LION DIVERSIFIED HOLDINGS

LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

Laporan Tahunan
Annual Report
2013

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Third Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 19 December 2013 at 10.30 am for the following purposes:

AGENDA

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

2. To approve the payment of a first and final dividend of 1.0 sen per ordinary share tax exempt. **Resolution 1**

3. To approve the payment of Directors' fees amounting to RM206,500 (2012: RM219,000). **Resolution 2**

4. To re-elect Directors:

   In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Cheng Yong Kim retires by rotation and, being eligible, offers himself for re-election. **Resolution 3**

   In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Dato' Kamaruddin bin Haji Ismail who was appointed during the financial year retires and, being eligible, offers himself for re-election. **Resolution 4**

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

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

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

7. Special Business

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

7.1.1 Authority to Directors to issue shares

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

7.1.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A(I) of the Circular to Shareholders of the Company dated 27 November 2013 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 8**

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

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

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

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

whichever is the earlier; and

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

7.1.3 Proposed Renewal of Authority for Share Buy-Back

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements, and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to buy-back such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that: **Resolution 9**

(i) the aggregate number of shares bought-back does not exceed 10% of the total issued and paid-up capital of the Company at any point of time; and

(ii) the maximum funds to be allocated for the share buy-back shall not exceed the retained profits or the share premium account of the Company or both, based on its latest audited financial statements available up to the date of the share buy-back transaction

(hereinafter referred to as the "Proposed Share Buy-Back"); and

THAT authority conferred by this ordinary resolution shall commence immediately upon the passing of this resolution and will only continue to be in force until:

(i) the conclusion of the next annual general meeting of the Company, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or

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

whichever occurs first; and

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to retain the ordinary shares of RM0.50 each in the Company so purchased by the Company as treasury shares and/or cancel them and to distribute the treasury shares as share dividends and/or resell the treasury shares; and

FURTHER, THAT authority be and is hereby unconditionally and generally given to the Directors of the Company to take all such steps as are necessary or expedient and/or enter into any and all agreements, arrangements and guarantee with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

7.1.4 Proposed Grant of Options to Y. Bhg. Dato' Kamaruddin bin Haji Ismail

"THAT authority be and is hereby given to the Company specifically to offer and grant to Y. Bhg. Dato' Kamaruddin bin Haji Ismail, a Non-Executive Director of the Company, options to subscribe for up to 250,000 new ordinary shares of RM0.50 each in the capital of the Company, pursuant to the Company's Executive Share Option Scheme ("ESOS"), subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the Bylaws of the ESOS." **Resolution 10**

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

Proposed Amendment to the Articles of Association of the Company

"THAT the existing Articles of Association of the Company be amended by the relevant additions and deletions as specifically set out in the Annexure of Part A(III) of the Circular to Shareholders dated 27 November 2013 which has been despatched to the shareholders of the Company." **Resolution 11**

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

DIVIDEND ENTITLEMENT

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

(a) shares deposited into the depositor's securities account before 12.30 pm on 27 December 2013 in respect of shares exempted from mandatory deposit;

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

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

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

By Order of the Board

LIM KWEE PENG
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
27 November 2013

Notes:

1. Proxy

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

Notes: *(continued)*

2. *Circular to Shareholders dated 27 November 2013 ("Circular")*

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

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

   (ii) Part A(II) - Proposed Grant of Options to Y. Bhg. Dato' Kamaruddin bin Haji Ismail

   (iii) Part A(III) - Proposed Amendment to the Articles of Association of the Company

   (iv) Part B - Proposed Renewal of Authority for Share Buy-Back

3. *Agenda Item 1*

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

4. *Resolution 2*

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

5. *Resolution 7*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 12 December 2012 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 8*

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

7. *Resolution 9*

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

8. *Resolution 10*

   This approval will allow the grant of options to Y. Bhg. Dato' Kamaruddin bin Haji Ismail, a Non-Executive Director of the Company who was appointed on 19 February 2013, to subscribe for up to 250,000 new ordinary shares of RM0.50 each in the capital of the Company pursuant to the Company's Executive Share Option Scheme ("ESOS") at a subscription price to be determined in the manner set out in the Bylaws of the ESOS.

9. *Resolution 11*

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Director standing for re-appointment at the Forty-Third Annual General Meeting of the Company are set out in the Directors' Profile on page 6 of the 2013 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat Y. Bhg. Dato' Kamaruddin bin Haji Ismail Mr Heah Sieu Lay	
Secretaries	:	Ms Lim Kwee Peng Puan Yasmin Weili Tan binti Abdullah	
Company No	:	9428-T	
Registered Office	:	Level 14, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : http://www.lion.com.my/liondiv	
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Office Tower No. 1 Jalan Nagasari (Off Jalan Raja Chulan) 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409	
Auditors	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur	
Principal Bankers	:	RHB Bank Berhad Kuwait Finance House (Malaysia) Berhad The Bank of Nova Scotia Berhad	
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")	
		Ordinary Shares	Irredeemable Convertible Unsecured Loan Stocks 2008/2013
Stock Name	:	LIONDIV	LIONDIV-LB
Bursa Securities Stock No	:	2887	2887LB
Reuters Code	:	LDIV.KL	LDIVc.KL
ISIN Code	:	MYL2887OO007	MYL2887LBNC7

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 70, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994. He is a member of the Nomination Committee of the Company.

