LION CORPORATION

LION CORPORATION BERHAD (12890-A)

Laporan Tahunan Annual Report 2014

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-First Annual General Meeting of Lion Corporation Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 18 November 2014 at 10.30 am for the following purposes:

AGENDA

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

2. To approve the payment of Directors' fees amounting to RM234,000 (2013: RM235,000). **Resolution 1**

3. To re-elect Director:

   In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman retires by rotation and, being eligible, offers himself for re-election. **Resolution 2**

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

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain be and is hereby re-appointed an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 4**

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr M. Chareon Sae Tang @ Tan Whye Aun be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**

5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 6**

6. Special Business

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

6.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 7**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 27 October 2014 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 8**

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

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

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

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

whichever is the earlier; and

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

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

By Order of the Board

CHAN POH LAN
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
27 October 2014

Notes:

1. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 11 November 2014 shall be eligible to attend the Meeting.*

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

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

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

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

2. *Circular to Shareholders dated 27 October 2014 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2014 Annual Report.

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 4*

   The Nomination Committee has assessed the independence of Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain 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 Datuk Emam as an independent non-executive Director as Datuk Emam possesses the following attributes necessary in discharging his 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) Challenges management in an effective and constructive manner.

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

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

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

5. *Resolution 7*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 18 December 2013 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 8*

   This approval will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Forty-First Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 8 of the 2014 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman and Managing Director)* Y. Bhg. Tan Sri Cheng Yong Kim Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman Y. Bhg. Dato' Afifuddin bin Abdul Kadir Dr Folk Jee Yoong Mr M. Chareon Sae Tang @ Tan Whye Aun
Secretaries	:	Ms Chan Poh Lan Puan Yasmin Weili Tan binti Abdullah
Company No	:	12890-A
Registered Office	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : www.lion.com.my/lioncor
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Ong Boon Bah & Co B-10-1, Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur
Principal Bankers	:	AmInvestment Bank Berhad Malayan Banking Berhad RHB Bank Berhad RHB Investment Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")

		Ordinary Shares	Warrants "B" 2009/2019
Stock Name	:	LIONCOR	LIONCOR-WB
Bursa Securities Stock No	:	3581	3581WB
Reuters Code	:	LION.KL	LIONW.KL
ISIN Code	:	MYL3581OO005	MYL3581WBT48

DIRECTORS' PROFILE

Tan Sri William H.J. Cheng
Non-Independent Chairman and Managing Director

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 71, was appointed to the Board on 27 September 1972 and has been the Chairman since 1977 and Managing Director of the Company since 1973.

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

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

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

- Chairman of Lion Diversified Holdings Berhad and Lion Forest Industries Berhad
- Chairman and Managing Director of 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 91,737 ordinary shares of RM1.00 each in the Company ("LCB Share") and an indirect interest in 1,015,210,671 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of (i) RM275,214,524 nominal value of redeemable convertible secured loan stocks with a right to convert into 55,042,904 new LCB Shares at a conversion price of RM5.00 for every one new LCB Share; and (ii) 10,169,407 warrants with a right to subscribe for one new LCB Share for every one warrant held at RM5.00 per new LCB Share. 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 pages 132 and 133 of this Annual Report. He also has interest in certain companies which conduct similar business with the Group in the property development sector.

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

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

Tan Sri Cheng Yong Kim
Non-Independent Non-Executive Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 64, was appointed to the Board on 19 July 1982. He is also a member of the Remuneration Committee of the Company.

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

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

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

- Managing Director of Lion Industries Corporation Berhad and Lion Diversified Holdings Berhad, both public listed companies
- Director of Lion AMB Resources Berhad and Hy-Line Berhad

Tan Sri Cheng has a direct shareholding of 541,903 LCB Shares and an indirect interest in 921,561,152 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of (i) RM89,312,560 nominal value of redeemable convertible secured loan stocks with a right to convert into 17,862,512 new LCB Shares at a conversion price of RM5.00 for every one new LCB Share; and (ii)10,170,607 warrants with a right to subscribe for one new LCB Share for every one warrant held at RM5.00 per new LCB Share. 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 pages 132 and 133 of this Annual Report. He also has interest in certain companies which conduct similar business with the Group in the property development sector.

Tan Sri Cheng is the nephew of Y. Bhg. Tan Sri William H.J. Cheng, the Chairman and Managing Director, and a major shareholder of the Company.

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

Datuk Emam Mohd Haniff bin Emam Mohd Hussain
Independent Non-Executive Director

Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain, a Malaysian, aged 72, was appointed to the Board on 10 January 2003. He is also the Chairman of the Nomination Committee and a member of the Audit and Risk Management Committee of the Company.

Datuk Emam Mohd Haniff obtained a Bachelor of Arts (Honours) from the University of Malaya in 1966. He had served the Malaysian Government (Foreign Service) since 1966 up to his retirement in 1997 in various capacities both at home and in Malaysian diplomatic missions overseas. His last position before his retirement was as the High Commissioner of Malaysia to Singapore.

Datuk Emam Mohd Haniff is also a Director of Edaran Berhad and Kamdar Group (M) Berhad, both public listed companies.

Datuk Emam Mohd Haniff attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

Datuk Mohd Yusof bin Abd Rahaman
Independent Non-Executive Director

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman, a Malaysian, aged 67, was appointed to the Board on 1 August 2007. He is also a member of the Audit and Risk Management Committee of the Company.

Datuk Mohd Yusof obtained a Bachelor of Arts (Honours) in History from the University of Science, Penang. He had served the Royal Malaysian Police - Special Branch for 36 years in various positions including staff officer, Assistant Director and Deputy Director. He retired as the Director Special Branch on 31 December 2006, a position he held for more than eight years. During his service with the Special Branch, Datuk Mohd Yusof had, on behalf of the Malaysian Government conducted bilateral and multi-lateral cooperation as well as joint-operations with foreign security agencies to serve the national interests of Malaysia.

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

Dato' Afifuddin bin Abdul Kadir
Independent Non-Executive Director

Y. Bhg. Dato' Afifuddin bin Abdul Kadir, a Malaysian, aged 61, was appointed to the Board on 12 November 2013. He is also a member of the Audit and Risk Management Committee of the Company.

Dato' Afifuddin obtained a Bachelor of Science in Agriculture Business from Universiti Putra Malaysia in 1979. He joined the Malaysian Investment Development Authority (MIDA) in 1979 as a Technical Professional Officer in the Industrial Studies Division and served 32 years with MIDA before his retirement in September 2011. During his tenure in MIDA, he held various senior positions in the domestic and international offices of MIDA including the Director of MIDA in Sabah, the Vice-Consul Investment/Deputy Director of MIDA in London, the Director/Economic Counsellor of MIDA in Paris, the Director/Consul Investment of MIDA in London, Director of the Electronics Industries Division, Head of the Foreign Investment Promotion Division and Deputy Director General I in June 2008, a post he held until his retirement.

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

- Pelikan International Corporation Berhad and UMW Oil & Gas Corporation Berhad, both public listed companies
- Lam Soon (M) Berhad

Dato' Afifuddin attended the four (4) Board Meetings of the Company held during the financial year ended 30 June 2014 subsequent to his appointment.

Dr Folk Jee Yoong
Independent Non-Executive Director

Dr Folk Jee Yoong, a Malaysian, aged 53, was appointed to the Board on 14 December 2012. He is also the Chairman of the Audit and Risk Management Committee and Remuneration Committee, and a member of the Nomination Committee of the Company.

Dr Folk received his Bachelor of Business in Accounting and Secretarial Administration from the Curtin University of Technology in Perth, Western Australia, Bachelor of Economics from the University of Western Australia, Master of Commerce in Accounting from the University of Auckland, New Zealand, Doctor of Business Administration from the University of South Australia and Doctor of Philosophy from the University of Malaya. He is a Fellow of the Australian Society of Certified Practising Accountants and the Malaysian Institute of Accountants. He also holds a certificate in Investor Relations from the IR Society, United Kingdom.

Dr Folk has over 20 years of experience in academia, corporate finance, restructuring, audit and financial management in diversified industries such as mortgage banking, property development, construction, seafood trawling and processing, pulp and paper, jewellery, office furniture, multi-level marketing, plastic injection moulding, timber plantation and processing, hospitality and thermo vacuum forming. Between 1984 and 1990, amongst other public accounting firms, he was attached, to Deloitte, Haskins & Sells, New Zealand and McLaren & Stewart, Perth, Australia. He has also worked with multi-national firms such as Sinar Mas Group, Raja Garuda Mas Group and Fletcher Challenge Group in various countries such as New Zealand, India and Indonesia.

Dr Folk is also a Director of AHB Holdings Berhad, Cybertowers Berhad and Inix Technologies Holdings Berhad, all public listed companies.

Dr Folk has an indirect interest in LCB Shares by virtue of 1,560 warrants with a right to subscribe for one new LCB Share for every one warrant held at RM5.00 per new LCB Share.

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

M. Chareon Sae Tang @ Tan Whye Aun
Non-Independent Non-Executive Director

Mr M. Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 75, was appointed to the Board on 4 May 1984. He is also a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company.

Mr Tang obtained his Bachelor of Law from King's College, the University of London and is a Barrister-at-Law of the Inner Temple London. He has been in legal practice since 1968; first as a legal assistant in Messrs Shearn & Delamore, and later as a Partner at Messrs Chye, Chow Chung & Tang until 1976. Presently, he manages his own legal practice, Messrs C.S. Tang & Co. Mr Tang is currently the Deputy Treasurer of ACCCIM and the Deputy President of KLSCCCI.

Mr Tang has an indirect interest in 98,180 LCB Shares.

Mr Tang is also a Director of ACB Resources Berhad, a public company, and Tomei Consolidated Berhad, a public listed company.

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

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

CORPORATE GOVERNANCE STATEMENT

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

The Board is pleased to present below the Governance Framework and how the Group has applied the guiding principles of good governance and the extent to which it has complied with the Principles and Recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG"). The principles and recommended best practices have been applied consistently throughout the financial year ended 30 June 2014 except where otherwise rationalised herein. The Board has also taken into account the requirements issued by Bursa Malaysia Securities Berhad ("Bursa Securities") under the various Guides.

Governance Framework

1. THE BOARD OF DIRECTORS ("BOARD")

Roles and Responsibilities

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2014, seven (7) Board Meetings were held. While Dato' Afifuddin bin Abdul Kadir who was appointed during the financial year attended the four (4) Board Meetings held subsequent to his appointment, all the other Directors attended all the Board Meetings held during the financial year. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Charter

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

Directors' Code of Ethics

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

The Group has put in place a Code of Ethics covering Code of Business Conduct for all employees of the Group, including the Whistleblower Policy, Sexual Harassment and Sustainability Policy & Framework of the Group and such codes, policies and ethics are briefed to all employees and accessible for reference within the Group.

Board Composition, Independence and Diversity Balance

The Board comprises seven (7) Directors, six (6) 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.

The Group Chairman also assumes the position of the Group's Managing Director. He brings with him a wealth of over 40 years of experience in the business operations of the Group and possesses the calibre to ensure that policies and strategies approved by the Board are effectively implemented. In view of the vast experience of the Group Chairman/Managing Director, the Board considers the departure from the recommended practice of separating the functions as appropriate under the present circumstances.

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

Represented on the Board are four (4) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

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

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

In respect of the assessment for the financial year ended 30 June 2014, the Board was satisfied that the Board and the Board Committees have discharged their duties and responsibilities effectively. The Board was also satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent Directors and mix of skills and experience was adequate.

Board Committees

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

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

Supply of Information

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

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

Company Secretaries

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

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

Nomination Committee

The Nomination Committee comprises three members all of whom are non-executive Directors with a majority being independent Directors. The Nomination Committee is chaired by Datuk Emam Mohd Haniff bin Emam Mohd Hussain, an independent Director, who is also the senior independent Director identified by the Board.

The members and terms of reference of the Nomination Committee are presented on page 26 of this Annual Report.

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board. The Nomination Committee annually reviews and assesses the effectiveness of the Board and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfillment of the Board Committee's terms of reference.

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

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

The Directors' mix of skills are set out in the respective Directors' Profile on pages 5 to 8 of this Annual Report.

The Nomination Committee met three (3) times during the financial year ended 30 June 2014 where all the members attended.

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

(i) Established the nomination and election process for the members of the Board which was guided by the broad Fit & Proper and Independence criteria.
(ii) Established a set of quantitative and qualitative performance criteria to evaluate the performance of:
  - The Board as a whole
  - Each Director (Peer and Self-Assessment)
  - Board Committees
  - Directors' Independence
(iii) Reviewed and assessed the effectiveness of the Board and the Board Committees as well as the individual Directors based on the criteria set out by the Board and according to the fulfillment of the Nomination Committee's terms of reference for recommendation to the Board.
(iv) Reviewed the retirement and re-election, re-appointment of Directors for Board's consideration.
(v) Reviewed the training needs of the Directors.
(vi) Recommended the appointment of Dato' Afifuddin bin Abdul Kadir as a non-independent non-executive Director and a member of the Audit and Risk Management Committee of the Company.

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 26 of this Annual Report.

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

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

The aggregate remuneration of Directors who served during the financial year ended 30 June 2014 are categorised as follows:

	Fees RM'000	**Salaries & Other Emoluments RM'000**	**Total RM'000**
Executive Director	24	735	759
Non-executive Directors*	210	–	210
	234	735	969

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

Range of Remuneration (RM)	Number of Directors Executive	Non-executive*
25,000 & below	–	3
25,001 – 50,000	–	4
750,001 – 800,000	1	–

* Including a Director who resigned during the financial year.

Re-election of Directors

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

Directors' Training

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

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

During the financial year, the Directors had participated in the following seminars, forums, convention, workshops, briefing and advocacy sessions and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities and prospects in various industries and countries, risk management and internal controls, economic and regional issues, management and entrepreneurship, regulatory updates, requirements and compliance, finance, corporate social responsibility, and fraud and corruption risk management:

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

Name of Directors	Programmes
Tan Sri Cheng Yong Kim	• The World Capital Markets Symposium 2013 on Redefining Markets : Sustaining Growth and Resilience • The Lion Group In-house Directors' Training on Briefing on Agriculture Activities. • The Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • International Tin Conference 2014 in relation to: 1. Keynote Addresses and Tin Exchanges 2. Tin Applications and Market Outlook 3. New Tin Supply & Sustainability • The Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets
Datuk Emam Mohd Haniff bin Emam Mohd Hussain	• Enhancing Corporate Governance Seminar organised by Grant Thornton • The Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • Permodalan Nasional Berhad Nominee Directors' Convention 2014 on: Managing Stakeholders' Expectations in the Fast Changing Business Trends towards Value Creation • Anti-Money Laundering and Anti-Terrorism Financing for Directors and Senior Management • The Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets
Datuk Mohd Yusof bin Abd Rahaman	• Bursa Malaysia's Half day Advocacy Sessions on Corporate Disclosure for Directors • The Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • Bank Negara Malaysia Dialogue Session with Nomination Committee Members • The Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets

Name of Directors	**Programmes**
Dato' Afifuddin bin Abdul Kadir	• The Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • Bursa - Risk Management & Internal Control Workshops for Audit Committee Members • The Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets
Dr Folk Jee Yoong	• Bursa – Risk Management & Internal Control Workshops for Audit Committee Members • Malaysian Institute of Accountants (MIA) and Association of Chartered Certified Accountants (ACCA) Forum 2013: The Value of Quality Audit • Performance of the construction industry • National Conference on Services Sector (NCSS) 2013 - An Ecosystem Approach to Transforming the Malaysian Services Sector • Seminar on 2014 Management Budget • Outlook for 2014 organised by Certified Public Accountant and Chartered Institute of Management Accountants on: 1. Overview of Chinese metaphysics 2. Year of the wood horse 3. Western financial ephemeris • The Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • Nine Reasons Why Innovation Fails • Goods and Services Tax ("GST") Symposium • Bursa - Briefing Session on Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) – An Update • Construction Industry After The Global Financial Crisis • Briefing on GST • Understanding Business Beyond Numbers • Innovative Risk Transfer Solutions • University of Malaya public lecture on Humane Authority and China's Sub-Regional Integration • GST Seminar on Property Management • The Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets
M. Chareon Sae Tang	• Tomei Consolidated Berhad In-house Directors' Training on Board Leadership and Value Systems – The Tone At The Top • The Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management

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

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

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

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

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

2. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

3. SUSTAINABILITY

The Board in discharging its governance role is guided by the Group's Sustainability Plans/Framework to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities of Environmental and Corporate Social Responsibilities carried out by the Group are set out in the Sustainability section of the Chairman's Statement on pages 32 to 34 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control.

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Audit and Risk Management Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit and Risk Management Committee comprises five (5) Directors, four (4) of whom are independent. The terms of reference and activities of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Report on pages 21 to 25 of this Annual Report.

Directors' Responsibility in Financial Reporting

The Board is satisfied that for the financial year ended 30 June 2014, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company. In preparing the financial statements, the Group has applied, on a consistent basis, the applicable approved accounting standards and the provisions of the Companies Act, 1965.

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 19 to 20 of this Annual Report.

Relationship with the External Auditors

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

5. RECOGNISE AND MANAGE RISKS

Risk Management Framework

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

Internal Audit Function

The Board has established an internal audit function within the Group. The internal audit function is led by a Chief Internal Auditor who reports directly to the Audit and Risk Management Committee. The internal auditors attend all meetings of the Audit and Risk Management Committee and the detailed internal audit function is set out in the Audit and Risk Management Committee Report on pages 21 to 25 of this Annual Report.

Compliance Function

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board of Directors ("Board") acknowledges the importance of maintaining a sound system of internal control to safeguard the stakeholders' and shareholders' investments and the Group's assets. Guided by the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers*, Corporate Disclosure Guide and Corporate Governance Guide (2nd Edition), the Board is pleased to present the Statement on Risk Management and Internal Control of the Group (excluding associated companies, as the Board does not have control over their operations) pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Board Responsibility

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

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

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

Risk Management

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

The Board regards risk management as an integral part of business operations. A Corporate Risk Management System encompassing an Enterprise Wide Risk Management Framework (CRMS-ERM) was developed and enhanced to set out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring as well as in determining the Group's risks appetite. This includes and is not limited to business, strategic, financial, operational (people, processes, systems, compliance), fraud and reputational risks.

Control and Monitoring Process

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

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

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

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

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

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

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

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

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

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

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

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

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

- A Group Policy on Code of Business Practices, Competition and Sexual Harassment

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

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

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

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

Conclusion

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Dr Folk Jee Yoong
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain
  (Independent Non-Executive Director)

  Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman
  (Independent Non-Executive Director)

  Y. Bhg. Dato' Afifuddin bin Abdul Kadir (appointed on 26 November 2013)
  (Independent Non-Executive Director)

  Mr M. Chareon Sae Tang @ Tan Whye Aun
  (Non-Independent Non-Executive Director)

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

- **Secretaries**

  The Secretaries of Lion Corporation Berhad, Ms Chan Poh Lan and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit and Risk Management Committee.

- **Membership**

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

- **Meetings and Minutes**

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

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

TERMS OF REFERENCE

- **Responsibilities**

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

- **Authority**

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

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

- **Duties**

  The duties of the Audit and Risk Management Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit and Risk Management Committee Meetings were held. All the members attended all seven (7) meetings held and Dato' Afifuddin bin Abdul Kadir who was appointed during the financial year, attended the two (2) Audit and Risk Management Committee Meetings held subsequent to his appointment.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **Corporate Governance**

  (a) Compliance

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

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

  (b) Sustainability

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

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

- **Risk Management**

  Reviewed the Corporate Risk Management System encompassing an Enterprise Wide Risk Management Framework which set out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring as well as in determining the Group's risks appetite linked to the Corporate Performance System (based on the Balanced Scorecards perspectives).

- **Related Party Transactions**

  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 and Risk Management Committee for the financial year.

The total cost incurred in managing the internal audit function of the Group for the financial year was RM395,000.

