LION FOREST INDUSTRIES

LION FOREST INDUSTRIES BERHAD (82056-X)

Laporan Tahunan Annual Report 2013

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-First Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 18 December 2013 at 2.00 pm for the following purposes:

AGENDA

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

2. To approve the payment of a first and final dividend of 2.0 sen per ordinary share less 25% Malaysian Income Tax. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM173,000 (2012 : RM192,500). **Resolution 2**

4. To re-elect Directors:

   In accordance with Article 98 of the Company's Articles of Association, Mr Chan Ho Wai retires by rotation and, being eligible, offers himself for re-election. **Resolution 3**

   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. **Resolution 4**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Tan Sri William H.J. Cheng be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**

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

6. To re-appoint Y. Bhg. Dato' Kalsom binti Abd. Rahman as an independent non-executive Director. **Resolution 7**

7. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 8**

8. Special Business

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

8.1.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 9**

8.1.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 26 November 2013 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 10**

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

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

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

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

whichever is the earlier; and

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

8.1.3 Proposed Grant of Options to Y. Bhg. Dato' Eow Kwan Hoong

"THAT authority be and is hereby given to the Company specifically to offer and grant to Y. Bhg. Dato' Eow Kwan Hoong, a Non-Executive Director of the Company, options to subscribe for up to 250,000 new ordinary shares of RM1.00 each in the capital of the Company, pursuant to the Company's Executive Share Option Scheme ("ESOS"), subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bylaws of the ESOS." **Resolution 11**

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

Proposed Amendment to the Articles of Association of the Company

"THAT the existing Articles of Association of the Company be amended by the relevant additions and deletions as specifically set out in the Appendix I of Part C of the Circular to Shareholders dated 26 November 2013 which has been despatched to the shareholders of the Company." **Resolution 12**

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

DIVIDEND ENTITLEMENT

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

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

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

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

By Order of the Board

WONG PHOOI LIN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
26 November 2013

Notes:

1. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 11 December 2013 shall be eligible to attend the Meeting.*

   - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*

   - *The instrument of proxy shall be deposited at the Office of the Registrar of the Company, Level 13, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*

   - *Completed Form of Proxy sent through facsimile transmission shall not be accepted.*

2. *Circular to Shareholders dated 26 November 2013 ("Circular")*

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

   (i) Part A - Proposed Shareholders' Mandate for Recurrent Related Party Transactions
   (ii) Part B - Proposed Grant of Options to Y. Bhg. Dato' Eow Kwan Hoong
   (iii) Part C - Proposed Amendment to the Articles of Association of the Company

3. *Agenda Item 1*

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

4. *Resolution 2*

   It is proposed that the fees for the members of the Audit Committee be increased due to increased duties and responsibilities.

Notes: *(continued)*

5. *Resolution 7*

   The Nomination Committee has assessed the independence of Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served on the Board as an independent non-executive Director of the Company for a cumulative term of more than 9 years and the Board has recommended that the approval of the shareholders be sought to re-appoint Dato' Kalsom as an independent non-executive Director as Dato' Kalsom possesses the following attributes necessary in discharging her role and function as an independent non-executive Director of the Company:

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

   (ii) Understands the main drivers of the business in a detailed manner.

   (iii) Consistently challenges management in an effective and constructive manner.

   (iv) Vast experience in the various industries the Group is involved in and as such could provide the Board with a diverse set of experience, expertise and independent judgement.

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

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

6. *Resolution 9*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 11 December 2012 which will lapse at the conclusion of this Annual General Meeting.

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

7. *Resolution 10*

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

8. *Resolution 11*

   This approval will allow the grant of options to Y. Bhg. Dato' Eow Kwan Hoong, a Non-Executive Director of the Company who was appointed on 14 December 2012, to subscribe for up to 250,000 new ordinary shares of RM1.00 each in the capital of the Company pursuant to the Company's Executive Share Option Scheme ("ESOS") at a subscription price to be determined in the manner set out in the Bylaws of the ESOS.

9. *Resolution 12*

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Mr Chan Ho Wai *(Executive Director)* Y. Bhg. Dato' Kalsom binti Abd. Rahman Y. Bhg. Dato' Eow Kwan Hoong Mr Lin Chung Dien
Secretaries	:	Ms Wong Phooi Lin Puan Yasmin Weili Tan binti Abdullah
Company No	:	82056-X
Registered Office	:	Level 14, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : http://www.lion.com.my/lionfib
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Deloitte KassimChan Level 19, Uptown 1 1 Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan
Principal Bankers	:	CIMB Bank Berhad Public Bank Berhad Bank Muamalat Malaysia Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONFIB
Bursa Securities Stock No	:	8486
Reuters Code	:	LIOF.KL
ISIN Code	:	MYL8486OO002

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 70, was appointed to the Board on 15 January 1991 and has been the Chairman since 27 August 1997.

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

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

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

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

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

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares of RM1.00 each and an indirect interest in 179,328,348 ordinary shares of RM1.00 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 130 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the plantation sector.

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

Tan Sri William Cheng attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2013.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, aged 57, was appointed the Executive Director of the Company on 1 August 2008. He is also a member of the Company's Remuneration Committee and Executive Share Option Committee of the Company.

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

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

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

Mr Chan attended seven (7) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2013.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, aged 65, was appointed to the Board on 23 August 2004. She is also the Chairman of the Company's Audit Committee and Nomination Committee.

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

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

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

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

Dato' Kalsom attended seven (7) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2013.

Dato' Eow Kwan Hoong
Independent Non-Executive Director

Y. Bhg. Dato' Eow Kwan Hoong, a Malaysian, aged 60, was appointed to the Board on 14 December 2012. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit Committee, Nomination Committee and Executive Share Option Scheme Committee.

Dato' Eow is a fellow member of the Chartered Institute of Management Accountants (CIMA), UK and a member of the Malaysian Institute of Accountants. He is a past President of the CIMA Malaysia Division. Currently, he is a Council member of CIMA UK representing the South East Asia region.

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

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

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

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

Dato' Eow attended the four (4) Board Meetings of the Company held during the financial year ended 30 June 2013 subsequent to his appointment.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, aged 70, was appointed to the Board on 25 February 2008. He is also a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee.

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

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

Mr Lin attended six (6) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2013.