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

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

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

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

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

Tan Sri William Cheng has a direct shareholding of 121,356,607 ordinary shares of RM0.50 each in the Company ("LDHB Share") and an indirect interest in 286,428,888 LDHB Shares. In addition, he also has (i) a direct interest in RM121,615,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") which are convertible into 243,230,000 new LDHB Shares at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price"); and (ii) an indirect interest in RM203,961,522 nominal value of ICULS which are convertible into 407,923,044 new LDHB Shares at the Conversion Price. 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 138 and 139 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

Tan Sri William Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2013.

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 63, was appointed the Managing Director of the Company on 26 January 2007. Tan Sri Cheng is also a member of the Executive Share Option Scheme Committee of the Company.

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

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

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

- Managing Director of Lion Industries Corporation Berhad, a public listed company
- Director of Lion Corporation Berhad, a public listed company
- Director of Lion AMB Resources Berhad and Hy-Line Berhad

Tan Sri Cheng has a direct shareholding of 7,841,337 ordinary shares of RM0.50 each in the Company ("LDHB Share") and an indirect interest in 3,500,000 LDHB Shares. In addition, he also has a direct interest in RM1,000,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company which are convertible into 2,000,000 new LDHB Shares at a conversion price of RM0.50 for each new LDHB Share.

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

Tan Sri Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2013.

Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
Independent Non-Executive Director

Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat, a Malaysian, aged 62, was appointed to the Board on 1 December 2007. He is also the Chairman of the Nomination Committee and Executive Share Option Scheme Committee, and a member of the Audit Committee and Remuneration Committee of the Company.

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

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

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

Tan Sri Dato' Seri Dr Aseh is the Chairman of MWE Holdings Berhad and Stemlife Berhad, both of which are public listed companies.

Tan Sri Dato' Seri Dr Aseh attended three (3) of the six (6) Board Meetings of the Company held during the financial year ended 30 June 2013.

Dato' Kamaruddin bin Haji Ismail
Independent Non-Executive Director

Y. Bhg. Dato' Kamaruddin bin Haji Ismail, a Malaysian, aged 60, was appointed to the Board on 19 February 2013. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Dato' Kamaruddin graduated with a Bachelor of Arts (Honours) degree from the University of Malaya. He obtained his Diploma in Public Administration from the National Institute of Public Administration (INTAN).

Dato' Kamaruddin started his career as Assistant Director, International Trade Division, Ministry of International Trade and Industry ("MITI") in 1978 before serving as Senior Private Secretary to the Minister in the Prime Minister's Department in 1982. During his tenure in MITI, he also served as the Director of Domestic Trade Division, Northern Branch in 1983, the Principal Assistant Director, Industries Division in 1990, the Director of Industrial Policy Division in 2001 and the Senior Director of Sectoral Policy and Industrial Services from 2003 to 2008.

In 2008, Dato' Kamaruddin was appointed Deputy Secretary General (Industry) MITI, a post he held until his retirement in 2011. Dato' Kamaruddin was subsequently appointed an adviser to the MITI from 2011 to 2012.

Dato' Kamaruddin was also appointed a member of the Board of Directors of various agencies including Malaysia Technology Development Corporation (MTDC), Malaysian Industry-Government Group for High Technology (MiGHT), Perbadanan Kemajuan Negeri Kedah (PKNK) and Malaysia Automotive Institute (MAI), and a public limited liability company, Export-Import Bank of Malaysia Berhad.

Dato' Kamaruddin attended the two (2) Board Meetings of the Company held during the financial year ended 30 June 2013 subsequent to his appointment.

Heah Sieu Lay
Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 60, was appointed to the Board on 5 June 2001. He is also the Chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee of the Company.

Mr Heah received his Bachelor of Arts (Honours) degree in Accountancy from the City of London Polytechnic, London. He is an Associate Member of the Institute of Chartered Accountants in England and Wales.

Mr Heah was the Group Executive Director of The Lion Group responsible for corporate planning and finance from 1998 to November 2006. Prior to joining The Lion Group in 1998, he was the Managing Director of RHB Sakura Merchant Bankers Berhad ("RHB Sakura") (now known as RHB Investment Bank Berhad) and has vast experience in the field of corporate finance after having served RHB Sakura for 15 years.

He is also a Director of Lion Industries Corporation Berhad, a public listed company.

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

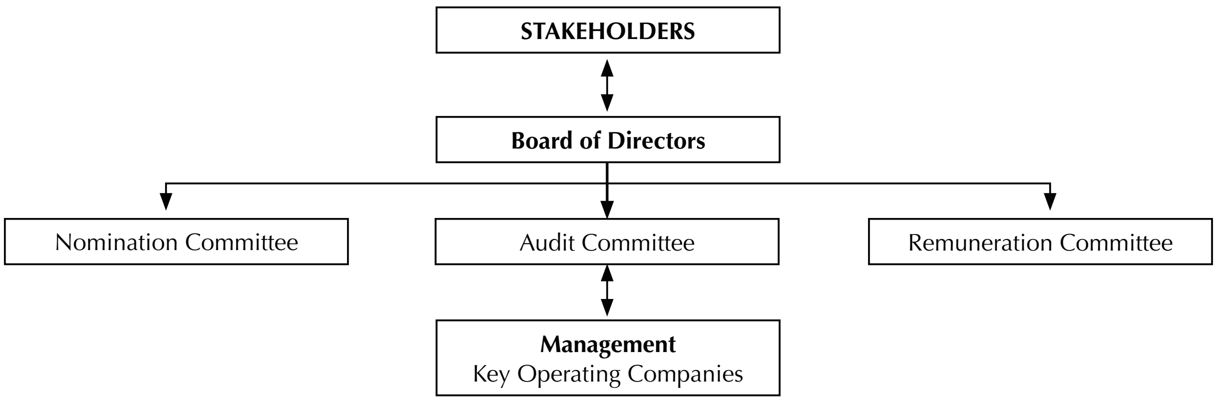
Save as disclosed above, none of the Directors has (i) any interest in securities in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the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