NOMINATION COMMITTEE

Chairman : Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain
(Independent Non-Executive Director)

Members : Dr Folk Jee Yoong
(Independent Non-Executive Director)

Mr M. Chareon Sae Tang @ Tan Whye Aun
(Non-Independent Non-Executive Director)

Terms of Reference :

- To recommend to the Board, candidates for directorships in Lion Corporation Berhad
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder
- To recommend to the Board, Directors to fill the seats on Board Committees
- To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board
- To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board

REMUNERATION COMMITTEE

Chairman : Dr Folk Jee Yoong
(Independent Non-Executive Director)

Members : Y. Bhg. Tan Sri Cheng Yong Kim
(Non-Independent Non-Executive Director)

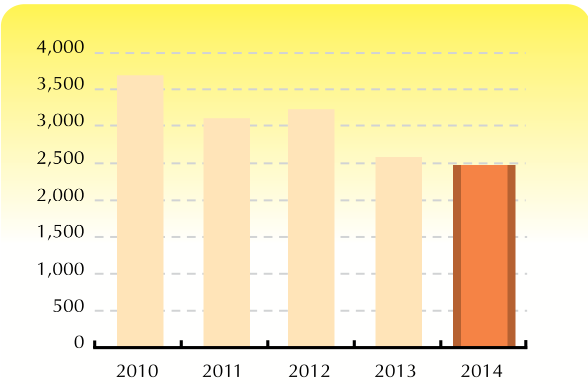
Mr M. Chareon Sae Tang @ Tan Whye Aun
(Non-Independent Non-Executive Director)

Terms of Reference :

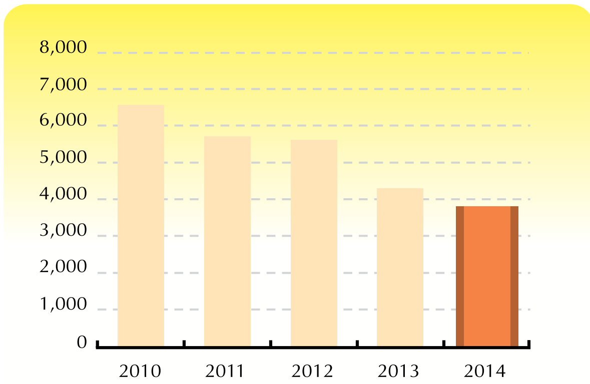
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

5 YEARS GROUP FINANCIAL HIGHLIGHTS

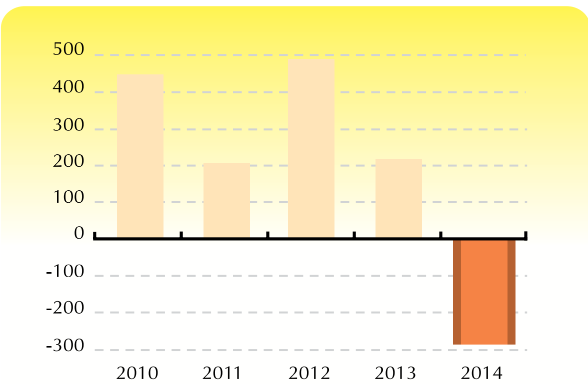
Financial years ended 30 June		2010	2011	2012	2013	2014
Revenue	(RM'000)	3,703,121	3,118,550	3,235,355	2,591,833	**2,481,954**
Loss before tax	(RM'000)	(144,654)	(348,481)	(597,616)	(354,864)	**(625,851)**
Loss after tax	(RM'000)	(152,136)	(283,610)	(524,737)	(326,656)	**(598,834)**
Net loss attributable to owners of the Company	(RM'000)	(112,812)	(233,907)	(461,207)	(245,618)	**(507,071)**
Total assets	(RM'000)	6,597,133	5,746,313	5,658,507	4,334,722	**3,840,108**
Net assets/(liabilities)	(RM'000)	447,636	204,346	490,797	216,032	**(286,066)**
Total borrowings	(RM'000)	2,908,480	2,807,162	2,786,766	1,792,287	**1,866,799**
Loss per share	(Sen)	(29.7)	(61.5)	(67.6)	(18.7)	**(38.5)**
Net assets/(liabilities) per share	(Sen)	22	9	35	15	**(23)**



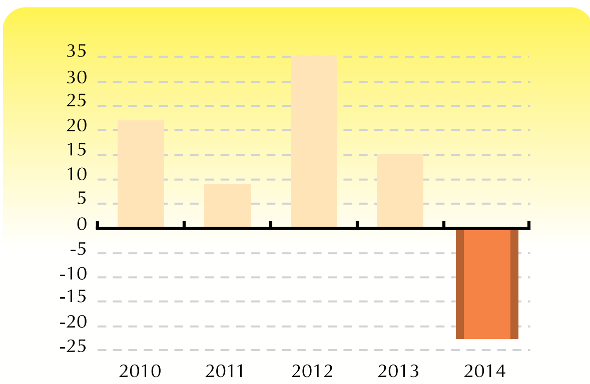
REVENUE RM Million



TOTAL ASSETS RM Million



NET ASSETS/(LIABILITIES) RM Million



NET ASSETS/(LIABILITIES) PER SHARE Sen

THE GROUP'S BUSINESSES

- Aeriel view of Megasteel Sdn Bhd, the country's only integrated flat steel mill producing hot rolled and cold rolled coils (inset) in Banting, Selangor.
- *Pemandangan dari udara kilang Megasteel Sdn Bhd, satu-satunya kilang keluli rata bersepadu di negara ini yang mengeluarkan gegelung gelekan panas dan sejuk (gambar kecil), di Banting, Selangor.*

- Steel fabricated products ranging from compact mobile filing systems to industrial rackings, and mobile safes from Lion Steelworks Sdn Bhd.
- *Rangkaian produk fabrikasi keluli yang terdiri daripada sistem pemfailan mudah alih kompak kepada rak industri serta peti keselamatan mudah alih dari Lion Steelworks Sdn Bhd.*

- Bandar Mahkota Cheras, a freehold self-contained integrated township development at 9th Mile, Jalan Cheras in Kuala Lumpur, continues to receive good response for its launches.
- *Bandar Mahkota Cheras perbandaran bersepadu dengan pegangan bebas yang terletak di Batu 9, Jalan Cheras, Kuala Lumpur terus menerima sambutan memuaskan untuk setiap pelancaran baru.*

PENYATA PENGERUSI

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

PRESTASI KEWANGAN

Tahun 2014 kekal menjadi satu tempoh yang mencabar dan sukar bagi industri keluli. Lambakan produk-produk keluli secara berleluasa oleh para pengilang asing ke rantau ini telah menjejaskan permintaan dan margin keuntungan para pengeluar tempatan. Pasaran keluli di Malaysia yang agak kecil menjadikannya lebih mudah terdedah kepada perubahan dalam pengimportan bahan tersebut. Meskipun terdapat permintaan yang lebih tinggi dijana daripada perlaksanaan projek-projek utama di dalam negara, prestasi kilang-kilang keluli tempatan tertekan pada sepanjang tahun kewangan berikutan penambahan import produk keluli.

Kumpulan yang terlibat terutamanya dalam bidang pembuatan dan penjualan produk keluli rata, terus bertahan dengan sentimen pasaran yang lembap dan lambakan produk-produk keluli secara berleluasa oleh para pengilang asing serta kenaikan tarif elektrik dan gas. Oleh sebab persekitaran operasi yang tidak begitu baik, Kumpulan mencatatkan satu lagi prestasi yang hambar dengan perolehan lebih rendah sebanyak RM2.5 bilion (2013: RM2.6 bilion) dan kerugian operasi yang lebih tinggi sebanyak RM225 juta (2013: RM189 juta) berbanding setahun lalu.

Berikutan kerugian berterusan yang dialami oleh operasi keluli, Kumpulan telah membuat pengiraan rosot nilai sepenuhnya ke atas muhibah (goodwill) sebanyak RM189 juta bagi tempoh tahun kewangan ini. Dengan ketiadaan keuntungan yang berlaku hanya sekali sebanyak RM271 juta terhasil daripada diskaun penyelesaian pinjaman pada tahun sebelumnya, Kumpulan telah mencatatkan kerugian sebelum cukai yang lebih besar sebanyak RM626 juta berbanding RM355 juta pada tahun sebelumnya.

PERKEMBANGAN KORPORAT

Pada tahun kewangan dalam kajian:

(i) Kumpulan telah memuktamadkan pelupusan keseluruhan 100% kepentingan ekuiti dalam Lion Plate Mills Sdn Bhd melibatkan pertimbangan tunai sebanyak RM33 juta. Pelupusan itu menyebabkan Kumpulan mencatatkan keuntungan luar biasa sebanyak RM23 juta.

(ii) Pada 25 Oktober 2013, Syarikat telah mengumumkan bahawa ia tertakluk kepada keperluan Nota Amalan 17 ("PN 17") di bawah Keperluan-Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad ("Bursa Securities"). Selaras dengan keperluan PN 17, Syarikat dikehendaki menyerahkan satu pelan regularisasi dalam tempoh 12 bulan kepada Suruhanjaya Sekuriti atau Bursa Securities ("Pelan Regularisasi").

Oleh kerana Syarikat masih lagi merumuskan Pelan Regularisasi, Syarikat telah mengemukakan permohonan kepada Bursa Securities untuk mendapatkan lanjutan masa dari 25 Oktober 2014 ke 30 Jun 2015 bagi penyerahannya. Permohonan ini tertakluk kelulusan daripada Bursa Securities.

KAJIAN OPERASI

Kumpulan melibatkan diri terutamanya di dalam aktiviti-aktiviti berikut:

- Pembuatan dan penjualan gegelung gelekan panas, gegelung gelekan sejuk dan produk berkaitan keluli yang lain ("**Keluli**");
- Pembangunan hartanah ("**Hartanah**");
- Pembuatan dan penjualan peralatan pejabat, produk peralatan keselamatan dan produk fabrikasi keluli ("**Perabot**"); dan
- Pegangan pelaburan, pendaftaran saham dan perkhidmatan kesetiausahaan ("**Lain-lain**").

	Perolehan		**Keuntungan/ (Kerugian) Operasi**	
(RM'Juta)	**2014**	**2013**	**2014**	**2013**
Keluli	**2,350**	2,519	**(258)**	(204)
Hartanah	**102**	45	**36**	20
Perabot	**29**	28	**(2)**	(3)
Lain-lain	**0.2**	0.2	**(1)**	(2)
	2,482	2,592	**(225)**	(189)

("Keuntungan/((Kerugian) Operasi" merujuk kepada keuntungan/(kerugian) operasi sebelum mengambil kira faedah, kerugian rosot nilai, pendapatan pelaburan, bahagian hasil kewangan syarikat-syarikat sekutu dan percukaian)

Bahagian Keluli

Operasi keluli Kumpulan, yang terlibat terutamanya dalam pembuatan dan jualan gegelung gelekan panas ("HRC") dan gegelung gelekan sejuk ("CRC"), mengharungi satu lagi tahun kewangan yang lemah setelah terjejas teruk dengan tekanan harga akibat penawaran yang berlebihan dan pertumbuhan permintaan global yang mendatar.

Pasaran keluli tempatan diburukkan lagi oleh kebanjiran kegiatan lambakan berleluasa oleh pengeluar-pengeluar keluli asing yang mengambil kesempatan daripada kelemahan yang ada dalam peraturan import. Ini telah membawa kemudaratan kepada perniagaan Kumpulan daripada segi penguasaan pasaran yang menurun dan penggunaan kapasiti pengeluaran yang rendah. Berikutan itu, perolehan Bahagian Keluli merosot kepada RM2.4 bilion berbanding RM2.5 bilion pada tahun sebelumnya dan kerugian operasi meningkat lebih tinggi sebanyak RM258 juta berbanding RM204 juta pada tahun sebelumnya.

Dalam usaha untuk mengelak daripada menjadi lebih buruk lagi, Kumpulan telah mengemukakan petisyen kepada Kerajaan menyatakan sebab pengimportan produk-produk keluli tertentu, yang berasal atau dieksport dari China, Indonesia dan Korea Selatan telah dilambakkan di Malaysia. Kumpulan akan meneruskan usaha bersama-sama Kerajaan untuk merumus dan melaksanakan satu dasar yang lebih efektif berkaitan industri keluli tempatan dengan langkah-langkah yang membolehkan para peserta industri tempatan kekal berdaya saing dan setara dengan pemain-pemain industri serantau yang lain.

Bahagian Hartanah

Satu-satunya projek hartanah yang diceburi oleh Kumpulan ialah membangunkan sebuah perbandaran utama yang dikenali sebagai “Bandar Mahkota Cheras” di luar kawasan Batu 9 Jalan Cheras, Kuala Lumpur, dan bersebelahan dengan Kelab Golf Sungai Long. Perbandaran yang tersendiri dengan pegangan hak milik bebas ini menawarkan kehidupan desa yang lengkap dengan pelbagai kemudahan.

Di sebalik pertumbuhan sederhana dalam pasaran hartanah tempatan berikutan langkah-langkah yang lebih ketat dikenakan oleh Bank Pusat untuk membendung masalah hutang isi rumah, projek ini terus menjana hasil yang menggalakkan dengan perolehan dan keuntungan operasi lebih tinggi, masing-masing sebanyak RM102 juta dan RM36 juta. Konsep pembangunan perbandaran yang diguna pakai oleh Bahagian ini terus menjadi tarikan besar kepada para pelabur dan pemilik rumah.

Bahagian Perabot

Bahagian Perabot kita terlibat dalam pembuatan dan penjualan peralatan pejabat, produk peralatan keselamatan dan produk fabrikasi keluli. Bahagian ini berdepan dengan persaingan yang sengit di mana hampir kesemua pengilang industri ini bergelut untuk mengurangkan kesan daripada tekanan harga akibat kebanjiran masuk produk-produk murah dan berkualiti rendah dari China.

Di sebalik persekitaran operasi yang sukar, Bahagian ini telah mencatatkan perolehan sebanyak RM29 juta, satu pencapaian yang konsisten dengan tahun sebelumnya. Bagaimanapun, dengan pengurusan inventori dan rasionalisasi kos yang lebih efektif, kerugian yang lebih rendah dicatatkan dalam tahun kajian. Bahagian ini akan terus memperkenalkan produk-produk baru dan mempertingkatkan produk-produk dengan ciri-ciri serba guna untuk memenuhi segmen pasaran yang lebih meluas..

<u>KELESTARIAN</u>

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

Komuniti

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

Yayasan Lion-Parkson mengagihkan dana untuk pelbagai keperluan seperti pendidikan, kebajikan dan penyelidikan saintifik; dan setiap tahun, menawarkan biasiswa kepada mahasiswa universiti tempatan. Tabung Bantuan Perubatan Kumpulan Lion pula menyediakan bantuan kewangan kepada golongan kurang bernasib baik yang menderita penyakit kritikal dan memerlukan rawatan perubatan termasuk pembedahan, pembelian peralatan perubatan dan ubat-ubatan. Tabung ini juga menaja program kesihatan masyarakat seperti kem perubatan dan pembelian mesin dialisis untuk pusat dialisis yang menyediakan rawatan subsidi kepada para pesakit buah pinggang.

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

Alam Sekitar

Kumpulan sentiasa prihatin terhadap isu alam sekitar dengan menekankan kepada penggunaan teknologi baharu dan menerima pakai amalan perniagaan yang mesra alam, mengoptimumkan penggunaan sumber dan menggalakkan penggunaan tenaga secara cekap. Operasi-operasi Kumpulan dikendalikan mengikut peruntukan undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri seumpamanya. Ini termasuk pengurusan pelepasan asap, pengurangan sisa buangan, usaha-usaha pemulihan yang dilaksanakan oleh loji-loji perkilangan serta mewujudkan landskap yang dipenuhi pepohon menghijau dan kemudahan taman dalam projek-projek hartanah.

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

Dalam Pasaran

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

Tempat Kerja

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

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

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

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

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

<u>PROSPEK</u>

Kebanjiran produk-produk import yang murah terus menjadi cabaran terbesar kepada industri besi dan keluli tempatan. Dasar Kerajaan terhadap kegiatan pengimportan keluli memainkan peranan penting dalam mengekalkan rangkaian pembekalan industri keluli domestik dan menghalang aliran masuk produk-produk keluli berkualiti rendah ke negara ini.

Berikutan itu, pada bulan Jun 2014, Kerajaan telah memulakan satu siasatan untuk mengkaji kemungkinan mengenakan duti antilambakan ke atas beberapa jenis produk keluli import dari negara-negara tertentu. Kita mengalu-alukan langkah-langkah yang dilaksanakan oleh Kerajaan dan berharap dasar dan peraturan yang lebih tegas diambil untuk memberikan satu tahap perlindungan yang lebih tinggi kepada para pengeluar tempatan dan memastikan produk-produk keluli import mematuhi piawaian mandatori.

Kumpulan akan terus bekerjasama erat dengan Kerajaan dalam menangani masalah pengimportan keluli secara berlebihan yang dijual pada harga lambakan dan membantu dalam merumus satu persekitaran yang menyokong pertumbuhan industri keluli tempatan supaya berkembang secara teratur. Tertakluk kepada keberkesanan langkah-langkah yang akan dilaksanakan, persekitaran operasi Kumpulan dijangka terus mencabar dalam tahun kewangan yang akan datang.

<u>PENGHARGAAN</u>

Bagi pihak Lembaga Pengarah, saya ingin menyampaikan ucapan terima kasih kepada semua pelanggan, pembekal, pembiaya kewangan, sekutu perniagaan, pihak berkuasa Kerajaan dan pemegang saham atas sokongan, kerjasama dan keyakinan berterusan mereka terhadap Kumpulan.

Saya juga ingin merakamkan penghargaan ikhlas dan rasa terhutang budi kepada rakan-rakan Pengarah atas bimbingan dan sumbangan mereka yang tidak ternilai sepanjang tahun kewangan dan juga kepada para kakitangan di semua peringkat atas dedikasi, komitmen dan perkhidmatan yang diberikan kepada Kumpulan.

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

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

FINANCIAL PERFORMANCE

2014 continued to be a challenging and difficult year for the steel industry. Severe dumping of steel products by foreign millers into the region had weighed down on the demand and profit margin for the local producers. The Malaysian steel market is relatively small and hence particularly vulnerable to shifts in import trends. Despite higher demand generated by the implementation of major projects in the country, local steel mills' performances were under pressure throughout the year due to increasing imports of steel products.

The Group, which is primarily involved in the manufacturing and sale of flat steel products, continued to contend with the sluggish market sentiments and rampant dumping of steel products by foreign millers as well as hikes in electricity and gas tariffs. Due to the adverse operating environment, the Group posted another lacklustre performance with lower revenue of RM2.5 billion (2013: RM2.6 billion) and higher operating loss of RM225 million (2013: RM189 million) as compared to a year ago.

In view of the continuous losses incurred by the steel operation, the Group has fully impaired its goodwill of RM189 million during the financial year. Coupled with the absence of the one-off gain of RM271 million resulted from the discounted settlement of borrowings in the previous year, the Group registered a substantially higher loss before taxation of RM626 million as compared to RM355 million the year before.

CORPORATE DEVELOPMENTS

During the financial year under review:

(i) the Group completed the disposal of its entire 100% equity interest in Lion Plate Mills Sdn Bhd for a cash consideration of RM33 million. The disposal has resulted in the Group recording an exceptional gain of RM23 million.

(ii) The Company had on 25 October 2013 announced that it is an affected listed issuer pursuant to the requirement of the Practice Note 17 ("PN 17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). Pursuant to the requirements under PN 17, the Company is required to submit a regularisation plan within 12 months to the Securities Commission or Bursa Securities ("Regularisation Plan").

As the Company is still formulating the Regularisation Plan, the Company had submitted an application to Bursa Securities for an extension of time from 25 October 2014 to 30 June 2015 for the Company to submit the Regularisation Plan. The application is pending the approval from Bursa Securities.

REVIEW OF OPERATIONS

The Group is principally engaged in the following activities:

- Manufacturing and sale of hot rolled coils, cold rolled coils and other steel related products ("**Steel**");
- Property development ("**Property**");
- Manufacturing and trading of office equipment, security equipment and steel fabricated products ("**Furniture**"); and
- Investment holding, share registration and secretarial services ("**Others**").

	Revenue		**Operating Profit/(Loss)**	
(RM'Million)	**2014**	**2013**	**2014**	**2013**
Steel	**2,350**	2,519	**(258)**	(204)
Property	**102**	45	**36**	20
Furniture	**29**	28	**(2)**	(3)
Others	**0.2**	0.2	**(1)**	(2)
	2,482	2,592	**(225)**	(189)

("Operating profit/(loss)" refers to operating profit/(loss) before interests, impairment losses, investment income, share in results of associates and taxation)

Steel Division

The Group's steel operation, which is primarily involved in the manufacturing and sale of hot rolled coils ("HRC") and cold rolled coils ("CRC"), experienced another year in the doldrums, crippled by pricing pressure due to oversupply and stagnant growth in demand globally.

The situation in the local steel market was further compounded by the rampant dumping activities by foreign steel producers who flooded the market by taking advantage of loopholes in the import regulations. This had caused material injury to the Group's business in terms of declining market share and low capacity utilisation. Consequently, the Division's revenue declined to RM2.4 billion as compared to RM2.5 billion the previous year and a higher operating loss of RM258 million was reported as against RM204 million the year before.

To prevent further material injury to the domestic steel industry, the Group had lodged a petition to the Government on the grounds that imports of certain steel products originating or exported from the People's Republic of China, the Republic of Indonesia and the Republic of South Korea are being dumped into Malaysia. The Group will continue to pursue with the Government to formulate and implement a more effective steel policy with measures to enable the local players to stay competitive and be on par with other regional players.

Property Division

The Group's sole property project is involved in the development of a major township known as "Bandar Mahkota Cheras" located off 9th mile Jalan Cheras in Kuala Lumpur and adjoining Sungai Long Golf Club. The freehold self-contained township offers quality country living complete with a range of supporting amenities.

Against modest growth in the local property market following the tightening of measures by the Central Bank to curb household debts, this project continued to generate encouraging results with higher revenue and operating profit of RM102 million and RM36 million respectively. The township development concept adopted by the Division continues to be a big attraction for investors and home owners.

Furniture Division

Our Furniture Division is involved in the manufacturing and trading of steel-related office equipment, security equipment and fabricated products. This Division faced intense competition with almost all manufacturers in the industry struggling to mitigate the impact of the pricing pressures resulting from the influx of cheap and low quality products from China.

Despite the difficult operating environment, the Division posted RM29 million in revenue, which was consistent with the revenue achieved in the previous year. However, with more effective inventory management and cost rationalisation, a lower loss was registered for the year under review. The Division will continue to introduce new products and enhance products with versatile features to cater for a wider market segment.

SUSTAINABILITY

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

Community

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

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

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

Environment

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

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

Marketplace

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

Workplace

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

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

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

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

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

PROSPECTS

The influx of cheap imports remains the biggest challenge for the domestic iron and steel industry. The Government's policy on steel imports plays a significant role as it is important to maintain the local supply chain of the domestic steel industry and to prevent the influx of sub-standard steel products into the country.

As a result, in June 2014, the Government had initiated an investigation to study the possibility of imposing anti-dumping duty on several types of steel products imported from certain countries. We welcome these measures by the Government and look forward to stricter policies and regulations to provide a greater degree of protection for local steelmakers and to ensure that the imported steel products comply with mandatory product standards.

The Group will continue to work closely with the Government to address the problem of excessive imports at dumping prices and assist in the formulation of a supportive environment for the local steel industry to grow and expand in an orderly manner. Pending the effectiveness of the measures to be implemented, the operating environment for the Group is expected to remain challenging in the next financial year.

ACKNOWLEDGEMENT

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

I would also like to convey my deepest appreciation and gratitude to my fellow Directors for their invaluable guidance and contribution throughout the year as well as to record my appreciation to our employees at all levels for their dedication, commitment and service to the Group.