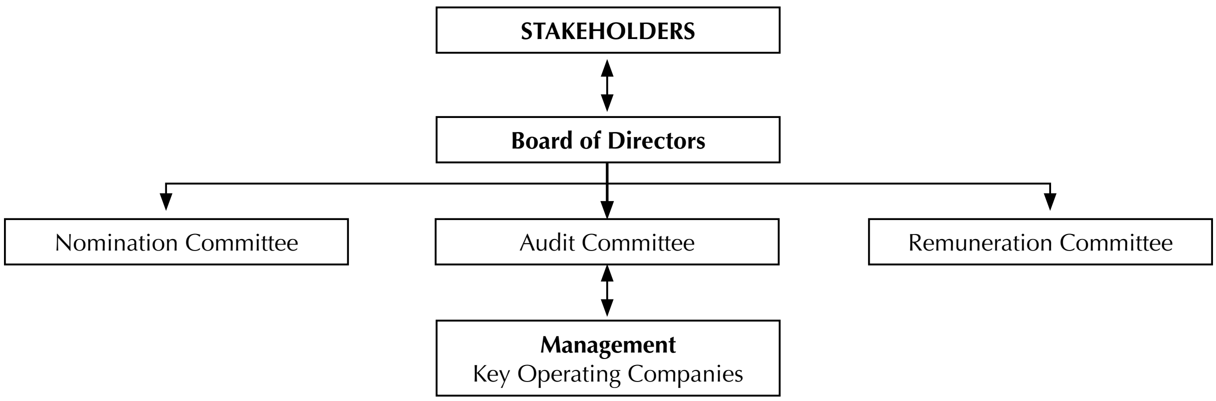
Save as disclosed above, none of the Directors has (i) any interest in securities in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the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

CORPORATE GOVERNANCE STATEMENT

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

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

Governance Framework



1. THE BOARD OF DIRECTORS ("BOARD")

Roles and Responsibilities

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2013, eight (8) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Charter

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

1. **THE BOARD OF DIRECTORS ("BOARD")** (continued)

Directors' Code of Ethics

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

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

Board Composition, Independence and Diversity Balance

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

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

In promoting diversity, gender and opportunities, the Board in its appointments and composition pays due recognition and weightage to the skills, experience and business acumen of the Directors. The Board reviews the appropriate mix of skills, experience and knowledge required of its members, in the context of the needs of the Group's businesses and strategies. The Board reviews its composition and size from time to time for appropriateness and the fulfillment of the gender diversity representation. The Board acknowledges the recommendation of MCCG pertaining to the establishment of boardroom gender diversity policy. The Board currently has a female Director.

Represented on the Board are three (3) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

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

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

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

Board Committees

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

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

1. THE BOARD OF DIRECTORS ("BOARD") (continued)

Supply of Information

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

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

Company Secretaries

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

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

Appointments to the Board

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

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

The members and terms of reference of the Nomination Committee are presented on page 22 of this Annual Report.

Directors' Remuneration

The Company has adopted the objective as recommended by the MCCG in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing a formal and transparent remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 22 of this Annual Report.

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

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

1. **THE BOARD OF DIRECTORS ("BOARD")** (continued)

Directors' Remuneration (continued)

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

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	20	372	392
Non-executive Directors*	173	–	173
	193	372	565

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

	Number of Directors	
	Executive	Non-executive
Range of Remuneration (RM)		
25,000 & below	–	2*
25,001 – 50,000	–	4
350,001 – 400,000	1	–

* Including two Directors who retired at the previous Annual General Meeting.

Re-election of Directors

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

Directors' Training

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

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

1. THE BOARD OF DIRECTORS ("BOARD") (continued)

Directors' Training (continued)

During the financial year, the Directors had participated in the seminars, convention, forum, lectures and training programmes ("Programmes") on topics/subjects in relation to corporate governance, risk management and internal controls, economic and regional issues, regulatory updates and requirements, and finance:

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010
Chan Ho Wai	• The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2 Personal Data Protection Act 2010 3. Competition Act 2010
Dato' Kalsom binti Abd. Rahman	• MIDF Amanah Investment Bank Berhad In-house Directors' Training on "Islamic Finance and Banking" • Directors' Training for women directors by NAM Institute for the Empowerment of Women ("NIEW") • Nominee Directors Convention 2012 of Permodalan Nasional Berhad on: 1. Corporate Governance blueprint 2011 2. Malaysia Code on Corporate Governance 2012 3. New Trends in Corporate Governance Implications on Corporate Performance • MIDF Investment Forum 2012 on "Resuscitating the economy" • Programmes organised by NIEW and The Ministry of Women, Family and Community Development - Women Directors Convention 2012 - Chairman Powerbreakfast - Women's Directors Programme Soft Skills and Simulation • Tun Ismail Mohamed Ali Memorial Lecture Series 2012/2013 on "Corporate Governance and Short-Termism" organised by Permodalan Nasional Berhad and University of Malaya • The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010
Dato' Eow Kwan Hoong	• The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010
Lin Chung Dien	• Taiwan Corporate Governance Association - On the Legal Risk of Directors and Supervisors - Talking from the Major Corporate Fraud Cases

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

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

1. THE BOARD OF DIRECTORS ("BOARD") (continued)

Directors' Training (continued)

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

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

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

2. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

3. SUSTAINABILITY

The Board in discharging its governance role should be guided to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance aspects of the businesses and operations which underpin sustainability. The sustainability activities carried out by the Group are set out in the Corporate Social Responsibility section of the Chairman's Statement on pages 25 to 32 of this Annual Report.

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

4. ACCOUNTABILITY AND AUDIT (continued)

Financial Reporting (continued)

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 18 to 21 of this Annual Report.

Directors' Responsibility in Financial Reporting

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

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 16 to 17 of this Annual Report.

Relationship with the External Auditors

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

5. RECOGNISE AND MANAGE RISKS

Risk Management Framework

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

Internal Audit Function

The Board has established an internal audit function within the Group. The internal audit function is led by a Chief Internal Auditor who reports directly to the Audit Committee. The internal auditors attend all meetings of the Audit Committee and the detailed internal audit function is set out in the Audit Committee Report on pages 18 to 21 of this Annual Report.

Compliance Function

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

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

Risk Management

The Risk Management Committee continues to play a pivotal role in overseeing the implementation of the risk management framework, periodically reviewing the risk management processes and ensuring that on-going measures taken were adequate to manage, address or mitigate the identified risks and reporting the status to the Audit Committee.