CORPORATE GOVERNANCE STATEMENT

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

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

Governance Framework



1. THE BOARD OF DIRECTORS ("BOARD")

Roles and Responsibilities

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2013, six (6) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Board Charter

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

Directors' Code of Ethics

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

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

Board Composition, Independence and Diversity Balance

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

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

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

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

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

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

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

Board Committees

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

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

Supply of Information

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

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

Company Secretaries

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

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

Appointments to the Board

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

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

The members and terms of reference of the Nomination Committee are presented on page 23 of this Annual Report.

Directors' Remuneration

The Company has adopted the objective as recommended by the MCCG in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing a formal and transparent remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 23 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 2013 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	25	465	490
Non-executive Directors*	182	–	182
	207	465	672

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive***
50,000 & below	–	5
450,001 – 500,000	1	–

* Including a Director who retired at the previous Annual General Meeting.

Re-election of Directors

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

Directors' Training

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

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

During the financial year, the Directors had participated in the following seminars, forums, conferences 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, regulatory updates and requirements, and environmental issues:

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010
Tan Sri Cheng Yong Kim	• Khazanah Megatrends Forum 2012 - The Big Shift Traversing the Complexities of a New World • The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010

Name of Directors	Programmes
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	• World Cities Summit Mayors Forum 2013 on the theme of "Liveable and Sustainable Cities: Common Challenges, Shared Solutions" co-organised by Singapore's Centre for Liveable Cities and Urban Redevelopment Authority
Dato' Kamaruddin bin Haji Ismail	• The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010
Heah Sieu Lay	• The Lion Group In-house Directors' Training on: 1. Corporate Governance/Enterprise Risk Management 2. Personal Data Protection Act 2010 3. Competition Act 2010

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

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

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

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

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

2. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

3. SUSTAINABILITY

The Board in discharging its governance role should be guided to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance aspects of the businesses and operations which underpin sustainability. The sustainability activities carried out by the Group are set out in the Corporate Social Responsibility section of the Chairman's Statement on pages 29 to 31 of this Annual Report.

4. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) Directors, all of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 19 to 22 of this Annual Report.

Directors' Responsibility in Financial Reporting

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

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 17 and 18 of this Annual Report.

Relationship with the External Auditors

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

5. RECOGNISE AND MANAGE RISKS

Risk Management Framework

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

Internal Audit Function

The Board has established an internal audit function within the Group. The internal audit function is led by a Chief Internal Auditor who reports directly to the Audit Committee. The internal auditors attend all meetings of the Audit Committee and the detailed internal audit function is set out in the Audit Committee Report on pages 19 to 22 of this Annual Report.

Compliance Function

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

Board Responsibility

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

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

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

Risk Management

The Board regards risk management as an integral part of business operations. A Corporate Risk Management System encompassing an Enterprise Wide Risk Management Framework (CRMS-ERM) was developed and enhanced to set out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring as well as in determining the Group's risks appetite. The Risk Management Committee continues to play a pivotal role in overseeing the implementation of the risk management framework, periodically reviewing the risk management processes and ensuring that on-going measures taken were adequate to manage, address or mitigate the identified risks and reporting the status to the Audit Committee.

Control and Monitoring Process

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

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

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

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

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

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

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

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

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

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

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

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

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

Conclusion

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Mr Heah Sieu Lay (elected as the Chairman on 26 February 2013)
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
  (Independent Non-Executive Director)

  Y. Bhg. Dato' Kamaruddin bin Haji Ismail (appointed on 19 February 2013)
  (Independent Non-Executive Director)

  Y. Bhg. Dato' Ismail @ Mansor bin Said who was the Chairman of the Audit Committee, ceased to be the Chairman and a member of the Audit Committee upon his retirement as a member of the Board on 12 December 2012.

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

- **Secretaries**

  The Secretaries of Lion Diversified Holdings Berhad, Ms Lim Kwee Peng and Puan Yasmin Weili Tan binti Abdullah, are also Secretaries of the Audit Committee.

- **Membership**

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

- **Meetings and Minutes**

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

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

TERMS OF REFERENCE

- **Responsibilities**

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

- **Authority**

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

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

- **Duties**

  The duties of the Audit Committee are:

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

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

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

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

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

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

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

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

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

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

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

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

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

ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit Committee Meetings were held. Whilst Y. Bhg. Dato' Kamaruddin bin Haji Ismail attended all the three (3) Meetings held subsequent to his appointment as a member of the Audit Committee, Mr Heah Sieu Lay had full attendance for all the seven (7) Meetings held and Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat was absent for two (2) Meetings held in the financial year.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

- **External Audit**

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

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

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

- **Material Transactions**

  Reviewed material transactions entered into by the Group.

INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM144,000.

