LION CORPORATION

LION CORPORATION BERHAD

(12890-A)

Laporan Tahunan

2015

Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Second 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 23 November 2015 at 10.15 am for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2015. **Note 3**

2. To approve the payment of Directors' fees amounting to RM237,000 (2014: RM234,000). **Resolution 1**

3. To re-elect Dr Folk Jee Yoong who retires by rotation in accordance with Article 98 of the Company's Articles of Association. **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, 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 4**

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 5**

6. Special Business

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

6.1 Re-appointment and Retention of Independent Non-Executive Director

"THAT pursuant to Section 129(6) of the Companies Act, 1965 and the recommendation of the Malaysian Code on Corporate Governance 2012, Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain who has served as an independent non-executive Director of the Company for more than nine (9) years, be and is hereby re-appointed and retained as an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 6**

6.2 Retention of Independent Non-Executive Director

"THAT pursuant to the recommendation of the Malaysian Code on Corporate Governance 2012, Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman who would have served as an independent non-executive Director of the Company for nine (9) years by 1 August 2016, be and is hereby retained as an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 7**

6.3 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 8**

6.4 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 30 October 2015 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 9**

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

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

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

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

whichever is the earlier; and

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

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
30 October 2015

Notes:

1. Proxy

- *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 16 November 2015 shall be eligible to attend the Meeting.*

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

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

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

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

2. *Circular to Shareholders dated 30 October 2015 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2015 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. *Resolutions 6 and 7*

   The Board assisted by 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 more than nine (9) years and Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman who would have served on the Board as an independent non-executive Director of the Company for nine (9) years by 1 August 2016 and the Board has recommended that the approval of the shareholders be sought to re-appoint and retain Datuk Emam and to retain Datuk Mohd Yusof as independent non-executive Directors as they possess the following attributes necessary in discharging their roles and functions as independent non-executive Directors of the Company:

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

   (ii) Challenge Management in an effective and constructive manner, providing a check and balance, and bringing an element of objectivity to the Board.

   (iii) Perform their duties as Directors without being subject to influence of Management.

   (iv) Participate in Board and Board committees deliberations and provide an independent voice to the Board.

   (v) Exercise due care in all undertakings of the Group and carry out their professional duties in the interest of the Company and minority shareholders.

5. *Resolution 8*

   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 November 2014 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 9*

   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-Second Annual General Meeting of the Company are set out in the Directors' Profile on pages 5 to 8 of the 2015 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 Website : 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 72, 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, branding, credit financing, property development, mining, steel, tyre, motor, agriculture and computer.

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

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

- Chairman of Lion 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 52,175,536 ordinary shares of RM1.00 each in the Company ("LCB Share") and an indirect interest in 861,865,432 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of (i) RM316,075,950 nominal value of redeemable convertible secured loan stocks with a right to convert into 63,215,190 new LCB Shares at a conversion price of RM5.00 for every one new LCB Share; and (ii) 10,169,387 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 137 and 138 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2015.

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

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 65, 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 and in 2013, he was appointed the First Director of Malaysia Steel Institute. In 2014, Tan Sri Cheng was appointed the Chairman of the International Chamber of Commerce Malaysia, and a permanent member of the Steering Committee of the Construction Products of Construction Industry Development Board Malaysia.

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

- Managing Director of Lion Industries Corporation Berhad 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 1,947,808 LCB Shares and an indirect interest in 806,891,226 LCB Shares. In addition, he also has an indirect interest in LCB Shares by virtue of 9,541,175 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 137 and 138 of this Annual Report. He also has interests 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2015.

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 73, 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) degree 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, a public listed company.

Datuk Emam Mohd Haniff attended all five (5) Board Meetings of the Company held during the financial year ended 30 June 2015.

Datuk Mohd Yusof bin Abd Rahaman
Independent Non-Executive Director

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman, a Malaysian, aged 68, 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2015.

Dato' Afifuddin bin Abdul Kadir
Independent Non-Executive Director

Y. Bhg. Dato' Afifuddin bin Abdul Kadir, a Malaysian, aged 62, 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 all five (5) Board Meetings of the Company held during the financial year ended 30 June 2015.

Dr Folk Jee Yoong
Independent Non-Executive Director

Dr Folk Jee Yoong, a Malaysian, aged 54, 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2015.

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

Mr M. Chareon Sae Tang @ Tan Whye Aun, a Malaysian, aged 76, 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 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 five (5) Board Meetings of the Company held during the financial year ended 30 June 2015.

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

CORPORATE GOVERNANCE STATEMENT

Introduction

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

The Board is pleased to present below the Governance Framework and how the Group has applied the guiding principles of good governance and the extent to which it has complied with the Principles and Recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG"). The principles and recommended best practices have been applied consistently throughout the financial year ended 30 June 2015 except where otherwise rationalised herein. The Board has also taken into account the requirements issued by the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and under the various Guides.

Corporate Governance Framework

Board Charter

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

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Roles and Responsibilities of the Board

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

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2015, five (5) Board Meetings were held and each Director attended all the Board Meetings held during the financial year. A brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Delegation by the Board

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

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

Board Composition, Independence and Diversity Balance

The Board comprises seven (7) Directors, six (6) of whom are non-executive. The current Board composition complies with the Listing Requirements. The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

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

Represented on the Board are 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.

Directors' Code of Ethics

The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("CCM") which can be viewed from the CCM's website at www.ssm.com.my, the provisions of the Companies Act, 1965, and the principles of the MCCG.

The Group has put in place a Code of Ethics covering Code of Business Practice for all Directors and employees of the Group, including the Whistleblower Policy, Competition Policy, Sexual Harassment Policy and Sustainability Policy & Framework of the Group and such codes, policies and ethics are made aware to all Directors and employees and accessible for reference within the Group. Key policies including the Code of Business Practice and the Whistleblower Policy are available on the Company's website at www.lion.com.my/lioncor.

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

Sustainability

The Board in discharging its governance role is guided by the Group's Sustainability Plans/Framework to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities carried out by the Group are set out in the Sustainability section of the Chairman's Statement on pages 34 to 37 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control on pages 19 to 21 of this Annual Report.

Supply of Information

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

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

Company Secretaries

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

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

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

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

STRENGTHEN COMPOSITION

Nomination Committee

The Nomination Committee comprises three (3) members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by 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 27 of this Annual Report.

Appointment to the Board and the Effectiveness of the Board

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

The assessment criteria of the Board's evaluation/performance review process as well as the process and criteria to identify candidates for appointment as directors, and directors for re-election and re-appointment are set out in the Board Charter.

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

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

Activities of the Nomination Committee for the Financial Year

The Nomination Committee met once since the date of the last Annual Report and had carried out the following duties in accordance with the terms of reference whereat all the members attended:

(i) Reviewed and assessed the effectiveness of the Board and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms approved by the Board, and made the approriate recommendation to the Board.

(ii) Reviewed the retirement and re-election, and re-appointment of Directors for Board's consideration.

(iii) Reviewed the re-appointment and retention of independent Directors whose tenure of service will exceed or has exceeded nine (9) years for recommendation to shareholders for their approval based on their attributes necessary in discharging their roles and functions as independent Directors.

(iv) Reviewed the training needs of the Directors.

(v) Approved and recommended for Board's consideration the Nomination Committee Report for inclusion in the Annual Report.

Re-election, Re-appointment and Retention of Directors

In accordance with the Articles of Association of the Company, one-third (1/3) of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointment. The Nomination Committee is responsible for recommending to the Board for re-appointment of those Directors who are over 70 years of age and the retention of the independent Directors whose tenure of service will exceed nine (9) years or has exceeded nine (9) years, for shareholders' approval at the next annual general meeting.

Directors' Remuneration

The Company has adopted the objective as recommended by the MCCG in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing a formal remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 27 of this Annual Report.

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

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

The aggregate remuneration of Directors who served during the financial year ended 30 June 2015 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	24	656	680
Non-executive Directors	213	–	213
	237	656	893

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	–	1
25,001 – 50,000	–	5
650,001 – 700,000	1	–

REINFORCE INDEPENDENCE

Assessment of Independent Directors and Board Performance Evaluation

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

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

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

The Role and Functions of Chairman and MD

The Group Chairman also assumes the position of the Group's MD. 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/MD, the Group stands to benefit directly from the extensive knowledge and involvement of the Chairman in the business deriving from his years of experience and industry goodwill. The Board considers the departure from the recommended practice of separating the functions as appropriate under the present circumstances.

FOSTER COMMITMENT

Time Commitment

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

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

Directors' Training

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

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

During the financial year, the Directors had attended the following seminars, breakfast series, workshops and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities and prospects in various industries and countries, risk management and internal controls, economic and regional issues, management and entrepreneurship, regulatory updates and requirements, finance, and sustainability covering community, environment, marketplace and workplace:

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• Lion Group In-house Directors' Training on: 1. General pillars of ASEAN Economic Community ("AEC") 2. Protection of intellectual property in view of the AEC single market • Seminar on Hong Kong Regulatory Requirement on Directors – Disclosure of Inside Information
Tan Sri Cheng Yong Kim	• Bursa Malaysia in collaboration with FTSE – Education Seminar: Overview of Environmental, Social and Governance Index and Industry Classification Benchmark • Khazanah Megatrends Forum 2014 – Scaling the Efficiency Frontier: Institutions, Innovation, Inclusion • The Boston Consulting Group Leaders' Forum 2014: Winning in ASEAN • Khazanah Global Lectures 2014 • Lion Group In-house Directors' Training on: 1. The Key Factors of Goods and Services Tax and its Implementation 2. Transfer Pricing • Invest Malaysia 2015 – ASEAN's Multinational Marketplace • Lion Group In-house Directors' Training on: 1. General pillars of ASEAN Economic Community ("AEC") 2. Protection of intellectual property in view of the AEC single market
Datuk Emam Mohd Haniff bin Emam Mohd Hussain	• Permodalan Nasional Berhad – Investment Series on "Great companies deserve great boards and great boards leading the way for highly innovative companies" • Bursa Malaysia & Iclif – Nominating Committee Programme Part 2: Effective Board Evaluations • Lion Group In-house Directors' Training on: 1. The Key Factors of Goods and Services Tax and its Implementation 2. Transfer Pricing • Seminar on Current Trends in Shareholders' Activism & Predicting Financial Crime – Detection, Prevention & Remediation. • "Light and Shadow in the Boardroom: Reflections on Board Evaluation and Development" organised by Yayasan Tun Ismail Mohamed Ali Berdaftar • Bursa Malaysia – Risk Management & Internal Control Workshop for Audit Committee Members: Is Our Line of Defence Adequate and Effective? • Lion Group In-house Directors' Training on: 1. General pillars of ASEAN Economic Community ("AEC") 2. Protection of intellectual property in view of the AEC single market

Name of Directors	**Programmes**
M. Chareon Sae Tang @ Tan Whye Aun	• Lion Group In-house Directors' Training on: 1. The Key Factors of Goods and Services Tax and its Implementation 2. Transfer Pricing • Lion Group In-house Directors' Training on: 1. General pillars of ASEAN Economic Community ("AEC") 2. Protection of intellectual property in view of the AEC single market
Datuk Mohd Yusof bin Abd Rahaman	• Lion Group In-house Directors' Training on: 1. The Key Factors of Goods and Services Tax and its Implementation 2. Transfer Pricing • Lion Group In-house Directors' Training on: 1. General pillars of ASEAN Economic Community ("AEC") 2. Protection of intellectual property in view of the AEC single market
Dr Folk Jee Yoong	• Bursa Malaysia in collaboration with The Institute of Internal Auditors Malaysia – Audit Committee Breakfast Series: "Enhancing Internal Audit Practice" • Bank Negara Malaysia – Anti-Money Laundering and Counter Financing of Terrorism • Presented by Paul Drum – Impact of Goods and Services Tax on Businesses • Bursa Malaysia & Iclif – Nominating Committee Programme Part 2: Effective Board Evaluations • Bursa Malaysia in collaboration with FTSE – Education Seminar: Overview of Environmental, Social and Governance Index and Industry Classification Benchmark • Bursa Malaysia in collaboration with MSWG – Workshop on Appreciation & Application of ASEAN Corporate Governance Scorecard • Malaysian Institute of Accountants ("MIA") – How to Achieve Business Goals Faster • Monash University Malaysia - Conference on Sustainable Development • Certified Practising Accountants Australia – Guides for Malaysian Listed Companies • MIA - Labuan International Business and Financial Centre's Foundation Structures for Business Succession Planning • Bursa Malaysia – Great Companies Deserve Great Board • Monash University Malaysia - 2015 Management Budget Seminar • MIA in collaboration with Malaysian Anti-Corruption Commission – Integrity in Business Practice • Malaysia External Trade Development Corporation – National Seminar and Workshop on Trade In Services • The Institute of Chartered Accountants of England and Wales - Economic Insight Q4 • RHB Research – 2015 Market Outlook • Lion Group In-house Directors' Training on: 1. The Key Factors of GST and its Implementation 2. Transfer Pricing • University of Tuanku Abdul Rahman – Impact of IFRS 15 on Different Business Sectors • MIA – Transforming Finance Teams for Higher Performance • K&N Kenanga – GST and Market Outlook 2015 • International Centre for Education in Islamic Finance – Islamic Wealth Management Symposium • PEMANDU in collaboration with Bursa Malaysia – Lead the Change Event: Getting Women on Boards • Kuala Lumpur City Centre - Islamic Finance Asia Forum: Sustainability, Innovation and Performance • Bursa Malaysia – Post Workshop Discussion for Audit Committee: Risk Management and Internal Control

Name of Directors	Programmes
Dato' Afifuddin bin Abdul Kadir	• Asian Summit – Board Risk Intelligence 2014 (Risk Governance into practice) • UMW Oil & Gas Corporation Berhad – In-house programme : Introduction to NAGA 6 in Shenzen, China • Lion Group In-house Directors' Training on: 1. The Key Factors of Goods and Services Tax and its Implementation 2. Transfer Pricing • PEMANDU in collaboration with Bursa Malaysia – Lead the Change Event: Getting Women on Boards • Bursa Malaysia – Post Workshop Discussion for Audit Committee : Risk Management & Internal Control

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

The Directors are also updated and appraised on a continuing basis by the Company Secretaries on new and revised requirements to the Listing Requirements and the MCCG ("Continuing Updates").

The Board, after having undertaken an assessment of the training needs of each Director, views the aforementioned Programmes attended by the Directors, and the Continuing Updates provided to the Directors, as adequate to enhance the Directors' skills and knowledge to carry out their duties as Directors.

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

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

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

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

The Audit 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) members, with a majority of them being independent Directors. The terms of reference and the main activities undertaken by the Audit and Risk Management Committee during the financial year under review are set out in the Audit and Risk Management Committee Report on pages 22 to 26 of this Annual Report.

Directors' Responsibility in Financial Reporting

The Board is responsible for ensuring that the quarterly and annual financial statements are prepared in accordance with the applicable financial reporting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements. The Board is satisfied that for the financial year ended 30 June 2015, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company.

Relationship with the External Auditors

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

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

RECOGNISE AND MANAGE RISKS

Risk Management Framework

The Board regards risk management as an integral part of business operations. A Corporate Risk Management System implementing an Enterprise Wide Risk Management Framework ("CRMS-ERM") was developed, enhanced and documented. The CRMS-ERM Manual sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, treatment, risks appetite setting, control, tracking and monitoring of strategic, business, financial and operational risks.

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

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

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding the interests of stakeholders including shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 19 to 21 of this Annual Report.

Internal Audit Function

The Board has established an internal audit function within the Group. The internal audit function is led by a Chief Internal Auditor who reports directly to the Audit 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 22 to 26 of this Annual Report.

Compliance Function

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

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

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

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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

The annual general meetings and the extraordinary general meetings are the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session at which shareholders may raise questions regarding the proposed resolutions at the said meetings as well as on matters relating to the Group's businesses and affairs. The Chairman and the Board members are in attendance to respond to shareholders' queries. The Chairman also shares with the shareholders, the Company's responses to questions submitted in advance of the annual general meetings by the Minority Shareholder Watchdog Group.