The Board regards risk management as an integral part of business operations. A Corporate Risk Management System encompassing an Enterprise Wide Risk Management Framework (CRMS-ERM) was developed and enhanced to set out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring as well as in determining the Group's risks appetite.

Control and Monitoring Process

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

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

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

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

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

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

Control and Monitoring Process (continued)

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

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

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

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

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

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

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

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

  Mr Lin Chung Dien
  (Independent Non-Executive Director)

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

- **Secretaries**

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

- **Membership**

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

- **Meetings and Minutes**

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

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

TERMS OF REFERENCE

- **Responsibilities**

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

- **Authority**

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

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

TERMS OF REFERENCE (continued)

- **Duties**

The duties of the Audit Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, ten (10) Audit Committee Meetings were held. Whilst Y. Bhg. Dato' Kalsom binti Abd. Rahman had full attendance for all the ten (10) Meetings held in the financial year, Y. Bhg. Dato' Eow Kwan Hoong attended all the five (5) Meetings and Mr Lin Chung Dien attended three (3) out of five (5) Meetings held subsequent to their appointment as a member of the Committee.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR (continued)

- **Risk Management**

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

- **Related Party Transactions**

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

- **Material Transactions**

  Reviewed material transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM235,000.

NOMINATION COMMITTEE

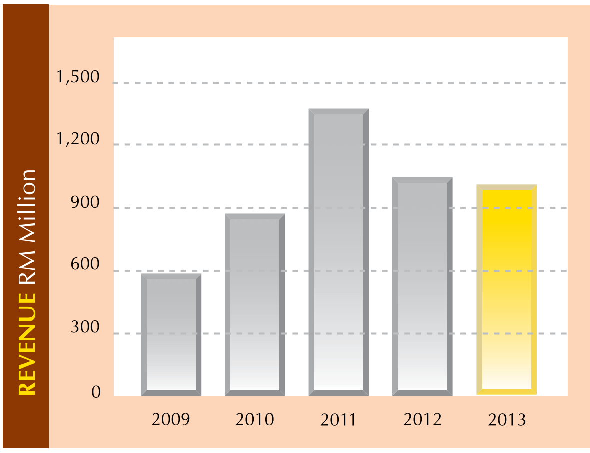
Chairman	:	Y. Bhg. Dato' Kalsom binti Abd. Rahman *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Dato' Eow Kwan Hoong *(Independent Non-Executive Director)* Mr Lin Chung Dien *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Forest Industries Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder • To recommend to the Board, Directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board

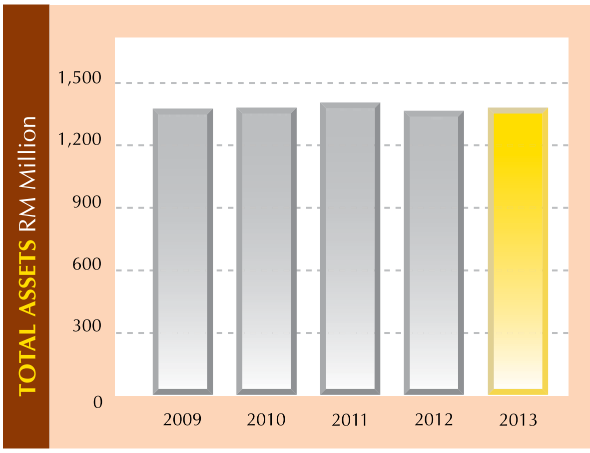
REMUNERATION COMMITTEE

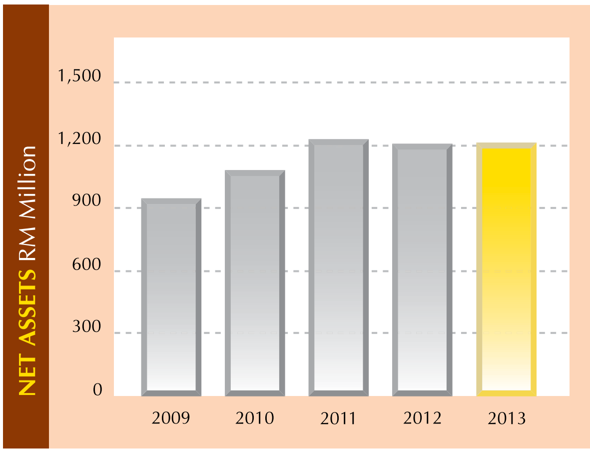
Chairman	:	Y. Bhg. Dato' Eow Kwan Hoong *(Independent Non-Executive Director)*
Members	:	Mr Chan Ho Wai *(Non-Independent Executive Director)* Mr Lin Chung Dien *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary • To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

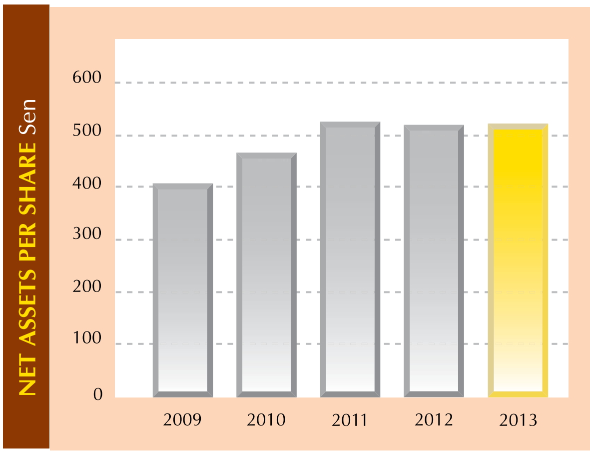
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2009	2010	2011	2012	2013
Revenue	(RM'000)	598,037	874,316	1,376,798	1,046,090	**1,011,304**
Profit before tax	(RM'000)	170,351	188,208	216,622	25,078	**25,638**
Profit after tax	(RM'000)	160,885	163,404	198,912	10,475	**10,885**
Net profit attributable to owners of the Company	(RM'000)	167,495	152,517	207,637	2,762	**10,866**
Total assets	(RM'000)	1,377,202	1,383,174	1,405,965	1,366,432	**1,383,260**
Net assets	(RM'000)	941,889	1,082,707	1,219,618	1,207,203	**1,212,023**
Total borrowings	(RM'000)	227,299	57,815	22,089	20,174	**7,441**
Earnings per share	(Sen)	75.4	66.1	89.7	1.2	**4.7**
Net assets per share	(Sen)	409	468	527	521	**523**
Dividends (Paid and Proposed):						
Rate	(Sen)	–	2.0	33.0	12.0	**2.0**
Amount	(RM'000)	–	4,632	63,103	27,789	**3,474**