NOMINATION COMMITTEE

Chairman : Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
(Independent Non-Executive Director)

Members : Y. Bhg. Tan Sri William H.J. Cheng
(Non-Independent Non-Executive Chairman)

Y. Bhg. Dato' Kamaruddin bin Haji Ismail
(Independent Non-Executive Director)

Mr Heah Sieu Lay
(Independent Non-Executive Director)

Terms of Reference :

- To recommend to the Board, candidates for directorships in Lion Diversified Holdings 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 : Mr Heah Sieu Lay
(Independent Non-Executive Director)

Members : Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
(Independent Non-Executive Director)

Y. Bhg. Dato' Kamaruddin bin Haji Ismail
(Independent Non-Executive Director)

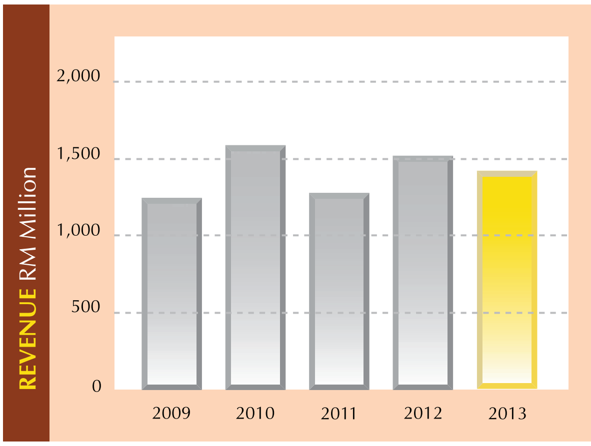
Terms of Reference :

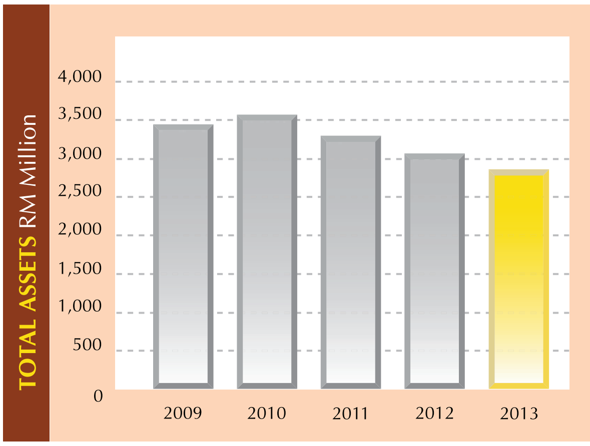
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

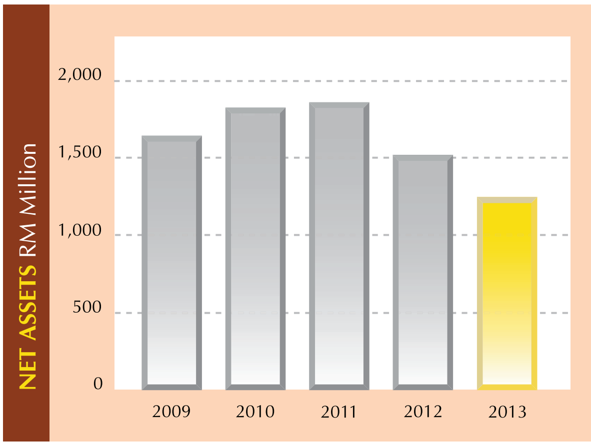
5 YEARS GROUP FINANCIAL HIGHLIGHTS

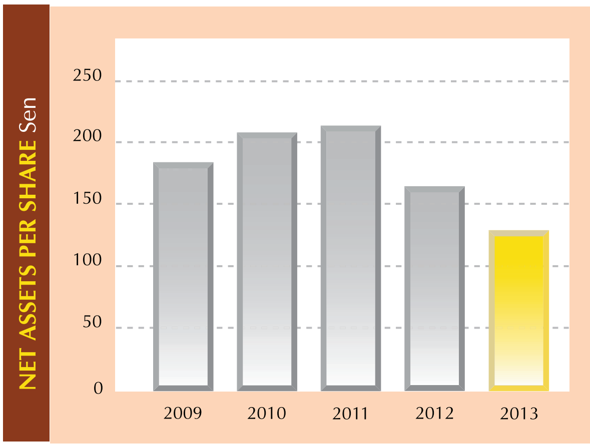
Financial years ended 30 June		2009	2010	2011	2012	2013
Revenue	(RM'000)	1,248,815	1,590,465	1,279,092	1,516,718	1,420,731
Profit/(Loss) before tax	(RM'000)	(576,706)	263,031	(29,158)	(231,288)	(207,602)
Profit/(Loss) after tax	(RM'000)	(623,731)	192,356	(52,118)	(249,329)	(220,865)
Net profit/(loss) attributable to owners of the Company	(RM'000)	(623,508)	192,356	(52,118)	(249,329)	(220,865)
Total assets	(RM'000)	3,443,183	3,572,558	3,295,665	3,011,981	2,860,161
Net assets	(RM'000)	1,641,932	1,826,898	1,864,502	1,501,753	1,256,971
Total Borrowings	(RM'000)	934,282	778,760	529,472	507,955	452,998
Earnings/(Loss) per share	(Sen)	(44.8)	13.8	(3.7)	(17.9)	(15.9)
Net assets per share	(Sen)	184	209	214	165	132
Dividends (Paid and Proposed):						
Rate	(Sen)	1.0	1.0	1.0	1.0	1.0
Amount (net of tax)	(RM'000)	7,372	7,372	7,372	7,372	7,372*

* *On the assumption that none of the ICULS holders convert their ICULS.*









THE GROUP'S BUSINESSES

Likom, Melaka

Likom, Mexico

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

- The Group's computer operations under Likom have manufacturing facilities in Melaka and Mexico.
- *Operasi komputer Kumpulan di bawah Likom memiliki kilang di Melaka dan Mexico.*

1A

1B

1C

- Phases 1A,1B and 1C (anti-clockwise) of D' Venice Residence in Changshu, China, have been successfully completed and handed over to purchasers.
- *Fasa 1A, 1B dan 1C (ikut lawan jam) D' Venice Residence di Changshu, China telah siap dibina dan diserahkan kepada para pembeli.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan ini membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Diversified Holdings Berhad bagi tahun kewangan berakhir 30 Jun 2013.