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

The Company's website at www.lion.com.my/lioncor provides easy access to corporate information, Board Charter, key policies, annual reports and company announcements pertaining to the Group and its activities.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board of Directors ("Board") acknowledges the importance of maintaining a sound system of internal control to safeguard the interests of stakeholders (including shareholders' investments) and the Group's assets. Guided by the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers*, Corporate Disclosure Guide and Corporate Governance Guide (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 risk management and internal control which is key to managing principal risks which may impede the achievement of the Group's corporate and business objectives, consistent with the requirements of Principle 6 of the Malaysian Code on Corporate Governance 2012. This responsibility includes reviewing the adequacy and integrity of this system which covers enterprise risk management, financial, organisational, operational and compliance controls. However, in view of the inherent limitations in any system, such system of internal control can only provide reasonable and not absolute assurance against material misstatements, frauds or losses and unforeseen emerging risks.

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

Management Responsibility

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

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

Risk Management Process

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

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

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

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

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

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

Key Elements of Risk Management and Internal Control

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

- An operational structure and organisational chart with defined lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability. The authority matrix outlines the decision areas and the persons empowered to requisite, authorise and approve the expenditure/commitment. Delegated authority carries with it the obligation to exercise sound judgement, good business sense and accountability.

- A set of Group level internal policies and procedures which is maintained centrally and accessible to employees via intranet. The policies and procedures at both Group level and business or operational level are regularly reviewed for updates to resolve operational deficiencies or to meet new compliance requirements. Enhancement efforts to streamline local policies, guidelines or procedures at business or operational level to key Group Policies and Procedures are continuing.

- An annual exercise involving all business units to prepare a comprehensive budget and business plan which includes development of business strategies and the establishment of key performance indicators against which the overall performance of the companies within the Group can be measured and evaluated.

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

- Review of business processes and systems of internal control by the internal audit function which submits its reports to the Audit and Risk Management Committee on a quarterly basis. Regular and systematic risk based reviews of the system of internal control of the operating companies within the Group are performed to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in accordance with Management instructions, policies and guidelines; and in a manner consistent with company objectives and with high standards of administrative practice.

- Confirmation of the effectiveness of internal control and risk assessment process by the respective head of KOC and head of accounts and finance (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.

- A Corporate Risk Management System encompassing an Enterprise Wide Risk Management Framework (CRMS-ERM) that sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring as well as in determining the Group's risks appetite.

- Compliance Risk Self-Assessment (CRSA) with mitigations identified to address breaches or material non-compliance.

- Updates and tracking of CPS which are developed based on balanced scorecard approach and CRS of operating companies with appropriate performance and risk indicators via an automated and web-based tool, namely Q-Radar system.

- Development of Compliance Matrices reflecting requirements of key Group Policies and Procedures and major statutory and regulatory compliances.

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

- A formalised groupwide integrity framework that accentuates the Group's commitment to uphold integrity in all manner of conduct by its employees at all times in their interaction with various stakeholders, both internal and external. This framework includes Integrity & Fraud Risk Policy which interphases with many of the existing policies adopted within the Group and also addresses fraud reporting and investigation.

- A formalised Group Procurement/Tender Policy providing a fairly standardised, uniform and consistent set of controls by promoting accountability, ownership and transparency. This increases the ability of the Group to develop a pool of reliable and competent vendors through proper governance, selection of appropriate procurement method and vendor management.

- A Code of Business Practices which sets out the principles to guide employees' conduct to the highest standards of personal and corporate integrity. The code covers areas such as conflict of interest, use of company assets, confidentiality of proprietary information, acceptance of gifts and business courtesies as well as prohibition of kickbacks.

- A Whistleblower Policy providing the channels to report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. The implementation of this policy enables the Group to address such concerns that may adversely affect the reputation and interests of the Group more effectively.

- Other key policies such as Competition Policy and Sexual Harassment Policy which complement the Group's Code of Business Practices. These policies direct the employees to behave ethically and professionally in ensuring compliance with relevant laws and creation of a conducive working environment.

- A Crisis Management and Communication Policy and process established under the Corporate Communications Function to guide the handling of external communications in the event of any crisis/disaster.

- Development and enhancements to existing operations and safety and hazards action plans of operating companies which include Emergency Action Plan with a view to developing the Business Continuity Management and implementing a roadmap to enhance the business resilience and robustness in contingencies, crisis management and disaster recovery management.

- An appropriate insurance programme to safeguard major assets against financial loss resulting from property damage, machinery breakdown, business interruption and general liability, which is reviewed annually.

- A Group Sustainability Framework and Plan providing the roadmap to enhance Governance, Social and Environmental engagements of the stakeholders.

Conclusion

The Board is of the view that the system of risk management and internal control in place throughout the Group is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group's operations.

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

Review by External Auditors

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

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

AUDIT 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
  (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 fulfil 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

The Terms of Reference of the Audit and Risk Management Committee which are in line with the provisions of the Listing Requirements and other best practices are available for reference on the Company's website at www.lion.com.my/lioncor.

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, five (5) Audit and Risk Management Committee Meetings were held. All the members attended all five (5) meetings held in the financial year.

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 are as follows:

- **Financial Results**

  Reviewed the quarterly interim unaudited financial statements and the annual audited financial statements of the Group prior to submission to the Board for its consideration and approval focusing particularly on changes in or implementation of major accounting policies, significant and unusual events and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB") and other legal requirements, and the main factors contributing to the financial performance of the Group in terms of revenue and earnings.

- **Internal Audit**

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

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

  (c) Reviewed the internal audit reports, audit recommendations made and Management's response to these recommendations and actions taken to improve the system of internal control and procedures recommendations. Where appropriate, the Audit and Risk Management Committee has directed Management to rectify and improve control procedures and workflow processes based on the internal auditors' recommendations and suggestions for improvement.

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

  (e) Reviewed the annual Risk Management and Internal Control – Self-Assessment ratings submitted by the respective operations management. The internal auditors would validate the ratings during their audit review and adjustments to the ratings, if any, would be made accordingly and reported to the Audit and Risk Management Committee.

  (f) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders' Mandate.

  (g) Reviewed the Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the external auditors is set out on pages 19 to 21 of this Annual Report.

  (h) Approved the Audit and Risk Management Committee Report and recommended the same for Board's approval for inclusion in the Annual Report.

- **External Audit**

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

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

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

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

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

(e) Recommended to the Board on the appointment of the external auditors and their remuneration.

(f) Notation of the non-audit fees paid to the external auditors.

(g) Convened two (2) meetings with the external auditors without executive Board members and Management being present to discuss issues arising from their review.

- **Corporate Governance**

Compliance

(a) Monitored on a half-yearly basis the implementation progress and shortfall, if any, of the Compliance Program/Work Plan for the financial year ended 30 June 2015 ("2015 Compliance Program/Work Plan"). The 2015 Compliance Program/Work Plan identified for implementation, the necessary policies, procedures, processes, awareness and competencies training to be used as management tools and support to give the reasonable assurance of due compliance, compliance risk management, updating and reviewing of existing and new compliance across the laws, regulatory requirements, standards/code of ethics and internal policies and procedures of all the key operating companies and functions.

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

- Integrity and Fraud Risk Policy

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

- Procurement Policy

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

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

(c) Notation and review of the Analysis of Corporate Governance Disclosures in Annual Reports, Annual Reports 2012-2013 by Bursa Securities. The Audit and Risk Management Committee directed that measures be put in place to close the gaps and enhance both the practise of corporate governance and the quality of governance disclosures.

- **Risk Management**

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

- **Related Party Transactions**

  (a) Reviewed related party transactions entered into by the Group, and recommended the same for approval of the Board.

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

- **Other Activities**

  Tax

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

INTERNAL AUDIT FUNCTION

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

The purpose, authority and responsibility of the Internal Audit Function as well as the nature of the assurance activities provided by the function are articulated in the Internal Audit Charter approved by the Audit and Risk Management Committee.

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

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

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

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

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

The internal audit activities have been carried out according to the internal audit plan approved by the Audit 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 RM350,490.

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)

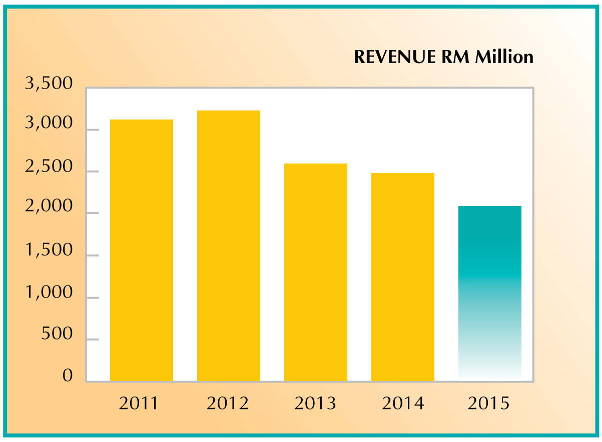
Mr M. Chareon Sae Tang @ Tan Whye Aun
(Non-Independent Non-Executive Director)

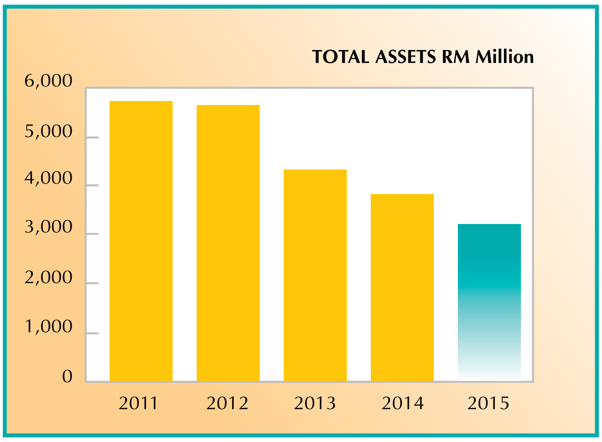
Terms of Reference :

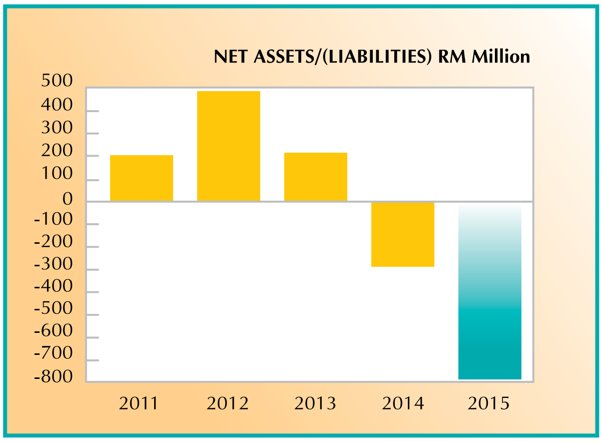
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

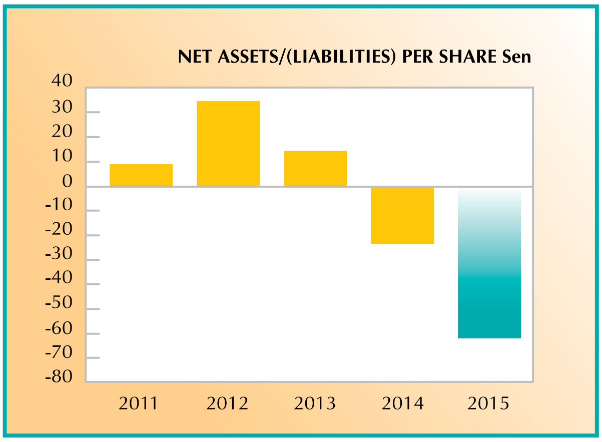
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2011	2012	2013	2014	2015
Revenue	(RM'000)	3,118,550	3,235,355	2,591,833	2,481,954	**2,087,508**
Loss before tax	(RM'000)	(348,481)	(597,616)	(354,864)	(625,851)	**(645,081)**
Loss after tax	(RM'000)	(283,610)	(524,737)	(326,656)	(598,834)	**(656,594)**
Net loss attributable to owners of the Company	(RM'000)	(233,907)	(461,207)	(245,618)	(507,071)	**(522,965)**
Total assets	(RM'000)	5,746,313	5,658,507	4,334,722	3,840,108	**3,214,144**
Net assets/(liabilities)	(RM'000)	204,346	490,797	216,032	(286,066)	**(797,948)**
Total borrowings	(RM'000)	2,807,162	2,786,766	1,792,287	1,866,799	**1,956,802**
Loss per share	(Sen)	(61.5)	(67.6)	(18.7)	(38.5)	**(39.7)**
Net assets/(liabilities) per share	(Sen)	9	35	15	(23)	**(62)**









THE GROUP'S BUSINESSES

- Aerial view of Megasteel Sdn Bhd, the country's only integrated flat steel mill to produce hot rolled and cold rolled coils (inset, left and right respectively), in Banting, Selangor.
- *Pemandangan dari udara kilang Megasteel Sdn Bhd, satu-satunya kilang besi rata bersepadu di negara ini untuk mengeluarkan gegelung gelekan panas dan gegelung gelekan sejuk (gambar kecil, masing-masing kiri dan kanan), di Banting, Selangor.*

- Lion Steelworks Sdn Bhd offers a range of steel fabricated products from compact mobile filing systems to industrial rackings and mobile safes.
- *Lion Steelworks Sdn Bhd menawarkan rangkaian produk fabrikasi besi daripada sistem pemfailan mudah alih kompak kepada rak industri dan peti keselamatan mudah alih.*

- 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.
- *Perbandaran bersepadu berpegangan bebas, Bandar Mahkota Cheras terletak di Batu 9 Jalan Cheras, di 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 2015.

PRESTASI KEWANGAN

Kumpulan sekali lagi mengharungi tempoh yang sukar dalam tahun kewangan ini apabila industri keluli di Malaysia terus berdepan dengan persaingan sengit daripada produk-produk import yang lebih murah terutamanya dari China. China yang merupakan pengeluar keluli terbesar di dunia, menyaksikan permintaan domestiknya semakin berkurangan dan mempunyai lebihan bekalan sehingga membawa kepada pengeksportan produk keluli secara berleluasa. Lebihan bekalan semasa dalam industri keluli dunia memburukkan lagi keadaan, sekali gus menyebabkan harga terjejas teruk.

Kumpulan yang terlibat terutamanya dalam bidang pembuatan dan penjualan produk keluli rata, menyaksikan prestasi yang terus terjejas teruk berikutan lambakan berleluasa oleh para pengeluar keluli China. Oleh itu, Kumpulan telah mencatatkan perolehan yang lebih rendah berjumlah RM2.1 bilion dan kerugian sebelum cukai lebih tinggi sebanyak RM645 juta berbanding setahun lalu.

PERKEMBANGAN KORPORAT

Pada 25 Oktober 2013, Syarikat telah mengumumkan bahawa ia tertakluk kepada keperluan Nota Amalan 17 ("PN17") di bawah Keperluan-Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad ("Bursa Securities"). Selaras dengan keperluan PN17, Syarikat dikehendaki menyerahkan sebuah pelan regularisasi dalam tempoh 12 bulan kepada Suruhanjaya Sekuriti atau Bursa Securities ("Pelan Regularisasi").

Pada 1 Oktober 2014, Syarikat telah mengemukakan permohonan kepada Bursa Securities bagi mendapatkan lanjutan masa sehingga 30 Jun 2015 untuk menyerahkan Pelan Regularisasi kepada pihak berkuasa yang berkaitan.

Oleh sebab Pelan Regularisasi itu masih lagi dirangka, Syarikat pada 19 Jun 2015, telah memohon kepada Bursa Securities supaya diberikan lanjutan tempoh masa sehingga 31 Mac 2016 bagi Syarikat menyerahkan Pelan Regularisasi kepada pihak berkuasa yang berkaitan. Bursa Securities melalui surat bertarikh 5 Oktober 2015 telah membenarkan Syarikat mendapat lanjutan masa sehingga 31 Januari 2016 untuk menyerahkan Pelan Regularisasi.

KAJIAN OPERASI

Kumpulan terlibat terutamanya 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)	**2015**	**2014**	**2015**	**2014**
Keluli	**1,998**	2,350	**(384)**	(258)
Hartanah	**62**	102	**36**	36
Perabot	**28**	29	**2**	(2)
Lain-lain	**0.2**	0.2	**5**	(1)
	2,088	2,482	**(341)**	(225)

("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, terutamanya dalam pembuatan dan jualan gegelung gelekan panas ("HRC") dan gegelung gelekan sejuk ("CRC"), sekali lagi menempuh tahun kewangan yang sukar dengan mencatat perolehan yang lebih rendah manakala kerugian operasi pula lebih tinggi. Prestasi Bahagian dalam tahun kajian terus terjejas berikutan kegiatan lambakan yang dilakukan secara berleluasa oleh para pengeluar keluli asing.