THE GROUP'S BUSINESSES

- Posim Marketing Sdn Bhd is involved in the trading and distribution of building and construction materials such as (clockwise, from top) steel bars, roofing and wall tiles, bricks and cement.
- *Posim Marketing Sdn Bhd terbabit dalam perniagaan menjual dan mengedar bahan-bahan binaan seperti (ikut arah jam, dari atas) bar besi, jubin bumbung dan dinding, batu-bata dan simen.*

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products and automotive components, and has launched its e-commerce platform to reach out to a wider end-user market.
- *Posim Petroleum Marketing Sdn Bhd mengedar rangkaian produk berasaskan petroleum dan komponen automotif, telah melancarkan landasan e-commerce untuk mendekati pasaran pengguna akhir dengan lebih meluas.*

PENYATA PENGERUSI

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

PRESTASI KEWANGAN

Ekonomi Malaysia terus berkembang pada kadar yang kukuh dengan sokongan daripada permintaan domestik dan perbelanjaan awam bagi tahun kewangan dalam kajian meskipun prospek pertumbuhan dunia adalah lemah dan berlakunya ketidakpastian fiskal yang berterusan di dalam ekonomi negara-negara maju.

Kegiatan perdagangan dan pengedaran mengekalkan momentumnya yang positif untuk terus menjadi penyumbang utama kepada prestasi kewangan Kumpulan. Biarpun pendapatan jatuh 3% kepada RM1.01 bilion akibat merosotnya jualan produk berasaskan keluli, perniagaan bahan binaan dan minyak pelincir, telah mencatat jumlah jualan dan margin keuntungan lebih tinggi untuk membolehkan Kumpulan meraih keuntungan operasi yang lebih tinggi dalam tahun kewangan.

Syarikat-syarikat sekutu kita, Lion Asiapac Limited dan Suzuki Motorcycle Malaysia Sdn Bhd, secara bersama telah menyumbang keuntungan berjumlah RM4.1 juta kepada Kumpulan.

Di sebalik menanggung kerugian berjumlah RM35.6 juta selepas penilaian adil ke atas pelaburan yang disebut harga dan perdagangan belum terima; serta penebusan pelaburan yang tidak disebut harga, Kumpulan mencatatkan keuntungan sebelum cukai berjumlah RM25.6 juta; meningkat sebanyak 2% daripada RM25.1 juta dalam tahun kewangan sebelumnya.

Bagi tempoh sehingga 30 Jun 2013, Kumpulan memiliki aset bersih berjumlah RM1.2 bilion atau RM5.23 sesaham dengan jumlah tanggungan pinjamannya yang sangat kecil.

PERKEMBANGAN KORPORAT

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

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

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

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

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

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

    Penamatan ini tidak mempunyai sebarang kesan kewangan kepada Kumpulan.

Butiran penuh perkembangan korporat di atas terkandung dalam muka surat 124 Laporan Tahunan ini.

KAJIAN OPERASI

Bahan Binaan dan Produk Keluli

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

Bagi tahun kewangan dalam kajian, Bahagian ini telah mencatat peningkatan sebanyak 5% dalam jualan bahan binaan kepada sektor pembinaan tempatan. Pertumbuhan di sektor pembinaan tempatan telah didorong oleh pelaksanaan pelbagai projek infrastruktur mega di bawah Program Transformasi Ekonomi dan projek-projek sektor swasta.

Sementara itu, jualan produk berkaitan keluli adalah lebih rendah disebabkan kadar pengambilan yang kecil oleh para pengeluar keluli tempatan yang mana operasi mereka terjejas akibat pengimportan secara berleluasa produk keluli yang dijual pada harga lambakan.

Secara kolektif, Bahagian ini telah merekodkan pendapatan berjumlah RM911.2 juta, jatuh 5% daripada RM955.1 juta setahun lalu. Meskipun begitu, Bahagian ini kekal untung dengan keuntungan berjumlah RM34.6 juta bagi tahun kewangan dalam kajian.

Produk Petroleum, Pelincir dan Produk Automotif

Bahagian Produk Petroleum, Pelincir dan Produk Automotif menyaksikan perniagaannya terus berkembang dalam tahun kewangan dalam kajian di sebalik persaingan yang sengit.

Dalam tahun kewangan, Bahagian ini telah melabur kira-kira RM3.8 juta untuk menaik taraf kemudahan pengeluaran minyak pelincir, terutamanya bagi pembesaran bahagian pengeluaran, mengoperasi alat pengisian minyak pelincir berkelajuan tinggi dan mesin memasang penutup produk, memperluaskan tangki penyimpanan dan membeli alat pengendalian. Dengan menaik taraf kemudahan pengeluaran berkenaan, kapasiti pengeluaran kita disasarkan mencapai 3,200 tan metrik sebulan. Peningkatan kapasiti membolehkan kita memenuhi pesanan atau tempahan lebih besar dan meluaskan perniagaan sedia ada di luar negara.

Rangkaian jualan kita yang luas dalam pasaran domestik, secara konsistennya terus menarik permintaan terhadap produk pelincir berkenaan, sekali gus menyediakan aliran pendapatan yang kukuh kepada Bahagian ini. Kita mengekalkan tumpuan kepada objektif untuk menjalin hubungan jangka panjang dengan para pelanggan dan menawarkan inisiatif-inisiatif pemasaran dan program-program yang memberi nilai tambah kepada perniagaan mereka.

Selari dengan hasrat untuk lebih mendekati pasaran para pengguna akhir secara aktif, kita telah memperluaskan pengenalan jenama kita kepada pelanggan melalui laman web *www.hi-rev.com.my* dan platform e-dagang, *www.hi-revjunction.com.my*. Dalam usaha kita meningkatkan pengenalan jenama dan perniagaan melalui perantara ini, kita juga berharap untuk menghasilkan produk dalaman yang dapat memenuhi permintaan pasaran yang dinamik ini dan seterusnya memberikan nilai tambah kepada Bahagian ini.