PRESTASI KEWANGAN

Dalam tahun yang dikaji, pengeluar keluli global mengalami satu lagi tahun yang sukar. Kapasiti berlebihan kekal menjadi isu paling mencabar dalam sektor keluli, diburukkan lagi oleh pertumbuhan ekonomi yang perlahan di negara pengguna utama keluli, terutamanya China, yang menjejaskan teruk pasaran keluli antarabangsa. Malaysia, turut tidak terlepas daripada kesan lebihan kapasiti pengeluaran keluli di seluruh dunia.

Kumpulan, yang kegiatan utamanya terbabit dalam pembuatan keluli, turut menerima kesan daripada persekitaran operasi yang menyusut dengan prestasinya terjejas oleh sentimen pasaran yang lembap dan lambakan produk keluli oleh kilang di China. Hasilnya, Kumpulan mencatatkan perolehan 6% lebih rendah sebanyak RM1.4 bilion bagi tahun kewangan semasa. Walau bagaimanapun, berikutan keputusan yang lebih baik daripada Bahagian Hartanah, kita mencatat keuntungan operasi yang lebih tinggi sebanyak RM110 juta berbanding RM94 juta pada tahun lalu.

Syarikat sekutu utama kita, Lion Corporation Berhad dan Megasteel Sdn Bhd ("Megasteel"), yang terbabit dalam pembuatan hiliran produk keluli rata, juga mencatatkan margin yang berkurangan disebabkan oleh aktiviti lambakan, menyebabkan Kumpulan terpaksa berkongsi kerugian yang besar bagi tahun kewangan yang dikaji. Selepas mengambilkira kerugian daripada kemerosotan ke atas aset-aset dan hapus kira loji dan peralatan dalam projek relau bagas berjumlah RM57 juta, Kumpulan mencatatkan kerugian sebelum cukai sebanyak RM208 juta bagi tahun dalam kajian (2012: Kerugian sebelum cukai sebanyak RM231 juta).

PERKEMBANGAN KORPORAT

Pada 30 Ogos 2013, Syarikat mengumumkan bahawa semua pihak secara bersama telah bersetuju pada 29 Ogos 2013 menamatkan senarai cadangan seperti di bawah:

a) Cadangan usahasama antara Syarikat, Lion Industries Corporation Berhad ("LICB") dan Lion Forest Industries Berhad dalam Lion Blast Furnace Sdn Bhd ("LBF") dengan pegangan saham masing-masing 51%: 29%: 20%;

b) Cadangan pengambilalihan oleh LBF pelbagai bidang tanah pegangan bebas berhampiran dengan Andalas Development Sdn Bhd, Che Kiang Realty Sdn Bhd dan Amsteel Mills Sdn Bhd (subsidiari milik 99% LICB) pada pertimbangan tunai berjumlah kira-kira RM52.3 juta; dan

c) Cadangan pajakan oleh LBF untuk tiga bidang tanah kosong pegangan bebas bersebelahan dengan Megasteel untuk tempoh pajakan selama tiga puluh (30) tahun.

Maklumat penuh perkembangan korporat di atas terkandung dalam muka surat 112 dalam Laporan Tahunan ini.

TINJAUAN OPERASI

Kumpulan pada dasarnya terbabit dalam aktiviti berikut:

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

(Tahun Kewangan Berakhir 30 Jun)	Perolehan		Keuntungan Operasi	
	2013 RM Juta	**2012 RM Juta**	**2013 RM Juta**	**2012 RM Juta**
Keluli	**1,160**	1,314	**62**	58
CMS	**134**	139	**8**	10
Hartanah	**119**	54	**36**	16
Lain-lain *	**8**	10	**4**	10
	1,421	1,517	**110**	94

* "Lain-lain" : Keuntungan yang lebih tinggi dalam tahun 2012 adalah terutamanya disebabkan oleh kebalikan peruntukan bagi liabiliti sebanyak RM18 juta.

Bahagian Keluli

Bahagian Keluli Kumpulan yang terletak di Banting, Malaysia dikendalikan oleh syarikat berikut:

a) Lion DRI Sdn Bhd ("Lion DRI"): terbabit dalam pembuatan direct reduced iron ("DRI"), bahan caj ferus berkualiti tinggi dan pengganti untuk sekerap yang digunakan dalam proses pembuatan keluli. Lion DRI adalah salah satu daripada dua pengeluar DRI di negara ini dan merupakan penyumbang utama kepada pendapatan dan keuntungan Kumpulan.

b) Megasteel (sebuah syarikat sekutu Kumpulan): terbabit dalam proses keluli hiliran menerusi pembuatan gegelung gelekan panas ("HRC") dan gegelung gelekan sejuk ("CRC"), dan adalah pengeluar tunggal HRC di Malaysia yang menawarkan bekalan untuk pasaran domestik dan antarabangsa.