Megasteel Sdn Bhd ("Megasteel"), anak syarikat yang utama dan pengeluar tunggal HRC di negara ini, telah mencatatkan kejatuhan dalam pengeluaran dan juga perolehan disebabkan ketiadaan langkah-langkah efektif yang dilaksanakan oleh Kerajaan untuk membanteras lambakan produk-produk keluli murah oleh pekilang-pekilang asing dalam pasaran tempatan. Harga keluli import yang murah juga menyebabkan harga dan margin keuntungan para pengeluar HRC tempatan terjejas.

Pada bulan Februari 2015, Kerajaan telah mengenakan duti anti-lambakan ke atas import HRC dari China dan Indonesia bagi tempoh lima tahun di mana pada peringkat awalnya, telah meningkatkan permintaan terhadap HRC tempatan. Pengenaan kadar duti anti-lambakan yang rendah bagaimanapun, gagal menghalang penjualan produk import yang murah dengan berkesan. Keadaan ini menyebabkan permintaan terhadap HRC tempatan semakin merosot menjelang akhir tahun kewangan serta diburukkan lagi dengan sentimen pasaran yang lemah.

Oleh sebab pengenaan duti anti-lambakan gagal memberikan kesan yang diharapkan dan sebagai usaha untuk mengelakkan keadaan lebih teruk menjejaskan industri keluli rata domestik, Megasteel pada bulan Julai 2015, telah mengemukakan petisyen kepada Kerajaan untuk mendapatkan duti pelindungan yang akan menambah kepada duti import HRC sekarang pada 15%. Ini akan mewujudkan persaingan yang lebih adil dan saksama dalam industri keluli rata tempatan sejajar dengan langkah negara-negara Asean berhampiran yang telah mengenakan duti anti-lambakan yang lebih tinggi.

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

Bahagian Hartanah

Satu-satunya projek hartanah yang diceburi oleh Kumpulan adalah membangunkan sebuah perbandaran utama yang dikenali sebagai "Bandar Mahkota Cheras" berdekatan Batu 9 Jalan Cheras, Kuala Lumpur. Perbandaran dengan pegangan hak milik bebas ini menawarkan kehidupan desa yang lengkap dengan pelbagai kemudahan.

Langkah-langkah lebih ketat yang dilaksanakan oleh Bank Negara berikutan kebimbangan terhadap peningkatan hutang isi rumah dan pengenalan cukai barangan dan perkhidmatan (GST) yang berkuatkuasa pada 1 April 2015, membawa kepada kesan yang mengurangkan (cooling) permintaan terhadap segmen rumah kediaman dalam pasaran hartanah Malaysia.

Sehubungan itu, Bahagian ini menyaksikan jualan yang lebih rendah dalam tahun kewangan yang dikaji, dan mencatatkan perolehan yang lebih rendah sebanyak RM62 juta manakala keuntungan pula kekal pada RM36 juta. Keuntungan ini disebabkan balikkan terhadap lebihan kos yang disediakan kepada fasa-fasa yang telah disiapkan.

Bahagian Perabot

Dalam tahun kewangan yang dikaji, prestasi Bahagian ini agak mendatar kerana permintaan perabot keluli kekal pendam di tengah-tengah pasaran yang sangat kompetitif. Jualan ke negara-negara Timur Tengah yang menjadi pasaran eksport utama berikutan kejayaan kita membina reputasi sebagai pengeluar produk berkualiti telah terjejas akibat tekanan harga daripada persaingan yang sengit. Walau bagaimanapun, Bahagian ini meraih peluang daripada pengukuhan Dolar Amerika berbanding Ringgit Malaysia memandangkan eksport kita kebanyakannya dilakukan dalam mata wang Dolar Amerika.

Bahagian ini akan terus mengambil pendekatan yang agresif untuk menguasai pasaran yang lebih besar dengan meluaskan asas pelanggan sedia ada dan memperkenalkan rangkaian produk baharu dengan ciri-ciri nilai tambah yang lebih baik bagi mewujudkan pasarannya tersendiri.

KELESTARIAN

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

Komuniti

Ketika mengendalikan operasi perniagaan, Kumpulan sentiasa sedar akan tanggungjawabnya sebagai warga korporat dalam menyumbang kepada masyarakat, di samping meningkatkan keuntungan dan nilai pemegang kepentingan. Kumpulan menumpukan kepada usaha membantu masyarakat mencapai kemajuan melalui pendidikan dan rawatan perubatan menerusi dua buah yayasan yang diasaskan oleh Syarikat-syarikat Kumpulan Lion di mana Kumpulan menjadi ahli.

Yayasan Lion-Parkson mengagihkan dana untuk pelbagai keperluan seperti pendidikan, kebajikan dan penyelidikan saintifik; dan setiap tahun, menawarkan biasiswa kepada mahasiswa di universiti-universiti tempatan. Yayasan telah menganjurkan satu larian amal pada bulan September 2014 untuk mengumpul dana bagi pembinaan fasa 2 dan 3 Rumah Untuk Kanak-kanak Cacat dan Terencat Akal di Selangor. Tabung Bantuan Perubatan Kumpulan Lion pula menyediakan bantuan kewangan kepada golongan kurang bernasib baik yang menderita penyakit kritikal dan memerlukan rawatan perubatan termasuk pembedahan, pembelian peralatan perubatan dan ubat-ubatan. Tabung ini juga menaja program kesihatan masyarakat seperti kem perubatan dan pembelian mesin dialisis untuk pusat dialisis yang menyediakan rawatan subsidi kepada para pesakit buah pinggang.

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

Alam Sekitar

Kumpulan sentiasa prihatin terhadap isu alam sekitar dengan menekankan kepada penggunaan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam, mengoptimumkan penggunaan sumber dan menggalakkan penggunaan tenaga secara cekap. Operasi-operasi Kumpulan dikendalikan mengikut peruntukan undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri kendaliannya. Ini termasuk pengurusan pelepasan asap dan pengurangan sisa, pemulihan dan pelupusan oleh loji-loji perkilangan kita, dan mengadakan landskap yang mempunyai tumbuhan hijau dan kemudahan taman bertujuan menggalakkan 'kehidupan mesra alam' dalam projek-projek hartanah kita.

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

Dalam Pasaran

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

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

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

Tempat Kerja

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

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

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

- **Pencarian Bakat**

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

- **Pembangunan Bakat**

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

- **Membina Keupayaan**

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

- **Ganjaran dan Prestasi**

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

- **Kecemerlangan Operasi HR**

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

- **Penglibatan Pekerja**

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

- **Keselamatan dan Kesihatan di Tempat Kerja**

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

- **Kod Etika Pekerja**

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

PROSPEK

Kumpulan telah menggesa kerajaan untuk menangani ancaman lambakan keluli ke Malaysia. Dengan langkah-langkah pemulihan yang perlu dilaksanakan, rantaian bekalan industri keluli Malaysia boleh dipulihkan sebaik sahaja kebanjiran produk-produk keluli murah ke dalam negara disekat.

Pengumuman yang dibuat Kerajaan pada bulan September 2015 mengenai penyiasatan perlindungan merupakan sesuatu yang baik untuk Kumpulan. Tanpa tindakan kerajaan untuk melaksana dan menguatkuasa langkah-langkah yang efektif bagi membendung aktiviti lambakan, para pengeluar keluli tempatan akan terus menanggung kesukaran. Sentimen pasaran yang lemah, kejatuhan nilai Ringgit dan keadaan ekonomi negara dan dunia yang terus tidak menentu dijangka menambah lagi tekanan kepada industri keluli tempatan dalam jangka masa sederhana hingga panjang. Walaubagaimanapun, Kumpulan akan terus bekerjasama dengan pihak berkuasa untuk menangani kelemahan dan ketirisan yang ada supaya industri keluli tempatan dapat berkembang maju dengan cara yang teratur.

Berikutan keadaan itu, persekitaran operasi Kumpulan dijangka kekal sukar pada tahun kewangan akan datang.

PENGHARGAAN

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 2015.

FINANCIAL PERFORMANCE

It was another tough year for the Group as the Malaysian steel industry continued to face stiff competition from cheaper imports, particularly from China. China, the world's largest steel producing country, experienced shrinking domestic demand and over supply situation which gave rise to excessive export of its steel products. The current global glut in the steel market had worsened the situation and led to depressed steel prices.

The Group, which is primarily involved in the manufacturing of flat steel products, saw its performance continued to be severely affected by the rampant dumping by Chinese steel producers. As a result, the Group posted lower revenue of RM2.1 billion and higher loss before tax of RM645 million as compared to a year ago.

CORPORATE DEVELOPMENTS

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").

The Company had on 1 October 2014 submitted an application to Bursa Securities for an extension of time to 30 June 2015 for the Company to make the submission of the Regularisation Plan to the relevant authorities.

As the Company is still formulating the Regularisation Plan, the Company had on 19 June 2015, submitted an application to Bursa Securities for a further extension of time to 31 March 2016 for the Company to make the submission of the Regularisation Plan to the relevant authorities. Bursa Securities had vide its letter dated 5 October 2015 granted the Company an extension of time up to 31 January 2016 to submit the Regularisation Plan.

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)	**2015**	**2014**	**2015**	**2014**
Steel	**1,998**	2,350	**(384)**	(258)
Property	**62**	102	**36**	36
Furniture	**28**	29	**2**	(2)
Others	**0.2**	0.2	**5**	(1)
	2,088	2,482	**(341)**	(225)

("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"), witnessed another difficult year with lower revenue and higher operating loss. The Division's performance for the year under review continued to be affected by the rampant dumping activities by foreign steel producers.

Megasteel Sdn Bhd ("Megasteel"), the country's sole producer of HRC and the Group's major subsidiary, experienced falling output and drop in revenue in the absence of effective measures by the Government to curb dumping of cheap steel products by foreign mills in the local market. Cheap imports of steel had also squeezed prices and margins of the locally produced HRC.

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

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

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

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. The freehold self-contained township offers quality country living complete with a range of supporting amenities.

The tightening of measures implemented by Bank Negara over concerns of rising household debt and the introduction of the Goods and Services Tax (GST), which came into effect on 1 April 2015, had a cooling effect on the residential segment of Malaysia's property market.

Hence, the Division witnessed lower sales for the financial year under review, and reported a lower revenue of RM62 million while profit remained at RM36 million. The latter was mainly due to the reversal of cost overprovided on the completed phases.

Furniture Division

The performance for the Division was relatively flat for the financial year under review as demand for steel furniture remained stagnant amidst a highly competitive market. Sales to Middle Eastern countries, our major export market where we have established a name for reputable product quality, were affected by pricing pressures resulting from the intense competition. Nevertheless, the Division managed to capitalise on the opportunities arising from the strengthening of the US Dollar against the Ringgit Malaysia as our exports are mainly denominated in US Dollar.

The Division will continue to pursue an aggressive approach to secure a bigger market share by expanding its existing customer base and introducing a new range of products with better value-added features for the niche market.

SUSTAINABILITY

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

Community

Corporate Social Responsibility is an integral part of our business ethos with the Group ever mindful of its role as a corporate citizen in contributing to society while enhancing the bottom-line and stakeholders' value. The Group is focused on helping the community to advance through education and medical care via the two Foundations established by Lion Group of Companies of which the Group is a member.

The Lion-Parkson Foundation disburses funds for various needs such as education, charity and scientific research; and every year, offers scholarships to undergraduates in the local universities. The Foundation had organised a charity run in September 2014 to raise funds for the construction of phases 2 and 3 of the Home for Handicapped and Mentally Disabled Children in Selangor. The Lion Group Medical Assistance Fund provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery, purchase of medical equipment and medication. The Fund also sponsors community health programmes such as medical camps, and the purchase of dialysis machines for Dialysis Centres providing subsidised treatment to those suffering from kidney failure.

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

Environment

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

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

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

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

Workplace

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

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

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

- **Talent Acquisition**

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

- **Talent Development**

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

- **Capability Building**

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

- **Reward and Performance**

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

- **HR Operational Excellence**

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

- **Employee Engagement**

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

- **Safety & Health in the Workplace**

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

- **Employee Code of Conduct**

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

PROSPECTS

The Group has urged the Government to address the threat of steel dumping into Malaysia. With the necessary remedial measures, the supply chain of the Malaysian steel industry can be restored once the influx of cheap steel products into the country is curtailed.

The announcement by the Government in September 2015 on the safeguard investigation augurs well for the Group. Without the implementation and strict enforcement of effective measures by the Government to curb dumping activities, local steel producers will continue to suffer. Poor market sentiments, the weakening Ringgit and prevailing uncertainties affecting the local and world economies are expected to add pressure on the local steel industry in the medium to long term. Nevertheless, the Group will continue to work with the authorities to plug the loopholes and leakages in order to enable the local steel industry to grow and expand in an orderly manner.

Under such circumstances, the operating environment of the Group is expected to remain tough in the coming 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，提呈金狮机构有限公司（“金狮机构”）截至2015年6月30日会计年度的常年报告和经审核的财务报告。

财务表现

对本集团来说，今年是另一个艰难的年头，因为马来西亚的钢铁工业仍然面对廉价的入口钢铁的激烈竞争，尤其是来自全世界最大的钢铁生产国中国的竞争，因为中国的国内需求下跌和供应过剩，使到它过剩的钢铁产品的出口增加，导致目前全球钢铁市场产量过剩的情况更为严重，造成钢铁价格下跌。

本集团主要是从事制造平板钢铁产品，它的表现继续受到中国的钢铁产品猖獗的倾销的严重影响。结果与上一个会计年度比较，本集团本会计年度的营业额减少到只有21亿令吉，税前亏损则增加到6亿4,500万令吉。

企业发展

本公司在2013年10月25日宣布，根据马来西亚证券交易所（“证券交易所”）主要交易板的挂牌规定，本公司是在PN17下受影响的挂牌公司。根据PN17的规定，本公司必须在12个月内，向证券委员会证/券交易所提呈“重组计划”。

本公司在2014年10月1日向证券交易所申请，要求把提呈给各有关单位的重组计划的日期展延到2015年6月30日。

由于公司还在草拟重组计划，公司在2015年6月19日向证券委员会申请，要求把提呈给各有关单位的重组计划的日期再展延到2016年3月31日。证券交易所在2015年10月5日的回信中，允许本公司延长到2016年1月31日才提呈重组计划。

业务检讨

本集团主要从事以下的业务 ：
- 制造和销售热轧纲卷、冷轧钢卷和其他钢铁产品 （**“钢铁”**）；
- 产业发展（**“产业”**）；
- 制造和销售办公室设备，保安设备和组装钢铁产品（**“傢私”**）；以及
- 投资控股、股票注册和秘书服务（**“其他”**）。

单位： 百万令吉	营业额		营业利润 / （亏损）	
	2015	**2014**	**2015**	**2014**
钢铁	**1,998**	2,350	**(384)**	(258)
产业	**62**	102	**36**	36
傢私	**28**	29	**2**	(2)
其他	**0.2**	0.2	**5**	(1)
	2,088	2,482	**(341)**	(225)

（“营业利润/(亏损)”是指没有把利息、损耗损失、投资收入、分享联号业绩及税务包括在内的营业利润/(亏损)）。

钢铁组

本集团的钢铁组，主要从事制造和销售热轧钢卷和冷轧钢卷，它见证了另一个艰巨的一年，取得更低的营业额和更高的营业亏损。本组在本会计年度的表现，继续受到外国钢铁产品猖獗的倾销的影响。

美佳钢铁私人有限公司是我国唯一的热轧钢制造商和本集团的主要子公司，它经历了产量下跌和营业额减少的局面，因为政府没有采取有效措施，抑制外国钢铁厂在本地市场倾销廉价的钢铁产品。廉价的入口钢铁也压低本地生产的热轧钢卷的价格和利润率。