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事会，提呈金狮机构截至2014年6月30日的会计年度之常年报告和经审计的财务报表。

财务表现

对钢铁业而言，2014年仍然是充满挑战和困难的一年。外国钢铁厂在本地区大肆倾销钢铁产品，使本地钢铁厂的产品的需求减少、赚幅下降。马来西亚的钢铁市场相对小，因此特别容易受到入口趋势转移的打击。尽管由于国内推行多项大型工程使到钢铁的需求增加，由于进口钢铁产品的增加，本地的钢铁厂一整年都处在压力之下。

金狮机构主要从事制造和销售平板钢产品，它继续面对市场情绪呆滞、外国钢铁厂在本地猖獗抛售钢铁产品以及电力和煤气起价的局面。由于营运环境不利，本集团再一次表现欠佳，和上一年度比较，营业额减少至25亿令吉(2013年度: 26亿令吉)，营业亏损增加到2亿2500万令吉(2013年度: 1亿8900万令吉)。

由于钢铁业务继续蒙受亏损，在本会计年度，本集团把1亿8900万令吉的商誉耗损掉。加上不像上一个会计年度那样，由于多项欠款通过折扣解决取得一次过2亿7100万令吉的收益，使到本集团在本会计年度蒙受更大数额税前亏损，达到6亿2600万令吉；上一年度是亏损3亿5500万令吉。

企业发展

在本会计年度：

(i) 本集团完成脱售在Lion Plate Mills Sdn Bhd的100%股权，取得3300万令吉的现金。这项脱售使到本集团取得2300万令吉的额外盈利。

(ii) 本公司于2013年10月25日宣布，根据马来西亚证券所主板市场（“证券交易所”）Practice Note 17（“PN 17”）的条例，本公司被例为受影响公司。根据PN 17的规定，本公司必须在12个月之内，向证券委员会或证券公司提呈一份“规律化方案”。

由于本公司还在草拟“规律化方案”，我们已向证券交易所申请，要求延长本公司提呈“规律化方案”的期限从2014年10月25日至2015年6月30日。这项申请还未获得证卷交易所的批准。

业务检讨

本集团主要从事以下的业务：

- 制造和销售热轧钢卷、冷轧钢卷以及其他钢铁产品（“**钢铁**”）；
- 产业发展（“**产业**”）
- 制造和销售办公室配备，保安配备以及钢铁组装产品（“**家具**”）；以及
- 投资控股、股票注册以及秘书服务（“**其他**”）。

单位：百万令吉	营业额		营业利润 /（亏损）	
	2014	**2013**	**2014**	**2013**
钢铁	**2,350**	2,519	**(258)**	(204)
产业	**102**	45	**36**	20
家具	**29**	28	**(2)**	(3)
其他	**0.2**	0.2	**(1)**	(2)
	2,482	2,592	**(225)**	(189)

（“营业利润/(亏损)”是指扣除利息，损耗损失，投资收入，分享联号公司的业绩以及税务之前的营业利润/(亏损)

钢铁组

本集团的钢铁组，主要是从事制造和销售热轧钢卷和冷轧钢卷，它经历另一个不景气的年头，由于全球性供应过剩和需求的增长停滞，它陷入价格压力。

本地的钢铁市场，由于受到外国钢铁出产者进行猖獗的倾销活动而恶化；那些外国厂家利用我国入口条例的漏洞，使钢铁产品在本地市场泛滥。这使本集团的业势蒙受巨大创伤：所占的市场份额下降以及钢铁厂的使用率下降。这样一来，钢铁组的营业额从上一年度的25亿令吉减少到本年度的24亿令吉，营业亏损从上年度的2亿400万令吉增加到本年度的2亿5800万令吉。

为了防止国内的钢铁业蒙受进一步的重大创伤，本集团向政府提呈请愿书，理由是源自或出口自中国、印尼和韩国的某些钢铁产品入口到我国之后，在本地市场倾销。本集团继续要求政府制定和執行更加有效的钢铁政策与措施，让本地钢铁厂继续具有竞争性，以及与本地区的其他钢铁厂处在相同的平台。

产业组

本集团唯一的产业计划是发展一个庞大的市镇，称为“蕉赖皇冠城”，它位于吉隆坡蕉赖路9英里，与双溪龙高尔夫球俱乐部毗邻。这个土地属于永久地契、可以自给自足的市镇，提供高素质的乡区生活环境，拥有一系列完整的辅助设施。

在中央银行采取紧缩措施抑制家庭债务之后，本地产业市场只取得适度的增长。尽管如此，蕉赖皇冠城计划继续取得令人鼓舞的业绩，营业额和营业利润都增加，分别上升至1亿200万令吉和3600万令吉。产业组採用的市镇发展概念仍然大大的吸引投资者和购屋者。

家具组

我们的家具组从事制造和销售用钢铁制造的办公室配备，保安配备和组装产品。 本组面对激烈的竞争，这个行业的几乎所有厂家都在挣扎求存，以应付由于价格低廉、品质低劣的中国产品大量涌入所带来的价格压力之冲击。

尽管面对困难的营运环境，家具组取得2900万令吉的营运收入，与上一年度的营运收入一致。不过。由于采取更有效的存货管理和成本合理化措施，本年度的亏损减少。本组将继续推介新产品，以及提高产品的多功能用途，以吸引更广大的市场层面。

可持续性

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

社区

在进行商业业务的过程中，本集团牢记着作为企业公民的责任，在加强盈利和股东的价值的同时，对社会作出贡献。本集团通过金狮集团（本公司是其成员公司之一）所成立的两个基金，贯注于教育和医药方面，照顾社区。

金狮-百盛基金分发基金供给各种需要的用途，诸如：教育、慈善与科学研究；且每年提供奖学金给在本地大学攻读的本科生。金狮集团医药援助基金，提供财务援助给因重病而需要医药治疗的不幸者，包括动手术、购买医药器材以及药品。此项基金也赞助社区健康活动，诸如举办医药营和替洗肾中心购买洗肾机；及提供治疗津贴金。

本集团内部各公司也支援它们营业地点的社区，它们参加慈善计划和展开筹款协助需要援助的人士。

环保

本集团继续维护对环保的关注，强调采用有利于环保的新技术和工业上的最佳做法、最有效的使用资源和节用能源。本集团的营运，遵守管治其所从事的行业的环保法律和条例。这包括我们的制造业工厂对排出物的管理、减少废料，并加以回收和处置；我们的房地产项目采取草木和绿色植物以及公园设施美化环境，以推广“绿色生活”。

本集团用有系统性的做法遵守安全、卫生和环保条例，并不断加强训练和监督，在我们的厂房设立“紧急反应队”以保障我们雇员的安康。

市场

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

工作场所

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

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

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

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

本集团不断强调员工敬业度活动，包括从参加业务性市政厅会议，“午餐与学习”到参与社交活动与休闲活动。这反过来培养了一支敬业的职工队伍，他们愉快的受到激发，也是善于合作共事的员工。

展望

廉价入口产品大量涌入，仍然是本地钢铁工业面对的最大挑战。政府的钢铁入口政策扮演重要角色，因为很重要的是，它必须维持国内钢铁工业在本地的供应链，以及防止劣质钢铁产品涌入我国。

结果在2014年6月，政府主动展开调查，以研究针对从某些国家入口到我国的几种钢铁产品征收反倾销税的可能性。我们欢迎政府采取的这些措施，並展望更加严格的政策和条例，能够为本地的钢铁厂商提供更大程度的保护，以及确保入口的钢铁产品符合强制性规格。

本集团将继续和政府密切合作，以应付以倾销价格过量入口的问题，和协助制定支援性环境，好让本地钢铁工业有序的成长和扩展。有待所将执行措施的有效性，预料在下一个会计年度，本集团面对的营业环境仍然充足满挑战性。

鸣谢

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

我也要真诚感谢董事们，在过去一年来给予指导和所作的贡献。也要感谢我们的各级雇员的献身精神及对本集团的贡献。

董事主席
丹斯里锺廷森

FINANCIAL STATEMENTS

2014

For The Financial Year Ended 30 June 2014

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 17 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(598,834)	(561,978)
Attributable to:		
- Owners of the Company	(507,071)	(561,978)
- Non-controlling interests	(91,763)	–
	(598,834)	(561,978)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2014.

SHARE CAPITAL

There was no increase in the issued and paid-up share capital of the Company during the financial year.

DIRECTORS

The Directors who served since the date of the last report are:

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Datuk Emam Mohd Haniff bin Emam Mohd Hussain
Datuk Mohd Yusof bin Abd Rahaman
Dato' Afifuddin bin Abdul Kadir (Appointed on 12.11.2013)
Dr Folk Jee Yoong
M. Chareon Sae Tang @ Tan Whye Aun

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman retires by rotation at the forthcoming Annual General Meeting 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 M. Chareon Sae Tang @ Tan Whye Aun retire and offer themselves for re-appointment as Directors of the Company to hold office until the next Annual General Meeting.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain, who has also served on the Board as an independent non-executive Director for more than nine years, retires and the Company shall seek shareholders' approval for his re-appointment as an independent non-executive Director.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related corporations and certain companies in which certain Directors of the Company and/or its subsidiaries are Directors and/or substantial shareholders as disclosed in Note 37 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1.00 each			
	As at 1.7.2013	**Additions**	**Disposals**	**As at 30.6.2014**
Direct Interests				
Tan Sri William H.J. Cheng	91,737	–	–	91,737
Tan Sri Cheng Yong Kim	541,903	–	–	541,903
Indirect Interests				
Tan Sri William H.J. Cheng	1,016,070,922	2,862,384	(3,722,635)	1,015,210,671
Tan Sri Cheng Yong Kim	2,010,297	919,850,855	(300,000)	921,561,152
M. Chareon Sae Tang @ Tan Whye Aun	98,180	–	–	98,180

DIRECTORS' INTERESTS (continued)

In addition to the above, the following Directors are also deemed to have an interest in shares in the Company by virtue of:

a) Redeemable convertible secured loan stocks ("RCSLS") of nominal value RM1.00 each convertible into new ordinary shares of RM1.00 each in the Company at a conversion price of RM5.00 for every one new ordinary share of RM1.00 each in the Company

	Number of RM1.00 Nominal Value of RCSLS			
	As at 1.7.2013	**Additions**	**Conversions**	**As at 30.6.2014**
Tan Sri William H.J. Cheng	275,214,524	–	–	275,214,524
Tan Sri Cheng Yong Kim	–	89,312,560	–	89,312,560

b) Warrants with a right to subscribe for one new ordinary share of RM1.00 each in the Company for every one warrant held at an exercise price of RM5.00 per share ("Warrants")

	Number of Warrants			
	As at 1.7.2013	**Additions**	**Disposals**	**As at 30.6.2014**
Tan Sri William H.J. Cheng	10,169,407	–	–	10,169,407
Tan Sri Cheng Yong Kim	638,200	9,532,431	–	10,170,631
Dr Folk Jee Yoong	1,560	–	–	1,560

The Directors' interests in related corporations are as follows:

	Nominal Value per Share	Number of Ordinary Shares			
		As at 1.7.2013	**Additions**	**Disposals**	**As at 30.6.2014**
Indirect Interests					
Tan Sri William H.J. Cheng					
Bersatu Investments Company Limited	HK$10.00	42,644	–	–	42,644
Bright Steel Service Centre Sdn Bhd	RM1.00	11,420,000	–	–	11,420,000
Lyn (Pte) Ltd	*	1,225,555	–	–	1,225,555
Megasteel Sdn Bhd					
- Ordinary Shares	RM1.00	600,000,001	–	–	600,000,001
- Preference "D" Shares	RM0.01	49,000,000	–	–	49,000,000
- Preference "E" Shares	RM0.01	11,000,000	–	–	11,000,000
- Preference "F" Shares	RM0.01	26,670,000	–	–	26,670,000
- Preference "G" Shares	RM0.01	100,000,000	–	–	100,000,000

DIRECTORS' INTERESTS (continued)

	Nominal Value per Share	As at 1.7.2013	Number of Ordinary Shares Additions	Disposals	As at 30.6.2014
Indirect Interests					
Tan Sri Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	–	42,644	–	42,644
Bright Steel Service Centre Sdn Bhd	RM1.00	–	11,420,000	–	11,420,000
Lyn (Pte) Ltd	*	–	1,225,555	–	1,225,555
Megasteel Sdn Bhd					
- Ordinary Shares	RM1.00	–	600,000,001	–	600,000,001
- Preference "D" Shares	RM0.01	–	49,000,000	–	49,000,000
- Preference "E" Shares	RM0.01	–	11,000,000	–	11,000,000
- Preference "F" Shares	RM0.01	–	26,670,000	–	26,670,000
- Preference "G" Shares	RM0.01	–	100,000,000	–	100,000,000

Note:

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

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

OTHER STATUTORY INFORMATION

Before the statements of profit or loss, statements of other comprehensive income and 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 receivables and the making of impairment loss on receivables and had satisfied themselves that all known bad receivables had been written off and that adequate impairment had been made for doubtful receivables; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records had been written down to an amount which they might be expected so to realise.

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

(a) which would render the amounts written off for bad receivables or the amount of the impairment loss on receivables 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 the 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; and

(d) not otherwise dealt with in this report or the 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 liabilities of any other person; or

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

In the opinion of the Directors, except as disclosed in the financial statements:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(c) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Ong Boon Bah & Co, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 25 September 2014.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

TAN SRI CHENG YONG KIM
Director

Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	6	**2,481,954**	2,591,833	**64,777**	85,750
Other operating income		**32,398**	31,253	**–**	–
Changes in inventories of finished goods and work-in-progress		**(43,381)**	(45,989)	**–**	–
Raw materials and consumables used		**(1,938,490)**	(2,069,670)	**–**	–
Property development expenditure		**(59,425)**	(19,297)	**–**	–
Employee benefits expenses	7	**(88,675)**	(94,539)	**(377)**	(376)
Depreciation		**(143,807)**	(142,457)	**–**	–
Inventories written down		**(33,824)**	(26,022)	**–**	–
Other operating expenses	8	**(426,076)**	(407,755)	**(1,493)**	(1,665)
(Loss)/Profit from operations	9	**(219,326)**	(182,643)	**62,907**	83,709
Finance costs	10	**(242,878)**	(273,364)	**(67,737)**	(116,275)
Impairment losses on:					
- goodwill	16	**(188,978)**	(110,000)	**–**	–
- an associate	18	**–**	(39,843)	**–**	–
- investments	19	**(30)**	(24,158)	**–**	–
- a subsidiary	17	**–**	–	**(3,400)**	–
Gain on disposal of a subsidiary	17	**23,275**	–	**–**	–
Gain on settlement, net of divestment loss	11	**–**	271,208	**–**	899,658
Impairment loss on amount due from subsidiaries	23	**–**	–	**(553,000)**	(1,345,000)
Share in results of associates		**2,086**	3,936	**–**	–
Loss before taxation		**(625,851)**	(354,864)	**(561,230)**	(477,908)
Taxation	12	**27,017**	28,208	**(748)**	1,711
Net loss for the financial year		**(598,834)**	(326,656)	**(561,978)**	(476,197)
Attributable to:					
- Owners of the Company		**(507,071)**	(245,618)	**(561,978)**	(476,197)
- Non-controlling interests		**(91,763)**	(81,038)	**–**	–
Net loss for the financial year		**(598,834)**	(326,656)	**(561,978)**	(476,197)
Loss per share attributable to owners of the Company:	13				
- Basic (sen)		**(38.5)**	(18.7)		
- Diluted (sen)		**N/A**	N/A		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net loss for the financial year	**(598,834)**	(326,656)	**(561,978)**	(476,197)
Other Comprehensive Income/(Loss)				
- Translation difference on net equity of foreign subsidiaries and other movements	**6,039**	(1,552)	**–**	–
-Net loss on fair value changes on available-for-sale financial assets	**(391)**	(86)	**(119)**	(69)
- Share of other comprehensive loss of associates	**(675)**	(29,080)	**–**	–
Other comprehensive income/(loss) for the financial year, net of tax, representing items that may be reclassified subsequently to profit or loss	**4,973**	(30,718)	**(119)**	(69)
Total comprehensive loss for the financial year	**(593,861)**	(357,374)	**(562,097)**	(476,266)
Attributable to:				
- Owners of the Company	**(502,098)**	(274,765)	**(562,097)**	(476,266)
- Non-controlling interests	**(91,763)**	(82,609)	**–**	–
	(593,861)	(357,374)	**(562,097)**	(476,266)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	**2,370,751**	2,522,577	**–**	–
Land held for property development	15(a)	**2,528**	6,805	**–**	–
Goodwill	16	**–**	188,978	**–**	–
Investment in subsidiaries	17	**–**	–	**7,873**	11,273
Investment in associates	18	**53,707**	52,610	**–**	–
Investment securities	19(a)	**886**	4,379	**280**	399
Deferred tax assets	20	**369,345**	332,244	**–**	–
		2,797,217	3,107,593	**8,153**	11,672
Current Assets					
Property development costs	15(b)	**598**	4,297	**–**	–
Inventories	21	**681,478**	842,189	**–**	–
Investment securities	19(b)	**23,199**	25,225	**–**	–
Trade and other receivables	22	**159,290**	189,257	**983**	110
Amount due from subsidiaries	23	**–**	–	**877,028**	1,339,780
Tax recoverable		**493**	4,793	**451**	2,709
Deposits with financial institutions	24	**58,748**	64,344	**3,788**	5,084
Cash and bank balances		**119,085**	87,191	**1,064**	415
		1,042,891	1,217,296	**883,314**	1,348,098
Non-current assets classified as held for sale	25	**–**	9,833	**–**	–
		1,042,891	1,227,129	**883,314**	1,348,098
TOTAL ASSETS		**3,840,108**	4,334,722	**891,467**	1,359,770

STATEMENTS OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Company					
Share capital	26	**1,316,199**	1,316,199	**1,316,199**	1,316,199
Reserves	27	**(1,602,265)**	(1,100,167)	**(1,581,395)**	(1,019,298)
		(286,066)	216,032	**(265,196)**	296,901
Non-Controlling Interests		**(132,415)**	(40,652)	**–**	–
Total Equity		**(418,481)**	175,380	**(265,196)**	296,901
Non-Current Liabilities					
Preference shares	28	**111,000**	111,000	**–**	–
Loans and borrowings	29	**90,288**	176,169	**90,174**	176,060
Bonds and debts	32	**764,891**	744,385	**764,891**	744,385
Deferred tax liabilities	20	**836**	1,963	**836**	1,963
Deferred liabilities	33	**255,600**	2,834	**–**	–
		1,222,615	1,036,351	**855,901**	922,408
Current Liabilities					
Trade and other payables	34	**2,021,178**	2,251,154	**32,355**	26,975
Amount due to subsidiaries	23	**–**	–	**87,254**	31,310
Loans and borrowings	29	**1,011,620**	871,733	**181,153**	82,176
Tax liabilities		**3,176**	104	**–**	–
		3,035,974	3,122,991	**300,762**	140,461
Total Liabilities		**4,258,589**	4,159,342	**1,156,663**	1,062,869
TOTAL EQUITY AND LIABILITIES		**3,840,108**	4,334,722	**891,467**	1,359,770

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Group	Attributable to Owners of the Company						
		Non-Distributable					
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 27)	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 July 2012	1,316,199	97,685	378,269	(1,301,356)	490,797	41,957	532,754
Total comprehensive loss for the financial year	–	–	(29,147)	(245,618)	(274,765)	(82,609)	(357,374)
Realisation of equity component of Redeemable Convertible Secured Loan Stocks ("RCSLS")	–	–	(21,442)	21,442	–	–	–
At 30 June 2013	1,316,199	97,685	327,680	(1,525,532)	216,032	(40,652)	175,380
At 1 July 2013	**1,316,199**	**97,685**	**327,680**	**(1,525,532)**	**216,032**	**(40,652)**	**175,380**
Total comprehensive income/(loss) for the financial year	**–**	**–**	**4,973**	**(507,071)**	**(502,098)**	**(91,763)**	**(593,861)**
At 30 June 2014	**1,316,199**	**97,685**	**332,653**	**(2,032,603)**	**(286,066)**	**(132,415)**	**(418,481)**

Company		Non-Distributable			
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 27)	Accumulated Losses RM'000	Total RM'000
At 1 July 2012	1,316,199	97,685	37,517	(678,234)	773,167
Total comprehensive loss for the financial year	–	–	(69)	(476,197)	(476,266)
Realisation of equity component of RCSLS	–	–	(21,442)	21,442	–
At 30 June 2013	1,316,199	97,685	16,006	(1,132,989)	296,901
At 1 July 2013	**1,316,199**	**97,685**	**16,006**	**(1,132,989)**	**296,901**
Total comprehensive loss for the financial year	**–**	**–**	**(119)**	**(561,978)**	**(562,097)**
At 30 June 2014	**1,316,199**	**97,685**	**15,887**	**(1,694,967)**	**(265,196)**

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		**(625,851)**	(354,864)	**(561,230)**	(477,908)
Adjustments for non-cash items, interests and dividends	39(a)	**582,997**	332,434	**559,404**	475,973
Operating loss before working capital changes		**(42,854)**	(22,430)	**(1,826)**	(1,935)
Changes in working capital:					
Inventories		**126,885**	81,024	**–**	–
Receivables		**33,985**	106,860	**(861)**	–
Payables		**(52,051)**	(38,479)	**4,998**	2,903
Property development costs		**7,976**	(1,411)	**–**	–
Cash generated from operations		**73,941**	125,564	**2,311**	968
Tax (paid)/refunded		**(2,382)**	(2,957)	**382**	–
Retirement benefit paid		**(134)**	(27)	**–**	–
Net cash inflow from operating activities		**71,425**	122,580	**2,693**	968
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	39(b)	**(2,849)**	(17,348)	**–**	–
Proceeds from disposal/ redemption of:					
- an associate		**–**	79,500	**–**	75,821
- property, plant and equipment		**17**	206	**–**	–
- investments		**6,372**	4,359	**–**	–
Net cash inflow on disposal of a subsidiary	17	**32,996**	–	**–**	–
Decrease/(Increase) in fixed deposits pledged		**8**	(23)	**–**	–
Dividend received		**321**	2,636	**–**	18
Advances from/(to) subsidiaries		**–**	–	**30,274**	(1,293)
Interest received		**3,894**	2,130	**191**	206
Net cash inflow from investing activities		**40,759**	71,460	**30,465**	74,752

STATEMENTS OF CASH FLOWS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Redemption of bonds and debts		**(25,914)**	(56,166)	**(25,914)**	(56,166)
(Repayment)/Drawndown of:					
- term loans		**–**	(13,276)	**–**	–
- hire purchase liabilities		**(51)**	(105)	**–**	–
- short term borrowings		**13,600**	(39,298)	**(7,891)**	(20,182)
Interest paid		**(74,826)**	(65,794)	**–**	–
Net cash outflow from financing activities		**(87,191)**	(174,639)	**(33,805)**	(76,348)
Net increase/(decrease) in cash and cash equivalents		**24,993**	19,401	**(647)**	(628)
Effects of changes in exchange rates		**52**	(3)	**–**	–
Cash and cash equivalents at beginning of the financial year		**137,280**	117,882	**5,499**	6,127
Cash and cash equivalents at end of the financial year	39(c)	**162,325**	137,280	**4,852**	5,499

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

1. CORPORATE INFORMATION

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

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 17. There have been no significant changes in the activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 September 2014.

2. BASIS OF PREPARATION

The financial statements comply with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 1965 in Malaysia. During the financial year ended 30 June 2014, the Group and the Company adopted all of the new and revised FRSs, Amendments and Issues Committee ("IC") Interpretation issued by Malaysian Accounting Standards Board ("MASB") that are relevant to their operations as described in Note 4.

The financial statements of the Group and the Company have been prepared on the historical cost basis except when otherwise indicated.

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

Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The Group and the Company have applied the amendments to FRS 101 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to FRS 101, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to FRS 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.

The Group reports the following conditions and events:

(i) The Group incurred a net loss of RM507.1 million for the year ended 30 June 2014 and as of that date, the Group's current liabilities exceeded its current assets by RM1.99 billion.

(ii) A subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel"), had exceeded the credit terms granted to it by its creditors as disclosed in Note 34. Megasteel has entered into progressive payment arrangements with certain of these creditors. However, Megasteel did not fulfill the obligations under these arrangements.

As at 30 June 2014, RM102.6 million is due to creditors under schemes of progressive payment arrangements.

(iii) As disclosed in Note 29, Megasteel entered into a Restructured Scheme for the Syndicated Term Loans during the financial year ended 30 June 2010.

Megasteel has been unable to comply with the rescheduled payment terms above. During the current financial year, Megasteel has proposed another restructuring scheme as disclosed in Note 29.

2. BASIS OF PREPARATION (continued)

In response to the above, the Group, an independent consultant and the authorities have conducted a study on turnaround action plans for the Group to address the issues pertaining to the repayment of the Group's liabilities and borrowings. The independent consultant has identified a set of action plans which include:

- to undertake a corporate and debt restructuring to address capital and funding issues; and
- to engage global experts in the steel industry to transfer technical know-how and best practice in the industry into Megasteel.

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

- The Group has entered into discussions with the relevant authorities in implementing certain policies for the steel industry; and
- In the previous financial year, the Group has entered into discussions with various interested third party investors to inject new working capital to the Group via additional issuance of share capital. The discussion is on-going and there is no indication from these various interested third party investors that they are no longer interested to invest in the Group.