Sepanjang tahun kewangan, prestasi Megasteel telah terjejas teruk oleh kemerosotan dalam pasaran keluli dan aktiviti lambakan berleluasa akibat lebihan kapasiti global. Operasi DRI kita tidak terlepas daripada sentimen pasaran yang lembap walaupun ia tidak begitu teruk terjejas. Perjanjian jangka panjang dengan Megasteel yang menyumbang pulangan minimum telah membolehkan Bahagian ini mencatatkan perolehan sebanyak RM1.2 bilion dan keuntungan operasi sebanyak RM62 juta.

Bahagian CMS

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

Bahagian ini terus mengalami persaingan sengit dan kenaikan harga bahan mentah. Strategi yang diperkenalkan pada masa lalu untuk menambahbaik kualiti produk, peningkatan produktiviti, prestasi penyampaian yang lebih baik bersama-sama dengan pengembangan rangkaian peniaga telah membolehkan Bahagian ini mencatatkan prestasi memberangsangkan dengan pendapatan yang rendah sedikit sebanyak RM134 juta (2012: RM139 juta) dan keuntungan berjumlah RM8 juta (2012: RM10 juta).

Bahagian Hartanah

Projek hartanah utama Kumpulan merangkumi projek pembangunan bercampur yang dikenali sebagai ''D' Venice Residence'', yang terletak di empat bidang tanah bersebelahan berjumlah 20.1 hektar di Bandaraya Changshu, Wilayah Jiangsu, China. Sehingga Jun 2013, kira-kira 1,100 unit kediaman dan pejabat kedai komersial telah ditawarkan untuk jualan sejak pelancaran sulungnya pada 2010, dengan kadar langganan memberangsangkan lebih daripada 90%.

Bagi tahun kewangan dalam kajian, dengan kestabilan ekonomi China dan usaha promosi yang lebih agresif, Bahagian ini mencapai keputusan yang membanggakan dengan merekodkan peningkatan sekali ganda pendapatan dan keuntungan masing-masing kepada RM119 juta dan RM36 juta berbanding RM54 juta dan RM16 juta pada tahun sebelumnya. Menuju ke hadapan, lebih banyak produk inovatif dan insentif akan ditawarkan dalam usaha untuk mengekalkan minat terhadap projek Kumpulan di tengah-tengah pengenduran dalam perkembangan pesat ekonomi China.

DIVIDEN

Lembaga Pengarah dengan sukacitanya mencadangkan dividen pertama dan akhir sebanyak 1.0 sen sesaham (2%), dikecualikan cukai, untuk kelulusan para pemegang saham di Mesyuarat Agung Tahunan yang akan datang.

TANGGUNGJAWAB SOSIAL KORPORAT

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

Komuniti

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

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

Alam Sekitar

Kumpulan sentiasa prihatin terhadap isu alam sekitar dengan menekankan kepada penggunaan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam, mengoptimumkan penggunaan sumber dan menggalakkan penggunaan tenaga secara cekap. Operasi-operasi Kumpulan dikendalikan mengikut peruntukan undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri kendaliannya. Ini termasuk pengurusan pelepasan asap, pengurangan sisa buangan dan usaha-usaha pemulihan yang dilakukan oleh kilang-kilang pengeluaran kita serta mewujudkan lanskap yang menghijau dan kemudahan taman di projek hartanah kita.

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

PROSPEK

Persekitaran operasi untuk Bahagian Keluli Kumpulan dijangka kekal mencabar memandangkan ketidaktentuan dalam pemulihan ekonomi dunia, aktiviti lambakan yang berterusan oleh pengeksport asing dan tekanan kenaikan kos. Kumpulan akan terus bekerjasama dengan pihak berkuasa untuk membolehkan industri keluli tempatan terus mencatatkan pertumbuhan dan berkembang dengan cara yang teratur.

Bagi Bahagian Hartanah, operasi dijangka mengekalkan keputusan yang memuaskan dengan projek pembangunan bercampur yang berterusan di China, manakala Bahagian CMS kami dijangka terus menyumbang secara positif kepada Kumpulan.

LEMBAGA PENGARAH

Lembaga Pengarah ingin mengalu-alukan kedatangan Y. Bhg. Dato' Kamaruddin bin Haji Ismail atas pelantikan beliau sebagai Pengarah Bebas Bukan Eksekutif Syarikat semasa tahun kewangan. Lembaga Pengarah percaya bahawa Syarikat akan mendapat manfaat daripada pengalaman dan kepakaran yang tidak ternilai beliau.

PENGHARGAAN

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

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

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Lion Diversified Holdings Berhad for the financial year ended 30 June 2013.

FINANCIAL PERFORMANCE

Global steel producers experienced another tough year in the financial year under review. Excess capacity remains the most challenging issue in the steel sector, compounded by the slow economic growth in major steel-consuming countries, particularly China, which have badly affected the international steel market. Likewise, Malaysia was not spared from the impact of the worldwide production overcapacity.

The Group, which is primarily involved in the manufacturing of steel products, was similarly affected by the deteriorating operating environment with its performance impacted by the sluggish market sentiments and rampant dumping of steel products by Chinese mills. As a result, the Group posted 6% lower revenue of RM1.4 billion for the current financial year. However, with a better set of results from our Property Division, a higher operating profit of RM110 million was reported as against RM94 million a year ago.