Lain-lain

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

Operasi pengangkutan Kumpulan mencatat peningkatan 28% dalam pendapatan dan kembali mencatat keuntungan pada tahun ini. Perkembangan ini disumbangkan terutamanya oleh strategi perniagaan yang bertambah baik dan langkah-langkah kawalan kos lebih efektif.

Dalam tahun kewangan, Kumpulan telah mendapat hak pengedaran eksklusif produk ACCA KAPPA di Malaysia. ACCA KAPPA, sebuah jenama Itali yang diasaskan pada tahun 1869, menawarkan pelbagai jenis sikat premium, produk penjagaan diri dan haruman buatan Itali. Melalui hak jualan yang diberikan kepada gedung beli-belah Parkson ("Parkson"), kaunter yang pertama telah dibuka di Parkson One Utama pada bulan Januari 2013, kedua di Parkson Pavillion pada bulan Ogos 2013, dan ketiga di Parkson Gurney pada bulan September 2013.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen tunai akhir sebanyak 2 sen sesaham, dikenakan cukai 25% (2012: 2 sen sesaham dikecualikan cukai) bagi tahun kewangan berakhir 30 Jun 2013. Jumlah dividen tunai bersih yang akan dibayar, jika diluluskan di Mesyuarat Agung Tahunan adalah berjumlah RM3.5 juta (2012: RM4.6 juta).

TANGGUNGJAWAB SOSIAL KORPORAT

Tanggungjawab Sosial Korporat

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

Komuniti

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

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

Alam Sekitar

Kumpulan sentiasa prihatin terhadap isu alam sekitar dengan menekankan kepada penggunaan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam, mengoptimumkan penggunaan sumber dan menggalakkan penggunaan tenaga secara cekap. Operasi-operasi Kumpulan dikendalikan mengikut peruntukan undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri kendaliannya. Ini termasuk pengurusan pelepasan asap, pengurangan sisa buangan dan usaha-usaha pemulihan yang dilakukan oleh loji-loji perkilangan dan memperkenalkan lebih banyak proses yang efisyen dan jimat tenaga serta produk oleh bahagian pengedaran.

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

PROSPEK

Dalam melangkah ke hadapan, persekitaran operasi perniagaan Kumpulan dijangka kekal mencabar. Walau bagaimanapun, Kumpulan terus berwaspada dan mengambil langkah proaktif untuk menghadapi cabaran-cabaran berkenaan. Dengan usaha berterusan yang dilakukan untuk mengukuh dan memperluaskan rangkaian perniagaan dan mempelbagaikan produk serta mewujudkan campuran produk secara optimum dengan memberi penekanan berterusan terhadap produk-produk yang menawarkan margin keuntungan tinggi, kita percaya Bahagian Bahan Binaan dan Bahagian Produk Petroleum kita akan kekal, mencatat keuntungan pada tahun kewangan yang akan datang.

Kumpulan akan terus menerokai dan mengenal pasti bidang pertumbuhan baharu untuk meningkatkan nilai pemegang saham.

LEMBAGA PENGARAH

Saya juga ingin mengalu-alukan Y. Bhg. Dato’ Eow Kwan Hoong atas pelantikan beliau sebagai Pengarah Bebas Bukan Eksekutif Syarikat dalam tahun kewangan. Lembaga Pengarah percaya Syarikat akan mendapat manfaat daripada pengalaman dan kepakaran beliau yang tidak ternilai.

PENGHARGAAN

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

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

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

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad ("LFIB" or "the Group") for the financial year ended 30 June 2013.

FINANCIAL PERFORMANCE

The Malaysian economy continued to grow at a steady pace on the back of the resilient domestic demand and public spending for the financial year under review notwithstanding weaker global growth prospects and the on-going fiscal uncertainties in the advanced economies.

Trading and distribution activities maintained their positive momentum and remained the consistent core contributors to the financial performance of the Group. Despite registering a 3% lower revenue of RM1.01 billion due to the decline in sales of steel related products, both building materials and lubricants, with their higher sales volume and high profit margins had resulted in the Group achieving a higher operating profit for the financial year.

Our associates, namely Lion Asiapac Limited and Suzuki Motorcycle Malaysia Sdn Bhd, together contributed a total profit of RM4.1 million to the Group.

Notwithstanding a total loss of RM35.6 million that arose from the fair valuation of the Group's quoted investments and trade receivables; and the redemption of unquoted investment, the Group registered a profit before tax of RM25.6 million; an increase of 2% over the RM25.1 million in the preceding financial year.

The Group's net assets stood at RM1.2 billion or RM5.23 per share with negligible borrowings as at 30 June 2013.

CORPORATE DEVELOPMENTS

(i) As previously reported, LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd) ("LFIB Plantations"), a wholly-owned subsidiary company of 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, which owns 52,641 hectares of land for plantation in Teluk Bintuni Regency, Papua Barat, Indonesia, for a consideration of USD63.75 million (equivalent to RM197.63 million) ("Proposed Acquisition").

    Prior to the completion of the Proposed Acquisition, 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 and consequent thereupon, LFIB Plantations ceased to be a subsidiary company of the Company. The disposal does not have any financial impact to the Group.

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

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

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

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

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

Full details of the corporate developments mentioned above are contained in page 124 of this Annual Report.

REVIEW OF OPERATIONS

Building Materials and Steel Products

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

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

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

Collectively, the Division recorded a revenue of RM911.2 million, a 5% decrease from RM955.1 million a year ago. Nonetheless, the Division remained profitable at a profit of RM34.6 million for the financial year under review.

Petroleum, Lubricants and Automotive Products

Our Petroleum, Lubricants and Automotive Products Division continued to grow its businesses for the financial year under review despite intensified competition.

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

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

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

Others

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

The Group's transportation operations recorded a 28% increase in revenue and turned around to record a profit this year. This was mainly attributable to improved business strategy and more effective cost control measures.

During the financial year, the Group secured an exclusive distributorship to distribute products of ACCA KAPPA in Malaysia. ACCA KAPPA, an Italian brand founded in 1869, offers a wide range of premium hair brushes, body products and fragrances made in Italy. Through outright sales to Parkson Departmental Stores ("Parkson"), the first counter was opened in Parkson One Utama in January 2013, the second in Parkson Pavillion in August 2013, and the third in Parkson Gurney in September 2013.

DIVIDEND

The Board of Directors is pleased to recommend a first and final cash dividend of 2 sen per share, less tax at 25% (2012: 2 sen per share, tax exempt), in respect of the financial year ended 30 June 2013. Total net cash dividend payable, if approved at the Annual General Meeting, will amount to approximately RM3.5 million (2012: RM4.6 million).

