and/or oil palm.

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

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

Prior to the completion of the Proposed Acquisition, the Company had on 26 February 2013, entered into a share sale agreement with Akurjaya Sdn Bhd ("Akurjaya"), a related party, for the disposal of its entire equity interest in LFIB Plantations for a cash consideration of RM2. The disposal was completed on 27 February 2013. Consequently, LFIB Plantations ceased to be a subsidiary company of the Company.

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

38. SUBSEQUENT EVENT

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

(i) Proposed joint venture in the blast furnace project ("Project") among the Company, Lion Diversified Holdings Berhad and Lion Industries Corporation Berhad in the equity participation of 20:51:29 by way of a subscription of new ordinary shares of RM1 each at par for cash in the capital of Lion Blast Furnace Sdn Bhd ("LBF") to the value of USD63.6 million (equivalent to RM194 million); and

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

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

SUPPLEMENTARY INFORMATION

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as of 30 June 2013 and 30 June 2012, into realised and unrealised profits is presented in accordance with the directive issued by the Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements", as issued by the Malaysian Institute of Accountants, and the directive of Bursa Securities.

	The Group		The Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies				
Realised	**221,664**	218,001	**(144,588)**	(148,711)
Unrealised	**(25,885)**	(25,973)	**(15,280)**	(15,280)
	195,779	192,028	**(159,868)**	(163,991)
Total retained earnings from associated companies				
Realised	**30,371**	28,154	**–**	–
Unrealised	**2,871**	2,855	**–**	–
	33,242	31,009	**–**	–
Add: Consolidation adjustments	**50,619**	50,619	**–**	–
Total retained earnings/(accumulated losses)	**279,640**	273,656	**(159,868)**	(163,991)

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying statements of financial position as of 30 June 2013 and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 41 to 124, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2013 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out in page 125, which is not part of the financial statements, is prepared in all material respects, in accordance to Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
28 October 2013

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

I, **TAN SRI WILLIAM H.J. CHENG**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 124 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN SRI WILLIAM H.J. CHENG

Subscribed and solemnly declared by the
abovenamed **TAN SRI WILLIAM H.J. CHENG**
at **KUALA LUMPUR** in the **FEDERAL TERRITORY**
on this 28th day of October, 2013.

Before me,

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TAN SEOK KETT
COMMISSIONER FOR OATHS

Kuala Lumpur