In June 2014, the relevant authority has started an investigation on alleged illegal dumping of steel products from overseas in response to petition made that these dumping activities will have adverse effects on the steel industry in Malaysia. If the allegations are proven to be in the affirmative, the relevant authority may impose a preliminary anti-dumping duty at the rate that is necessary to prevent further injury. The investigation is currently on-going and no conclusion has been made as at the date of the financial statements.

Based on the progress todate, the Directors have a reasonable expectation that the aforementioned action plans will be successful.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(b) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group is measured using the currency of the primary economic environment in which the entity operates ("Functional Currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's Functional Currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's Functional Currency ("Foreign Currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items are denominated in either the Functional Currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items are denominated in a currency other than the Functional Currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign Currencies (continued)

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities are translated into RM at the rate of exchange ruling at the reporting date;

- Income and expenses for statement of profit or loss are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the Functional Currency of the foreign operations and translated at the closing rate at the reporting date.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2014 RM	**2013 RM**
1 USD	**3.21**	3.17
1 Euro	**4.38**	4.14
1 Singapore Dollar	**2.57**	2.51

(c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods and Services

Revenue is recognised net of sales taxes, returns and discounts and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Interest Income

Interest income is recognised on an accrual basis using the effective yield method.

(iii) Dividend Income

Dividend income is recognised when the Group's or the Company's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue Recognition (continued)

(iv) Development Properties

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

(v) Rental Income

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

(d) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Unfunded Defined Benefit Plan

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

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date 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 taxable profit will be available against which the deductible temporary differences or unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative 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 profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in 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 in equity, or when it arises from business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or negative goodwill on acquisition.

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 the deferred taxes relate to the same tax authority.

(f) Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Property, plant and equipment cost comprise purchase price, including import duties and directly attributable costs of bringing the asset to working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at revalued amount, which is the fair value at the date of revaluation less any impairment losses. The freehold land has not been revalued since it was first revalued in 1998. The Directors have not adopted a policy of regular revaluation of this asset and no later valuation has been recorded. As permitted under the transitional provision of IAS 16 (Revised): *Property, Plant and Equipment*, this asset continues to be stated at its 1998 valuation.

Any revaluation surplus is credited to the asset revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any asset revaluation reserve relating to the particular asset is transferred directly to accumulated losses.

Property, plant and equipment are classified as capital work-in-progress until the asset is brought to working condition for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment (continued)

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised evenly over the lease term of the land. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings and land improvements	2% - 10%
Plant and machinery	3.33% - 20%
Furniture and equipment	5% - 20%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to accumulated losses.

(g) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liability. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The policy for the recognition and measurement of impairment losses for goodwill is in accordance with Note 3(h).

(h) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Non-Financial Assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Investment in Subsidiaries

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

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

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

(j) Investment in Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associates is carried in the statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investment in Associates (continued)

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

(k) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

<u>Financial assets at fair value through profit or loss</u>

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

<u>Loans and receivables</u>

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than twelve months after the reporting date which are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any other categories.

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

Investments in equity investments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within twelve months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within twelve months after the reporting date which are classified as current.

(l) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. 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 and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of Financial Assets (continued)

Receivables and other financial assets carried at amortised cost (continued)

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts, demand deposits and other short term and highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits. Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy as described in Note 3(k).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Land Held for Property Development and Property Development Costs

(i) Land held for property development

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

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

(ii) Property development costs

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

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

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

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

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

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

(o) Inventories

Inventories are stated at lower of cost and net realisable value.

The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of finished goods and work-in-progress consists of direct materials, direct labour, other direct costs and appropriate production overheads where applicable and is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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 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. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent asset but discloses its existence when inflows of economic benefits are probable, but not virtually certain.

(q) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, 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 instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, loans and borrowings, bonds and debts.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings, bonds and debts are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Loans and borrowings, bonds and debts are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Liabilities (continued)

(ii) Other financial liabilities (continued)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

(r) Preference Shares ("PS")

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

PS are classified as non-current liabilities in the statements of financial position and the preferential dividends are recognised as finance costs in profit or loss in the period they are incurred.

(s) Redeemable Convertible Secured Loan Stocks ("RCSLS")

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

(t) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Leases (continued)

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(u) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(v) Segment Reporting

Segment reporting is presented for enhancing assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment, that are subject to risks and returns which are different from those components.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

(w) Fair Value Estimation for Disclosure Purposes

In assessing the fair value of financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date.

The fair value of publicly traded securities is based on quoted market prices at the reporting date. Where there is no active market, fair value is established using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The face values for the financial assets and financial liabilities with maturity of less than one (1) year are assumed to approximate their fair values.

4. CHANGES IN ACCOUNTING POLICIES

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

On 1 July 2013, the Group and the Company adopted the following new FRSs, Amendments to FRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2013:

Description	**Effective for annual periods beginning on or after**
FRS 10 *Consolidated Financial Statements*	1 January 2013
FRS 11 *Joint Arrangements*	1 January 2013
FRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
FRS 13 *Fair Value Measurement*	1 January 2013
FRS 119 *Employee Benefits*	1 January 2013
FRS 127 *Separate Financial Statements*	1 January 2013
FRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
Amendments to FRS 1 *Government Loans*	1 January 2013
Amendments to FRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to FRS 10 *Consolidated Financial Statements - Transition Guidance*	1 January 2013
Amendments to FRS 11 *Joint Arrangements - Transition Guidance*	1 January 2013
Amendments to FRS 12 *Disclosure of Interests in Other Entities - Transition Guidance*	1 January 2013
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Improvement to FRSs Issued in 2012	1 January 2013

FRS 10 *Consolidated Financial Statements*

FRS 10 replaces part of FRS 127 *Consolidated and Separate Financial Statements* that deals with consolidated financial statements and IC Interpretation 112 *Consolidation – Special Purpose Entities*.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 *Consolidated and Separate Financial Statements*, control being defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor that owns less than 50% of the voting shares in an investee has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

The Group has carried out an assessment on adoption of FRS 10 and it is concluded that there is no change of classification of investment in subsidiaries.

However, as a result of the adoption of the revised FRS 10, the Group considers Lion Diversified Holdings Berhad ("LDHB") as the ultimate holding company and all subsidiaries of LDHB are treated as related companies of the Group. In the previous financial year, LDHB was treated as a related party.

FRS 12 *Disclosures of Interests in Other Entities*

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

4. CHANGES IN ACCOUNTING POLICIES (continued)

FRS 13 *Fair Value Measurement*

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS. FRS 13 defines fair value as an exit price. As a result of the guidance in FRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. FRS 13 also requires additional disclosures.

Application of FRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

FRS 119 *Employee Benefits* (IAS 19 as amended by IASB in June 2011)

The revised FRS 119 requires the recognition of changes in defined benefit obligations and changes in fair value of plan assets when they occur, and hence eliminates the “corridor method” permitted under the previous version of FRS 119 and accelerates the recognition of past service costs. The revised FRS 119 requires all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. This revised accounting standard has been applied retrospectively.

This standard affects disclosures only and has no impact on the Group’s financial position or performance.

FRS 127 *Separate Financial Statements*

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

<u>Standards and interpretations issued but not yet effective</u>

At the date of authorisation of these financial statements, the following new FRSs, Amendments to FRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group nor the Company:

Description

Effective for annual periods beginning on or after 1 January 2014
Amendments to FRS 10 *Consolidated Financial Statements: Investment Entities*
Amendments to FRS 12 *Joint Arrangements: Investment Entities*
Amendments to FRS 127 *Separate Financial Statements: Investment Entities*
Amendments to FRS 132 *Financial Instruments: Presentations - Offsetting Financial Assets and Financial Liabilities*
Amendments to FRS 136 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to FRS 139 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
IC Interpretation 21 *Levies*

Effective for annual periods beginning on or after 1 July 2014
Amendments to FRS 2 *Share-based Payments* *
Amendments to FRS 3 *Business Combinations* *#
Amendments to FRS 8 *Operating Segments* *
Amendments to FRS 13 *Fair Value Measurement* #
Amendments to FRS 116 *Property, plant and equipment* *
Amendments to FRS 119 *Defined Benefit Plans: Employee Contributions*
Amendments to FRS 124 *Related Party Disclosures* *
Amendments to FRS 138 *Intangible Assets* *
Amendments to FRS 140 *Investment Property* #

4. CHANGES IN ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

Effective for annual periods beginning on or after 1 January 2016
FRS 14 *Regulatory Deferral Accounts*
Amendments to FRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*
Amendments to FRS 116 and FRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Effective for annual periods beginning on or after: To be announced
FRS 9 *Financial Instruments* (IFRS 9 issued by IASB in November 2009 and October 2010)
FRS 9 *Financial Instruments: Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139*
Amendments to FRS 9, FRS 9 and FRS 7 *Mandatory Effective Date of FRS 9 and Transition Disclosures*

* Annual Improvements to FRSs 2010-2012 Cycle
\# Annual Improvements to FRSs 2011-2013 Cycle

The Directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

Malaysian Financial Reporting Standards

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the version affects only that period, or in the period of the revision and future periods if the version affects both current and future periods.

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

Critical Accounting Estimates and Assumptions

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

(i) Depreciation of Property, Plant and Equipment

The cost of the plant and machinery relating to manufacturing of hot rolled coils and cold rolled coils is depreciated on a straight-line basis over the assets' estimated economic useful lives up to their residual value. Management estimates the useful lives of these plant and machinery to be within 15 years to 30 years and residual value to be 5%. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, which may cause a material adjustment to future depreciation charges.

(ii) Estimated Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation on the value in use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows of the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Estimated Impairment of Tangible 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, will be assessed. The assessment of recoverable amount involves various methodologies.

Fair value of an asset is estimated by reference to net assets of the investee or based on prevailing market value determined by professional valuers.

In determining the value in use 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 and estimates. While the Group believes these estimates and assumptions to be reasonable and appropriate, changes in these estimates and assumptions of value in use could impact on the Group's financial position and results.

(iv) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances 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 together with future tax planning strategies. Details of deferred tax assets are disclosed in Note 20.

(v) Inventories

Significant judgement is required in determining the quality, grades and density of the raw materials existing at the end of the financial year. In forming judgement, the Group relies on past experience and on the work of an expert in measuring the raw materials. Details of inventories are disclosed in Note 21.

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

Critical Accounting Estimates and Assumptions (continued)

(vi) Accrual for Quantity Discount

Quantity discounts are granted to customers with bulk purchases of hot rolled coils by a subsidiary of the Company.

Accruals for quantity discounts are estimated by management on sales based on historical trends of amounts granted for customers' purchases in prior years and taking into account obligations to the customers based on rates agreed upon. Unexpected changes in customers' demand could vary the quantity discounts which may cause a material adjustment to the accrual for quantity discounts.

(vii) Impairment on Receivables

The Group makes impairment on receivables based on assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes on an instrument loss basis in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of receivables and impairment in the period in which such estimates have been changed.

(viii) Property Development

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

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

Details of property development cost are disclosed in Note 15.

(ix) Provision for onerous contract

As disclosed in Note 37(v), the Group is contractually bound to purchase hot direct reduced iron and/or hot briquetted iron ("Steel Products") from Lion DRI Sdn Bhd ("Lion DRI"), a subsidiary of LDHB, based on a cost plus certain margin. Limbungan Makmur Sdn Bhd ("LMSB"), another subsidiary of LDHB, has entered into a contract with a freight forwarder company, for freight service on delivery of iron ore pellets, a key raw material for the production of Steel Products to Lion DRI. The freight charges will be passed on to Lion DRI upon delivery of the iron ore pellets.

As the Group is contractually bound to purchase the Steel Products from Lion DRI, which will include the cost of the freight service, there may exist an onerous contract where the Group may need to incur unavoidable costs which may exceed the economic benefits expected to be received from it. However, as disclosed in Note 2, the Group has embarked on a restructuring scheme which will see the Group return to profitability. On this premise, the Group has prepared the business plan which forecasted that the Group will be able to recover all the cost of production, including the cost of freight services mentioned above. Accordingly, no provision for onerous contract has been made for the aforementioned freight services.

6. REVENUE

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**2,379,520**	2,546,671	**–**	–
Property development	**102,259**	44,973	**–**	–
Registration and other professional fees	**175**	189	**–**	–
Dividend income	**–**	–	**–**	18
Interest income	**–**	–	**64,777**	85,732
	2,481,954	2,591,833	**64,777**	85,750

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, wages and bonuses	**62,356**	66,062	**240**	240
Defined contribution plans	**8,037**	8,762	**29**	29
Defined benefit plan (Note 33)	**178**	274	**–**	–
Other staff related expenses	**18,104**	19,441	**108**	107
	88,675	94,539	**377**	376

Included in the employee benefits expenses of the Group and of the Company are remuneration of an executive Director and other members of key management as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other emoluments	**1,839**	2,318	**348**	347
Defined contribution plans	**124**	205	**29**	29
	1,963	2,523	**377**	376

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any executive Director of the Group.

8. OTHER OPERATING EXPENSES

Included in the other operating expenses of the Group are plant repair and maintenance costs and electricity charges relating to manufacturing of hot rolled coils and cold rolled coils totalling RM290.1 million (2013: RM293.6 million).

9. (LOSS)/PROFIT FROM OPERATIONS

The (loss)/profit from operations is arrived at:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging:				
Auditors' remuneration	**472**	480	**40**	40
Directors' remuneration (Note)	**969**	1,417	**611**	611
Depreciation:				
- property, plant and equipment	**143,431**	142,457	**–**	–
- assets held for sale	**376**	–	**–**	–
Impairment loss on receivables	**497**	58	**–**	–
Impairment loss on obsolete inventories	**–**	12	**–**	–
Property, plant and equipment:				
- impairment loss	**10,419**	–	**–**	–
- written off	**628**	7	**–**	–
Operating lease expense	**42,842**	45,293	**–**	–
Rental of:				
- plant, machinery and equipment	**77**	170	**–**	–
- premises	**2,734**	2,819	**–**	–
Net foreign exchange loss:				
- realised	**13,800**	–	**–**	–
- unrealised	**–**	–	**44**	106
Professional fees paid to a firm in which a Director, M. Chareon Sae Tang @ Tan Whye Aun, has interest	**185**	62	**–**	–
And crediting:				
Gain on disposal of property, plant and equipment	**17**	105	**–**	–
Gross dividend income from quoted investments in Malaysia	**8**	26	**–**	18
Interest income from:				
- subsidiaries	**–**	–	**64,578**	85,517
- others	**5,431**	6,569	**199**	215
Net foreign exchange gain:				
- realised	**–**	7,435	**–**	–
- unrealised	**7,425**	1,917	**–**	–
Rental income	**3,675**	6,386	**–**	–

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

Note: The Directors' remuneration is categorised as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Executive Director:				
- Salary and other emoluments	**560**	960	**240**	240
- Fees	**24**	24	**24**	24
- Defined contribution plans	**67**	115	**29**	29
- Benefit-in-kind	**108**	107	**108**	107
	759	1,206	**401**	400
Non-Executive Directors*:				
- Fees	**210**	211	**210**	211
	969	1,417	**611**	611

The number of Directors whose total remuneration fall into the respective bands are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
Executive Director:				
- RM350,001 - RM400,000	**–**	–	**–**	1
- RM400,001 - RM450,000	**–**	–	**1**	–
- RM750,001 - RM800,000	**1**	–	**–**	–
- RM1,200,001 - RM1,250,000	**–**	1	**–**	–
Non-Executive Directors*:				
- RM25,000 and below	**3**	3	**3**	3
- RM25,001 - RM50,000	**4**	4	**4**	4

* 2014: Including a Director who resigned on 16 October 2013.

10. FINANCE COSTS

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Interest Expenses on:				
- bonds and debts	**46,376**	82,551	**46,376**	82,551
- RCSLS	**20,982**	33,374	**20,982**	33,374
- term loans	**59,606**	54,925	**–**	–
- product financing liabilities	**30,760**	26,173	**–**	–
- bank overdrafts	**1,015**	1,141	**–**	–
- others	**84,139**	75,200	**379**	350
	242,878	273,364	**67,737**	116,275

11. GAIN ON SETTLEMENT, NET OF DIVESTMENT LOSS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Gain on settlement of debts	–	847,166	–	847,166
(Loss)/Gain on disposal of an associate	–	(575,958)	–	52,492
	–	271,208	–	899,658

The gain on the settlement of debts resulted from the settlement of RCSLS, bonds and debts of the Company, from the proceeds on disposal of an associate.

12. TAXATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current Estimated Tax:				
Malaysian income tax:				
- Current year	**(10,851)**	(4,441)	**(1,875)**	–
- (Under)/Over provision in prior years	**(360)**	13	**–**	–
	(11,211)	(4,428)	**(1,875)**	–
Deferred Taxation: (Note 20)				
- Relating to origination and reversal of temporary differences	**38,228**	36,409	**1,127**	1,711
- Under provision in prior years	**–**	(3,773)	**–**	–
	38,228	32,636	**1,127**	1,711
Total	**27,017**	28,208	**(748)**	1,711

12. TAXATION (continued)

A reconciliation of taxation applicable to loss before taxation at the statutory income tax rate to taxation at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Tax calculated at Malaysian statutory tax rate of 25% (2013: 25%)	**156,463**	88,716	**140,308**	119,477
Income not subject to tax	**7,979**	69,986	**–**	224,915
Expenses not deductible for tax purposes	**(82,907)**	(60,933)	**(141,056)**	(342,681)
Deferred tax assets not recognised during the year	**(54,680)**	(67,750)	**–**	–
Tax effect of share in results of associates	**522**	984	**–**	–
Effect of utilisation of previously unrecognised capital allowances and tax losses	**–**	965	**–**	–
Under provision in prior years	**(360)**	(3,760)	**–**	–
	27,017	28,208	**(748)**	1,711

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year.

13. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing net loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2014	**2013**
Net loss for the financial year attributable to owners of the Company (RM'000)	**(507,071)**	(245,618)
Weighted average number of ordinary shares in issue ('000)	**1,316,199**	1,316,199
Basic loss per share (sen)	**(38.5)**	(18.7)

(b) Diluted

The diluted loss per share is not presented as the unexercised warrants and RCSLS have no dilutive effect as the exercise price is above the average market value of the Company's shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2014						
Cost/Valuation						
At 1 July 2013	872,367	3,421,865	43,651	3,484	26,638	4,368,005
Additions	5	921	1,446	81	199	2,652
Disposals	–	(3)	(3)	(132)	–	(138)
Written off	–	–	(8)	(36)	(628)	(672)
Reclassification	–	2,655	–	–	(2,655)	–
At 30 June 2014	872,372	3,425,438	45,086	3,397	23,554	4,369,847
Representing items at:						
Cost	572,372	1,167,433	45,086	3,397	23,554	1,811,842
Valuation	300,000	2,258,005	–	–	–	2,558,005
	872,372	3,425,438	45,086	3,397	23,554	4,369,847
Accumulated Depreciation						
At 1 July 2013	187,190	1,588,161	31,230	3,299	–	1,809,880
Depreciation charge for the financial year	16,829	124,066	2,469	67	–	143,431
Disposals	–	(3)	(3)	(132)	–	(138)
Written off	–	–	(8)	(36)	–	(44)
At 30 June 2014	204,019	1,712,224	33,688	3,198	–	1,953,129
Representing items at:						
Cost	204,019	374,511	33,688	3,198	–	615,416
Valuation	–	1,337,713	–	–	–	1,337,713
	204,019	1,712,224	33,688	3,198	–	1,953,129
Accumulated Impairment Losses						
At 1 July 2013	9,673	25,875	–	–	–	35,548
Impairment loss for the financial year	109	10,310	–	–	–	10,419
At 30 June 2014	9,782	36,185	–	–	–	45,967
Representing items at:						
Cost	9,782	36,185	–	–	–	45,967
Net Book Value						
At cost	358,571	756,737	11,398	199	23,554	1,150,459
At valuation	300,000	920,292	–	–	–	1,220,292
At 30 June 2014	658,571	1,677,029	11,398	199	23,554	2,370,751

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2013						
Cost/Valuation						
At 1 July 2012	880,823	3,434,079	41,036	4,444	18,855	4,379,237
Additions	1,028	5,180	3,263	146	7,877	17,494
Disposals	–	(134)	(4)	(1,106)	–	(1,244)
Written off	–	(3)	(34)	–	–	(37)
Reclassification	–	19	–	–	(94)	(75)
Reclassified to assets held for sale (Note 25)	(9,484)	(17,276)	(610)	–	–	(27,370)
At 30 June 2013	872,367	3,421,865	43,651	3,484	26,638	4,368,005
Representing items at:						
Cost	572,367	1,163,860	43,651	3,484	26,638	1,810,000
Valuation	300,000	2,258,005	–	–	–	2,558,005
	872,367	3,421,865	43,651	3,484	26,638	4,368,005
Accumulated Depreciation						
At 1 July 2012	171,895	1,480,340	29,639	4,259	–	1,686,133
Depreciation charge for the financial year	16,602	123,519	2,190	146	–	142,457
Disposals	–	(33)	(4)	(1,106)	–	(1,143)
Written off	–	(3)	(27)	–	–	(30)
Reclassified to assets held for sale (Note 25)	(1,307)	(15,662)	(568)	–	–	(17,537)
At 30 June 2013	187,190	1,588,161	31,230	3,299	–	1,809,880
Representing items at:						
Cost	187,190	321,377	31,230	3,299	–	543,096
Valuation	–	1,266,784	–	–	–	1,266,784
	187,190	1,588,161	31,230	3,299	–	1,809,880
Accumulated Impairment Losses						
At 1 July 2012/30 June 2013	9,673	25,875	–	–	–	35,548
Representing items at:						
Cost	9,673	25,875	–	–	–	35,548
Net Book Value						
At cost	375,504	816,608	12,421	185	26,638	1,231,356
At valuation	300,000	991,221	–	–	–	1,291,221
At 30 June 2013	675,504	1,807,829	12,421	185	26,638	2,522,577

14. PROPERTY, PLANT AND EQUIPMENT (continued)

In 2003, the Group adjusted the plant and machinery of a subsidiary to its fair value upon the acquisition of an additional 40% equity interest in that subsidiary. The fair value is based on a valuation carried out by Mr Lim Lian Hong, a registered valuer of Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers, on 11 January 2002 and adjusted for depreciation to the date of acquisition. The surplus arising from the fair value that relates to existing equity holding of RM149.0 million (net of deferred tax liabilities) has been credited to asset revaluation reserve account. It is not the policy of the Group to revalue such asset regularly.