CORPORATE SOCIAL RESPONSIBILITY

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

Community

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

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

Environment

The Group continues to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimise the use of resources and promote energy efficiency. The Group's operations comply with the environmental laws and regulations governing the industries in which it operates. This includes emissions management and waste reduction and recovery by our manufacturing plants, and introduction of more efficient and energy-saving processes and products by its trading division.

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

PROSPECTS

Going forward, the operating landscape for the Group's businesses is expected to remain challenging. Nonetheless, the Group will stay vigilant and take proactive steps to meet these challenges. With on-going efforts to strengthen and expand business network and product range as well as to establish the optimal product mix with continuous emphasis on high profit margin products, we believe our Building Materials and Petroleum Products Divisions will remain profitable in the next financial year.

The Group will continue to explore and identify new growth areas in order to enhance shareholders' value.

BOARD OF DIRECTORS

I would also like to extend a warm welcome to Y. Bhg. Dato' Eow Kwan Hoong on his appointment as an Independent Non-Executive Director of the Company during the financial year. The Board believes that the Company will benefit from his invaluable experience and expertise.

ACKNOWLEDGEMENT

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

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

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈截至2013年6月30日的会计年度，金狮森林工业有限公司（LION FOREST INDUSTRIES BERHAD）的常年报告及经审核财务报告。

业绩表现

尽管全球经济成长步伐蹒跚及先进经济体持续面对财务困境，但在检讨会计年度内，马来西亚经济却在获得具有韧力的国内需求与公共开销支持下，持续稳健成长。

贸易与分销业务维持正面的冲力，持续成为本集团业务表现的核心贡献来源。尽管钢铁相关产品的销售下跌造成集团营业额减少3%至10亿1千万令吉，但建筑材料与润滑油的销售却双双取得更高的销售额与利润，使集团达到更高的营运盈利。

我们的联号公司Lion Asiapac Limited和Suzuki Motorcycle Malaysia Sdn Bhd共同为本集团贡献410万令吉的盈利。

尽管本集团从上市投资与贸易应收账项合理估值，及赎回非上市投资造成3千560万令吉的亏损，但本集团仍然创下2千560万令吉的税前盈利，比之前一年的2千510万令吉增加2%。

截至2013年6月30日，本集团的净资产总额为12亿令吉或相等于每股5令吉23仙。本集团只有少许的债务。

企业发展

(i) 正如之前所报告，金狮森林工业有限公司之独资子公司 LFIB Plantations Sdn Bhd（现称Lion Agriculture(Indonesia) Sdn Bhd)(“LFIB Plantations”)于2012年10月5日与有关卖方签署有条件买卖合约，以6千375万美元（相等1亿9千763万令吉）的现金代价，收购PT Varita Majutama，一家在印尼注册成立的公司之100%股权。这家公司在印尼西巴布亚的Teluk Bintuni Regency拥有5万2千641公顷的种植地（“建议收购”）。

    在完成建议收购之前，本集团于2013年2月26日，和关联公司Akurjaya Sdn Bhd 签署一项股票售卖合约，以2令吉的现金代价，脱售LFIB Plantations。这项脱售计划是于2013年2月27日完成，LFIB Plantations过后不再是本集团的子公司。这项脱售计划对本集团没有产生任何财务影响。

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

(ii) 2013年8月29日，以下建议在获得各方的同意下被终止：

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

    (b) 金狮森林工业有限公司按其在LBF的股权比例以企业保证及提供担保的方式，为LBF提供财务协助，以便LBF及子公司能够为其高炉计划取得贷款便利。

    这些建议的终止对本集团没有任何财务影响。

以上企业发展的详情，包含在本常年报告书第124页。

业务检讨

建筑材料与钢铁产品

我们的建筑材料与钢铁产品组在国内市场分销一系列的建筑材料与钢铁相关产品。该组销售与分销的建材包括为建筑业供应钢铁棒材、洋灰和砖瓦，同时也销售与分销钢铁相关产品如铁矿球团、废铁和热轧钢卷给本地钢铁厂商作为钢铁产品下游制造业的原料或半制成品。

检讨会计年度内，本组对本地建筑领域的建材销售额增加5%。本地建筑领域的成长获得经济转型计划下所进行的基建计划及私人领域计划的推动。

另一方面,由于本地钢铁厂商受到大量钢铁产品以倾销价格进口的影响，造成钢铁厂商减少购买原料，进而使本组的钢铁相关产品的销售降低。

整体上，本组业务创下9亿1千120万令吉的营业额，比之前一年的9亿5千510万令吉减少5%。不过，本组依然取得盈利，检讨会计年度的税前盈利达到3千460万令吉。

石油、润滑油与汽车产品

尽管面对激烈的竞争，我们的石油、润滑油与汽车产品组在检讨会计年度内继续取得业务增长。

检讨会计年度内，本组投资约380万令吉提升润滑油生产设施，主要是扩充生产面积、高速轮转灌装和封口机器的启用、储藏槽的扩大及购入物品搬运配备。这些设备的提升，我们的产能目标达到每个月3千200公吨。扩大后的产能将让我们有能力承接更大的订单，拓展海外市场。

我们在国内的庞大销售网络，促使顾客对我们的润滑油产品的需求，进而为本组带来稳健的收入。我们继续专注与顾客们建立长期关系，通过一些市场策略与计划，为他们的业务增值。

配合我们积极打开更大终端用户市场的计划，我们以虚拟方式透过网站 www.hi-rev.com.my 及电子商务平台www.hi-revjunction.com.my与顾客们建立起更密切的联系，打响品牌的知名度。我们希望通过这种媒介来拓展业务之际，能够推出本身品牌的产品，以满足这个具活力市场的需求，最终为本组业务提供增值。

其他

本集团也涉及运输服务及代理和分销优质品牌美容护理产品。

本集团的运输业务在营业额方面取得28%的增长率，在今年内转亏为盈。这主要是因为我们改善商业策略及推行有效的成本控制措施。

检讨会计年度内，本集团取得在马来西亚分销ACCA KAPPA的独家分销代理权。ACCA KAPPA是成立于1869年的意大利品牌，供应一系列意大利制造的优质发刷、美体产品和香水。通过在百盛百货商店销售，首个专卖柜台于2013年1月在万达购物中心的百盛（Parkson One Utama）设立，第二个柜台则于2013年8月在百盛柏威年（Parkson Pavillion）设立，而第三个柜台则于2013年9月在百盛合您（Parkson Gurney）设立。