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

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

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

产业组

本集团唯一的产业计划，是发展主要市镇“蕉赖皇冠城”，这项计划坐落在吉隆坡蕉赖路9英里旁边。这项拥有永久地契、自给自足的市镇计划，提供良好素质的乡村式居住环境，拥有完善的休闲设施。

国家银行由于担心家庭债务比率上升而实施的紧缩措施以及政府在2015年4月1日开始实施的消费税，对于马来西亚产业市场的住宅部分起了冷却作用。

因此，产业组在本会计年度的销售额减少，营业额只有6,200万令吉，利润保持为3,600万令吉。后者是由于拨回对已完成的项目所高估的成本。

傢私组

在本会计年度，傢私组表现相对平稳，因为钢制傢私的市场高度竞争，使需求保持静滞。中东国家依旧是我们的主要出口市场，我们已经在中东市场建立了产品品质优良的口碑，但由于竞争激烈，产品受到价格压力的影响。无论如何，本组从美元对马币的强劲汇率中受惠，因为我们出口的傢私主要是以美元报价。

傢私组继续采取进取措施，以取得更大的市场份额，方法是扩大现有的客户基地，以及在利基市场推介一系列具有更高附加价值的产品。

可持续性

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

社区

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

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

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

环境

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

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

市场

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

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

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

工作场所

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

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

以下是我们致力于创造健全和建设性工作场所的努力的重点：

- **引进人才**

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

- **人才发展**

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

- **建立能力**

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

- **奖掖和表现**

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

- **人力资源营运优越**

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

- **雇员接触**

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

- **工作场所的安全和健康**

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

- **雇员行为准则**

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

展望

本集团呼吁政府处理外国钢铁在马来西亚倾销的威胁。有了所需的纠正措施，一旦廉价的钢铁产品湧入我国的现象受到遏止，马来西亚钢铁的供应链将会恢复。

政府在2015年9月宣布进行保障调查对本集团而言是好消息。如果政府没有实施和严格执行抑制倾销活动的有效措施，本地的钢铁产品将继续受害。疲弱的市场情绪，马币疲软，以及不确定因素影响到本地经济和世界经济，预料在中期及长期内，会对本地的钢铁工业加强压力。无论如何，本集团将继续和当局合作，以堵住漏洞，以使本地的钢铁工业能够成长和有序的扩展。

在这种情况下，本集团下一个财政年度将继续面对艰辛的营运环境。

鸣谢

我谨代表董事会，真诚感谢所有我们尊贵的客户、供应商、银行家、商业伙伴、各政府单位以及股东们，感谢他们继续给予本集团支持与合作，以及对本集团具有信心。

我也要深切赞扬和感谢董事们，一年来给予宝贵的指导与贡献。我同时感谢各阶层的所有雇员对本集团的贡献、承诺与服务。

主席
丹斯里锺廷森

FINANCIAL STATEMENTS

2015

For The Financial Year Ended 30 June 2015

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 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shown in Note 16 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	(656,594)	(256,651)
Attributable to:		
- Owners of the Company	(522,965)	(256,651)
- Non-controlling interests	(133,629)	–
	(656,594)	(256,651)

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 2015.

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
Dr Folk Jee Yoong
M. Chareon Sae Tang @ Tan Whye Aun

In accordance with Article 98 of the Company's Articles of Association, Dr Folk Jee Yoong 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.

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman who has served on the Board as an independent non-executive Director for almost 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 are Directors and/or substantial shareholders as disclosed in Note 36 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those arising from warrants and redeemable convertible secured loan stocks issued by the Company.

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 1.7.2014	**Additions**	**Disposals**	**As at 30.6.2015**
Direct Interests				
Tan Sri William H.J. Cheng	91,737	52,083,799	–	52,175,536
Tan Sri Cheng Yong Kim	541,903	1,405,905	–	1,947,808
Indirect Interests				
Tan Sri William H.J. Cheng	1,015,210,671	45,527,832	(198,873,071)	861,865,432
Tan Sri Cheng Yong Kim	921,561,152	84,698,045	(199,367,971)	806,891,226
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 1.7.2014	**Additions**	**Disposals**	**As at 30.6.2015**
Tan Sri William H.J. Cheng	275,214,524	40,861,426	–	316,075,950
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 1.7.2014	**Additions**	**Disposals**	**As at 30.6.2015**
Tan Sri William H.J. Cheng	10,169,407	–	–	10,169,407
Tan Sri Cheng Yong Kim	10,170,631	–	(629,436)	9,541,195
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 1.7.2014	**Additions**	**Disposals**	**As at 30.6.2015**
Indirect Interests					
Tan Sri William H.J. Cheng					
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.

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.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 11 September 2015.

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 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	6	**2,087,508**	2,481,954	**119,510**	64,777
Other operating income		**22,799**	32,398	**–**	–
Changes in inventories of finished goods and work-in-progress		**(209,048)**	(43,381)	**–**	–
Raw materials and consumables used		**(1,472,066)**	(1,938,490)	**–**	–
Property development expenditure		**(17,127)**	(59,425)	**–**	–
Employee benefits expenses	7	**(91,960)**	(88,675)	**(387)**	(377)
Depreciation		**(142,519)**	(143,807)	**–**	–
Inventories written down		**(26,627)**	(33,824)	**–**	–
Other operating expenses	8	**(487,111)**	(426,076)	**(1,851)**	(1,493)
(Loss)/Profit from operations	9	**(336,151)**	(219,326)	**117,272**	62,907
Finance costs	10	**(267,062)**	(242,878)	**(67,509)**	(67,737)
Impairment losses on:					
- goodwill	15	**–**	(188,978)	**–**	–
- investment in securities	18	**(2,578)**	(30)	**(82)**	–
- investment in a subsidiary	16	**–**	–	**–**	(3,400)
Gain on disposal of a subsidiary	16	**–**	23,275	**–**	–
Impairment and waiver losses on amount due from subsidiaries		**–**	–	**(304,057)**	(553,000)
Share in results of associates		**(39,290)**	2,086	**–**	–
Loss before taxation		**(645,081)**	(625,851)	**(254,376)**	(561,230)
Taxation	11	**(11,513)**	27,017	**(2,275)**	(748)
Net loss for the financial year		**(656,594)**	(598,834)	**(256,651)**	(561,978)
Attributable to:					
- Owners of the Company		**(522,965)**	(507,071)	**(256,651)**	(561,978)
- Non-controlling interests		**(133,629)**	(91,763)	**–**	–
Net loss for the financial year		**(656,594)**	(598,834)	**(256,651)**	(561,978)
Loss per share attributable to owners of the Company:	12				
- Basic (sen)		**(39.7)**	(38.5)		
- 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 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net loss for the financial year	**(656,594)**	(598,834)	**(256,651)**	(561,978)
Other Comprehensive Income/(Loss)				
- Translation difference on net equity of foreign subsidiaries and other movements	**1,078**	6,039	**–**	–
- Net loss on fair value changes on available-for-sale financial assets	**–**	(391)	**–**	(119)
- Share of other comprehensive income/(loss) of associates	**10,005**	(675)	**–**	–
Other comprehensive income/(loss) for the financial year, net of tax, representing items that may be reclassified subsequently to profit or loss	**11,083**	4,973	**–**	(119)
Total comprehensive loss for the financial year	**(645,511)**	(593,861)	**(256,651)**	(562,097)
Attributable to:				
- Owners of the Company	**(511,882)**	(502,098)	**(256,651)**	(562,097)
- Non-controlling interests	**(133,629)**	(91,763)	**–**	–
	(645,511)	(593,861)	**(256,651)**	(562,097)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	**2,233,345**	2,370,751	**–**	–
Land held for property development	14(a)	**755**	2,528	**–**	–
Goodwill	15	**–**	–	**–**	–
Investment in subsidiaries	16	**–**	–	**7,873**	7,873
Investment in associates	17	**22,959**	53,707	**–**	–
Investment securities	18(a)	**567**	886	**198**	280
Deferred tax assets	19	**373,914**	369,345	**–**	–
		2,631,540	2,797,217	**8,071**	8,153
Current Assets					
Property development costs	14(b)	**26,727**	598	**–**	–
Inventories	20	**290,210**	681,478	**–**	–
Investment securities	18(b)	**20,418**	23,199	**–**	–
Trade and other receivables	21	**111,797**	159,290	**128**	983
Amount due from subsidiaries	22	**–**	–	**605,217**	877,028
Tax recoverable		**82**	493	**–**	451
Deposits with financial institutions	23	**14,578**	58,748	**3,981**	3,788
Cash and bank balances		**118,792**	119,085	**518**	1,064
		582,604	1,042,891	**609,844**	883,314
Non-current assets classified as held for sale	24	**–**	–	**–**	–
		582,604	1,042,891	**609,844**	883,314
TOTAL ASSETS		**3,214,144**	3,840,108	**617,915**	891,467

STATEMENTS OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Company					
Share capital	25	**1,316,199**	1,316,199	**1,316,199**	1,316,199
Reserves	26	**(2,114,147)**	(1,602,265)	**(1,838,046)**	(1,581,395)
		(797,948)	(286,066)	**(521,847)**	(265,196)
Non-Controlling Interests		**(266,044)**	(132,415)	**–**	–
Total Equity		**(1,063,992)**	(418,481)	**(521,847)**	(265,196)
Non-Current Liabilities					
Preference shares	27	**111,000**	111,000	**–**	–
Loans and borrowings	28	**278,626**	90,288	**278,356**	90,174
Bonds and debts	31	**779,376**	764,891	**779,376**	764,891
Deferred tax liabilities	19	**1,870**	836	**102**	836
Deferred liabilities	32	**275,458**	255,600	**–**	–
		1,446,330	1,222,615	**1,057,834**	855,901
Current Liabilities					
Trade and other payables	33	**1,927,847**	2,021,178	**36,214**	32,355
Amount due to subsidiaries	22	**–**	–	**44,329**	87,254
Loans and borrowings	28	**898,800**	1,011,620	**–**	181,153
Tax liabilities		**5,159**	3,176	**1,385**	–
		2,831,806	3,035,974	**81,928**	300,762
Total Liabilities		**4,278,136**	4,258,589	**1,139,762**	1,156,663
TOTAL EQUITY AND LIABILITIES		**3,214,144**	3,840,108	**617,915**	891,467

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

Group	Attributable to Owners of the Company						
		Non-Distributable					
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 26)	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
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)
At 1 July 2014	**1,316,199**	**97,685**	**332,653**	**(2,032,603)**	**(286,066)**	**(132,415)**	**(418,481)**
Total comprehensive income/ (loss) for the financial year	**–**	**–**	**11,083**	**(522,965)**	**(511,882)**	**(133,629)**	**(645,511)**
At 30 June 2015	**1,316,199**	**97,685**	**343,736**	**(2,555,568)**	**(797,948)**	**(266,044)**	**(1,063,992)**

Company	Non-Distributable				
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 26)	Accumulated Losses RM'000	Total RM'000
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)
At 1 July 2014	**1,316,199**	**97,685**	**15,887**	**(1,694,967)**	**(265,196)**
Total comprehensive loss for the financial year	**–**	**–**	**–**	**(256,651)**	**(256,651)**
At 30 June 2015	**1,316,199**	**97,685**	**15,887**	**(1,951,618)**	**(521,847)**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		**(645,081)**	(625,851)	**(254,376)**	(561,230)
Adjustments for non-cash items, interests and dividends	38(a)	**552,410**	582,997	**252,854**	559,404
Operating loss before working capital changes		**(92,671)**	(42,854)	**(1,522)**	(1,826)
Changes in working capital:					
Inventories		**364,641**	126,885	**–**	–
Receivables		**49,626**	33,985	**862**	(861)
Payables		**(230,174)**	(52,051)	**3,731**	4,998
Property development costs		**(24,356)**	7,976	**–**	–
Cash generated from operations		**67,066**	73,941	**3,071**	2,311
Tax (paid)/refunded		**(11,128)**	(2,382)	**(1,173)**	382
Retirement benefit paid		**(38)**	(134)	**–**	–
Net cash inflow from operating activities		**55,900**	71,425	**1,898**	2,693
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	38(b)	**(9,598)**	(2,849)	**–**	–
Proceeds from disposal/ redemption of:					
- property, plant and equipment		**81**	17	**–**	–
- investments		**5,742**	6,372	**–**	–
Net cash inflow on disposal of a subsidiary	16	**–**	32,996	**–**	–
(Increase)/Decrease in fixed deposits pledged		**(85)**	8	**–**	–
Dividend received		**1,463**	321	**–**	–
Advances from subsidiaries		**–**	–	**44,206**	30,274
Interest received		**3,314**	3,894	**125**	191
Net cash inflow from investing activities		**917**	40,759	**44,331**	30,465

STATEMENTS OF CASH FLOWS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Redemption of bonds and debts		**(35,170)**	(25,914)	**(35,170)**	(25,914)
(Repayment)/Drawdown of:					
- finance lease liabilities		**(81)**	(51)	**–**	–
- short term borrowings		**(30,227)**	13,600	**(11,412)**	(7,891)
Interest paid		**(39,539)**	(74,826)	**–**	–
Net cash outflow from financing activities		**(105,017)**	(87,191)	**(46,582)**	(33,805)
Net (decrease)/increase in cash and cash equivalents		**(48,200)**	24,993	**(353)**	(647)
Effects of changes in exchange rates		**2,020**	52	**–**	–
Cash and cash equivalents at beginning of the financial year		**162,325**	137,280	**4,852**	5,499
Cash and cash equivalents at end of the financial year	38(c)	**116,145**	162,325	**4,499**	4,852

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

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 16. 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 11 September 2015.

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").

The Company had on 1 October 2014 submitted an application to Bursa Securities for an extension of time to 30 June 2015 for the Company to make the submission of the Regularisation Plan to the relevant authorities.

As the Company is still formulating the Regularisation Plan, the Company had on 19 June 2015, submitted an application to Bursa Securities for a further extension of time to 31 March 2016 for the Company to make the submission of the Regularisation Plan to the relevant authorities. The Company is now awaiting the decision from Bursa Securities.

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 2015, 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.

The Group reports the following conditions and events:

(i) The Group incurred a net loss attributable to owners of the Company of RM523 million (2014: RM507 million) for the financial year ended 30 June 2015. As of that date, the Group's current liabilities exceeded its current assets by RM2,249 million (2014: RM1,993 million) and the Group reported a net shareholders' deficit of RM798 million (2014: RM286 million).

(ii) Since prior years, a subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel") had exceeded the credit terms granted to it by its creditors as disclosed in Note 33. Megasteel has entered into deferral payment plans, formulating payment strategies and refinancing balances with these creditors. However, Megasteel did not fulfill the obligations under these arrangements. The Directors believe that Megasteel will continue to have the support from these creditors.

2. BASIS OF PREPARATION (continued)

(iii) As disclosed in Note 28, Megasteel entered into a Restructured Scheme in relation to the Syndicated Term Loans during the financial year ended 30 June 2010.

Megasteel has been unable to comply with the rescheduled payment terms of the Restructured Scheme. On 20 November 2014, a revised scheme was sent to the Syndicated Term Loan Lenders, where consent from certain USD Term Loan Lenders have not been obtained. In addition, one of the Lenders has commenced unilateral legal proceeding against Megasteel as disclosed in Note 35.

(iv) On 22 April 2015, the Other Term Loan Lender granted Megasteel an extension of up to 30 September 2015 to repay the said loan with no further extension granted.

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:

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

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
- During the financial year, the Group entered into discussions with a potential third party investor to provide technical and management support with the ultimate view of improving operational efficiency. The discussion is currently on-going.

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

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

(i) the successful petition for further protection from the relevant authorities;

(ii) the successful negotiations with the lenders for the renewal of or extension of repayment of existing borrowings;

(iii) the ability of the Group to obtain additional new sources of financing as and when needed;

(iv) the successful and timely execution of its cost reduction measures; and

(v) the ability of the Group to comply with the terms and obligations under the Proposed Restructuring Scheme detailed in Note 28 so as to ensure that there will be no default in the future and that the lenders agree not to exercise or enforce such rights as permitted therein.

2. BASIS OF PREPARATION (continued)

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

Nevertheless, after making enquiries and considering the uncertainties described above, the Directors believe that the results from the proposed measures above will enable the Group 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign Currencies (continued)

(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.