Land and buildings of the Group are as follows:

	Freehold land RM'000	Leasehold land RM'000	Buildings and land improvements RM'000	Total RM'000
Group				
2014				
Cost/Valuation				
At 1 July 2013	**311,191**	**13,496**	**547,680**	**872,367**
Additions	**–**	**–**	**5**	**5**
At 30 June 2014	**311,191**	**13,496**	**547,685**	**872,372**
Representing items at:				
Cost	**11,191**	**13,496**	**547,685**	**572,372**
Valuation	**300,000**	**–**	**–**	**300,000**
	311,191	**13,496**	**547,685**	**872,372**
Accumulated Depreciation				
At 1 July 2013	**–**	**2,857**	**184,333**	**187,190**
Depreciation charge for the financial year	**–**	**165**	**16,664**	**16,829**
At 30 June 2014	**–**	**3,022**	**200,997**	**204,019**
Representing items at:				
Cost	**–**	**3,022**	**200,997**	**204,019**
Accumulated Impairment Losses				
At 1 July 2013	**9,673**	**–**	**–**	**9,673**
Impairment loss for the financial year	**–**	**–**	**109**	**109**
At 30 June 2014	**9,673**	**–**	**109**	**9,782**
Representing items at:				
Cost	**9,673**	**–**	**109**	**9,782**
Net Book Value				
At cost	**1,518**	**10,474**	**346,579**	**358,571**
At valuation	**300,000**	**–**	**–**	**300,000**
At 30 June 2014	**301,518**	**10,474**	**346,579**	**658,571**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Leasehold land RM'000	Buildings and land improve-ments RM'000	Total RM'000
Group				
2013				
Cost/Valuation				
At 1 July 2012	311,191	16,961	552,671	880,823
Additions	–	1,019	9	1,028
Reclassified to assets held for sale	–	(4,484)	(5,000)	(9,484)
At 30 June 2013	311,191	13,496	547,680	872,367
Representing items at:				
Cost	11,191	13,496	547,680	572,367
Valuation	300,000	–	–	300,000
	311,191	13,496	547,680	872,367
Accumulated Depreciation				
At 1 July 2012	–	3,208	168,687	171,895
Depreciation charge for the financial year	–	240	16,362	16,602
Reclassified to assets held for sale	–	(591)	(716)	(1,307)
At 30 June 2013	–	2,857	184,333	187,190
Representing items at:				
Cost	–	2,857	184,333	187,190
Accumulated Impairment Losses				
At 1 July 2012/30 June 2013	9,673	–	–	9,673
Representing items at:				
Cost	9,673	–	–	9,673
Net Book Value				
At cost	1,518	10,639	363,347	375,504
At valuation	300,000	–	–	300,000
At 30 June 2013	301,518	10,639	363,347	675,504

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold land is analysed as follows:

	Group 2014 RM'000	Group 2013 RM'000
Long term leasehold land	**10,474**	10,639

The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2013: RM35.0 million) and RM0.79 billion (2013: RM0.84 billion) respectively as at the end of the financial year.

Property, plant and equipment with carrying values totalling RM2.34 billion (2013: RM2.49 billion) has been charged to financial institutions as securities for credit facilities as disclosed in Note 29.

The net book value of property, plant and equipment held under hire purchase and finance lease arrangements is as follows:

	Group 2014 RM'000	Group 2013 RM'000
Motor vehicles	**166**	151

15. PROPERTY DEVELOPMENT ACTIVITIES

(a) Land Held for Property Development

	Group 2014 RM'000	Group 2013 RM'000
Freehold land, at cost		
At 1 July	**6,805**	8,150
Transfer to property development cost	**(4,277)**	(1,345)
At 30 June	**2,528**	6,805

15. PROPERTY DEVELOPMENT ACTIVITIES (continued)

(b) Property Development Costs

	Group 2014 RM'000	Group 2013 RM'000
Property development cost at 1 July:		
- Freehold land	**7,914**	12,289
- Development costs	**14,635**	47,960
	22,549	60,249
Cost incurred during the year:		
- Freehold land	**3,305**	7,427
- Development costs	**48,124**	13,403
	51,429	20,830
Reversal of completed projects	**(27,547)**	(54,551)
Cost recognised in profit or loss:		
At 1 July	**(18,252)**	(56,548)
Recognised during the financial year	**(56,357)**	(16,255)
Reversal of completed projects	**27,547**	54,551
	(47,062)	(18,252)
Transfer from land held for property development	**4,277**	1,345
Transfer to inventories	**(3,048)**	(5,324)
Property development cost at 30 June	**598**	4,297

The land was charged as security for the bonds and debts and RCSLS issued by the Company.

The title in respect of the land has yet to be registered in the name of the subsidiary.

16. GOODWILL

	Group 2014 RM'000	Group 2013 RM'000
Goodwill on Consolidation, at Cost		
At 1 July/30 June	**501,511**	501,511
Accumulated Impairment Losses		
At 1 July	**(312,533)**	(202,533)
Impairment loss recognised in profit or loss	**(188,978)**	(110,000)
At 30 June	**(501,511)**	(312,533)
Net Carrying Amount	**–**	188,978

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets for the next 5 years. The discount rate used is 8.5% (2013: 8.5%) per annum.

17. INVESTMENT IN SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Unquoted Shares		
At cost	**25,916**	25,916
Accumulated impairment losses	**(20,501)**	(17,101)
	5,415	8,815
Additional cost of investment arising from share options	**2,458**	2,458
	7,873	11,273

Certain investment in subsidiaries with carrying values totalling RM5.4 million (2013: RM8.8 million) have been charged as security for the bonds and debts and RCSLS issued by the Company as disclosed in Notes 32 and 30 respectively.

17. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2014 %	2013 %	Principal Activities
LCB Harta (M) Sdn Bhd	Malaysia	**100.00**	100.00	Managing of debts novated from LCB and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries
Limpahjaya Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lion Construction & Engineering Sdn Bhd	Malaysia	**100.00**	100.00	Construction and civil engineering works
Lion General Trading & Marketing (S) Pte Ltd *	Republic of Singapore	**100.00**	100.00	General merchant
Lion Rubber Works Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Lion Steelworks Sdn Bhd	Malaysia	**100.00**	100.00	Manufacture and distribution of office equipment, security equipment and steel related products
Lion Trading & Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and marketing of security equipment, office equipment and steel related products
LCB Harta (L) Limited *	Malaysia	**100.00**	100.00	Acquisition and management of USD denominated consolidated and rescheduled debts
Total Triumph Investments Limited	British Virgin Islands	**100.00**	100.00	Investment holding
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *	Hong Kong	**71.00**	71.00	Ceased operations
Lion Com Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lyn (Pte) Ltd *	Republic of Singapore	**79.00**	79.00	Investment holding
Megasteel Sdn Bhd *	Malaysia	**78.89**	78.89	Manufacturing of hot rolled coils and cold rolled coils
Umevest Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations

17. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2014 %	2013 %	Principal Activities
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd	Malaysia	**100.00**	100.00	Share registration and secretarial services
Subsidiary of Lyn (Pte) Ltd				
Logic Furniture(S) Pte Ltd *	Republic of Singapore	**100.00**	100.00	Ceased operations
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited *	Malaysia	**100.00**	100.00	To issue and manage bonds pursuant to its parent company's debt financing exercise
Secomex Manufacturing (M) Sdn Bhd *	Malaysia	**100.00**	100.00	Manufacturing and marketing of industrial gases
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Lion General Trading & Marketing (S) Pte Ltd				
Lion Plate Mills Sdn Bhd (Disposed of on 31.12.2013)	Malaysia	**–**	100.00	Manufacturing and marketing of hot rolled steel plate
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations

17. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2014 %	2013 %	Principal Activities
Subsidiary of Total Triumph Investments Limited				
Bright Steel Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing, sale and distribution of steel and iron products
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Bright Steel Service Centre Sdn Bhd	Malaysia	**57.10**	57.10	Processing and selling of steel coils and sheets
Bright Enterprise (Sdn.) Berhad	Malaysia	**100.00**	100.00	Ceased operations
Century Container Industries Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Omali Corporation Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd	Malaysia	**100.00**	100.00	Property development

Note:

* Financial statements of subsidiaries not audited by Ong Boon Bah & Co.

17. INVESTMENT IN SUBSIDIARIES (continued)

During the financial year, the Group had completed the disposal of its entire 100% equity interest in Lion Plate Mills Sdn Bhd for a cash consideration of RM33 million.

The disposal had the following effects on the financial position of the Group:

	Group	
	As at date of disposal RM'000	**2013 RM'000**
Property, plant and equipment (Note 25)	9,724	9,833
Inventories	-	16,695
Trade and other receivables	872	10,027
Tax recoverable	35	65
Deposit, cash and bank balances	4	1,616
Trade and other payables	(910)	(1,586)
Net assets disposed	9,725	36,650
Total disposal proceeds	33,000	
Gain on disposal to the Group	23,275	
Cash inflow arising on disposal:		
Cash consideration	33,000	
Cash and cash equivalents of subsidiary disposed	(4)	
	32,996	

The table below shows details of non-wholly owned subsidiaries of the Group that have non-controlling interests:

	2014 RM'000	**2013 RM'000**
Accumulated balances of non-controlling interests:		
- Material non-controlling interest: Megasteel Sdn Bhd	**(140,974)**	(49,938)
- Immaterial non-controlling interest	**8,559**	9,286
	(132,415)	(40,652)
Loss allocated to non-controlling interests:		
- Material non-controlling interest: Megasteel Sdn Bhd	**(91,037)**	(80,203)
- Immaterial non-controlling interest	**(726)**	(835)
	(91,763)	(81,038)

17. INVESTMENT IN SUBSIDIARIES (continued)

The summarised financial information of the material non-controlling interest is provided below. This information is based on amounts before inter-company eliminations.

	Megasteel Sdn Bhd	
	2014 RM'000	**2013 RM'000**
Summarised Statement of Profit or Loss:		
Revenue	**2,263,166**	2,380,924
Loss for the year	**(416,765)**	(365,638)
Summarised Statement of Financial Position:		
Non-current assets	**2,639,561**	2,809,322
Current assets	**673,381**	876,941
Non-current liabilities	**(439,392)**	(186,670)
Current liabilities	**(3,803,583)**	(3,931,326)
Net liabilities	**(930,033)**	(431,733)
Summarised cash flow information:		
Operating	**14,678**	80,219
Investing	**(1,012)**	(690)
Financing	**(30,682)**	(72,498)
Net (decrease)/increase in cash and cash equivalents	**(17,016)**	7,031

18. INVESTMENT IN ASSOCIATES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Quoted Shares outside Malaysia				
- at cost	**95,994**	95,994	**–**	–
- accumulated impairment losses	**(52,005)**	(52,005)	**–**	–
	43,989	43,989	**–**	–
Unquoted Shares				
- at cost	**844,786**	844,786	**728,348**	728,348
- accumulated impairment losses	**(447,512)**	(447,512)	**(728,348)**	(728,348)
	397,274	397,274	**–**	–
	441,263	441,263	**–**	–
Share of post-acquisition results and reserves	**(387,556)**	(388,653)	**–**	–
	53,707	52,610	**–**	–
Market value of quoted shares:				
- quoted outside Malaysia	**49,651**	51,774	**–**	–
Represented by:				
Share of net assets other than goodwill	**93,550**	92,453		

18. INVESTMENT IN ASSOCIATES (continued)

The associates are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2014 %	2013 %	Principal Activities
ACB Resources Berhad	Malaysia	**45.77** **# 1.89**	45.77 # 1.89	Investment holding
Lion Plantations Sdn Bhd	Malaysia	**30.00**	30.00	Investment holding
Lion Insurance Company Limited	Malaysia	**# 36.28**	# 36.28	Captive insurance business
Lion Asiapac Limited	Republic of Singapore	**# 29.98**	# 29.98	Investment holding

\#   Held by subsidiaries

The summarised financial information of the associates is as follows:

	2014 RM'000	2013 RM'000
Assets		
Current assets	**694,593**	582,811
Non-current assets	**156,398**	750,542
Total assets	**850,991**	1,333,353
Liabilities		
Current liabilities	**(1,487,221)**	(1,482,302)
Non-current liabilities	**(11,297)**	(86,710)
Total liabilities	**(1,498,518)**	(1,569,012)
Results		
Revenue	**213,435**	3,734,857
Loss for the year	**(470,075)**	(437,081)

The Group's share of losses of the associates has been recognised to the extent of the carrying amount of the investments. The cumulative unrecognised share of losses amounted to RM502.5 million (2013: RM275.3 million) and current year's unrecognised share of losses amounted to RM227.2 million (2013: RM217.6 million).

19. INVESTMENT SECURITIES

		Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
(a) Non-Current					
Available-for-sale Investments					
Quoted Shares in Malaysia					
- at fair value		**798**	1,189	**280**	399
Unquoted Shares					
- at cost		**393**	393	**–**	–
- accumulated impairment losses		**(305)**	(275)	**–**	–
		88	118	**–**	–
Held-to-maturity Investments					
- unquoted bonds	(c)	**–**	3,072	**–**	–
Total		**886**	4,379	**280**	399
Market value of quoted shares		**798**	1,189	**280**	399
(b) Current					
Held-to-maturity Investments					
- unquoted bonds	(c)	**23,199**	25,225	**–**	–

(c) Held-to-maturity Investments - Unquoted Bonds

	Group 2014 RM'000	Group 2013 RM'000
At 1 July	**28,297**	54,945
Exchange difference	**307**	(340)
Accreted interest	**967**	2,209
Redemption during the year	**(6,372)**	(4,359)
Impairment loss	**–**	(24,158)
At 30 June	**23,199**	28,297
Receivable within one year	**(23,199)**	(25,225)
	–	3,072

19. INVESTMENT SECURITIES (continued)

(c) Held-to-maturity Investments - Unquoted Bonds (continued)

The non-current portion is receivable over the following periods:

	Group	
	2014 RM'000	2013 RM'000
From 1 to 2 years	–	3,072

The held-to-maturity investments represent consolidated and rescheduled USD debts issued by Amsteel Harta (L) Limited ("ACB SPV") ("ACB SPV Debts") acquired by a subsidiary, from its holder in previous financial years. The ACB SPV Debts constitute direct, unsubordinated and secured obligations of the ACB SPV and was charged as security for the bonds and debts and RCSLS issued by the Company.

The terms of the ACB SPV Debts are as follows:

(i) There are two tranches of the ACB SPV Debts as follows:

Class	Nominal Value USD'000	Net Present Value USD'000	Maturity Date	Cash Yield-To-Maturity (per annum)
B	16,315	14,665	31.12.2014	3.25%
C	6,949	6,318	31.12.2014	4.00%
	23,264	20,983		

The ACB SPV Debts are receivable annually on 31 December of each calendar year and are subject to late payment charges of 1% per annum above the cash yield-to-maturity.

(ii) The ACB SPV Debts are secured by assets included in the proposed divestment programme for ACB Resources Berhad ("ACB") and its subsidiaries ("ACB Group"), certain assets and investments, and such other securities provided and as may be provided from time to time by the ACB Group to the Security Trustee for the benefit of, *inter alia*, the holders of the ACB SPV Debts.

20. DEFERRED TAXATION

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 July	**330,281**	297,645	**(1,963)**	(3,674)
Recognised in profit or loss (Note 12)	**38,228**	32,636	**1,127**	1,711
At 30 June	**368,509**	330,281	**(836)**	(1,963)

Presented after appropriate offsetting as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	**369,345**	332,244	**–**	–
Deferred tax liabilities	**(836)**	(1,963)	**(836)**	(1,963)
At 30 June	**368,509**	330,281	**(836)**	(1,963)

20. DEFERRED TAXATION (continued)

(a) Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 2012	266,277	35,042	301,319
Recognised in profit or loss	30,925	–	30,925
At 30 June 2013	**297,202**	**35,042**	**332,244**
Recognised in profit or loss	**48,805**	**(11,704)**	**37,101**
At 30 June 2014	**346,007**	**23,338**	**369,345**

(b) Deferred Tax Liabilities of the Group

	RCSLS RM'000
At 1 July 2012	(3,674)
Recognised in profit or loss	1,711
At 30 June 2013	**(1,963)**
Recognised in profit or loss	**1,127**
At 30 June 2014	**(836)**

(c) Deferred Tax Liabilities of the Company

	RCSLS RM'000
At 1 July 2012	(3,674)
Recognised in profit or loss	1,711
At 30 June 2013	**(1,963)**
Recognised in profit or loss	**1,127**
At 30 June 2014	**(836)**

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2014 RM'000	2013 RM'000
Unused tax losses	**689,346**	494,735
Unabsorbed capital allowances	**83,295**	59,188
Other deductible temporary differences	**3,131**	3,131
	775,772	557,054

The unused tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective subsidiaries.

21. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
At Cost:		
Properties held for sale	**9,507**	9,527
Raw materials	**200,334**	326,055
Work-in-progress	**1,357**	7,982
Finished goods	**9,273**	34,326
Spares, supplies and consumables	**113,438**	119,072
	333,909	496,962
At Net Realisable Value:		
Raw materials	**4,849**	5,313
Work-in-progress	**4,883**	3,305
Finished goods	**334,904**	336,049
Spares, supplies and consumables	**2,933**	560
	347,569	345,227
Total	**681,478**	842,189

The inventories in relation to the product financing liabilities as disclosed in Note 34, where titles are with other parties are as follows:

	Group 2014 RM'000	Group 2013 RM'000
Raw Materials:		
- with related parties	**60,278**	123,090
- with external parties	**47,843**	63,038
	108,121	186,128
Finished Goods:		
- with related parties	**134,366**	180,547
- with external parties	**121,034**	92,320
	255,400	272,867
Total	**363,521**	458,995

Included in raw materials under product financing facilities of the Group are amounts of RM55.1 million (2013: RM151.2 million) which relate to raw materials in transit.

The product financing facilities with related parties have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

Inventories of the Group amounting to RM210.1 million (2013: RM262.2 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 29.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Trade receivables	**134,176**	103,139	**–**	–
Impairment loss	**(12,711)**	(12,794)	**–**	–
	121,465	90,345	**–**	–
Other receivables	**20,247**	35,863	**982**	109
Impairment loss	**(3,956)**	(3,456)	**–**	–
	16,291	32,407	**982**	109
Prepayments and deposits	**21,534**	66,505	**1**	1
	159,290	189,257	**983**	110

Included in receivables of the Group and of the Company are related companies and related parties balances of which RM1.1 million (2013: RM1.7 million) and RM Nil (2013: RM Nil) respectively are in trade receivables and RM1.0 million (2013: RM11.6 million) and RM0.1 million (2013: RM0.1 million) respectively are in other receivables.

Included in deposits in 2013 was an Offtake Deposit of RM45 million which was pledged to the Syndicated Term Loans Lenders and to a lender of a related company for credit facilities granted to the related company. During the financial year, this deposit had been utilised by the lender of the related company to reduce the credit facilities granted to the related company.

The Group's normal trade credit terms range from 5 days to 60 days (2013: 5 days to 60 days). Interest on overdue trade balances are charged at a rate of 6% to 16% (2013: 6% to 16%) per annum. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case-by-case basis.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Neither past due nor impaired	**111,734**	74,154
1 to 30 days past due not impaired	**2,066**	12,052
31 to 60 days past due not impaired	**578**	135
61 to 90 days past due not impaired	**3,565**	91
91 to 180 days past due not impaired	**79**	493
More than 180 days past due not impaired	**2,853**	2,346
	9,141	15,117
Impaired	**13,301**	13,868
	134,176	103,139

22. TRADE AND OTHER RECEIVABLES (continued)

Movement of the impairment account is as follows:

	Group 2014 RM'000	Group 2013 RM'000
At 1 July	**12,794**	12,736
(Reversal)/Additions	**(3)**	58
Written off	**(80)**	–
At 30 June	**12,711**	12,794

Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM9.1 million (2013: RM15.1 million) that are past due at the reporting date but not impaired.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Receivables of the Group amounting to RM71.9 million (2013: RM110.8 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 29.

23. AMOUNT DUE FROM/TO SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Amount due from subsidiaries	**3,490,028**	3,399,780
Impairment loss	**(2,613,000)**	(2,060,000)
	877,028	1,339,780
Amount due to subsidiaries	**87,254**	31,310

The amount due from/to subsidiaries which arose mainly from inter-company advances and payments made on behalf are unsecured and repayable on demand. The amount due from subsidiaries bear a weighted average interest rate of 2% (2013: 3%) per annum and the amount due to subsidiaries are interest free (2013: interest free).

24. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and the Company carry a weighted average interest rate as at the reporting date of 2.8% (2013: 2.7%) and 2.9% (2013: 2.9%) per annum respectively and have varying periods of between 1 day and 350 days (2013: 1 day and 367 days).

Included in deposits of the Group is an amount of RM0.2 million (2013: RM0.2 million) which is pledged as a bank guarantee to certain subsidiaries.

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2014	**2013**
	RM'000	**RM'000**
At 1 July	**9,833**	–
Reclassified from property, plant and equipment (Note 14)	**–**	9,833
Addition	**267**	–
Depreciation	**(376)**	–
Disposal (Note 17)	**(9,724)**	–
At 30 June	**–**	9,833

26. SHARE CAPITAL

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Ordinary Shares of RM1.00 each		
Authorised:		
At 1 July/30 June	**3,000,000**	3,000,000
Issued and Fully Paid:		
At 1 July/30 June	**1,316,199**	1,316,199

27. RESERVES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-Distributable:				
Asset revaluation reserve	**264,859**	264,859	**–**	–
Capital reserve	**43,553**	44,910	**3,046**	3,046
Foreign currency translation reserve	**11,691**	4,970	**–**	–
Fair value adjustment reserve	**(113)**	278	**178**	297
Equity component of RCSLS	**8,990**	8,990	**8,990**	8,990
Warrant reserve	**3,673**	3,673	**3,673**	3,673
	332,653	327,680	**15,887**	16,006
Share premium	**97,685**	97,685	**97,685**	97,685
	430,338	425,365	**113,572**	113,691
Accumulated losses	**(2,032,603)**	(1,525,532)	**(1,694,967)**	(1,132,989)
	(1,602,265)	(1,100,167)	**(1,581,395)**	(1,019,298)

The nature and purpose of each category of reserves are as follows:

(a) Asset Revaluation Reserve

The asset revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Capital Reserve

Capital reserve comprises mainly share of post acquisition reserves of associates and profits recorded by a subsidiary of the Company which was incorporated to manage the Ringgit Malaysia debts.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(d) Fair Value Adjustment Reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(e) Equity Component of RCSLS

This reserve represents the fair value of the equity component of RCSLS, net of deferred tax liabilities, as determined on the date of issue.

27. RESERVES (continued)

(f) Warrant Reserve

Warrant reserve is pertaining to the issuance of 36,734,534 warrants as consideration for the conditional take-over offer of the remaining ordinary shares of RM1.00 each in ACB ("ACB Share") on the basis of one new warrant of the Company ("LCB Warrant") for every ten ACB Shares held.

The details of LCB Warrants are as follows:

(i) Each warrant entitles its registered holder to subscribe for one new LCB Share. In conjunction with the capital reconstruction undertaken by the Company in the previous financial year, the exercise price of the LCB Warrant has been adjusted from RM1.00 to RM5.00. The LCB Warrants may be exercised at any time commencing from 21 April 2009 but not later than 20 April 2019 (both dates inclusive).

(ii) The new LCB Shares to be issued pursuant to the exercise of the LCB Warrants will upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up LCB Shares, save that they will not be entitled to any dividend, right, allotment and/or other distribution, the entitlement date of which is on or before the new LCB Shares are credited into the securities account of the holder maintained with Bursa Malaysia Depository Sdn Bhd ("Bursa Depository").