Our main associated companies, Lion Corporation Berhad and Megasteel Sdn Bhd ("Megasteel"), which are primarily involved in the downstream manufacturing of flat steel products, also encountered margin erosion due to the dumping activities, resulting in the Group having to share the substantial losses for the financial year. After accounting for the impairment loss on assets and write-off of plant and equipment in the blast furnace project totalling RM57 million, the Group registered a loss before tax of RM208 million for the year under review (2012: Loss before tax of RM231 million).

CORPORATE DEVELOPMENTS

On 30 August 2013, the Company announced that all the parties to the proposals set out below had on 29 August 2013, mutually agreed to terminate the said proposals:

a) Proposed joint venture among the Company, Lion Industries Corporation Berhad ("LICB") and Lion Forest Industries Berhad in Lion Blast Furnace Sdn Bhd ("LBF") at an equity participation of 51%:29%:20% respectively;

b) Proposed acquisitions by LBF of various parcels of contiguous freehold lands from Andalas Development Sdn Bhd, Che Kiang Realty Sdn Bhd and Amsteel Mills Sdn Bhd (a 99%-owned subsidiary of LICB) for a total cash consideration of approximately RM52.3 million; and

c) Proposed leasing by LBF of three parcels of contiguous freehold vacant lands from Megasteel for lease tenure of thirty (30) years.

Full details of the above corporate development are contained in page 112 of this Annual Report.

REVIEW OF OPERATIONS

The Group is principally engaged in the following activities:

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

(Financial Year Ended 30 June)	Revenue		Operating Profit	
	2013 RM Million	**2012 RM Million**	**2013 RM Million**	**2012 RM Million**
Steel	**1,160**	1,314	**62**	58
CMS	**134**	139	**8**	10
Property	**119**	54	**36**	16
Others *	**8**	10	**4**	10
	1,421	1,517	**110**	94

* "Others": Higher profit in 2012 was mainly due to the reversal of provision for liabilities of RM18 million.

Steel Division

The Group's Steel Division, located in Banting, Malaysia is undertaken by the following companies:

a) Lion DRI Sdn Bhd ("Lion DRI"): involved in the manufacturing of direct reduced iron ("DRI"), a high quality ferrous charge material and a substitute for scrap used in the steelmaking process. Lion DRI is one of the two producers of DRI in the country and is the main revenue and profit contributor to the Group.

b) Megasteel (an associated company of the Group): involved in the downstream steel process through manufacturing of hot rolled coils ("HRC") and cold rolled coils ("CRC"), and is the sole producer of HRC in Malaysia servicing the domestic and international markets.

Throughout most of the financial year, the performance of Megasteel has been severely affected by the deterioration in the steel market and rampant dumping activities as a result of the global excess capacity. Our DRI operation is not spared from the sluggish market sentiments although the damage is comparatively less severe. The long term off-take agreement with Megasteel with a minimum return has enabled the Division to report a revenue of RM1.2 billion and an operating profit of RM62 million.

CMS Division

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

The Division continued to experience intense competition and increase in raw material prices. The strategies introduced in the past to enhance the quality of its products, productivity improvements, improved delivery performance together with expansion of its dealers network have enabled the Division to turn in an encouraging performance with marginally lower revenue of RM134 million (2012: RM139 million) and profit of RM8 million (2012: RM10 million).

Property Division

The Group's main property project comprises a mixed development project known as "D' Venice Residence", located on four pieces of contiguous land totalling 20.1 hectares in Changshu City, Jiangsu Province, China. As of June 2013, approximately 1,100 units of residential and commercial shop offices have been offered for sale since its maiden launch in 2010, with an encouraging take-up rate of more than 90%.

For the financial year under review, with the stabilisation of the Chinese economy and more aggressive promotional efforts, the Division achieved commendable results and more than doubled its revenue and profit of RM119 million and RM36 million respectively as compared to RM54 million and RM16 million respectively in the previous year. Moving forward, more innovative products and incentives will be offered in order to sustain the interest in the project amidst the cooling down of China's rapidly expanding economy.

DIVIDEND

The Board is pleased to recommend a first and final dividend of 1.0 sen per share (2%), tax exempt, for the approval of shareholders at the forthcoming Annual General Meeting.

CORPORATE SOCIAL RESPONSIBILITY

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

Community

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

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

Environment

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

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

PROSPECTS

The operating environment for the Group's Steel Division is expected to remain challenging in view of the uncertainties surrounding the recovery of the world economy, continued dumping activities by foreign exporters and the pressure of rising costs. The Group will continue to work with the authorities in order to enable the local steel industry to grow and expand in an orderly manner.

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

BOARD OF DIRECTORS

The Board would like to extend its warm welcome to Y. Bhg. Dato' Kamaruddin bin Haji Ismail on his appointment as an Independent Non-Executive Director of the Company during the financial year. The Board believes that the Company will benefit from his invaluable experience and expertise.