(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:

	2015 **RM**	**2014** **RM**
1 United States Dollar ("USD")	**3.77**	3.21
1 Euro	**4.22**	4.38
1 Singapore Dollar	**2.80**	2.57

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Employee Benefits (continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment (continued)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investment in Associates (continued)

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.

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.

Financial assets at fair value through profit or loss

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial Assets (continued)

Financial assets at fair value through profit or loss (continued)

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.

Loans and receivables

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial Liabilities (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Leases (continued)

(i) As lessee (continued)

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.

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 10 *Consolidated Financial Statements: Investment Entities*	1 January 2014
Amendments to FRS 12 *Joint Arrangements: Investment Entities*	1 January 2014
Amendments to FRS 127 *Separate Financial Statements: Investment Entities*	1 January 2014
Amendments to FRS 132 *Financial Instruments: Presentations - Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 136 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to FRS 139 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21 *Levies*	1 January 2014
Amendments to FRS 2 *Share-based Payments*	1 July 2014
Amendments to FRS 3 *Business Combinations*	1 July 2014
Amendments to FRS 8 *Operating Segments*	1 July 2014
Amendments to FRS 13 *Fair Value Measurement*	1 July 2014
Amendments to FRS 116 *Property, Plant and Equipment*	1 July 2014
Amendments to FRS 119 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to FRS 124 *Related Party Disclosures*	1 July 2014
Amendments to FRS 138 *Intangible Assets*	1 July 2014
Amendments to FRS 140 *Investment Property*	1 July 2014
Annual Improvements to FRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to FRSs 2011-2013 Cycle	1 July 2014

Amendments to FRS 132 *Offsetting Financial Assets and Financial Liabilities*

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and "simultaneous realisation and settlement". These amendments are to be applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Amendments to FRS 10, FRS 12 and FRS 127 *Investment Entities*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under FRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under FRS 10.

Amendments to FRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to FRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by FRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's financial statements.

4. CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to FRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*

These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness. Retrospective application is required.

These amendments have no impact on the Group as the Group does not have any derivatives that are subject to novation.

IC Interpretation 21 *Levies*

IC 21 defines a levy and clarifies that the obligating event which gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. For a levy which is triggered upon reaching a minimum threshold, IC 21 clarifies that no liability should be recognised before the specified minimum threshold is reached. Retrospective application is required. The application of IC 21 has had no material impact on the disclosures or on the amounts recognised in the Group's financial statements.

Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new and amended FRSs 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 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*
Amendments to FRS 116, 141 *Agriculture: Bearer Plants*
Amendments to FRS 10, 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to FRS 127 *Equity Method in Separate Financial Statements*
Amendments to FRS 101 *Disclosure Initiatives*
Amendments to FRS 10, 12, 128 *Investment Entities: Applying the Consolidation Exception*
Annual Improvements to FRSs 2012-2014 Cycle

Effective for annual period beginning on or after 1 January 2017
FRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018
FRS 9 *Financial Instruments*

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.

4. CHANGES IN ACCOUNTING POLICIES (continued)

FRS 15 *Revenue from Contracts with Customers*

FRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. FRS 15 will supersede the current revenue recognition guidance including FRS 118 *Revenue*, FRS 111 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitle in exchange for those goods or services.

Under FRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of FRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of FRS 15 and plans to adopt the new standard on the required effective date.

FRS 9 *Financial Instruments*

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

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

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.

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 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.

(iii) 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 19.

(iv) 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 20.

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

Critical Accounting Estimates and Assumptions (continued)

(v) 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.

(vi) 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.

(vii) 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 14.

(viii) Provision for Onerous Contract

As disclosed in Note 36(iv), 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 related party, based on the cost plus certain margin. Limbungan Makmur Sdn Bhd ("LMSB"), another related party, 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 services, 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sales of goods	**2,025,506**	2,379,520	**–**	–
Property development	**61,781**	102,259	**–**	–
Registration and other professional fees	**221**	175	**–**	–
Dividend income from a subsidiary	**–**	–	**53,225**	–
Interest income	**–**	–	**66,285**	64,777
	2,087,508	2,481,954	**119,510**	64,777

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries, wages and bonuses	**65,173**	62,356	**240**	240
Defined contribution plans	**8,205**	8,037	**29**	29
Defined benefit plan (Note 32)	**311**	178	**–**	–
Other staff related expenses	**18,271**	18,104	**118**	108
	91,960	88,675	**387**	377

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Salaries and other emoluments	**1,794**	1,839	**358**	348
Defined contribution plans	**113**	124	**29**	29
	1,907	1,963	**387**	377

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 RM283.0 million (2014: RM290.1 million).

9. (LOSS)/PROFIT FROM OPERATIONS

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
After charging:				
Auditors' remuneration	**464**	472	**40**	40
Bad receivables written off	**405**	500	**–**	–
Directors' remuneration (Note)	**893**	969	**624**	611
Impairment loss on receivables (net)	**1,529**	–	**–**	–
Property, plant and equipment:				
- impairment loss	**5,914**	10,419	**–**	–
- written off	**2**	628	**–**	–
Operating lease expense	**44,844**	42,842	**–**	–
Rental of:				
- plant, machinery and equipment	**–**	77	**–**	–
- premises	**1,502**	1,618	**–**	–
Net foreign exchange loss:				
- realised	**–**	13,800	**–**	–
- unrealised	**71,247**	–	**716**	44
Professional fees paid to a firm in which a Director, M. Chareon Sae Tang @ Tan Whye Aun, has interest	**111**	185	**–**	–
And crediting:				
Gain on disposal of property, plant and equipment	**81**	17	**–**	–
Dividend income from quoted investments in Malaysia	**–**	8	**–**	–
Interest income from:				
- subsidiaries	**–**	–	**66,152**	64,578
- others	**4,993**	5,431	**133**	199
Net foreign exchange gain:				
- realised	**1,290**	–	**–**	–
- unrealised	**–**	7,425	**–**	–
Rental income	**5,621**	3,675	**–**	–
Reversal of impairment loss on receivables	**–**	3	**–**	–

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

Note: The Directors' remuneration is categorised as follows:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Executive Director:				
- Salary and other emoluments	**480**	560	**240**	240
- Fees	**24**	24	**24**	24
- Defined contribution plans	**58**	67	**29**	29
- Benefits-in-kind	**118**	108	**118**	108
	680	759	**411**	401
Non-Executive Directors*:				
- Fees	**213**	210	**213**	210
	893	969	**624**	611

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

	Group 2015	Group 2014	Company 2015	Company 2014
Executive Director:				
- RM400,001 - RM450,000	**–**	–	**1**	1
- RM650,001 - RM700,000	**1**	–	**–**	–
- RM750,001 - RM800,000	**–**	1	**–**	–
Non-Executive Directors*:				
- RM25,000 and below	**1**	3	**1**	3
- RM25,001 - RM50,000	**5**	4	**5**	4

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

10. FINANCE COSTS

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Interest Expenses on:				
- bonds and debts	**48,939**	46,376	**48,939**	46,376
- RCSLS	**18,441**	20,982	**18,441**	20,982
- term loans	**67,746**	59,606	**–**	–
- product financing liabilities	**24,000**	30,760	**–**	–
- bank overdrafts	**1,443**	1,015	**–**	–
- others	**106,493**	84,139	**129**	379
	267,062	242,878	**67,509**	67,737

11. TAXATION

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current Estimated Tax:				
Malaysian income tax:				
- Current year	**(13,376)**	(10,851)	**(2,258)**	(1,875)
- Under provision in prior years	**(1,672)**	(360)	**(751)**	–
	(15,048)	(11,211)	**(3,009)**	(1,875)
Deferred Taxation: (Note 19)				
- Relating to origination and reversal of temporary differences	**5,117**	38,228	**734**	1,127
- Under provision in prior years	**(1,582)**	–	**–**	–
	3,535	38,228	**734**	1,127
Total	**(11,513)**	27,017	**(2,275)**	(748)

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	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Tax calculated at Malaysian statutory tax rate of 25% (2014: 25%)	**161,270**	156,463	**63,594**	140,308
Income not subject to tax	**5,500**	7,979	**13,306**	–
Expenses not deductible for tax purposes	**(18,588)**	(27,410)	**(78,424)**	(141,056)
Deferred tax assets not recognised during the year	**(146,618)**	(110,177)	**–**	–
Tax effect of share in results of associates	**(9,823)**	522	**–**	–
Under provision in prior years	**(3,254)**	(360)	**(751)**	–
	(11,513)	27,017	**(2,275)**	(748)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

12. 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	
	2015	**2014**
Net loss for the financial year attributable to owners of the Company (RM'000)	**(522,965)**	(507,071)
Weighted average number of ordinary shares in issue ('000)	**1,316,199**	1,316,199
Basic loss per share (sen)	**(39.7)**	(38.5)

(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.

13. 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						
2015						
Cost/Valuation						
At 1 July 2014	872,372	3,425,438	45,086	3,397	23,554	4,369,847
Additions	–	8,653	2,045	331	–	11,029
Disposals	–	–	(2)	(371)	–	(373)
Written off	–	(1)	(6)	–	–	(7)
At 30 June 2015	872,372	3,434,090	47,123	3,357	23,554	4,380,496
Representing items at:						
Cost	572,372	1,176,085	47,123	3,357	23,554	1,822,491
Valuation	300,000	2,258,005	–	–	–	2,558,005
	872,372	3,434,090	47,123	3,357	23,554	4,380,496
Accumulated Depreciation						
At 1 July 2014	204,019	1,712,224	33,688	3,198	–	1,953,129
Depreciation charge for the financial year	16,826	123,183	2,443	67	–	142,519
Disposals	–	–	(2)	(371)	–	(373)
Written off	–	(1)	(4)	–	–	(5)
At 30 June 2015	220,845	1,835,406	36,125	2,894	–	2,095,270
Representing items at:						
Cost	220,845	426,763	36,125	2,894	–	686,627
Valuation	–	1,408,643	–	–	–	1,408,643
	220,845	1,835,406	36,125	2,894	–	2,095,270
Accumulated Impairment Losses						
At 1 July 2014	9,782	36,185	–	–	–	45,967
Impairment loss for the financial year	33	5,881	–	–	–	5,914
At 30 June 2015	9,815	42,066	–	–	–	51,881
Representing items at:						
Cost	9,815	42,066	–	–	–	51,881
Net Book Value						
At cost	341,712	707,256	10,998	463	23,554	1,083,983
At valuation	300,000	849,362	–	–	–	1,149,362
At 30 June 2015	641,712	1,556,618	10,998	463	23,554	2,233,345

13. 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						
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
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

13. 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 improve-ments RM'000	Total RM'000
Group				
2015				
Cost/Valuation				
At 1 July 2014/30 June 2015	**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 2014	**–**	**3,022**	**200,997**	**204,019**
Depreciation charge for the financial year	**–**	**165**	**16,661**	**16,826**
At 30 June 2015	**–**	**3,187**	**217,658**	**220,845**
Representing items at:				
Cost	**–**	**3,187**	**217,658**	**220,845**
Accumulated Impairment Losses				
At 1 July 2014	**9,673**	**–**	**109**	**9,782**
Impairment loss for the financial year	**–**	**–**	**33**	**33**
At 30 June 2015	**9,673**	**–**	**142**	**9,815**
Representing items at:				
Cost	**9,673**	**–**	**142**	**9,815**
Net Book Value				
At cost	**1,518**	**10,309**	**329,885**	**341,712**
At valuation	**300,000**	**–**	**–**	**300,000**
At 30 June 2015	**301,518**	**10,309**	**329,885**	**641,712**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Leasehold land RM'000	Buildings and land improve-ments 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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold land is analysed as follows:

	Group 2015 RM'000	Group 2014 RM'000
Long term leasehold land	**10,309**	10,474

The revalued freehold land and plant and machinery if stated at cost less depreciation would amount to RM35.0 million (2014: RM35.0 million) and RM0.73 billion (2014: RM0.79 billion) respectively as at the end of the financial year.

Property, plant and equipment with carrying values totalling RM2.20 billion (2014: RM2.34 billion) has been charged to financial institutions as securities for credit facilities as disclosed in Note 28.

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

	Group 2015 RM'000	Group 2014 RM'000
Motor vehicles	**428**	166

14. PROPERTY DEVELOPMENT ACTIVITIES

(a) Land Held for Property Development

	Group 2015 RM'000	Group 2014 RM'000
Freehold land, at cost		
At 1 July	**2,528**	6,805
Transfer to property development cost	**(1,773)**	(4,277)
At 30 June	**755**	2,528

14. PROPERTY DEVELOPMENT ACTIVITIES (continued)

(b) Property Development Costs

	Group 2015 RM'000	Group 2014 RM'000
Property development cost at 1 July:		
- Freehold land	**7,012**	7,914
- Development costs	**40,648**	14,635
	47,660	22,549
Cost incurred during the year:		
- Freehold land	**3,783**	3,305
- Development costs	**35,079**	48,124
	38,862	51,429
Reversal of completed projects	**(7,223)**	(27,547)
Cost recognised in profit or loss:		
At 1 July	**(47,062)**	(18,252)
Recognised during the financial year	**(14,506)**	(56,357)
Reversal of completed projects	**7,223**	27,547
	(54,345)	(47,062)
Transfer from land held for property development	**1,773**	4,277
Transfer to inventories	**–**	(3,048)
Property development cost at 30 June	**26,727**	598

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.

15. GOODWILL

	Group 2015 RM'000	Group 2014 RM'000
Goodwill on Consolidation, at Cost		
At 1 July/30 June	**501,511**	501,511
Accumulated Impairment Losses		
At 1 July	**(501,511)**	(312,533)
Impairment loss recognised in profit or loss	**–**	(188,978)
At 30 June	**(501,511)**	(501,511)
Net Carrying Amount	**–**	–

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.

In the previous financial year, the Group prepared cash flow forecasts derived from the most recent financial budgets for the next 5 years. The discount rate used was 8.5% per annum.

16. INVESTMENT IN SUBSIDIARIES

	Company 2015 RM'000	Company 2014 RM'000
Unquoted Shares		
At cost	**25,916**	25,916
Accumulated impairment losses	**(20,501)**	(20,501)
	5,415	5,415
Cost of investment arising from share options	**2,458**	2,458
	7,873	7,873

16. INVESTMENT IN SUBSIDIARIES (continued)

Certain investment in subsidiaries with carrying values totalling RM5.4 million (2014: RM5.4 million) have been charged as security for the bonds and debts and RCSLS issued by the Company as disclosed in Notes 31 and 29 respectively.

The subsidiaries are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2015 %	2014 %	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

16. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2015 %	2014 %	Principal Activities
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
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

16. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2015 %	2014 %	Principal Activities
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
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.

16. INVESTMENT IN SUBSIDIARIES (continued)

In the previous 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 2014 RM'000
Property, plant and equipment (Note 24)	9,724
Trade and other receivables	872
Tax recoverable	35
Deposit, cash and bank balances	4
Trade and other payables	(910)
Net assets disposed	9,725
Total disposal proceeds	33,000
Gain on disposal to the Group	23,275
Cash inflow arising from 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:

	2015 RM'000	**2014 RM'000**
Accumulated balances of non-controlling interests:		
- Material non-controlling interest: Megasteel Sdn Bhd	**(274,055)**	(140,974)
- Immaterial non-controlling interest	**8,011**	8,559
	(266,044)	(132,415)
Loss allocated to non-controlling interests:		
- Material non-controlling interest: Megasteel Sdn Bhd	**(133,081)**	(91,037)
- Immaterial non-controlling interest	**(548)**	(726)
	(133,629)	(91,763)

16. 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	
	2015	**2014**
	RM'000	**RM'000**
Summarised Statement of Profit or Loss:		
Revenue	**1,907,137**	2,263,166
Loss for the year	**(615,922)**	(416,765)
Summarised Statement of Financial Position:		
Non-current assets	**2,520,907**	2,639,561
Current assets	**251,305**	673,381
Non-current liabilities	**(458,977)**	(439,392)
Current liabilities	**(3,859,190)**	(3,803,583)
Net liabilities	**(1,545,955)**	(930,033)
Summarised cash flow information:		
Operating	**35,340**	40,367
Investing	**(7,288)**	(1,012)
Financing	**(36,771)**	(56,371)
Net decrease in cash and cash equivalents	**(8,719)**	(17,016)

17. INVESTMENT IN ASSOCIATES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**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	**393,343**	728,348
- accumulated impairment losses	**(447,512)**	(447,512)	**(393,343)**	(728,348)
	397,274	397,274	**–**	–
	441,263	441,263	**–**	–
Share of post-acquisition results and reserves	**(418,304)**	(387,556)	**–**	–
	22,959	53,707	**–**	–
Market value of quoted shares: - quoted outside Malaysia	**42,226**	49,651	**–**	–
Represented by: Share of net assets other than goodwill	**64,840**	93,550		

17. INVESTMENT IN ASSOCIATES (continued)

The associates are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2015 %	Holding in Equity 2014 %	Principal Activities
ACB Resources Berhad	Malaysia	**24.67** **# 22.99**	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:

	2015 RM'000	2014 RM'000
Assets		
Current assets	**577,717**	694,593
Non-current assets	**230,582**	156,398
Total assets	**808,299**	850,991
Liabilities		
Current liabilities	**(1,760,520)**	(1,487,221)
Non-current liabilities	**(5,450)**	(11,297)
Total liabilities	**(1,765,970)**	(1,498,518)
Results		
Revenue	**115,684**	213,435
Loss for the year	**(342,993)**	(470,075)

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 RM605.8 million (2014: RM502.5 million) and current year's unrecognised share of losses amounted to RM103.3 million (2014: RM227.2 million).