股息

董事部欣然建议，截至2013年6月30日止的会计年度，发派每股2仙终期现金股息，须扣25%税（2012年：每股2仙，免税）。如果在即将召开的常年股东大会上获得批准，需付的净股息总额为约350万令吉（2012年：460万令吉）。

企业社会责任

我们意识到企业社会责任的重要性，并认为它是企业中不可割舍的一部分，并将继续承诺支持对社会与环境带来积极影响的企业社会责任活动。

社会

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

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

环境

本集团专注于采用全新技术与业界最佳环保准则来维护环境，充分利用资源与促进能源效益。本集团的业务运作完全严格遵守其所在领域的环境法律及条例管制。这包括制造工厂落实的排放管理与废料减少与重复使用计划。本集团贸易组也推介更多有效并且节能的产品。

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

展望

本集团业务的未来运作环境料仍然充满挑战。不过，本集团将维持谨慎及采取主动方式来应付这些挑战。随着集团持续不断加强与拓展商业网络与产品系列，及建立最佳的产品结构，同时持续注重高利润的产品，我们相信，建筑材料与石油产品组将在下个会计年度内继续取得盈利。

本集团将继续探索与鉴定能够加强股东价值的新商业领域。

董事部

我也要热诚欢迎 Y. Bhg. Dato' Eow Kwan Hoong出任公司独立非执行董事一职。董事部相信，公司将从其宝贵的经验和专业知识中受惠。

鸣谢

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

我也要至诚感谢董事同仁，感谢他们所给予的珍贵指导，支持与贡献。

最后，我要真诚地感谢管理层和全体职员对集团尽忠职守和为工作献身的精神。

主席
丹斯里锺廷森

FINANCIAL STATEMENTS

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	As of 24.7.2012[2]	Number of shares 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	As of 1.7.2012	Number of shares 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	2012	2013	2012
	RM'000	RM'000	RM'000	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	30.6.2013 RM'000	The Group 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	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 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	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
			← Non-distributable reserves				→				
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*

Amendments to MFRS 101

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)

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

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 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 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 RM'000	2012 RM'000	2013 RM'000	2012 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 RM'000	2012 RM'000	2013 RM'000	2012 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		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**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		The Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**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 RM'000	**2012 RM'000**
Profit attributable to owners of the Company	**10,866**	2,762
	2013 '000	**2012 '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 RM'000	**2012 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)

			ACCUMULATED DEPRECIATION		
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**
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

			ACCUMULATED DEPRECIATION		
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**
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 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	NET BOOK VALUE 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 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	NET BOOK VALUE 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	30.6.2012	1.7.2011
	RM'000	RM'000	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	30.6.2012	1.7.2011
	RM'000	RM'000	RM'000
Motor vehicles	**223**	299	374

12. INVESTMENT PROPERTIES

		The Group and The Company	
	30.6.2013	30.6.2012	1.7.2011
	RM'000	RM'000	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 RM'000	**30.6.2012 RM'000**	**1.7.2011 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 RM'000	**30.6.2012 RM'000**	**1.7.2011 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:

		Effective equity interest			
Name of companies	**Country of incorporation**	**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	30.6.2012 RM'000	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	30.6.2012 RM'000	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 RM'000	**30.6.2012 RM'000**	**1.7.2011 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		The Company	
	2013 RM'000	**2012 RM'000**	**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)

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 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	The Group 30.6.2012 RM'000	The Group 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	The Company 30.6.2012 RM'000	The Company 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 RM'000	30.6.2012 RM'000	1.7.2011 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 RM'000	30.6.2012 RM'000	1.7.2011 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 RM'000	30.6.2012 RM'000	1.7.2011 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%
Past due but not impaired:			
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
Aging of past due but not impaired			
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
Aging of past due but not impaired			
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")

	30.6.2013 RM'000	The Group 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	The Group 30.6.2012 RM'000	The Group 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	**Revenue 2012 RM'000**
Malaysia	**1,011,304**	1,046,090

35. SEGMENT INFORMATION (continued)

Geographical Segments (continued)

	Total assets 2013 RM'000	Total assets 2012 RM'000	Capital expenditures 2013 RM'000	Capital expenditures 2012 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 RM'000	The Group 30.6.2012 RM'000	The Group 1.7.2011 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 RM'000	The Company 30.6.2012 RM'000	The Company 1.7.2011 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,

W 530
TAN SEOK KETT
COMMISSIONER FOR OATHS

Kuala Lumpur

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2013

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (19)	10.9	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (28)	0.1	13.4.1998
Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (15)	0.3	18.3.1999
50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land and building	2-storey shop office (15)	0.2	17.3.1999
15, Jalan Permatang Rawa 1 Kawasan Perniagaan Permatang Rawa 14000 Bukit Mertajam Pulau Pinang	Freehold	208.1 sq metres	Land and building	3-storey shop office (14)	0.5	9.2.1999
B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (11)	0.1	16.7.2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 16 October 2013

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

Distribution of Shareholdings as at 16 October 2013

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	865	17.64	26,451	0.01
100 to 1,000	1,380	28.14	968,854	0.42
1,001 to 10,000	2,011	41.01	8,539,063	3.69
10,001 to 100,000	553	11.28	16,841,016	7.27
100,001 to less than 5% issued shares	92	1.88	65,563,644	28.31
5% and above of issued shares	3	0.05	139,632,704	60.30
	4,904	100.00	231,571,732	100.00

Substantial Shareholders as at 16 October 2013

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
1. Tan Sri William H.J. Cheng	400	*	179,325,287	77.44
2. Lion Industries Corporation Berhad	45,127,236	19.49	131,741,389	56.89
3. Amsteel Mills Sdn Bhd	123,632,704	53.39	8,108,685	3.50
4. LLB Steel Sdn Bhd	–	–	176,868,625	76.38
5. Steelcorp Sdn Bhd	–	–	176,868,625	76.38

* Negligible.