(iii) No LCB Warrants were converted into new LCB Shares during the financial year. As of the reporting date, the total number of warrants which remained unexercised amounted to 36,734,534 warrants. Any warrant which has not been exercised at the date of maturity will lapse and cease to be valid for any purpose.

28. PREFERENCE SHARES

Megasteel Sdn Bhd ("Megasteel") issued Preference "D" Shares, Preference "E" Shares, Preference "F" Shares and Preference "G" Shares, of which Preference "D" Shares and Preference "F" Shares were issued to the immediate holding company, Limpahjaya Sdn Bhd. The Preference "E" Shares and Preference "G" Shares are held by LDHB.

	Group	
	2014	**2013**
	RM'000	**RM'000**
Authorised:		
At 1 July/30 June		
Preference "E" Shares of RM0.01 each	**110**	110
Preference "G" Shares of RM0.01 each	**1,000**	1,000
	1,110	1,110
Issued and paid-up:		
At 1 July/30 June		
Preference "E" Shares of RM0.01 each	**110**	110
Preference "G" Shares of RM0.01 each	**1,000**	1,000
	1,110	1,110
Share premium:		
At 1 July/30 June		
Preference "E" Shares of RM0.99 each	**10,890**	10,890
Preference "G" Shares of RM0.99 each	**99,000**	99,000
	109,890	109,890
Total	**111,000**	111,000

28. PREFERENCE SHARES (continued)

Terms of Preference “E” Shares

The Preference “E” Shares of RM0.01 each includes the following salient features:

(i) The Preference “E” Shares shall be issued at a par value of RM0.01 with a premium of RM0.99 per Preference “E” Share;

(ii) The Preference “E” Shares shall carry the right to preference dividend (cumulative) of RM0.05 per Preference “E” Share after the Preference “G” Shares but in priority to the Preference “D” Shares, the Preference “F” Shares and the ordinary shares in Megasteel;

(iii) The Preference “E” Shares shall rank both as regards dividend and return of capital after the Preference “G” Shares but in priority to the Preference “D” Shares, the Preference “F” Shares and the ordinary shares in Megasteel;

(iv) The Preference “E” Shares shall not be entitled to any right of voting at any general meeting of Megasteel nor receipt of any notices of meetings of Megasteel;

(v) The Preference “E” Shares shall be subordinated to (a) the Syndicated Term Loans of Megasteel; and (b) the full redemption of the Preference “G” Shares;

(vi) The Preference “E” Shares shall be redeemed at the par value of RM0.01 with a premium of RM0.99 per Preference “E” Share, at the option of Megasteel in priority to the Preference “D” Shares and the Preference “F” Shares subject to the full settlement of the Syndicated Term Loans of Megasteel and the full redemption of the Preference “G” Shares; and

(vii) The Preference “E” Shares shall be transferable but not convertible.

Terms of Preference “G” Shares

The Preference “G” Shares of RM0.01 each includes the following salient features:

(i) The Preference “G” Shares shall be issued at a par value of RM0.01 with a premium of RM0.99 per Preference “G” share;

(ii) The Preference “G” Shares shall carry the right to a fixed cumulative preference dividend of RM0.05 per share per annum, subject to the availability of profits;

(iii) The Preference “G” Shares shall rank in priority to the ordinary shares and the existing Preference “D”, “E” and “F” Shares of Megasteel in the event of liquidation, dissolution, winding-up or other repayment of capital of Megasteel and dividends declared (if any) provided that there shall be no further right to participate in the surplus assets or profits of Megasteel;

(iv) The Preference “G” Shares shall be subordinated to the existing Syndicated Term Loans of Megasteel and in the event of a refinancing of the existing Syndicated Term Loans, the Preference “G” Shares shall be subordinated up to the amount utilised to repay the existing Syndicated Term Loans from the proceeds of the refinancing (“Subordination”). The Preference “G” Shares shall rank *pari passu* with all other present and future indebtedness;

(v) The Preference “G” Shares shall be for an initial tenure of five years (“Initial Tenure”). On the fourth anniversary of the date of issue, Megasteel has the option to extend the tenure of the Preference “G” Shares for a further five years from the maturity date of the Initial Tenure (“Extended Tenure”).

During the Extended Tenure, the Preference “G” Shares shall bear a fixed cumulative preference dividend per preference share per annum calculated based on the issue price of RM1.00 multiplied by the base lending rate of Malayan Banking Berhad at the date of declaration of dividend plus 1.5% per annum subject to availability of profits;

28. PREFERENCE SHARES (continued)

Terms of Preference “G” Shares (continued)

(vi) The Preference “G” Shares may be converted into new ordinary shares of RM1.00 each in Megasteel at any time throughout their tenure on the basis of 1.50 Preference “G” Shares for every one ordinary share of RM1.00 each in Megasteel during the Initial Tenure by surrendering the relevant number of Preference “G” Shares.

The conversion ratio during the Extended Tenure shall be:

i) 1.50 Preference “G” Shares for every one ordinary share of RM1.00 each; or

ii) 25% discount based on the then latest audited net tangible assets of Megasteel;

whichever is lower, subject to a minimum of RM1.00 by surrendering the Preference “G” Shares of at least equivalent to the conversion ratio.

Fractional shares arising from the conversion will be rounded down to the nearest share.

The new ordinary shares of RM1.00 each in Megasteel to be issued pursuant to the conversion of the Preference “G” Shares shall rank *pari passu* in all respects with the then existing issued and paid-up shares of Megasteel, except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the issuance of the new shares;

(vii) The Preference “G” Shares shall be redeemed in the following manner where applicable:

(a) Redemption upon maturity subject to the Subordination provision;

(b) Mandatory Early Redemption

Within one year of the full settlement of the Syndicated Term Loans during the Extended Tenure of the Preference “G” Shares;

(c) Optional Redemption

Megasteel will have the option to redeem any of the Preference “G” Shares in whole, or in part in multiples of 1,000,000 Preference “G” Shares by giving a two weeks’ written notice (“Notice Period”) to the holders at any time, if Megasteel repays all the Syndicated Term Loans of Megasteel within the Initial Tenure of the Preference “G” Shares. The redemption shall take effect on the next business day after the expiry of the Notice Period (“Optional Redemption Date”). Notwithstanding the Notice Period, the holder is entitled to convert the Preference “G” Shares at any time before the Optional Redemption Date;

(d) Mandatory Redemption

In the case of the occurrence of a shareholders’ or creditors’ winding-up of Megasteel, mandatory redemption is required by Megasteel subject to Subordination provision;

(viii) The Preference “G” Shares carry no right to vote at general meetings nor receipt of any notices of meetings of Megasteel unless the general meeting is for any resolution (i) which varies or is deemed to vary the rights and privileges of the Preference “G” Shareholder; (ii) for a capital reduction; and (iii) for winding-up of Megasteel; and

(ix) The Preference “G” Shares shall not be transferable.

29. LOANS AND BORROWINGS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Short Term Borrowings				
Secured:				
RCSLS (Note 30)	**181,153**	82,176	**181,153**	82,176
Syndicated Term Loans	**625,603**	607,999	**–**	–
Other term loans	**21,295**	20,748	**–**	–
Bills payable	**70,890**	60,554	**–**	–
Revolving credits	**33,000**	33,000	**–**	–
Bank overdrafts	**9,941**	9,853	**–**	–
Finance lease liabilities (Note 31)	**47**	42	**–**	–
	941,929	814,372	**181,153**	82,176
Unsecured:				
Bills payable	**64,286**	53,129	**–**	–
Bank overdrafts	**5,405**	4,232	**–**	–
	69,691	57,361	**–**	–
	1,011,620	871,733	**181,153**	82,176
Long Term Borrowings				
Secured:				
RCSLS (Note 30)	**90,174**	176,060	**90,174**	176,060
Finance lease liabilities (Note 31)	**114**	109	**–**	–
	90,288	176,169	**90,174**	176,060
Total Borrowings				
RCSLS (Note 30)	**271,327**	258,236	**271,327**	258,236
Syndicated Term Loans (Note A)	**625,603**	607,999	**–**	–
Other term loans	**21,295**	20,748	**–**	–
Bills payable	**135,176**	113,683	**–**	–
Revolving credits	**33,000**	33,000	**–**	–
Bank overdrafts	**15,346**	14,085	**–**	–
Finance lease liabilities (Note 31)	**161**	151	**–**	–
	1,101,908	1,047,902	**271,327**	258,236

Other term loans, bills payable, revolving credits and bank overdrafts pertaining to certain subsidiaries are secured by charges on the property, plant and equipment (Note 14) and other assets of the subsidiaries.

29. LOANS AND BORROWINGS (continued)

The weighted average effective interest rates at the reporting date for the respective credit facilities are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	%	%	%	%
RCSLS	**5.8**	5.8	**5.8**	5.8
Term loans	**9.6**	8.6	**–**	–
Bills payable	**7.0**	6.6	**–**	–
Revolving credits	**9.6**	9.6	**–**	–
Bank overdrafts	**9.1**	9.1	**–**	–

(A) Syndicated Term Loans

A restructuring scheme in relation to the Syndicated Term Loans of Megasteel came into effect during the previous financial year ("Restructured Scheme"). The restructured amount of the Syndicated Term Loans which comprise an RM denominated Term Loan of RM598.54 million and USD denominated Term Loan of USD205.20 million are repayable over the following periods:

Repayment date		Principal Amount of Repayment RM Term Loan RM'Mil	Principal Amount of Repayment USD Term Loan USD'Mil
June 2007	*	47.88	16.42
December 2007	*	23.94	8.21
June 2008	*	23.94	8.21
December 2008	*	47.88	16.42
June 2009		–	–
December 2009		–	–
June 2010	*	47.88	16.42
December 2010	*	71.83	24.62
June 2011	**	71.83	24.62
December 2011	**	71.83	24.62
June 2012	**	71.83	24.62
December 2012	**	59.85	20.52
June 2013	**	59.85	20.52
		598.54	205.20

* These amounts have been repaid in full.

** In the previous financial years, Megasteel had repaid RM57.16 million and USD19.58 million of the RM denominated Term Loan and the USD denominated Term Loan respectively. No further repayment in the current financial year and the balance outstanding as at 30 June 2014 for RM denominated Term Loan is RM278.03 million and USD denominated Term Loan is USD95.32 million.

29. LOANS AND BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

Interest is charged at 2.5% above the respective Syndicated Term Loans Lenders' cost of funds/London Interbank Offer Rate ("COF/LIBOR") up to 30 June 2010 and at 5% above the respective Syndicated Term Loans Lenders' COF/LIBOR from 1 July 2010 onwards.

The Syndicated Term Loans facility is secured against:

(a) property, plant and equipment of Megasteel Group as disclosed in Note 14, including any future additions;

(b) floating assets of Megasteel Group; and

(c) charge over certain investment in subsidiaries.

The additional terms and conditions for the Restructured Scheme include the following:

(i) Sale of certain quoted investment in an associate ("Pledged Shares")

Pursuant to an agreement dated 30 September 2009, Tan Sri William H.J. Cheng ("TSWC") shall grant Megasteel an option to put to TSWC or its nominee(s), for TSWC to purchase the Pledged Shares. The disposal was completed in the financial year ended 2010.

(ii) Sale of certain property, plant and equipment of a subsidiary

Megasteel agrees to dispose of certain of its subsidiary's property, plant and equipment as follows:

(a) Megasteel shall enter into a sale and purchase agreement with a bona fide purchaser for the sale of certain of its property, plant and equipment no later than 30 June 2010 or such extended date as may be agreed by the Syndicated Term Loans Lenders whose loans represent more than 75% of the aggregate value of the RM Term Loans and USD Term Loans inclusive of principal, interests, commission, fees or expenses respectively as defined in the provisional Term Sheet;

(b) The sale of the property, plant and equipment shall be subjected to the approvals of shareholders of the Company and other requisite approvals from relevant authorities;

(c) Proceeds from the sale of the property, plant and equipment shall be received by 30 September 2010. In the event the sale cannot be completed by 30 September 2010, Megasteel shall have the option to extend the completion date for a further 3 months; and

(d) Proceeds (net of transaction costs) from the sale of the property, plant and equipment shall be utilised to prepay or repay the principal and/or interest due in chronological order of maturity.

Due to the weak market condition, the realisation of the planned disposal of the Group's assets required by the Restructured Scheme of the Syndicated Term Loans has been delayed. As at 30 June 2014, the Group has not entered into any sale and purchase agreement for the sale of the property, plant and equipment.

In the previous financial year, the Corporate Debt Restructuring Committee ("CDRC") (with the concurrence of the authority) was facilitating the restructuring of Megasteel's banking facilities. CDRC had issued a letter dated 20 December 2012 to all lenders of Megasteel ("Lenders") informing them that Megasteel's admission to CDRC has been approved and Lenders were required to observe an informal standstill pending completion of the Proposed Restructuring Scheme.

29. LOANS AND BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

On 28 March 2013, CDRC chaired a meeting during which Megasteel rolled-out a preliminary term sheet to the Lenders outlining the principal terms and conditions of the Proposed Restructuring Scheme.

Subsequently, on 14 July 2014, Megasteel has sent out term sheet to the Lenders outlining the principal terms and conditions of the Proposed Restructuring Scheme. Megasteel is now engaging both CDRC and the Lenders in further discussions and negotiations on the terms of the Proposed Restructuring Scheme. The Proposed Restructuring Scheme is expected to be completed by 31 December 2014.

The Proposed Restructuring Scheme involves the following:

- proposed repayment schedule to defer the repayment of the Syndicated Term Loans outstanding to September 2017;
- to seek the lenders' indulgence for the unpaid default interest of 2% to be payable only on defaulted principal amount and to be paid upon full repayment of principal amount;
- to revise the RM denominated Term Loan and USD denominated Term Loan interest rate with effect upon completion of the Proposed Restructuring Scheme; and
- to revise certain terms in the existing security arrangement for the Syndicated Term Loans.

30. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

Pursuant to the completion of the LCB Scheme for implementation on 27 February 2009, the Company had converted a portion of its LCB Class B Bonds and LCB Debts into LCB redeemable convertible secured loan stocks ("RCSLS") as follows:

(a) RM294,747,299 nominal value of LCB Class B(a) Bonds with present value of RM286,834,000 into RM286,834,000 nominal value of LCB Class B(a) RCSLS;

(b) RM200,000,000 nominal value of LCB Class B(b) Bonds with present value of RM178,769,000 into RM178,769,000 nominal value of LCB Class B(b) RCSLS; and

(c) RM5,252,701 nominal value of LCB Debts with present value of RM5,130,000 into RM5,130,000 nominal value of LCB Class B(c) RCSLS.

Salient terms of the RCSLS are as follows:

(i) The tranches of RCSLS are as follows:

	Class	Nominal Value RM'000	Maturity Date	Coupon Rate (per annum)
RCSLS	B(a)	286,834	31.12.2015	5.00%
RCSLS	B(b)	178,769	31.12.2015	7.00%
RCSLS	B(c)	5,130	31.12.2015	4.25%
		470,733		

The RCSLS are subject to late payment charge of 1% per annum above the coupon rate.

30. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

Salient terms of the RCSLS are as follows: (continued)

(ii) Conversion right and rate

The RCSLS were convertible into new LCB Shares during the conversion period at the conversion price of RM1.00 nominal amount of the RCSLS for every new LCB Share. In conjunction with the capital reconstruction undertaken by the Company in the previous financial year, the conversion price of the RCSLS has been adjusted from RM1.00 to RM5.00.

(iii) Conversion period

The RCSLS are convertible into new LCB Shares on or after the issue date (27 February 2009) of the RCSLS but ending on the maturity date (31 December 2015).

(iv) Redeemability

The redemption of the RCSLS at RM1.00 for every RM1.00 nominal value of RCSLS is as follows:

- Mandatory Early Redemption - to redeem in chronological order of the redemption date in the event the surplus in the Redemption Account is RM5,000,000 or more on a pro rata basis with the LCB Bonds, LCB Debts and RCSLS.

- Redemption Upon Maturity - all outstanding RCSLS and not converted on the expiry of the conversion period will be redeemed for cash at RM1.00 per RCSLS.

- Mandatory Redemption

  (a) the Company shall redeem 20% of the total RCSLS issued at every redemption date as follows:

    - 31 December 2011;
    - 31 December 2012;
    - 31 December 2013;
    - 31 December 2014; and
    - 31 December 2015

  (b) all outstanding RCSLS shall be redeemed upon the occurrence of a shareholders' or creditors' winding up of the Company or upon the declaration of the event of default.

(v) Security

The securities for the RCSLS shall be the same as the securities for the LCB Bonds and LCB Debts (Note 32).

(vi) Ranking of New Shares

The new LCB Shares to be issued pursuant to the conversion of the RCSLS shall rank *pari passu* in all respects with the then existing issued and paid-up shares of the Company, except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the crediting of the new shares into the securities account of the holder maintained with Bursa Depository.

30. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

As at 30 June 2014, RM230,806,000 (2013: RM230,806,000) nominal value of RCSLS remained outstanding.

The value of the RCSLS has been split into the liability component and the equity component, representing the fair value of the conversion option. The RCSLS are accounted for in the statements of financial position as follows:

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Liability component at 1 July	**258,236**	516,042
Interest expenses recognised during the year (Note 10)	**20,982**	33,374
Repayment during the year	**(7,891)**	(291,180)
Liability component at 30 June	**271,327**	258,236

The RCSLS are redeemable over the following periods:

	Group and Company	
	2014	**2013**
	RM'000	**RM'000**
Within 1 year	**181,153**	82,176
From 1 to 2 years	**90,174**	92,821
From 2 to 5 years	**–**	83,239
	271,327	258,236

31. FINANCE LEASE LIABILITIES

	Group	
	2014	**2013**
	RM'000	**RM'000**
Minimum lease payments:		
Not later than 1 year	**52**	48
Later than 1 year and not later than 2 years	**45**	43
Later than 2 years and not later than 5 years	**83**	76
	180	167
Future finance charges	**(19)**	(16)
	161	151
Present value of finance lease payments:		
Not later than 1 year	**47**	42
Later than 1 year and not later than 2 years	**39**	38
Later than 2 years and not later than 5 years	**75**	71
	161	151

31. FINANCE LEASE LIABILITIES (continued)

	Group 2014 RM'000	Group 2013 RM'000
Analysed as:		
Due within 12 months	**47**	42
Due after 12 months	**114**	109
	161	151

The finance lease liabilities carry interest rates at the reporting date at rates ranging from 2.3% to 2.9% (2013: 2.3% to 2.9%) per annum.

32. BONDS AND DEBTS

	Group and Company 2014 RM'000	Group and Company 2013 RM'000
Non-Current		
Secured:		
- LCB Bonds	**760,816**	740,419
- LCB Debts	**4,075**	3,966
Total	**764,891**	744,385

The bonds and debts are redeemable/repayable over the following periods:

	Group and Company 2014 RM'000	Group and Company 2013 RM'000
Within 1 year	**–**	–
From 1 to 2 years	**–**	–
From 2 to 5 years	**437,218**	259,751
After 5 years	**327,673**	484,634
	764,891	744,385

The Company had on 27 February 2009 implemented the LCB Scheme which is to address its debt obligation to redeem/repay the LCB Bonds and LCB Debts issued by the Company pursuant to the Group Wide Restructuring Scheme ("GWRS") implemented in 2003.

On 27 February 2009, the Company had:

(i) fully redeemed its LCB Class A Bonds amounting to RM35.9 million;

(ii) converted RM900,000,000 nominal value of LCB Class B(b) Bonds with a present value of RM804,460,000 into 804,460,000 new ordinary shares of RM1.00 each; and

(iii) converted a portion of its LCB Class B Bonds and LCB Debts into RCSLS (Note 30).

32. BONDS AND DEBTS (continued)

The principal terms and conditions of the LCB Bonds and LCB Debts are as follows:

(i) The tranches of LCB Bonds and LCB Debts are as follows:

	Class	Nominal Value RM'000	Net Present Value RM'000	Maturity Date	Cash Yield-to-Maturity (per annum)
LCB Bonds	B(a)	592,647	408,881	31.12.2019	5.00%
LCB Bonds	B(b)	1,347,652	809,717	31.12.2020	7.00%
LCB Debts	B	10,734	7,974	31.12.2019	4.25%
		1,951,033	1,226,572		

The LCB Bonds and LCB Debts are redeemable/repayable annually on 31 December of each calendar year and are subject to late payment charges of 1% per annum above the cash yield-to-maturity.

(ii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LCB Bonds and LCB Debts:

(a) The assets included in the Proposed Divestment Programme ("PDP") for the LCB Group. If there is an existing security on any such assets, the Security Trustee will take a lower priority security interest;

(b) The LDHB Inter-Co Repayment received by LCB;

(c) Entire/Partial investment in Lion Plate Mills Sdn Bhd, Bright Steel Sdn Bhd, Megasteel Sdn Bhd, LCB Harta (L) Limited and certain investment in associates;

(d) The Residual Assets, if any;

(e) Dividends upstreaming from Lion Plate Mills Sdn Bhd and Bright Steel Sdn Bhd;

(f) The excess, if any, of the ACB SPV Debts and proceeds of the Property Development Project known as Mahkota Cheras Project;

(g) All rights, title and interest of the Company and Limpahjaya under the Deed of Undertaking;

(h) Proceeds from the disposal of 66,666,667 ordinary shares of RM1.00 each in Megasteel;

(i) 33,333,333 ordinary shares of RM1.00 each in Megasteel;

(j) Shares and assets in Pancar Tulin Sdn Bhd (including the property development project);

(k) Shares in LCB Harta (L) Limited;

(l) Such other securities as may be provided from time to time to the Security Trustee for the benefit of the Bondholders, RCSLS Holders and the Lenders; and

32. BONDS AND DEBTS (continued)

The principal terms and conditions of the LCB Bonds and LCB Debts are as follows: (continued)

(ii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LCB Bonds and LCB Debts: (continued)

(m) The Redemption Account and the General Escrow Account held by the Company. The Redemption Account will capture the LCB Dedicated Cash Flows.

Dedicated Cash Flows means cash flow from the following sources:

- net surplus proceeds from the disposal of any assets in the PDP for the Group over which there is presently a security, if applicable;

- net proceeds from the disposal of any assets in the PDP for the Group over which there is presently no security;

- proceeds of the LDHB Inter-Co Repayment received by the Company (including any loyalty payment received following the full repayment of LDHB Inter-Co Repayment);

- dividends or cash flow from the Deed of Undertaking;

- subject to the proportions allocated pursuant to the Trust Deed, dividends and disposal proceeds from Bright Steel Sdn Bhd and Lion Plate Mills Sdn Bhd;

- repayment proceeds from the ACB SPV Debts and proceeds from the Property Development Project; and

- proceeds from the disposal of 11.1% of the issued and paid-up share capital of Megasteel.

Monies captured in the Redemption Account can only be used towards redemption/repayment of the LCB Bonds, LCB Debts and RCSLS and cannot be utilised for any other purposes.