18. INVESTMENT SECURITIES

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
(a) Non-Current				
Available-for-sale Investments				
Quoted Shares in Malaysia				
- at fair value	**479**	798	**198**	280
Unquoted Shares				
- at cost	**393**	393	**–**	–
- accumulated impairment losses	**(305)**	(305)	**–**	–
	88	88	**–**	–
Total	**567**	886	**198**	280
Market value of quoted shares	**479**	798	**198**	280
(b) Current				
Held-to-maturity Investments				
- unquoted bonds (c)	**20,418**	23,199	**–**	–

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

	Group	
	2015 RM'000	**2014 RM'000**
At 1 July	**23,199**	28,297
Exchange difference	**4,085**	307
Accreted interest	**1,136**	967
Redemption during the year	**(5,738)**	(6,372)
	22,682	23,199
Impairment loss	**(2,264)**	–
At 30 June	**20,418**	23,199
Receivable within one year	**(20,418)**	(23,199)
	–	–

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.

18. INVESTMENT SECURITIES (continued)

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

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.

19. DEFERRED TAXATION

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
At 1 July	**368,509**	330,281	**(836)**	(1,963)
Recognised in profit or loss (Note 11)	**3,535**	38,228	**734**	1,127
At 30 June	**372,044**	368,509	**(102)**	(836)

Presented after appropriate offsetting as follows:

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Deferred tax assets	**373,914**	369,345	**–**	–
Deferred tax liabilities	**(1,870)**	(836)	**(102)**	(836)
At 30 June	**372,044**	368,509	**(102)**	(836)

(a) Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 July 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**
Recognised in profit or loss	**4,569**	**–**	**4,569**
At 30 June 2015	**350,576**	**23,338**	**373,914**

19. DEFERRED TAXATION (continued)

(b) Deferred Tax Liabilities of the Group

	RCSLS RM'000	Accelerated Capital Allowances RM'000	Total RM'000
At 1 July 2013	(1,963)	–	(1,963)
Recognised in profit or loss	1,127	–	1,127
At 30 June 2014	**(836)**	**–**	**(836)**
Recognised in profit or loss	**734**	**(1,768)**	**(1,034)**
At 30 June 2015	**(102)**	**(1,768)**	**(1,870)**

(c) Deferred Tax Liabilities of the Company

	RCSLS RM'000
At 1 July 2013	(1,963)
Recognised in profit or loss	1,127
At 30 June 2014	**(836)**
Recognised in profit or loss	**734**
At 30 June 2015	**(102)**

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

	Group	
	2015 RM'000	2014 RM'000
Unused tax losses	**1,262,971**	865,729
Unabsorbed capital allowances	**124,937**	86,429
Unutilised reinvestment allowances	**42,471**	42,471
Other deductible temporary differences	**153,852**	3,131
	1,584,231	997,760

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

20. INVENTORIES

	Group 2015 RM'000	Group 2014 RM'000
At Cost:		
Properties held for sale	**6,886**	9,507
Raw materials	**16,089**	200,334
Work-in-progress	**1,155**	1,357
Finished goods	**11,769**	9,273
Spares, supplies and consumables	**102,051**	113,438
	137,950	333,909
At Net Realisable Value:		
Raw materials	**51,412**	4,849
Work-in-progress	**296**	4,883
Finished goods	**98,718**	334,904
Spares, supplies and consumables	**1,834**	2,933
	152,260	347,569
Total	**290,210**	681,478

The inventories in relation to the product financing liabilities as disclosed in Note 33, where titles are with other parties are as follows:

	Group 2015 RM'000	Group 2014 RM'000
Raw Materials:		
- with related parties	**–**	60,278
- with external parties	**–**	47,843
	–	108,121
Finished Goods:		
- with related parties	**60,413**	134,366
- with external parties	**7,629**	121,034
	68,042	255,400
Total	**68,042**	363,521

Included in raw materials under product financing facilities of the Group are amounts of RM Nil (2014: RM55.1 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 RM138.1 million (2014: RM210.1 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 28.

21. TRADE AND OTHER RECEIVABLES

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Trade receivables	**92,422**	134,176	**–**	–
Impairment losses	**(11,823)**	(12,711)	**–**	–
	80,599	121,465	**–**	–
Other receivables	**17,106**	20,247	**127**	982
Impairment losses	**(5,874)**	(3,956)	**–**	–
	11,232	16,291	**127**	982
Prepayments	**16,191**	17,833	**–**	–
Deposits	**3,775**	3,701	**1**	1
	111,797	159,290	**128**	983

Included in receivables of the Group and of the Company are related parties balances of which RM2.0 million (2014: RM1.1 million) and RM Nil (2014: RM Nil) respectively are in trade receivables and RM2.7 million (2014: RM1.0 million) and RM0.1 million (2014: RM0.1 million) respectively are in other receivables.

The Group's normal trade credit terms range from 5 days to 60 days (2014: 5 days to 60 days). Interest on overdue trade balances are charged at a rate of 6% to 16% (2014: 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 2015 RM'000	Group 2014 RM'000
Neither past due nor impaired	**63,869**	112,324
1 to 30 days past due not impaired	**12,414**	2,066
31 to 60 days past due not impaired	**795**	578
61 to 90 days past due not impaired	**875**	3,565
91 to 180 days past due not impaired	**447**	79
More than 180 days past due not impaired	**2,199**	2,853
	16,730	9,141
Impaired	**11,823**	12,711
	92,422	134,176

21. TRADE AND OTHER RECEIVABLES (continued)

Movement of the impairment account is as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
At 1 July	**12,711**	12,794
Additions	**646**	–
Reversal	**(1,534)**	(3)
Written off	**–**	(80)
At 30 June	**11,823**	12,711

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 RM16.7 million (2014: RM9.1 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 RM32.0 million (2014: RM71.9 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 28.

22. AMOUNT DUE FROM/TO SUBSIDIARIES

	Company	
	2015	**2014**
	RM'000	**RM'000**
Amount due from subsidiaries	**1,176,917**	3,490,028
Impairment losses	**(571,700)**	(2,613,000)
	605,217	877,028
Amount due to subsidiaries	**44,329**	87,254

22. AMOUNT DUE FROM/TO SUBSIDIARIES (continued)

Movement of the impairment account is as follows:

	Company	
	2015	**2014**
	RM'000	**RM'000**
At 1 July	**2,613,000**	2,060,000
Additions	**18,700**	553,000
Written off	**(2,060,000)**	–
At 30 June	**571,700**	2,613,000

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 6% (2014: 2%) per annum and the amount due to subsidiaries are interest free (2014: interest free).

23. 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% (2014: 2.8%) and 3.1% (2014: 2.9%) per annum respectively and have varying periods of between 1 day and 365 days (2014: 1 day and 350 days).

Included in deposits of the Group is an amount of RM0.2 million (2014: RM0.2 million) which is pledged as a bank guarantee to certain subsidiaries.

24. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2015	**2014**
	RM'000	**RM'000**
At 1 July	**–**	9,833
Addition	**–**	267
Depreciation	**–**	(376)
Disposal (Note 16)	**–**	(9,724)
At 30 June	**–**	–

25. SHARE CAPITAL

	Group and Company	
	2015	**2014**
	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

26. RESERVES

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Non-Distributable:				
Asset revaluation reserve	**264,859**	264,859	**–**	–
Capital reserve	**43,702**	43,553	**3,046**	3,046
Foreign currency translation reserve	**22,625**	11,691	**–**	–
Fair value adjustment reserve	**(113)**	(113)	**178**	178
Equity component of RCSLS	**8,990**	8,990	**8,990**	8,990
Warrant reserve	**3,673**	3,673	**3,673**	3,673
	343,736	332,653	**15,887**	15,887
Share premium	**97,685**	97,685	**97,685**	97,685
	441,421	430,338	**113,572**	113,572
Accumulated losses	**(2,555,568)**	(2,032,603)	**(1,951,618)**	(1,694,967)
	(2,114,147)	(1,602,265)	**(1,838,046)**	(1,581,395)

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.

(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.

26. RESERVES (continued)

(f) Warrant Reserve (continued)

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 years, the exercise price of the LCB Warrant has been adjusted from RM1.00 to RM5.00. The LCB Warrants may be exercised at any time commencing from 21 April 2009 but not later than 20 April 2019 (both dates inclusive).

(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.

27. 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 a related party.

	Group	
	2015	**2014**
	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

27. 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;

27. 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; and

(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.

28. LOANS AND BORROWINGS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short Term Borrowings				
Secured:				
RCSLS (Note 29)	**–**	181,153	**–**	181,153
Syndicated Term Loans	**710,713**	625,603	**–**	–
Other term loans	**21,658**	21,295	**–**	–
Bills payable	**66,015**	70,890	**–**	–
Revolving credits	**33,000**	33,000	**–**	–
Bank overdrafts	**9,800**	9,941	**–**	–
Finance lease liabilities (Note 30)	**92**	47	**–**	–
	841,278	941,929	**–**	181,153
Unsecured:				
Bills payable	**50,344**	64,286	**–**	–
Bank overdrafts	**7,178**	5,405	**–**	–
	57,522	69,691	**–**	–
	898,800	1,011,620	**–**	181,153
Long Term Borrowings				
Secured:				
RCSLS (Note 29)	**278,356**	90,174	**278,356**	90,174
Finance lease liabilities (Note 30)	**270**	114	**–**	–
	278,626	90,288	**278,356**	90,174
Total Borrowings				
RCSLS (Note 29)	**278,356**	271,327	**278,356**	271,327
Syndicated Term Loans (Note A)	**710,713**	625,603	**–**	–
Other term loans	**21,658**	21,295	**–**	–
Bills payable	**116,359**	135,176	**–**	–
Revolving credits	**33,000**	33,000	**–**	–
Bank overdrafts	**16,978**	15,346	**–**	–
Finance lease liabilities (Note 30)	**362**	161	**–**	–
	1,177,426	1,101,908	**278,356**	271,327

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 13) and other assets of the subsidiaries.

28. LOANS AND BORROWINGS (continued)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	%	%	%	%
RCSLS	**5.8**	5.8	**5.8**	5.8
Term loans	**11.7**	11.6	**–**	–
Bills payable	**9.1**	9.1	**–**	–
Revolving credits	**9.9**	9.6	**–**	–
Bank overdrafts	**9.4**	9.1	**–**	–

(A) Syndicated Term Loans

The balance outstanding as at the reporting date is as shown below:

	Group	
	2015	**2014**
	RM'000	**RM'000**
RM Term Loan	**315,946**	301,376
USD Term Loan	**394,767**	324,227
	710,713	625,603

A restructuring scheme in relation to the Syndicated Term Loans came into effect in 2010 ("Restructured Scheme"). The restructured amount of the Syndicated Term Loans comprises RM denominated Term Loan ("RM Term Loan") of RM599 million and USD denominated Term Loan ("USD Term Loan") of USD205 million.

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 13, including any future additions;

(b) floating assets of Megasteel Group; and

(c) charge over certain investment in subsidiaries.

28. LOANS AND BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

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

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

Tan Sri William H.J. Cheng ("TSWC") shall grant Megasteel an option to put to him 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 Loan and USD Term Loan inclusive of principal, interests, commission, fees or expenses respectively as defined in the provisional Term Sheet;

(b) The sale of the property, plant and equipment shall be subjected to the approvals of shareholders of 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 2015, the Group has not entered into any sale and purchase agreement for the sale of the property, plant and equipment.

In previous financial years, the Corporate Debt Restructuring Committee ("CDRC") (with the concurrence of the authority) was facilitating the restructuring of Megasteel's banking facilities. CDRC had issued a letter dated 20 December 2012 to all lenders of 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.

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.

28. LOANS AND BORROWINGS (continued)

(A) Syndicated Term Loans (continued)

On 14 July 2014, Megasteel sent out Term Sheet to the Lenders outlining the principal terms and conditions of the Proposed Restructuring Scheme. Subsequently, on 20 November 2014, Megasteel sent out a Revised Term Sheet to the Lenders outlining the principal terms and conditions of the Proposed Restructuring Scheme. The Proposed Restructuring Scheme was expected to be completed by 31 December 2014.

The Proposed Restructuring Scheme involves the following:

- moratorium period granted in respect of the repayment of the principal amount outstanding up to 30 September 2017;

- no changes in interest rates ("Interest Rates");

- interest will be paid on a semi-annual basis;

- Interest Payment Rates ranges from fixed rates of 4% for RM Term Loan and 2% for USD Term Loan from 1 July 2014 to 30 September 2017, up to 5% + COF/LIBOR in the later years till 31 March 2022;

- the interest difference between Interest Rates and Interest Payment Rates shall be paid as Back-End Interest Payment;

- unpaid default interest of 2% per annum up to 30 June 2014 is proposed to be paid upon full repayment of the principal; and

- in the event Megasteel achieves an adjusted profit after tax which exceeds the projected profit after tax in any financial year ("Super Profit"), Megasteel shall utilise 50% of the Super Profit as follows:

  (i) the Lenders are entitled to an additional interest payment of up to 1% per annum; and

  (ii) the balance of the Super Profit shall be applied to repay the principal amount owing under the Term Loans on a pro-rata basis.

Megasteel has obtained consent from all its RM Term Loan Lenders as at the date of the financial statements (some of which are with certain conditions). However, only 2 out of the 7 USD Term Loan Lenders have given their consent while 1 has commenced legal proceedings, as further disclosed in Note 35.

Megasteel intends to engage both CDRC and the Lenders in further discussions and negotiations on the terms of the Proposed Restructuring Scheme.

29. 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.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

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.

(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). During the financial year, the RCSLS Holders have granted approval for the extension of time for the redemption of the RCSLS to 31 December 2030 and as such, the conversion period is extended to 31 December 2030 accordingly.

(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.

During the financial year, RCSLS Holders have granted approval for the extension of time for the redemption of the RCSLS up to 31 December 2030.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

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

(v) Security

The securities for the RCSLS shall be the same as the securities for the LCB Bonds and LCB Debts (Note 31).

(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.

As at 30 June 2015, RM506,407,000 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	
	2015	**2014**
	RM'000	**RM'000**
Liability component at 1 July	**271,327**	258,236
Interest expenses recognised during the year (Note 10)	**18,441**	20,982
Repayment during the year	**(11,412)**	(7,891)
Liability component at 30 June	**278,356**	271,327

The RCSLS are redeemable over the following periods:

	Group and Company	
	2015	**2014**
	RM'000	**RM'000**
Within 1 year	**–**	181,153
From 1 to 2 years	**–**	90,174
From 2 to 5 years	**–**	–
After 5 years	**278,356**	–
	278,356	271,327

Included in the RCSLS are amount of RM250.6 million (2014: RM128.9 million) due to a related party.