Thirty Largest Registered Shareholders as at 16 October 2013

	Registered Shareholders	No. of Shares	% of Shares
1.	AMSEC Nominees (Asing) Sdn Bhd AmTrustee Berhad for Yuanshan Holding Limited	98,146,204	42.38
2.	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-Amsteel0)	25,486,500	11.01
3.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	16,000,000	6.91
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (8106442)	10,850,000	4.69
5.	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LI00157M)	10,000,000	4.32
6.	Lion Industries Corporation Berhad	4,277,236	1.85
7.	RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Lion Industries Corporation Berhad	4,000,000	1.73
8.	ACB Resources Berhad	3,393,462	1.47
9.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd	2,592,349	1.12
10.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon ACCT)	1,963,921	0.85
11.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,835,464	0.79
12.	HSBC Nominees (Asing) Sdn Bhd AA Noms SVS HK for Anzio Enterprises Limited	1,777,900	0.77
13.	Lim Boon Liat	1,526,500	0.66
14.	Lion Holdings Sdn Bhd	1,334,745	0.58
15.	UOBM Nominees (Asing) Sdn Bhd Exempt AN for Societe Generale Bank & Trust, Singapore Branch (Cust Asset)	1,200,000	0.52
16.	Wu Teng Siong	1,047,000	0.45
17.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Umatrac Enterprises Sdn Bhd (ACB-B4)	959,500	0.41
18.	Ng Teng Song	956,700	0.41
19.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	745,805	0.32
20.	Amsteel Equity Capital Sdn Bhd	598,405	0.26
21.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	559,033	0.24
22.	Pacific & Orient Insurance Co Berhad	504,700	0.22
23.	Tirta Enterprise Sdn Bhd	494,868	0.21
24.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NJ3F for Discerene Fund LP	455,520	0.20
25.	Teoh Hooi Bin	455,452	0.20
26.	Ong Sai Hoon	415,000	0.18
27.	Happyvest (M) Sdn Bhd	391,241	0.17
28.	Maybank Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Limited (Client A/C)	387,000	0.17
29.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung	384,100	0.17
30.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Yuk Fen	375,000	0.16

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

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

	Nominal Value Per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
The Company	RM1.00				
Tan Sri William H.J. Cheng		400	*	179,328,348	77.44
Lin Chung Dien		7,060	*	–	–
Dato' Eow Kwan Hoong		8,026	*	–	–
Related Corporations					
Tan Sri William H.J. Cheng					
Angkasa Amsteel Pte Ltd	**	–	–	11,517,999	50.00
Angkasa Welded Mesh Pte Ltd	**	–	–	100,000	100.00
Brands Pro Management Sdn Bhd	RM1.00	–	–	1,400,000	70.00
Holdsworth Investment Pte Ltd	**	–	–	4,500,000	100.00
Inspirasi Elit Sdn Bhd	RM1.00	–	–	212,500	100.00
Lion AMB Holdings Pte Ltd	**	–	–	31,750,100	100.00
Lion AMB Resources Berhad	RM1.00			300,769,025	88.45
Lion Industries Corporation Berhad	RM1.00	216,865,498	30.22	46,871,111	6.53
Lion Rubber Industries Pte Ltd	**	–	–	10,000,000	100.00
LLB Enterprise Sdn Bhd	RM1.00	–	–	690,000	69.00
Marvenel Sdn Bhd	RM1.00	–	–	100	100.00
Ototek Sdn Bhd	RM1.00	–	–	1,050,000	70.00
Posim EMS Sdn Bhd	RM1.00	–	–	800,000	80.00
P.T. Lion Intimung Malinau	USD1.00	–	–	4,750,000	95.00
Soga Sdn Bhd	RM1.00	–	–	4,502,389	97.63
Steelcorp Sdn Bhd	RM1.00	–	–	99,750	99.75
Zhongsin Biotech Pte Ltd	**	–	–	1,000,000	100.00

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

Notes:

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

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

MATERIAL CONTRACTS
INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

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

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

(c) Share Sale Agreement dated 26 February 2013 entered into between the Company and Akurjaya Sdn Bhd ("Akurjaya"), a company wherein a Director who is also a major shareholder of the Company has interest, for the disposal by the Company of its 2 ordinary shares of RM1.00 each, constituting the entire issued and paid-up share capital in LFIB Plantations Sdn Bhd, to Akurjaya for a total cash consideration of RM2.00 and pursuant to which, Akurjaya shall also reimburse the Company the amounts incurred by the Company in connection with the proposed acquisition of 100% equity interest in PT Varita Majutama under the Share Purchase Agreement dated 5 October 2012 entered into between PT Karya Tekhnik Utama and Kyosen Transport Pte Ltd, collectively as vendors, and LFIB Plantations Sdn Bhd as purchaser.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid to external auditors for the financial year was RM5,000 (RM5,000 in 2012).

(II) RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of Recurrent Transactions	Related parties	Amount RM'000
(a) Trading and distribution		
(i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Industries Corporation Berhad Group ("LICB Group")	127,549
	Lion Corporation Berhad Group ("LCB Group")	61,484
		189,033
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	LICB Group	330,226
	Lion Diversified Holdings Berhad Group ("LDHB Group")	160,070
	LCB Group	37,233
	Parkson Holdings Berhad Group ("Parkson Group")	1,080
		528,609
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LICB Group	3,140
	LCB Group	2,535
	LDHB Group	80
	Lion Asiapac Limited Group ("LAP Group")	28
		5,783
(b) Others		
(i) Provision of transportation and forwarding services	LCB Group	16,335
	LICB Group	3,188
	LDHB Group	69
	LAP Group	37
		19,629
(ii) Sales of consumer products	Parkson Group	114

Notes:

i) "Group" includes subsidiary and associated companies.

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

LION FOREST INDUSTRIES BERHAD
(82056-X)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-First Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 18 December 2013 at 2.00 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve a first and final dividend		
2. To approve Directors' fees		
3. To re-elect as Director, Mr Chan Ho Wai		
4. To re-elect as Director, Y. Bhg. Dato' Eow Kwan Hoong		
5. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng		
6. To re-appoint as Director, Mr Lin Chung Dien		
7. To re-appoint as an independent non-executive Director, Y. Bhg. Dato' Kalsom binti Abd. Rahman		
8. To re-appoint Auditors		
9. Authority to Directors to issue shares		
10. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
11. Proposed Grant of Options to Y. Bhg. Dato' Eow Kwan Hoong		
12. Proposed Amendment to the Articles of Association of the Company		

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

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

No. of shares: ....   Signed: ....

Representation at Meeting:

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