The LCB Bonds, LCB Debts and RCSLS constitute direct, unsubordinated and secured obligations of the Company, being the issuer.

The LCB Bonds, LCB Debts and RCSLS ranked *pari passu* amongst each other over the Securities held by the Security Trustee under items (a) to (m) above.

33. DEFERRED LIABILITIES

	Group	
	2014	**2013**
	RM'000	**RM'000**
Unfunded defined benefit plan (a)	**2,878**	2,834
Deferred creditor (b)	**252,722**	–
	255,600	2,834

33. DEFERRED LIABILITIES (continued)

(a) Unfunded Defined Benefit Plan

A subsidiary of the Company operates an unfunded defined benefit plan for its eligible employees. The latest actuarial valuation of the plan was carried out on 11 April 2013 by an independent qualified actuary.

The movements during the financial year in the amounts recognised in the Group's statements of financial position are as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Non-Current		
At 1 July	**2,834**	2,587
Charged to profit or loss (Note 7)	**178**	274
Benefit paid	**(134)**	(27)
At 30 June	**2,878**	2,834
The amount recognised is analysed as follows:		
- Present value of unfunded defined benefit obligations	**2,878**	2,834
The expenses recognised in profit or loss are analysed as follows:		
- Current service cost	**153**	152
- Interest cost	**138**	122
- Past service cost	**(113)**	–
	178	274

The principal actuarial assumptions used are as follows:

	Group	
	2014	**2013**
	%	%
Discount rate	**5**	5
Expected rate of salary increase	**5**	5

(b) Deferred Creditor

In April 2014, Megasteel Sdn Bhd ("Megasteel") and Tenaga Nasional Berhad ("TNB") have mutually agreed to settle a RM305.63 million claim made by TNB for the supply of electricity. A consent judgment had been recorded at the High Court of Malaya, stating that Megasteel has been given a 12-month moratorium from 1 April 2014 to pay the amount and that it shall commence the scheduled payment of the amount by 24 monthly instalments from 1 April 2015. Additionally, the supply of electricity by TNB shall be on an advance payment basis effective 1 April 2014.

34. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Trade payables	**1,412,661**	1,476,963	**–**	–
Other payables	**152,798**	145,748	**16,034**	10,653
Security deposits received from customers	**19,550**	28,937	**–**	–
Product financing liabilities	**318,525**	463,693	**–**	–
Accruals	**113,808**	131,144	**16,321**	16,322
Project payables	**3,836**	4,669	**–**	–
	2,021,178	2,251,154	**32,355**	26,975

Included in payables of the Group and of the Company are related companies and related parties balances of which RM1,168.5 million (2013: RM926.4 million) and RM Nil (2013: RM Nil) respectively are in trade payables, RM50.0 million (2013: RM47.4 million) and RM16.0 million (2013: RM10.7 million) respectively are in other payables and RM165.2 million (2013: RM299.1 million) and RM Nil (2013: RM Nil) respectively are in product financing liabilities.

Certain of the related companies and related parties balances bear interest rates ranging from 7.6% to 9.0% (2013: 7.6% to 9.0%) per annum.

The entire security deposits received from customers bear interest rates ranging from 6.5% to 10% (2013: 6.5% to 10%) per annum.

Product financing liabilities are the liabilities arising from the trade financing arrangements with parties where titles to the inventories pertaining to these arrangements are legally with these parties and of which the Group has the obligation to purchase. The obligation to purchase ranges from 90 days to 120 days with interest rates ranging from 6% to 9% (2013: 6% to 9%) per annum. The inventories under such arrangements are disclosed in Note 21. All other normal credit terms granted to the Group in trade payables range from 30 days to 120 days.

Project payables represent construction costs for plant and machinery, and are unsecured and interest-free. The normal credit terms granted to the Group range from 30 days to 120 days. Other credit terms are assessed on a case-by-case basis.

During the previous financial year, a subsidiary of the Company has entered into a Settlement Scheme to settle the long outstanding amounts due to certain of its unsecured creditors accumulated until 30 April 2011, whereby RM748.8 million was settled via the issuance of 936,009,129 new ordinary shares of RM1.00 each in the Company. Included in the amounts settled under the Settlement Scheme were amounts due to related companies and related parties of RM577.8 million.

As at 30 June 2014, the Group has an amount outstanding of RM102.6 million (2013: RM107.8 million) under the Settlement Scheme which is due for payment and is non-interest bearing. Included in the Settlement Scheme are amounts due to related companies and related parties of RM74.2 million (2013: RM75.7 million).

Since the previous financial year, a subsidiary of the Company had exceeded certain credit terms of trade and other payables. The subsidiary has entered into deferral payment plans, formulating payment strategies and refinancing balances with a significant constitution of these creditors. The Directors are of the opinion that there is no material uncertainty that the subsidiary will have the continued support from these creditors.

35. COMMITMENTS

(a) Capital Commitments

As at end of the financial year, the Group has the following capital commitments:

	Group 2014 RM'000	Group 2013 RM'000
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**10,181**	6,952
- approved but not contracted for	**42,501**	47,926
	52,682	54,878

(b) Non-Cancellable Operating Lease Commitments

	Group 2014 RM'000	Group 2013 RM'000
As Lessee		
Future minimum rentals payable:		
Not later than one year	**29,502**	29,502
Later than one year and not later than five years	**59,004**	88,506
	88,506	118,008

The Group entered into an arrangement with a related company which constitutes an operating lease. The lease has a non-cancellable lease term of 10 years and there are no restrictions placed upon the Group by entering into this lease arrangement.

In addition to the above, the annual contingent lease payment amount is chargeable based on the purchase quantity multiplied by the excess above the related company's profit margin which takes into account its cost of investment and return on investment at the inception of the arrangement. The amount of operating lease expense is disclosed in Note 9.

	Group 2014 RM'000	Group 2013 RM'000
As Lessor		
Future minimum rentals receivable:		
Not later than one year	**1,142**	1,142
Later than one year and not later than five years	**4,568**	4,568
Later than five years	**21,600**	22,742
	27,310	28,452

The Group has entered into a non-cancellable operating lease agreement with a related company. This lease has remaining non-cancellable lease terms of approximately 24 years.

36. CONTINGENT LIABILITIES

	Company 2014 RM'000	Company 2013 RM'000
(a) Guarantees in respect of loans and facilities granted to subsidiaries - unsecured	**106,500**	75,705

(b) On 1 November 2013, the Malaysia Competition Commission ("MyCC") issued its Proposed Decision on Megasteel Sdn Bhd ("Megasteel"), a 79% owned subsidiary of the Company. In its Proposed Decision, MyCC is of the view that Megasteel had breached the provision of Section 10(1) of the Competition Act, 2010 in that it had abused its dominant position by charging or imposing a price for its hot rolled coil and cold rolled coil that amounts to a margin squeeze that produces anti-competitive effects in the cold rolled coil market. Based on the Proposed Decision, a financial penalty of RM4.5 million is imposed by the MyCC on Megasteel. Megasteel had on 12 December 2013 filed a written representation to MyCC and presented its oral representation on 21 July 2014. Megasteel is now awaiting the MyCC's final decision.

	Group 2014 RM'000	Group 2013 RM'000
(c) Offtake deposit pledge to banks for credit facilities granted to a related company (Note 22)	**–**	45,000

37. RELATED PARTY TRANSACTIONS

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

Significant transactions undertaken with related parties are as follows:

Name of Company	Type of Transactions	Group 2014 RM'000	Group 2013 RM'000
(i) With Lion Diversified Holdings Berhad Group			
Lion DRI Sdn Bhd	Trade sales	**35,847**	38,435
	Trade purchases (Note (v))	**891,411**	1,196,077
	Operating lease expense	**42,842**	45,293
	Rental income	**1,142**	1,142
Graimpi Sdn Bhd	Product financing facilities	**–**	7,710
	Interest expense on product financing	**2,699**	1,524
(ii) With ACB Resources Berhad ("ACB") Group			
Lion Tooling Sdn Bhd	Trade purchases	**3,461**	3,558

37. RELATED PARTY TRANSACTIONS (continued)

Significant transactions undertaken with related parties are as follows: (continued)

		Group	
Name of Company	**Type of Transactions**	**2014 RM'000**	**2013 RM'000**
(iii) With Lion Asiapac Limited ("LAP") Group			
Compact Energy Sdn Bhd	Trade purchases	**9,360**	13,452
	Rental income	**235**	227
(iv) With Other Related Parties			
Amsteel Mills Sdn Bhd	Trade sales	**546,048**	559,059
	Trade purchases	**692,136**	464,742
	Rental income	**1,196**	3,225
	Rental expenses	**464**	1,005
Antara Steel Mills Sdn Bhd	Trade sales	**13,889**	11,066
	Trade purchases	**30,605**	45,408
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**8,431**	10,157
	Rental expenses	**1,116**	1,057
Lion Waterway Logistics Sdn Bhd	Logistic services	**18,341**	19,912
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**3,018**	2,995
Posim Marketing Sdn Bhd	Trade sales	**4**	70,203
	Trade purchases	**–**	36,240
Singa Logistics Sdn Bhd	Logistic services	**17,886**	14,192
Mitsui & Co., Ltd	Trade purchases	**34,904**	32,330
Lion Holdings Pte Ltd	Product financing facilities	**245,852**	394,834
	Interest expense on product financing	**8,954**	10,991
Ributasi Holdings Sdn Bhd	Product financing facilities	**2,500**	18,455
	Interest expense on product financing	**594**	955

ACB and LAP are associates of the Company wherein certain Directors and all the substantial shareholders of the Company have interests.

Amsteel Mills Sdn Bhd, Antara Steel Mills Sdn Bhd, Amsteel Mills Marketing Sdn Bhd, Lion Waterway Logistics Sdn Bhd, Posim Petroleum Marketing Sdn Bhd, Posim Marketing Sdn Bhd and Singa Logistics Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a company in which certain Directors and substantial shareholders of the Company have interests.

Mitsui & Co., Ltd is a substantial shareholder of a subsidiary of the Company.

Lion Holdings Pte Ltd and Ributasi Holdings Sdn Bhd are companies in which certain Directors of the Company have interests.

37. RELATED PARTY TRANSACTIONS (continued)

(v) Offtake Agreement

On 16 July 2007, a subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel") entered into an Offtake Agreement with Lion DRI Sdn Bhd ("Lion DRI") for the supply of the entire production of the hot direct reduced iron and/or hot briquetted iron ("Steel Products") by Lion DRI to Megasteel, upon the terms and conditions of the Offtake Agreement as follows:

(a) the selling price of the Steel Products for the 10-year term shall be based on the formula of a cost plus certain margin ("Selling Price");

(b) in the event the average scrap price for 3 months' period is higher than the Selling Price, Lion DRI shall invoice Megasteel the Selling Price together with 50% of the price difference;

(c) Megasteel shall settle the invoice within 30 days of the invoice failing which, interest at the rate of 2.25% above Malayan Banking Berhad's ("Maybank") base lending rate per annum shall be payable on the outstanding sum from the due date to date of settlement; and

(d) Lion DRI shall be free to dispose of the Steel Products not taken up by Megasteel at the open market and if Lion DRI shall suffer a loss on such sale, Megasteel shall indemnify Lion DRI for such losses. In the event Lion DRI fails to deliver the Steel Products, Megasteel shall be at liberty to source for alternative equivalent and Lion DRI shall indemnify Megasteel for losses suffered.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no more favourable to the related parties than those arranged with independent third parties.

38. SEGMENTAL ANALYSIS

The Group is organised into four major business segments:

(i)	Steel	-	manufacturing of hot rolled coils, cold rolled coils, bands and sheets
(ii)	Property	-	property development
(iii)	Furniture	-	manufacture, distribution and trading of office equipment, security equipment and steel fabricated products
(iv)	Others	-	investment holding, share registration and secretarial services

No geographical segmental analysis is presented as the Group operates principally in Malaysia.

The Directors are of the opinion that all inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

38. SEGMENTAL ANALYSIS (continued)

Group 2014	Steel RM'000	Property RM'000	Furniture RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	2,350,040	102,259	29,480	175	–	2,481,954
Inter-segment	5,957	–	21	15	(5,993)	–
	2,355,997	102,259	29,501	190	(5,993)	2,481,954
Results						
Segment results	(258,047)	35,982	(1,522)	(1,178)	–	(224,765)
Interest income	1,898	1,414	109	2,010	–	5,431
Investment income	–	–	–	8	–	8
Loss from operations						(219,326)
Finance costs						(242,878)
Impairment losses on:						
- goodwill						(188,978)
- investments						(30)
Gain on disposal of a subsidiary						23,275
Share in results of associates						2,086
Loss before taxation						(625,851)
Taxation						27,017
Net loss for the financial year						(598,834)
Segment assets	3,177,719	163,604	25,774	49,466	–	3,416,563
Investment in associates						53,707
Unallocated corporate assets						369,838
Consolidated total assets						3,840,108
Segment liabilities	3,081,520	26,358	6,017	104,464	–	3,218,359
Unallocated corporate liabilities						1,040,230
Consolidated total liabilities						4,258,589
Other information						
Capital expenditure	2,593	72	254	–	–	2,919
Depreciation	143,501	10	295	1	–	143,807

38. SEGMENTAL ANALYSIS (continued)

Group 2013	Steel RM'000	Property RM'000	Furniture RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue						
External	2,519,007	44,973	27,664	189	–	2,591,833
Inter-segment	8,767	–	21	17	(8,805)	–
	2,527,774	44,973	27,685	206	(8,805)	2,591,833
Results						
Segment results	(204,420)	19,985	(3,070)	(1,733)	–	(189,238)
Interest income	2,306	1,115	104	3,044	–	6,569
Investment income	–	–	–	26	–	26
Loss from operations						(182,643)
Finance costs						(273,364)
Impairment losses on:						
- goodwill						(110,000)
- an associate						(39,843)
- investments						(24,158)
Gain on settlement, net of divestment loss						271,208
Share in results of associates						3,936
Loss before taxation						(354,864)
Taxation						28,208
Net loss for the financial year						(326,656)
Segment assets	3,749,231	121,915	26,677	47,252	–	3,945,075
Investment in associates						52,610
Unallocated corporate assets						337,037
Consolidated total assets						4,334,722
Segment liabilities	3,024,269	16,917	5,175	108,293	–	3,154,654
Unallocated corporate liabilities						1,004,688
Consolidated total liabilities						4,159,342
Other information						
Capital expenditure	17,249	–	245	–	–	17,494
Depreciation	142,167	5	284	1	–	142,457

39. STATEMENTS OF CASH FLOWS

(a) Adjustments for non-cash items, interests and dividends

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impairment loss on amount due from subsidiaries	**–**	–	**553,000**	1,345,000
Dividend income	**(8)**	(26)	**–**	(18)
Gain on disposal of a subsidiary	**(23,275)**	–	**–**	–
Gain on disposal of property, plant and equipment	**(17)**	(105)	**–**	–
Gain on settlement, net of divestment loss	**–**	(271,208)	**–**	(899,658)
Impairment losses on:				
- goodwill	**188,978**	110,000	**–**	–
- an associate	**–**	39,843	**–**	–
- investments	**30**	24,158	**–**	–
- a subsidiary	**–**	–	**3,400**	–
- receivables	**497**	58	**–**	–
- property, plant and equipment	**10,419**	–	**–**	–
- obsolete inventories	**–**	12	**–**	–
Interest expenses	**242,878**	273,364	**67,737**	116,275
Interest income	**(5,431)**	(6,569)	**(64,777)**	(85,732)
Inventories written down	**33,824**	26,022	**–**	–
Depreciation	**143,807**	142,457	**–**	–
Property, plant and equipment written off	**628**	7	**–**	–
Provision for defined benefit plan	**178**	274	**–**	–
Share in results of associates	**(2,086)**	(3,936)	**–**	–
Unrealised (gain)/loss on foreign exchange	**(7,425)**	(1,917)	**44**	106
	582,997	332,434	**559,404**	475,973

(b) Purchase of property, plant and equipment

	Group	
	2014	**2013**
	RM'000	**RM'000**
Aggregate cost of purchase (Notes 14 and 25)	**2,919**	17,494
Purchase by means of hire purchase	**(70)**	(146)
Purchase by cash	**2,849**	17,348

39. STATEMENTS OF CASH FLOWS (continued)

(c) Cash and cash equivalents at end of the financial year

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**119,085**	87,191	**1,064**	415
Deposits with financial institutions	**58,748**	64,344	**3,788**	5,084
Bank overdrafts (Note 29)	**(15,346)**	(14,085)	**–**	–
	162,487	137,450	**4,852**	5,499
Fixed deposits pledged to licensed banks	**(162)**	(170)	**–**	–
	162,325	137,280	**4,852**	5,499

Cash and bank balances and deposits with financial institutions of the Group amounting to RM11.8 million (2013: RM28.7 million) are secured by way of a floating charge for borrowings as disclosed in Note 29.

The titles of the following deposits and bank balances, which arose from a property development project, have not been transferred to the name of the subsidiary:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Bank balances	**103,703**	73,523
Deposits with financial institutions	**17,862**	15,899
	121,565	89,422

Included in bank balances of a subsidiary is an amount of RM103.3 million (2013: RM73.1 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use for other operations.

40. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines on financial risk management and it is not the Group's policy to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

Foreign Currency Risk

The Group is principally exposed to transactional currency risks through the purchase of materials and consumables, sales of finished goods, and in its financing activities that are denominated in a currency other than the functional currency. The currency giving rise to this risk is primarily the United States Dollar ("USD"). The Group monitors developments in Government policies and market conditions to take necessary actions should there be any indication of unfavourable foreign exchange movement.

40. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk (continued)

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The financial assets and liabilities of the Group that are not denominated in its functional currencies are as follows:

	USD RM'000	Euro RM'000	Others RM'000	Total RM'000
Group				
2014				
Trade and other receivables	**2,385**	**–**	**–**	**2,385**
Trade and other payables	**250,091**	**14,259**	**3,314**	**267,664**
Loans and borrowings	**324,226**	**–**	**–**	**324,226**
Bonds and debts	**4,075**	**–**	**–**	**4,075**
2013				
Trade and other receivables	1,427	–	355	1,782
Trade and other payables	400,123	12,789	6,448	419,360
Loans and borrowings	314,034	–	–	314,034
Bonds and debts	3,966	–	–	3,966

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's and the Company's profit net of tax to a reasonably possible change in the USD exchange rate against the functional currency of the Group and the Company, with all other variables held constant:

	Increase/(Decrease) Profit net of tax Group 2014 RM'000	Company 2014 RM'000
USD/RM - strengthened 3%	**(12,960)**	**(92)**
- weakened 3%	**12,960**	**92**

40. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits. Interest rates of the Group's borrowings are managed through fixed and floating rates. Investments in financial assets are short term in nature and are mostly placed as short term deposits with licensed financial institutions.

The information on maturity dates and effective interest rates of financial assets and liabilities is disclosed in their respective notes.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM1 million higher/lower, arising mainly as a result of lower/higher interest expense on floating rate of loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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's exposure to credit risk arises primarily from trade and other receivables and the Company's exposure to credit risk arises primarily from loans and advances to subsidiaries and financial guarantees given. For other financial assets (investment securities, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount. As at the end of the reporting date, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

The Company provides unsecured financial guarantees in respect of facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries. As at end of the reporting date, there was no indication that any subsidiary would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at the end of the reporting date, the maximum exposure to credit risk is represented by its carrying amounts in the statement of financial position.

Market Risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group's key business segment operates in a business environment where international finished goods prices generally move in tandem with key raw material prices, except when finished goods prices declined steeply due to unusual factors. The Group reduces its exposure to these fluctuations through close monitoring and maintaining the raw material inventory at appropriate levels, where possible.

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

40. FINANCIAL INSTRUMENTS (continued)

Liquidity and Cash Flow Risks

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by bank borrowings.

The Group manages its debt maturity profile, operating cash flow and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As mentioned in Note 2, as at 30 June 2014, the Group's current liabilities exceeded its current assets by RM1.99 billion.

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	On demand RM'000	Less than 12 months RM'000	1 to 5 years RM'000	After 5 years RM'000	Total RM'000
2014					
Group					
Trade and other payables	**–**	**2,021,178**	**269,524**	**–**	**2,290,702**
Loans and borrowings	**–**	**1,011,625**	**90,302**	**–**	**1,101,927**
Bonds and debts	**–**	**–**	**437,218**	**327,673**	**764,891**
	–	**3,032,803**	**797,044**	**327,673**	**4,157,520**
2014					
Company					
Trade and other payables	**–**	**32,355**	**–**	**–**	**32,355**
Amount due to subsidiaries	**87,254**	**–**	**–**	**–**	**87,254**
Loans and borrowings	**–**	**181,153**	**90,174**	**–**	**271,327**
Bonds and debts	**–**	**–**	**437,218**	**327,673**	**764,891**
	87,254	**213,508**	**527,392**	**327,673**	**1,155,827**
2013					
Group					
Trade and other payables	–	2,251,154	–	–	2,251,154
Loans and borrowings	–	871,739	176,179	–	1,047,918
Bonds and debts	–	–	259,751	484,634	744,385
	–	3,122,893	435,930	484,634	4,043,457
2013					
Company					
Trade and other payables	–	26,975	–	–	26,975
Amount due to subsidiaries	31,310	–	–	–	31,310
Loans and borrowings	–	82,176	176,060	–	258,236
Bonds and debts	–	–	259,751	484,634	744,385
	31,310	109,151	435,811	484,634	1,060,906

40. FINANCIAL INSTRUMENTS (continued)

Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company as at the reporting date approximated their fair values except as set out below:

	Group	
	Carrying amount RM'000	**Fair value RM'000**
2014		
Financial Liabilities		
Finance lease liabilities	**161**	**164**
2013		
Financial Liabilities		
Finance lease liabilities	151	159

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents and trade and other receivables/payables

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Quoted investments

The fair value of quoted shares is determined by reference to the stock exchange quoted market bid prices at the close of the business on the reporting date.

(iii) Unquoted investments

It is not practical to estimate the fair value of the Group's unquoted investments due to lack of market information and the inability to estimate fair value without incurring excessive costs. However, the Group does not expect the carrying amounts to be significantly different from recoverable amounts.

(iv) Loans and borrowings

The carrying amount of short term borrowings approximates fair value because of the short maturity period. The fair value of long term borrowings is estimated based on the current rates available for borrowings with the same maturity profile.

40. FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(iii) Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There have been no transfer between Levels 1, 2 and 3 during the financial year.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Group				
Financial Assets				
Available-for-sale investments	**798**	–	–	**798**
2014				
Company				
Financial Assets				
Available-for-sale investments	**280**	–	–	**280**

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R")
(ii) Other liabilities ("OL")

2014	Carrying Amount RM'000	L&R RM'000	OL RM'000
Group			
Financial Assets			
Trade and other receivables	**159,290**	**159,290**	–
Deposits with financial institutions	**58,748**	**58,748**	–
Cash and bank balances	**119,085**	**119,085**	–
	337,123	**337,123**	–
Financial Liabilities			
Trade and other payables	**2,273,900**	–	**2,273,900**
Loans and borrowings	**1,101,908**	–	**1,101,908**
Bonds and debts	**764,891**	–	**764,891**
	4,140,699	–	**4,140,699**

40. FINANCIAL INSTRUMENTS (continued)

Categories of Financial Instruments (continued)

2014	Carrying Amount RM'000	L&R RM'000	OL RM'000
Company			
Financial Assets			
Trade and other receivables	**983**	**983**	**–**
Amount due from subsidiaries	**877,028**	**877,028**	**–**
Deposits with financial institutions	**3,788**	**3,788**	**–**
Cash and bank balances	**1,064**	**1,064**	**–**
	882,863	**882,863**	**–**
Company			
Financial Liabilities			
Trade and other payables	**32,355**	**–**	**32,355**
Amount due to subsidiaries	**87,254**	**–**	**87,254**
Loans and borrowings	**271,327**	**–**	**271,327**
Bonds and debts	**764,891**	**–**	**764,891**
	1,155,827	**–**	**1,155,827**

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and growth in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. No changes were made in the objective, policies or processes during the financial years ended 30 June 2014 and 2013.

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loans and borrowings	**1,101,908**	1,047,902	**271,327**	258,236
Bonds and debts	**764,891**	744,385	**764,891**	744,385
Trade and other payables	**2,273,900**	2,251,154	**32,355**	26,975
Less: Deposits with financial institutions	**(58,748)**	(64,344)	**(3,788)**	(5,084)
Cash and bank balances	**(119,085)**	(87,191)	**(1,064)**	(415)
Net debt (A)	**3,962,866**	3,891,906	**1,063,721**	1,024,097
Equity attributable to owners of the Company	**(286,066)**	216,032	**(265,196)**	296,901
Capital and net debt (B)	**3,676,800**	4,107,938	**798,525**	1,320,998
Gearing ratio (A/B)	**108%**	95%	**133%**	78%

42. SIGNIFICANT EVENTS

(a) The Company had on 25 October 2013 announced that it is an affected listed issuer pursuant to the provisions of the Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). In accordance with the PN17, the Company is required to submit a regularisation plan within 12 months to the Securities Commission/Bursa Securities ("Regularisation Plan"). As the Company is still formulating the Regularisation Plan, the Company will submit an application to Bursa Securities for an extension of time for the Company to make the submission of the Regularisation Plan.

(b) The Company had on 31 December 2013 completed the disposal by Lion General Trading & Marketing (S) Pte Ltd, a wholly-owned subsidiary of the Company, of its entire 100% equity interest in Lion Plate Mills Sdn Bhd comprising 10,000 ordinary shares of RM1.00 each fully paid to Maximum Protection Services Sdn Bhd for a cash consideration of RM33 million.

43. SUPPLEMENTARY INFORMATION

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

	Group		**Company**	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
- Realised	**(864,755)**	(549,078)	**(1,695,716)**	(1,133,770)
- Unrealised	**355,152**	358,555	**749**	781
	(509,603)	(190,523)	**(1,694,967)**	(1,132,989)
Total share of retained profits/(accumulated losses) from associates:				
- Realised	**(411,264)**	(412,472)	**–**	–
- Unrealised	**2,432**	2,653	**–**	–
	(918,435)	(600,342)	**(1,694,967)**	(1,132,989)
Less: Consolidation adjustments	**(1,114,168)**	(925,190)	**–**	–
Total accumulated losses	**(2,032,603)**	(1,525,532)	**(1,694,967)**	(1,132,989)

STATEMENT BY DIRECTORS

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

We, **TAN SRI WILLIAM H.J. CHENG** and **TAN SRI CHENG YONG KIM**, being two of the Directors of **LION CORPORATION BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 42 to 123 are drawn up in accordance with Financial Reporting Standards in Malaysia and the requirements of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2014 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 43 to the financial statements on page 124 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 September 2014.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

TAN SRI CHENG YONG KIM
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

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

I, **TAN SRI WILLIAM H.J. CHENG**, being the Director primarily responsible for the financial management of **LION CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 42 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.

Subscribed and solemnly declared by the abovenamed **TAN SRI WILLIAM H.J. CHENG** at Kuala Lumpur in the Federal Territory on 25 September 2014.

TAN SRI WILLIAM H.J. CHENG

Before me

W 626
HAJJAH JAMILAH ISMAIL
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION CORPORATION BERHAD

Report on the Financial Statements

We have audited the financial statements of LION CORPORATION BERHAD, which comprise the statements of financial position as at 30 June 2014 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 42 to 123.

Directors' Responsibility for the Financial Statements

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

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

Basis for Qualified Opinion

i) As disclosed in Note 20 to the financial statements, the Group has recognised deferred tax assets of RM369 million as at the reporting date. We are unable to obtain sufficient and appropriate audit evidence in relation to the reasonableness of the assumptions used to assess the Group's future profitability in order to satisfy ourselves on the quantum and extent of future taxable profit that will be available against which the temporary differences, unused tax losses and unabsorbed capital allowances can be utilised.

ii) We are unable to obtain sufficient and appropriate audit evidence in relation to the reasonableness of the assumptions used to assess the Group's future profitability in order to satisfy ourselves on the quantum of the provision for onerous contract to be recognised in accordance with FRS 137 *Provisions, Contingent Liabilities and Contingent Assets* arising from Offtake Agreement with its related company, Lion DRI Sdn Bhd as disclosed in Note 37(v) to the financial statements.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for qualified opinion" paragraph, if any, the financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the Group incurred a net loss of RM507.1 million for the year ended 30 June 2014 and as of that date, the Group's current liabilities exceeded its current assets by RM1.99 billion. These conditions, along with other matters as set forth in Notes 29 and 34 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the financial statements and the independent auditors' reports of all the subsidiaries which we have not acted as auditors, which are indicated in Note 17 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations as required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act except for Megasteel Sdn Bhd which is qualified on the matters described in the "Basis for qualified opinion" paragraph above.

Other Matters

The supplementary information set out in Note 43 to the financial statements on page 124 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants (""MIA Guidance"") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

WONG SOO THIAM
1315/12/14(J)
Chartered Accountant

Kuala Lumpur
25 September 2014

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2014

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM'000)	Date of Acquisition/ Valuation
Lot 4, Solok Waja 3 Kawasan Perindustrian Bukit Raja, Klang Selangor	Leasehold 22.10.2088	24,281 sq metres	Industrial land and building	Factory, office & warehouse (31)	2,703	15.08.1983
H.S. (D) 13422 P.T. 17213 H.S. (D) 13423 P.T. 17214 H.S. (D) 13424 P.T. 17215 H.S. (D) 26819 P.T. 17217 & H.S. (D) 13426 P.T. 17218 Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1,921,742 sq metres	Industrial land and building	Factory & office (15)	632,443	18.10.1995
Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Leasehold 2112	2.51 acres	Industrial land	Road	999	01.03.2013
Lot 2823 & 2824 Sungai Tunas Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Freehold	1.6643 hectares	Industrial land and building	Factory, office & warehouse (7)	7,837	20.04.2005
Lot 177, Jalan Utas 15/7 Section 15 40000 Shah Alam Selangor	Leasehold 10.07.2074	42,131 sq metres	Land and building	Factory & office (22)	14,589	07.04.1995

ANALYSIS OF SHAREHOLDINGS AND CONVERTIBLE SECURITIES

Share Capital as at 30 September 2014

Authorised Capital	:	RM3,000,000,000
Issued and Paid-up Capital	:	RM1,316,198,949
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2014

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	639	7.30	17,845	0.00
100 to 1,000	3,195	36.51	1,576,788	0.12
1,001 to 10,000	3,428	39.17	14,053,467	1.07
10,001 to 100,000	1,177	13.45	41,290,418	3.14
100,001 to less than 5% of issued shares	309	3.53	425,965,505	32.36
5% and above of issued shares	4	0.04	833,294,926	63.31
	8,752	100.00	1,316,198,949	100.00

Substantial Shareholders as at 30 September 2014

	Direct Interest		Indirect Interest			
Substantial Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares	No. of Warrants [1]	RCSLS (RM) [2]
1. Tan Sri William H.J. Cheng	91,737	0.01	1,015,203,608	77.13	10,161,887	275,214,524
2. Tan Sri Cheng Yong Kim	541,903	0.04	921,561,152	70.02	10,170,607	89,312,560
3. Lion Industries Corporation Berhad	345,472	0.03	906,309,336	68.86	9,532,431	35,372,316
4. Lion Diversified Holdings Berhad	90,146,312	6.85	556,380,132	42.27	331,850	–
5. Amsteel Mills Sdn Bhd	190,422,923	14.47	69,359,129	5.27	5,322,453	21,884,800
6. LLB Steel Industries Sdn Bhd	–	–	259,782,052	19.74	5,322,453	21,884,800
7. Steelcorp Sdn Bhd	–	–	259,782,052	19.74	5,322,453	21,884,800
8. Dynamic Horizon Holdings Limited	–	–	919,518,784	69.86	9,532,431	89,312,560
9. Graimpi Sdn Bhd	325,733,851	24.75	–	–	–	–
10. Lion DRI Sdn Bhd	229,343,551	17.42	–	–	–	–

Notes:

(1) Warrants with a right to subscribe for one new LCB Share for every one warrant held at an exercise price of RM5.00 per new LCB Share ("Warrants").

(2) Redeemable convertible secured loan stocks of nominal value RM1.00 each convertible into new LCB Shares at a conversion price of RM5.00 for every one new LCB Share ("RCSLS").

Thirty Largest Registered Shareholders as at 30 September 2014

Registered Shareholders		No. of Shares	% of Shares
1.	Graimpi Sdn Bhd	325,733,851	24.75
2.	Lion DRI Sdn Bhd	229,343,551	17.42
3.	Amsteel Mills Sdn Bhd	190,226,381	14.46
4.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Diversified Holdings Berhad	87,951,143	6.68
5.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sims Holdings Sdn Bhd	44,147,746	3.35
6.	Yinson Corporation Sdn Bhd	33,327,050	2.53
7.	Antara Steel Mills Sdn Bhd	24,645,267	1.87
8.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad SMS Siemag Aktiengesellschaft for GFA (Malaysia) Sdn Bhd	20,871,601	1.59
9.	Horizon Towers Sdn Bhd	18,590,836	1.41
10.	Singa Logistics Sdn Bhd	17,678,976	1.34
11.	Lion Tooling Sdn Bhd	12,331,339	0.94
12.	Coke & Coal Products (M) Sdn Bhd	12,261,795	0.93
13.	Posim Petroleum Marketing Sdn Bhd	10,187,456	0.77
14.	Compact Energy Sdn Bhd	9,445,273	0.72
15.	Sims Holdings Sdn Bhd	7,694,656	0.58
16.	Posim Marketing Sdn Bhd	7,402,157	0.56
17.	Toh Ean Hai	7,214,700	0.55
18.	AMSEC Nominees (Asing) Sdn Bhd Exempt AN for AmTrustee Berhad (LCB)	7,197,361	0.55
19.	S. P. Techvance Corporation Sdn Bhd	6,739,939	0.51
20.	Tan Yu Wei	6,569,420	0.50
21.	Amanvest (M) Sdn Bhd	5,569,841	0.42
22.	Andalas Development Sdn Bhd	5,319,835	0.40
23.	Lee Kim Soon	4,437,200	0.34
24.	AMSEC Nominees (Asing) Sdn Bhd Pledged Securities Account for Jiangxi Metals and Minerals International Trade Co., Ltd	3,888,654	0.30
25.	Sanan Cmitic (M) Sdn Bhd	3,529,938	0.27
26.	Konsortium Logistik Berhad	3,471,952	0.26
27.	Lee Yu Yong @ Lee Yuen Ying	3,362,200	0.26
28.	Seng Siaw Wei	3,338,000	0.25
29.	Narajaya Sdn Bhd	3,311,969	0.25
30.	SLS Bearings (Malaysia) Sdn Bhd	3,079,841	0.23

Warrant as at 30 September 2014 ("Warrant")

No. of Warrant	:	36,734,534
Exercise Period	:	21 April 2009 – 20 April 2019
Exercise Price	:	RM5.00 per ordinary share of RM1.00 each
Exercise Right	:	Warrant holders will have the right to subscribe at the Exercise Price for new ordinary shares of RM1.00 each in the Company during the Exercise Period

Distribution of Warrant Holdings as at 30 September 2014

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	350	13.92	15,639	0.04
100 to 1,000	1,106	43.99	500,820	1.36
1,001 to 10,000	720	28.64	3,006,678	8.18
10,001 to 100,000	285	11.34	9,045,219	24.62
100,001 to less than 5% of warrants issued	50	1.99	14,965,597	40.74
5% and above of warrants issued	3	0.12	9,200,581	25.06
	2,514	**100.00**	**36,734,534**	**100.00**

Thirty Largest Registered Warrant Holders as at 30 September 2014

	Registered Warrant Holders	No. of Warrants	% of Warrants
1.	Lion Industries Corporation Berhad	3,878,128	10.56
2.	RHB Merchant Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Silverstone Corporation Berhad	3,401,260	9.26
3.	Amsteel Mills Sdn Bhd	1,921,193	5.23
4.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (BNP Labuan)	1,167,077	3.18
5.	Affin Hwang Nominees (Asing) Sdn Bhd Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	987,089	2.69
6.	Ng Ken Kuan	951,900	2.59
7.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chee Sing (M)	900,000	2.45
8.	Market Share Investments Limited	774,360	2.11
9.	Siow Chee Fei	751,300	2.05
10.	Haber Pte Ltd	629,436	1.71
11.	Chan Hung Mun	497,000	1.35
12.	Chin Ah Soon	482,900	1.31
13.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse Securities (Europe) Limited	464,616	1.26
14.	Sii Tai Kiong	403,100	1.10
15.	Chan Kwok Kee	400,000	1.09

Thirty Largest Registered Warrant Holders as at 30 September 2014 (continued)

Registered Warrant Holders		No. of Warrants	% of Warrants
16.	Lim Kong Sing	380,300	1.04
17.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Banc of America Securities Limited	344,826	0.94
18.	Lion Diversified Holdings Berhad	331,850	0.90
19.	Chin Chin Seong	300,000	0.82
20.	Loh Say Bee Sdn. Berhad	300,000	0.82
21.	Chai Yik Seng	281,200	0.77
22.	Cheok Wei Yin	228,300	0.62
23.	Kong Choon Hock	224,900	0.61
24.	Lim Poh Chuan	200,000	0.54
25.	RHB Nominees (Tempatan) Sdn Bhd DMG & Partners Securities Pte Ltd for Wong Kim Choong (J2/511021)	200,000	0.54
26.	Sin Swee Choi	200,000	0.54
27.	Affin Hwang Nominees (Asing) Sdn Bhd Phillip Securities Pte Ltd for Goh Tjun Huat	178,800	0.49
28.	Ng Moi Ling	170,000	0.46
29.	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Tee Tian Hock	165,200	0.45
30.	Shum Kwai Fun	156,000	0.42

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2014

The Directors' interests in shares in the Company and its related corporations as at 30 September 2014 are as follows:

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	RM1.00				
Tan Sri William H.J. Cheng		91,737	0.01	1,015,210,671 (1)	77.13
Tan Sri Cheng Yong Kim		541,903	0.04	921,561,152 (2)	70.02
M. Chareon Sae Tang @ Tan Whye Aun		–	–	98,180	0.01
Dr Folk Jee Yoong		–	–	– (3)	–

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2014 (continued)

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Related Corporations					
Tan Sri William H.J. Cheng					
Tan Sri Cheng Yong Kim					
Bersatu Investments Company Limited	HK$10.00	–	–	42,644	71.07
Bright Steel Service Centre Sdn Bhd	RM1.00	–	–	11,420,000	57.10
Lyn (Pte) Ltd	*	–	–	1,225,555	78.79
Megasteel Sdn Bhd	RM1.00	–	–	600,000,001	100.00

	Nominal Value per Preference Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Megasteel Sdn Bhd					
- "D" Shares	RM0.01	–	–	49,000,000	100.00
- "E" Shares	RM0.01	–	–	11,000,000	100.00
- "F" Shares	RM0.01	–	–	26,670,000	100.00
- "G" Shares	RM0.01	–	–	100,000,000	100.00

Notes:

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

(1) Also deem interested in 10,169,407 Warrants and RM275,214,524 RCSLS.

(2) Also deem interested in 10,170,631 Warrants and RM89,312,560 RCSLS.

(3) Interested in 1,560 Warrants.

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2014.

OTHER INFORMATION

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

Corporate Guarantee dated 1 July 2014 issued by the Company for the sum of RM30 million in favour of Tenaga Nasional Berhad to secure the supply of electricity to Megasteel Sdn Bhd, a 78.89%-owned subsidiary of the Company wherein certain Directors and major shareholders of the Company have interests other than through the Company.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM20,000 (2013 : RM50,000).

(III) RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related		
(i) Sale of hot rolled coils, steel plates, scrap iron, gases and other related products and services	Lion Asiapac Limited Group ("LAP Group") [1]	3,142
	Lion Diversified Holdings Berhad Group ("LDHB Group") [1]	35,874
	Lion Industries Corporation Berhad Group ("LICB Group") [1]	561,752
	Megasteel Sdn Bhd Group ("Megasteel Group") [3]	1,223
	Parkson Holdings Berhad Group [1]	460
		602,451
(ii) Purchase of direct reduced iron, hot briquetted iron, scrap iron and other related products and services	LAP Group [1]	9,360
	LDHB Group [1]	934,276
	Lion Holdings Pte Ltd Group [2]	245,852
	LICB Group [1]	735,272
	Megasteel Group [3]	211,304
	Mitsui & Co., Ltd [4]	34,904
	Ributasi Holdings Sdn Bhd Group [2]	2,500
		2,173,468

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

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

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related (continued)		
(iii) Purchase of machinery, spare parts, lubricants, security equipment, tools and dies and other related products and services	LFIB Group [(1)]	3,165
	Secom (M) Sdn Bhd [(1)]	411
		3,576
(iv) Obtaining of marketing, distribution and transportation services	LFIB Group [(1)]	17,886
	LICB Group [(1)]	18,341
		36,227
(v) Provision of storage, leasing and rental of properties, management and support and other related services	LDHB Group [(1)]	1,142
(vi) Obtaining of storage, leasing and rental of properties, management and support and other related services	LICB Group [(1)]	1,049

Notes:

"Group" includes subsidiaries and associates

(1) Companies in which certain Directors and major shareholders of the Company have substantial interests.
(2) Companies in which a Director of the Company has substantial interests.
(3) A subsidiary in which certain Directors and major shareholders of the Company have substantial interests other than through the Company.
(4) A major shareholder of a subsidiary of the Company.

(IV) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC")

The status of the various conditions imposed by the SC in its approval of the Group Wide Restructuring Scheme ("GWRS") are as follows:

(a) Status of Compliance on Restructuring of Organisational and Financial Management System

As mentioned in the previous years' Annual Report, the Group had strengthened its Organisational and Financial Management System through the recruitment of experienced and capable personnel to head the Group's operation and the streamlining of the management reporting system. Whilst the identification and recruitment of further specialised and skilled human resources is an ongoing process, the Group, as reported previously, had complied with all material recommendations by PricewaterhouseCoopers Consulting Sdn Bhd ("PwC") as set out in the Circular to Shareholders dated 9 January 2003. Summarised below are the current organisational and financial management structure.

1. Organisation Structure

As proposed by PwC, the Lion Group organisation structure is currently segregated into three (3) distinct levels covering the structure at the overall Group Management level, Public Companies both listed and unlisted ("PLC") Management level and also the structure at the various Key Operating Companies ("KOCs") level.

1.1 Group Management Structure

The Group Executive Chairman heads and oversees the Group's functions and his primary duties include, amongst others, the setting of overall strategic and business directions for the Lion Group to ensure shareholders' values are achieved and also to ensure that the objectives of the GWRS are met. In the discharge of his duties, he is supported by the various high level committees including the Group Investment Committee and the Group Management Committee. Members of these committees comprise Group Directors, Group Executive Directors and the Managing Directors of the PLCs. The post of Group Finance Director is currently overseen by the Group Executive Director.

1.2 Lion Corporation Berhad ("LCB") Management Structure

The LCB management structure is headed by a well-balanced and experienced Board of Directors. Reporting directly to the Board is the Managing Director ("MD") who is accountable for the financial performance and profitability of LCB as well as the implementation of various strategic business plans and objectives of the LCB Group. Together with the Financial Controller, they are responsible for overseeing the divestment plans of the LCB Group. The Chief Executive Officer ("CEO") and General Managers of the various KOCs also report directly to the MD. The Board is also supported by the Audit and Risk Management Committee which comprises a majority of independent Directors. The Audit and Risk Management Committee is assisted by the internal audit function.

1.3 KOC Organisation Structure

Each KOC is headed by a CEO who is responsible for the operational and financial performance and profitability of the KOC. His team includes the Financial Controller and the heads of department of manufacturing, sales and marketing, management information system and human resource.

2. Financial Management

The recommendations from PwC to streamline the reporting processes for our China operations as well as to meet the stringent reporting requirements of the GWRS have largely been put in place via the enhancement in the reporting packages in terms of consistency and completeness. The management is also working closely with the Monitoring Accountants to ensure that LCB's financial performance is reported to its lenders in a timely and comprehensive manner.

The LCB Group's financial management system has been further strengthened following the establishment of the Corporate Risk Management framework which seeks to identify, evaluate, control and monitor various risk profiles faced by the Group.

(IV) STATUS OF CONDITIONS IMPOSED BY THE SECURITIES COMMISSION ("SC") (continued)

(b) Status of the Proposed Divestment Programme ("PDP")

(i) Status of assets to be divested

			(a)	(b)	(a) + (b)
			Proceeds received/to be received (Jan - Dec 2014)		
Stages of the assets to be divested	PDP (Per GWRS)	Divestment concluded Total	Jan - June 2014	Projected for July - Dec 2014	Projected Jan - Dec 2014
	RM'million	RM'million	RM'million	RM'million	RM'million
By December 2003					
Shares in listed and unlisted companies	33.3	2.7	–	–	–
By December 2004					
Shares in unlisted company	38.6	13.0	–	–	–
	71.9	15.7	–	–	–

(ii) Transaction completed during the financial year

There were no transactions completed during the financial year.

(iii) Plans to overcome any projected shortfall

The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the LCB Bonds/LCB Debts/RCSLS as scheduled. However, in the event that the Group is unable to effect the divestment on time, lenders' consent will be sought to reschedule the redemption/repayment date of its LCB Bonds/LCB Debts/RCSLS.

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LION CORPORATION BERHAD
(12890-A)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Forty-First Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 18 November 2014 at 10.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To re-elect as Director, Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman		
3. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng		
4. To re-appoint as an independent non-executive Director, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain		
5. To re-appoint as Director, Mr M. Chareon Sae Tang @ Tan Whye Aun		
6. To re-appoint Auditors		
7. Authority to Directors to issue shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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

As witness my/our hand this .... day of 2014

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

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 11 November 2014 shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.

  Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument of proxy shall be deposited at the Office of the Registrar of the Company, Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.