30. FINANCE LEASE LIABILITIES

	Group 2015 RM'000	Group 2014 RM'000
Minimum lease payments:		
Not later than 1 year	**111**	52
Later than 1 year and not later than 2 years	**105**	45
Later than 2 years and not later than 5 years	**194**	83
	410	180
Future finance charges	**(48)**	(19)
	362	161
Present value of finance lease payments:		
Not later than 1 year	**92**	47
Later than 1 year and not later than 2 years	**86**	39
Later than 2 years and not later than 5 years	**184**	75
	362	161
Analysed as:		
Due within 12 months	**92**	47
Due after 12 months	**270**	114
	362	161

The finance lease liabilities carry interest rates at the reporting date at rates ranging from 2.3% to 3.7% (2014: 2.3% to 3.7%) per annum.

31. BONDS AND DEBTS

	Group and Company 2015 RM'000	Group and Company 2014 RM'000
Non-Current		
Secured:		
- LCB Bonds	**774,596**	760,816
- LCB Debts	**4,780**	4,075
Total	**779,376**	764,891

31. BONDS AND DEBTS (continued)

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

	Group and Company 2015 RM'000	2014 RM'000
Within 1 year	**–**	–
From 1 to 2 years	**–**	–
From 2 to 5 years	**–**	437,218
After 5 years	**779,376**	327,673
	779,376	764,891

Included in the Bonds and Debts is an amount of RM739.6 million (2014: RM Nil) due to a related party.

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 29).

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.

31. 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:

(a) The assets included in the Proposed Divestment Programme ("PDP") for the 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 the Company;

(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

(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.

31. BONDS AND DEBTS (continued)

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

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.

During the financial year, Bondholders and Lenders have granted approval for extension of the redemption/repayment period for LCB Bonds and LCB Debts up to 31 December 2034.

32. DEFERRED LIABILITIES

	Group	
	2015	**2014**
	RM'000	**RM'000**
Unfunded defined benefit plan (a)	**3,151**	2,878
Deferred creditor (b)	**272,307**	252,722
	275,458	255,600

(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	
	2015	**2014**
	RM'000	**RM'000**
Non-Current		
At 1 July	**2,878**	2,834
Charged to profit or loss (Note 7)	**311**	178
Benefit paid	**(38)**	(134)
At 30 June	**3,151**	2,878
The amount recognised is analysed as follows:		
- Present value of unfunded defined benefit obligations	**3,151**	2,878
The expenses recognised in profit or loss are analysed as follows:		
- Current service cost	**160**	153
- Interest cost	**151**	138
- Past service cost	**–**	(113)
	311	178

32. DEFERRED LIABILITIES (continued)

(a) Unfunded Defined Benefit Plan (continued)

The principal actuarial assumptions used are as follows:

	Group	
	2015	**2014**
	%	**%**
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 RM305.6 million claim ("Consent Judgement Sum") made by TNB for the supply of electricity to Megasteel. A consent judgment had been recorded at the High Court of Malaya, stating that Megasteel has been given a 12-month moratorium from April 2014 to pay the amount and that it shall commence the scheduled payment of the Consent Judgement Sum by 24 monthly instalments from April 2015. Additionally, the supply of electricity by TNB shall be on an advance payment basis effective April 2014.

Thereafter, TNB agreed to grant Megasteel a further moratorium period wherein the 24 monthly instalments shall commence from April 2016 instead of April 2015. On 7 August 2015, with the consent of TNB, the Court has allowed Megasteel's application to record by way of a consent order that TNB has granted Megasteel new terms to pay the Consent Judgement Sum and that Megasteel shall commence the scheduled payment of the Consent Judgment Sum from April 2016.

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	**1,487,714**	1,412,661	**–**	–
Other payables	**160,060**	152,798	**19,837**	16,034
Security deposits received from customers	**12,328**	19,550	**–**	–
Product financing liabilities	**124,451**	318,525	**–**	–
Accruals	**139,037**	113,808	**16,377**	16,321
Project payables	**4,257**	3,836	**–**	–
	1,927,847	2,021,178	**36,214**	32,355

Included in payables of the Group and of the Company are related parties balances of which RM1,287.1 million (2014: RM1,168.5 million) and RM Nil (2014: RM Nil) respectively are in trade payables, RM100.4 million (2014: RM85.8 million) and RM19.8 million (2014: RM16.0 million) respectively are in other payables and RM90.2 million (2014: RM165.2 million) and RM Nil (2014: RM Nil) respectively are in product financing liabilities.

Certain of the related parties balances bear interest rates ranging from 7.9% to 9.1% (2014: 7.6% to 9.0%) per annum.

The entire security deposits received from customers bear interest rates ranging from 6.5% to 10.0% (2014: 6.5% to 10.0%) per annum.

33. TRADE AND OTHER PAYABLES (continued)

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% (2014: 6% to 9%) per annum. The inventories under such arrangements are disclosed in Note 20. 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.

In previous financial years, 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 parties of RM577.8 million.

As at 30 June 2015, the Group has an amount outstanding of RM99.6 million (2014: RM102.6 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 parties of RM74.2 million (2014: RM74.2 million).

Since the previous financial years, 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 the subsidiary will have the continued support from these creditors.

34. COMMITMENTS

(a) Capital Commitments

As at end of the financial year, the Group has the following capital commitments:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**8,714**	10,181
- approved but not contracted for	**42,501**	42,501
	51,215	52,682

(b) Non-Cancellable Operating Lease Commitments

	Group	
	2015	**2014**
	RM'000	**RM'000**
As Lessor		
Future minimum rentals receivable:		
Not later than one year	**1,353**	1,329
Later than one year and not later than five years	**5,343**	5,315
Later than five years	**21,204**	22,533
	27,900	29,177

35. CONTINGENT LIABILITIES

		Company	
		2015	**2014**
		RM'000	**RM'000**
(a)	Guarantees in respect of loans and facilities granted to subsidiaries		
	- unsecured	**108,072**	106,500

(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.

The MyCC had requested a further oral representation to be held on 5 March 2015 for the purpose of seeking clarification on several issues from the representatives of Malaysian Investment Development Authority, the Ministry of International Trade and Industry and the Malaysian Steel Institute. The MyCC had subsequently cancelled their request for further oral representation.

On 29 June 2015, MyCC conducted a case management in which MyCC issued certain directions to both Megasteel and the complainant which included allowing the complainant to issue written representation as it considers the complainant to be an interested party ("Directions"). On 30 June 2015, Megasteel had raised objections to the Directions.

However, the complainant failed to file its written representation on time. The complainant's application for extension of time was also disallowed by MyCC. The next oral representation is fixed for 2 November 2015.

(c) Woodgrove Investments Pte Ltd ("Woodgrove"), through its solicitors, issued a statutory notice of demand pursuant to Section 218(1)(e) of the Companies Act ("Section 218 Notice") against Megasteel on 5 January 2015. Under the Section 218 Notice, Woodgrove demanded for the payment of a sum of USD7,191,100 as at 16 December 2014 plus interest within 21 days from the date of the receipt by Megasteel of the Section 218 Notice, failing which Megasteel is deemed unable to pay its debts and appropriate action may be taken to wind-up Megasteel.

On 20 January 2015, Megasteel's solicitors wrote a letter of reply to Woodgrove's solicitors to state that Woodgrove's claim is premature and there is a bona fide disputed debt. On 22 January 2015, Megasteel applied to the High Court of Malaya in Kuala Lumpur for a fortuna injunction order to restrain Woodgrove from filing and/or presenting a winding-up order against Megasteel ("Fortuna Injunction").

On 17 March 2015, interlocutory Fortuna Injunction was granted against Woodgrove. On 28 May 2015, permanent Fortuna Injunction was granted against Woodgrove.

Woodgrove has since appealed to the Court of Appeal against the Fortuna Injunction. Next case management is fixed for 6 October 2015.

36. 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:

			Group	
	Name of Company	**Type of Transactions**	**2015 RM'000**	**2014 RM'000**
(i)	**With ACB Resources Berhad ("ACB") Group**			
	Lion Tooling Sdn Bhd	Trade purchases	**3,348**	3,461
(ii)	**With Lion Asiapac Limited ("LAP") Group**			
	Compact Energy Sdn Bhd	Trade purchases	**14,900**	9,360
		Rental income	**274**	235
(iii)	**With Other Related Parties**			
	Amsteel Mills Sdn Bhd	Trade sales	**64,017**	546,048
		Trade purchases	**61,130**	692,136
		Rental income	**487**	1,196
		Rental expenses	**744**	464
	Antara Steel Mills Sdn Bhd	Trade sales	**7,456**	13,889
		Trade purchases	**–**	30,605
	Amsteel Mills Marketing Sdn Bhd	Trade purchases	**5,296**	8,431
	Lion Waterway Logistics Sdn Bhd	Logistic services	**12,924**	18,341
	Posim Petroleum Marketing Sdn Bhd	Trade purchases	**2,089**	3,018
	Singa Logistics Sdn Bhd	Logistic services	**18,015**	17,886
	Lion DRI Sdn Bhd	Trade sales	**36,834**	35,847
		Trade purchases (Note (iv))	**1,015,097**	891,411
		Operating lease expense	**44,844**	42,842
		Rental income	**1,142**	1,142
	Graimpi Sdn Bhd	Interest expense on product financing	**1,953**	2,699
	Mitsui & Co Ltd	Trade purchases	**56,565**	34,904
	Lion Holdings Pte Ltd	Product financing facilities	**67,075**	245,852
		Interest expense on product financing	**5,194**	8,954
	Ributasi Holdings Sdn Bhd	Product financing facilities	**44,000**	2,500
		Interest expense on product financing	**1,477**	594

ACB and LAP are associates of the Company wherein certain Directors and 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 and Singa Logistics Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a company in which certain Directors and the substantial shareholders of the Company have interests.

36. RELATED PARTY TRANSACTIONS (continued)

Significant transactions undertaken with related parties are as follows: (continued)

(iii) With Other Related Parties (continued)

Lion DRI Sdn Bhd and Graimpi Sdn Bhd are subsidiaries of Lion Diversified Holdings Berhad, a substantial shareholder of the Company wherein certain Directors and the 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.

(iv) 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 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 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 in 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.

37. 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.

37. SEGMENTAL ANALYSIS (continued)

	Steel RM'000	Property RM'000	Furniture RM'000	Others RM'000	Elimination RM'000	Group RM'000
Group						
2015						
Revenue						
External	1,997,954	61,781	27,552	221	–	2,087,508
Inter-segment	6,770	–	–	15	(6,785)	–
	2,004,724	61,781	27,552	236	(6,785)	2,087,508
Results						
Segment results	(383,999)	35,812	1,964	5,079	–	(341,144)
Interest income	1,064	1,524	92	2,313	–	4,993
Loss from operations						(336,151)
Finance costs						(267,062)
Impairment losses on investments						(2,578)
Share in results of associates						(39,290)
Loss before taxation						(645,081)
Taxation						(11,513)
Net loss for the financial year						(656,594)
Segment assets	2,598,167	158,921	25,946	34,155	–	2,817,189
Investment in associates						22,959
Unallocated corporate assets						373,996
Consolidated total assets						3,214,144
Segment liabilities	3,074,483	23,551	4,889	110,452	–	3,213,375
Unallocated corporate liabilities						1,064,761
Consolidated total liabilities						4,278,136
Other information						
Capital expenditure	10,304	–	725	–	–	11,029
Depreciation	142,195	12	311	1	–	142,519

37. SEGMENTAL ANALYSIS (continued)

	Steel RM'000	Property RM'000	Furniture RM'000	Others RM'000	Elimination RM'000	Group RM'000
Group						
2014						
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. STATEMENTS OF CASH FLOWS

(a) Adjustments for non-cash items, interests and dividends

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impairment and waiver losses on amount due from subsidiaries	**–**	–	**304,057**	553,000
Bad receivables written off	**405**	500	**–**	–
Dividend income	**–**	(8)	**(53,225)**	–
Gain on disposal of a subsidiary	**–**	(23,275)	**–**	–
Gain on disposal of property, plant and equipment	**(81)**	(17)	**–**	–
Impairment losses on:				
- goodwill	**–**	188,978	**–**	–
- investment in securities	**2,578**	30	**82**	–
- investment in a subsidiary	**–**	–	**–**	3,400
- receivables	**1,529**	–	**–**	–
- property, plant and equipment	**5,914**	10,419	**–**	–
Reversal of impairment loss on receivables	**–**	(3)	**–**	–
Interest expenses	**267,062**	242,878	**67,509**	67,737
Interest income	**(4,993)**	(5,431)	**(66,285)**	(64,777)
Inventories written down	**26,627**	33,824	**–**	–
Depreciation	**142,519**	143,807	**–**	–
Property, plant and equipment written off	**2**	628	**–**	–
Provision for defined benefit plan	**311**	178	**–**	–
Share in results of associates	**39,290**	(2,086)	**–**	–
Unrealised loss/(gain) on foreign exchange	**71,247**	(7,425)	**716**	44
	552,410	582,997	**252,854**	559,404

(b) Purchase of property, plant and equipment

	Group	
	2015	**2014**
	RM'000	**RM'000**
Aggregate cost of purchase (Notes 13 and 24)	**11,029**	2,919
Purchase by means of:		
- hire purchase	**(282)**	(70)
- deferred payment	**(1,149)**	–
Purchase by cash	**9,598**	2,849

38. STATEMENTS OF CASH FLOWS (continued)

(c) Cash and cash equivalents at end of the financial year

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**118,792**	119,085	**518**	1,064
Deposits with financial institutions	**14,578**	58,748	**3,981**	3,788
Bank overdrafts (Note 28)	**(16,978)**	(15,346)	**–**	–
	116,392	162,487	**4,499**	4,852
Fixed deposits pledged to licensed banks	**(247)**	(162)	**–**	–
	116,145	162,325	**4,499**	4,852

Cash and bank balances and deposits with financial institutions of the Group amounting to RM2.9 million (2014: RM11.8 million) are secured by way of a floating charge for borrowings as disclosed in Note 28.

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	
	2015	**2014**
	RM'000	**RM'000**
Bank balances	**100,002**	103,703
Deposits with financial institutions	**4,097**	17,862
	104,099	121,565

Included in bank balances of a subsidiary is an amount of RM98.9 million (2014: RM103.3 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use for other operations.

39. 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.

39. 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 and of the Company that are not denominated in its functional currencies are as follows:

	USD RM'000	Euro RM'000	Others RM'000	Total RM'000
Group				
2015				
Trade and other receivables	**793**	**–**	**66**	**859**
Trade and other payables	**96,135**	**14,461**	**5,472**	**116,068**
Loans and borrowings	**394,767**	**–**	**–**	**394,767**
Bonds and debts	**4,780**	**–**	**–**	**4,780**
2014				
Trade and other receivables	2,385	–	–	2,385
Trade and other payables	250,091	14,259	3,314	267,664
Loans and borrowings	324,227	–	–	324,227
Bonds and debts	4,075	–	–	4,075
Company				
2015				
Bonds and debts	**4,780**	**–**	**–**	**4,780**
2014				
Bonds and debts	4,075	–	–	4,075

39. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's profit/loss net of tax to a reasonably possible change in the USD exchange rate against the functional currency of the Group and the Company, with all other variables held constant:

		Profit net of tax	
		2015	**2014**
Group		**RM'000**	**RM'000**
USD/RM	- strengthened 3%	**(11,135)**	(12,960)
	- weakened 3%	**11,135**	12,960
Company			
USD/RM	- strengthened 3%	**(108)**	(92)
	- weakened 3%	**108**	92

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.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's 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.

39. FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

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.

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 2015, the Group's current liabilities exceeded its current assets by RM2.25 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
2015					
Group					
Trade and other payables	**251,990**	**1,683,080**	**–**	**–**	**1,935,070**
Loans and borrowings	**–**	**898,819**	**299**	**506,407**	**1,405,525**
Bonds and debts	**–**	**–**	**–**	**1,739,289**	**1,739,289**
Deferred creditor	**–**	**–**	**303,425**	**–**	**303,425**
	251,990	**2,581,899**	**303,724**	**2,245,696**	**5,383,309**
2015					
Company					
Trade and other payables	**–**	**36,214**	**–**	**–**	**36,214**
Amount due to subsidiaries	**44,329**	**–**	**–**	**–**	**44,329**
Loans and borrowings	**–**	**–**	**–**	**506,407**	**506,407**
Bonds and debts	**–**	**–**	**–**	**1,739,289**	**1,739,289**
	44,329	**36,214**	**–**	**2,245,696**	**2,326,239**

39. FINANCIAL INSTRUMENTS (continued)

Liquidity and Cash Flow Risks (continued)

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: (continued)

	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	102,597	1,925,797	–	–	2,028,394
Loans and borrowings	–	1,018,625	93,796	–	1,112,421
Bonds and debts	–	–	550,179	476,797	1,026,976
Deferred creditor	–	–	283,817	–	283,817
	102,597	2,944,422	927,792	476,797	4,451,608
2014					
Company					
Trade and other payables	–	32,355	–	–	32,355
Amount due to subsidiaries	87,254	–	–	–	87,254
Loans and borrowings	–	188,153	93,682	–	281,835
Bonds and debts	–	–	550,179	476,797	1,026,976
	87,254	220,508	643,861	476,797	1,428,420

Fair Values

The carrying amounts of financial liabilities of the Group as at the reporting date approximated their fair values except as set out below:

	Group	
	Carrying amount RM'000	Fair value RM'000
2015		
Financial Liabilities		
Finance lease liabilities	**362**	**442**
2014		
Financial Liabilities		
Finance lease liabilities	161	164

39. FINANCIAL INSTRUMENTS (continued)

Fair Values (continued)

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.

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**
2015				
Group				
Financial Assets				
Available-for-sale investments	**479**	**–**	**–**	**479**
2015				
Company				
Financial Assets				
Available-for-sale investments	**198**	**–**	**–**	**198**

39. FINANCIAL INSTRUMENTS (continued)

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")

2015	Carrying Amount RM'000	L&R RM'000	OL RM'000
Group			
Financial Assets			
Trade and other receivables	**95,606**	**95,606**	**–**
Deposits with financial institutions	**14,578**	**14,578**	**–**
Cash and bank balances	**118,792**	**118,792**	**–**
	228,976	**228,976**	**–**
Group			
Financial Liabilities			
Trade and other payables	**1,927,847**	**–**	**1,927,847**
Loans and borrowings	**1,177,426**	**–**	**1,177,426**
Bonds and debts	**779,376**	**–**	**779,376**
Deferred creditor	**272,307**	**–**	**272,307**
	4,156,956	**–**	**4,156,956**
Company			
Financial Assets			
Trade and other receivables	**128**	**128**	**–**
Amount due from subsidiaries	**605,217**	**605,217**	**–**
Deposits with financial institutions	**3,981**	**3,981**	**–**
Cash and bank balances	**518**	**518**	**–**
	609,844	**609,844**	**–**
Company			
Financial Liabilities			
Trade and other payables	**36,214**	**–**	**36,214**
Amount due to subsidiaries	**44,329**	**–**	**44,329**
Loans and borrowings	**278,356**	**–**	**278,356**
Bonds and debts	**779,376**	**–**	**779,376**
	1,138,275	**–**	**1,138,275**

39. FINANCIAL INSTRUMENTS (continued)

Categories of Financial Instruments (continued)

The table below provides an analysis of financial instruments categorised as follows: (continued)

	Carrying Amount RM'000	L&R RM'000	OL RM'000
2014			
Group			
Financial Assets			
Trade and other receivables	141,457	141,457	–
Deposits with financial institutions	58,748	58,748	–
Cash and bank balances	119,085	119,085	–
	319,290	319,290	–
Group			
Financial Liabilities			
Trade and other payables	2,021,178	–	2,021,178
Loans and borrowings	1,101,908	–	1,101,908
Bonds and debts	764,891	–	764,891
Deferred creditor	252,722	–	252,722
	4,140,699	–	4,140,699
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

40. 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 2015 and 2014.

	Group		**Company**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Loans and borrowings	**1,177,426**	1,101,908	**278,356**	271,327
Bonds and debts	**779,376**	764,891	**779,376**	764,891
Trade and other payables	**1,927,847**	2,021,178	**36,214**	32,355
Deferred creditor	**272,307**	252,722	**–**	–
Less: Deposits with financial institutions	**(14,578)**	(58,748)	**(3,981)**	(3,788)
Cash and bank balances	**(118,792)**	(119,085)	**(518)**	(1,064)
Net debt (A)	**4,023,586**	3,962,866	**1,089,447**	1,063,721
Equity attributable to owners of the Company	**(797,948)**	(286,066)	**(521,847)**	(265,196)
Capital and net debt (B)	**3,225,638**	3,676,800	**567,600**	798,525
Gearing ratio (A/B)	**125%**	108%	**192%**	133%

41. SUPPLEMENTARY INFORMATION

The breakdown of the accumulated losses of the Group and of the Company as at 30 June 2015 and 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**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:				
- Realised	**(1,322,161)**	(864,755)	**(1,951,650)**	(1,695,716)
- Unrealised	**329,197**	355,152	**32**	749
	(992,964)	(509,603)	**(1,951,618)**	(1,694,967)
Total share of retained profits/ (accumulated losses) from associates:				
- Realised	**(449,153)**	(411,264)	**–**	–
- Unrealised	**717**	2,432	**–**	–
	(1,441,400)	(918,435)	**(1,951,618)**	(1,694,967)
Less: Consolidation adjustments	**(1,114,168)**	(1,114,168)	**–**	–
Total accumulated losses	**(2,555,568)**	(2,032,603)	**(1,951,618)**	(1,694,967)

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 46 to 128 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 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 41 to the financial statements on page 129 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 11 September 2015.

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 46 to 129 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 11 September 2015.

TAN SRI WILLIAM H.J. CHENG

Before me

W 530
TAN SEOK KETT
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 2015 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 46 to 128.

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis of Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

i) As described in Note 2 to the financial statements, the Group incurred a net loss attributable to owners of the Company of RM523 million (2014: RM507 million) for the financial year ended 30 June 2015. In addition, as at 30 June 2015 and up to the date of this report, certain borrowings and payables were not repaid in accordance with the scheduled payment dates.

   As further explained in Note 2 to the financial statements, the Directors of the Group have been undertaking certain measures to improve the Group's liquidity and financial position, and to remediate delayed repayments to the lenders and creditors. The consolidated financial statements have been prepared on a going concern basis, the appropriateness of the application of going concern basis is dependent on the outcome of these measures, which are subject to multiple uncertainties, mainly including but not limited to: (i) the successful petition for further protection from the relevant authorities; (ii) the successful negotiations with the lenders for the renewal of or extension of repayment of existing borrowings; (iii) the ability of the Group to obtain additional new sources of financing as and when needed; (iv) the successful and timely execution of its cost reduction measures; and (v) the ability of the Group to comply with the terms and obligations under the Proposed Restructuring Scheme, as defined in Note 28 so as to ensure that there will be no default in the future and that the lenders agree not to exercise or enforce such rights as permitted therein.

   Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the financial statements.

ii) The Group has recognised deferred tax assets of approximately RM374 million (2014: RM369 million) as at the reporting date. We are unable to obtain sufficient appropriate audit evidence in relation to the reasonableness of the assumptions used by management in their assessment of the Group's future profitability in order to satisfy ourselves on the quantum and extent of future taxable profit that will be available against which the temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Consequently, we were unable to determine the reasonableness of the carrying amount of the deferred tax assets of the Group.

iii) 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 the Offtake Agreement with its related party, Lion DRI Sdn. Bhd, as disclosed in Note 5(viii) to the financial statements.

Disclaimer of Opinion

Because of the significance and the multiple uncertainties and their possible cumulative effects on the financial statements as described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

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 16 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) Except for Megasteel Sdn Bhd which has a disclaimer of opinion, the independent auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

The supplementary information set out in Note 41 to the financial statements on page 129 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
1315/12/16(J)
Chartered Accountant

Kuala Lumpur
11 September 2015

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2015

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM'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 (32)	2,661	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 (16)	616,407	18.10.1995
Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor	Leasehold 2112	2.51 acres	Industrial land	Road	989	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 (8)	7,488	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 (23)	14,167	07.04.1995

ANALYSIS OF SHAREHOLDINGS AND CONVERTIBLE SECURITIES

Share Capital as at 30 September 2015

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 2015

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	1,263	7.59	37,354	0.00
100 to 1,000	7,348	44.17	3,062,935	0.23
1,001 to 10,000	5,977	35.93	21,956,364	1.67
10,001 to 100,000	1,663	10.00	53,166,077	4.04
100,001 to less than 5% of issued shares	380	2.28	591,348,968	44.93
5% and above of issued shares	4	0.03	646,627,251	49.13
	16,635	100.00	1,316,198,949	100.00

Substantial Shareholders as at 30 September 2015

	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	52,175,536	3.96	861,777,027	65.47	10,161,887	63,215,190
2. Tan Sri Cheng Yong Kim	1,947,808	0.15	806,391,227	61.27	9,541,171	–
3. Lion Industries Corporation Berhad	5,705,277	0.43	732,609,211	55.66	9,532,431	–
4. Lion Diversified Holdings Berhad	91,273,241	6.93	356,380,132	27.08	331,850	–
5. Amsteel Mills Sdn Bhd	207,020,179	15.73	77,934,819	5.92	5,322,453	–
6. LLB Steel Industries Sdn Bhd	–	–	284,954,998	21.65	5,322,453	–
7. Steelcorp Sdn Bhd	–	–	284,954,998	21.65	5,322,453	–
8. Dynamic Horizon Holdings Limited	51,914,285	3.94	751,178,464	57.07	9,532,431	–
9. Graimpi Sdn Bhd	125,733,851	9.55	–	–	–	–
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 2015

	Registered Shareholders	No. of Shares	% of Shares
1.	Lion DRI Sdn Bhd	229,343,551	17.42
2.	Amsteel Mills Sdn Bhd	203,598,706	15.47
3.	Graimpi Sdn Bhd	125,733,851	9.55
4.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Diversified Holdings Berhad	87,951,143	6.68
5.	Dynamic Horizon Holdings Limited	51,914,285	3.94
6.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sims Holdings Sdn Bhd	44,147,746	3.35
7.	Yinson Corporation Sdn Bhd	33,327,050	2.53
8.	Antara Steel Mills Sdn Bhd	33,220,957	2.52
9.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	23,630,957	1.80
10.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad SMS Group GMBH for GFA (Malaysia) Sdn Bhd	20,871,601	1.59
11.	Horizon Towers Sdn Bhd	18,590,836	1.41
12.	Singa Logistics Sdn Bhd	17,678,976	1.34
13.	Lion Tooling Sdn Bhd	12,331,339	0.94
14.	Coke & Coal Products (M) Sdn Bhd	12,261,795	0.93
15.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	11,714,285	0.89
16.	Narajaya Sdn Bhd	11,025,940	0.84
17.	Posim Petroleum Marketing Sdn Bhd	10,187,456	0.77
18.	Compact Energy Sdn Bhd	9,445,273	0.72
19.	Sims Holdings Sdn Bhd	7,694,656	0.58
20.	Posim Marketing Sdn Bhd	7,402,157	0.56
21.	AMSEC Nominees (Asing) Sdn Bhd Exempt AN for AmTrustee Berhad (LCB)	7,197,361	0.55
22.	Toh Ean Hai	7,000,085	0.53
23.	S. P. Techvance Corporation Sdn Bhd	6,739,939	0.51
24.	Tan Yu Wei	6,569,434	0.50
25.	Cheng Heng Jem	6,401,723	0.49
26.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (8119566)	6,142,857	0.47
27.	Lee Kim Soon	5,752,200	0.44
28.	Amanvest (M) Sdn Bhd	5,569,841	0.42
29.	Andalas Development Sdn Bhd	5,319,835	0.40
30.	RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for Cheng Heng Jem	4,285,714	0.33

Warrant as at 30 September 2015 ("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 2015

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	350	14.07	15,624	0.04
100 to 1,000	1,092	43.89	494,924	1.35
1,001 to 10,000	717	28.82	2,982,658	8.12
10,001 to 100,000	276	11.09	8,723,690	23.75
100,001 to less than 5% of warrants issued	50	2.01	15,317,057	41.70
5% and above of warrants issued	3	0.12	9,200,581	25.04
	2,488	**100.00**	**36,734,534**	**100.00**

Thirty Largest Registered Warrant Holders as at 30 September 2015

	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.	Ng Ken Kuan	1,595,900	4.34
5.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (BNP Labuan)	1,167,077	3.18
6.	Affin Hwang Nominees (Asing) Sdn Bhd Exempt AN for Phillip Securities (Hong Kong) Ltd (Clients' Account)	987,089	2.69
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.	Chin Ah Soon	482,900	1.31
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse Securities (Europe) Limited	464,616	1.26
13.	Sii Tai Kiong	403,100	1.10
14.	Chan Kwok Kee	398,000	1.08
15.	Lim Kong Sing	379,300	1.03

Thirty Largest Registered Warrant Holders as at 30 September 2015 (continued)

	Registered Warrant Holders	No. of Warrants	% of Warrants
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Banc of America Securities Limited	344,826	0.94
17.	Lion Diversified Holdings Berhad	331,850	0.90
18.	Chin Chin Seong	300,000	0.82
19.	Loh Say Bee Sdn. Berhad	300,000	0.82
20.	Chai Yik Seng	281,200	0.77
21.	Cheok Wei Yin	228,300	0.62
22.	Kong Choon Hock	224,900	0.61
23.	Lim Poh Chuan	200,000	0.54
24.	RHB Nominees (Tempatan) Sdn Bhd RHB Securities Singapore Pte Ltd for Wong Kim Choong (J2/511021)	200,000	0.54
25.	Sin Swee Choi	200,000	0.54
26.	Chan Yik Hoe	187,500	0.51
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 2015

The Directors' interests in shares in the Company and its related corporations as at 30 September 2015 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		52,175,536	3.96	861,865,432 (1)	65.48
Tan Sri Cheng Yong Kim		1,947,808	0.15	806,891,226 (2)	61.30
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 2015 (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
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 RM316,075,950 RCSLS.

(2) Also deem interested in 9,541,195 Warrants.

(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 2015.

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 RM10,000 (2014 : RM20,000).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2015 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
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)	2,953
	Lion Diversified Holdings Berhad Group ("LDHB Group") (1)	36,844
	Lion Forest Industries Berhad Group ("LFIB Group") (1)	16
	Lion Industries Corporation Berhad Group ("LICB Group") (1)	72,520
	Megasteel Sdn Bhd Group ("Megasteel Group") (3)	405
	Parkson Holdings Berhad Group (1)	1,056
	Ributasi Sdn Bhd Group (2)	44,000
		157,794
(ii) Purchase of direct reduced iron, hot briquetted iron, scrap iron and other related products and services	LAP Group (1)	14,900
	LDHB Group (1)	1,102,851
	Lion Holdings Pte Ltd Group (2)	67,075
	LICB Group (1)	68,831
	Megasteel Group (3)	164,388
	Mitsui & Co., Ltd (4)	56,565
		1,474,610

(III) RECURRENT RELATED PARTY TRANSACTIONS (continued)

The aggregate value of transactions conducted during the financial year ended 30 June 2015 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]	2,231
	Secom (Malaysia) Sdn Bhd [1]	64
		2,295
(iv) Obtaining of marketing, distribution and transportation services	LFIB Group [1]	18,015
	LICB Group [1]	12,924
		30,939
(v) Provision of storage, leasing and rental of properties, management and support and other related services	LDHB Group [1]	1,142
	LICB Group [1]	187
		1,329
(vi) Obtaining of storage, leasing and rental of properties, management and support and other related services	LICB Group [1]	744

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 2015)		
Stages of the assets to be divested	**PDP (Per GWRS)**	**Divestment concluded Total**	**Jan - June 2015**	**Projected for July - Dec 2015**	**Projected Jan - Dec 2015**
	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.

LION CORPORATION BERHAD
(12890-A)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

being a member 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-Second 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 23 November 2015 at 10.15 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To re-elect as Director, Dr Folk Jee Yoong		
3. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng		
4. To re-appoint as Director, Mr M. Chareon Sae Tang @ Tan Whye Aun		
5. To re-appoint Auditors		
6. Re-appointment and Retention of Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain as an Independent Non-Executive Director		
7. Retention of Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman as an Independent Non-Executive Director		
8. Authority to Directors to Issue Shares		
9. 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 2015

No. of shares: ....

Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 16 November 2015 shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.

  Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument of proxy shall be deposited at the Office of the Registrar of the Company, Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.