ACKNOWLEDGEMENT

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

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，提呈金狮多元控股有限公司截至2013年6月30日会计年度的常年报告和经审核财务报告。

财务表现

在本会计年度，全球钢铁厂商经历另一个艰苦的年头。钢铁领域的产能过剩仍然是最具挑战性的问题，加上主要钢铁消费国，尤其是中国的经济成长缓慢下来，严重影响到国际钢铁市场。马来西亚无法独善其身，同样受到世界性产量过剩的影响。

本集团主要从事制造钢铁产品，也遭受营业环境恶化影响，其表现受到委靡的市场情绪以及中国钢铁产品猖獗的倾销打击。因此，本集团今年度的营业额下降百分之六，达到14亿令吉。不过，由于我们的产业组取得更佳的业绩，使本年度取得更高的营业利润，达到1亿1,000万令吉；上一年度的营业利润是9,400万令吉。

我们的主要联号公司是金狮机构有限公司和美佳钢铁私人有限公司(“美佳钢铁”)。它们主要从事制造平板钢产品的下游工业。由于倾销活动，它们的利润率也受到侵蚀，导致本集团在本会计年度必須分担其巨额亏损。在加入资产减值亏损和注销高炉工程的工厂和配备的亏损共计5,700万令吉之后，本集团在本会计年度的税前亏损为2亿800万令吉(2012年度：税前亏损则是2亿3,100万令吉)。

企业发展

在2013年8月30日，本公司宣布，与下列建议有关的关系者在2013年8月29日共同同意终止有关的各项建议：

a) 建议由本公司，金狮工业有限公司（“金狮工业”）和金狮森林工业有限公司联营金狮高炉私人有限公司（“金狮高炉”），三者的股权的分别是51%：29%：20%；

b) 建议由金狮高炉向Andalas Development Sdn Bhd、Che Kiang Realty Sdn Bhd以及Amsteel Mills Sdn Bhd（它是金狮工业拥有99%股权的子公司）收购几片相邻的永久地契土地，收购的现金总额接近5,230万令吉；以及

c) 建议由金狮高炉向美佳钢铁租用3片相邻的永久地契空地，租用期为30年。

上述企业发展的详情，刊登在本常年报告112页。

业务检讨

本集团主要从事以下的业务：
- 制造和销售钢铁有关的产品（“钢铁”）；
- 电子和机械合同生产服务（“合同生产服务”）；
- 产业发展和管理（“产业”）；以及
- 投资控股、贸易及其他（“其他”）。

	营业额		營业利润	
(6月30日的会计年度)	**2013 (百万令吉)**	**2012 (百万令吉)**	**2013 (百万令吉)**	**2012 (百万令吉)**
钢铁	**1,160**	1,314	**62**	58
合同生产服务	**134**	139	**8**	8
产业	**119**	54	**36**	16
其他 *	**8**	10	**4**	10
	1,421	1,517	**110**	94

* “其他”：2012年度, 更高利润主要是由于复归1,800万令吉的债务准备金。

钢铁组

本集团的钢铁组坐落在马来西亚的万津，由以下公司负责：

a) 金狮直接还原铁私人有限公司（“金獅直接还原铁”）：这家公司制造直接还原铁，直接还原铁是高品质的含铁原料，在制钢过程中用以取代废铁。金狮直接还原铁是国內生產直接还原的兩家公司之一，也是本集团营业额與利润的主要来源。

b) 美佳钢铁（本集团的联号公司）：从事钢铁的下游生产，制造热轧钢卷和冷轧钢卷，是馬來西亞唯一的热轧钢卷生产者，产品供应国内市场及国际市场。

由于全球钢铁产能过剩，使到钢铁市场恶化以及倾销活动猖獗，在本会计年度的大部分时间内美佳钢铁的表现大受影响。我们的直接还原铁业务也受到缺乏活力的市场情绪影响，虽则其损失轻微得多。由于和美佳钢铁签订最低回酬的长期购买协议，使到本组能够取得12亿令吉的营业额和6,200万令吉的营业利润。

合同生产服务组

我们的合同生产服务组是综合一站式代工生产商，提供合约生产服务，包括金属片压印，塑胶注射铸造，生产资讯工艺相关的部件和附件，尤其是为电子业，电器业和消费品工业装配资料储存和盒式产品。我们生产与资讯工艺相关的主要产品，比如电视框和显示器框，储存资料的部件和配件，保安警铃，私人分支交换系统和电视上盒。电子产品包括测试配备控制卡，电子开关产品以及通信器材。生产设备坐落在马来西亚的马六甲和墨西哥的Juarez。另外在美国设有销售代表办事处，以提供支援。

本组继续面对激烈竞争和原料起价。过去采用的策略，包括改善产品的品质，提高生产力、改善送货表现以及扩大代理商网络，使到本组的表现依然可观，营业额只略减至1亿3,400万令吉（2012年度：1亿3,900万令吉）利润为800万令吉(2012年度：1,000万令吉)。

产业组

本组的主要产业计划是一项称为“D’ VENICE RESIDENCE”的综合发展计划，坐落在中国江苏省常熟市的四片相邻、总共20.1公顷的土地上。这项计划在2010年推出，到2013年6月为止，大约有1,100单位的住宅和商业店屋可供出售，售出率超过90%，成绩相當令人鼓舞。

在本会计年度，由于中国经济稳定，以及我们作出更多积极的促销活动，本组取得卓越的业绩，营业额和利润分别是1亿1,900万令吉和3,600万令吉；上一个年度分别是5,400万令吉和1,600万令吉。展望未来，由于中国迅速扩展的经济正在冷却下来，本组将提供更多创新性产品和奖掖，以使购兴持续。

股息

董事部欣然建议颁发首期兼终期，每股1仙（2%）的免税股息。这项建议必须获得即将召开的常年股东大会批准。

企业社会责任

我们承认企业社会责任（CORPORATE SOCIAL RESPONSIBILITY）的重要性，并认为它是商业活动中不可割舍的一部分，并将继续承诺支持那些对社会与环境带来积极影响的企业社会责任活动。

社区

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

金狮百盛基金（LION-PARKSON FOUNDATION）拨款供作教育慈善与科研用途；每年都提供奖学金给在本地大学深造的在籍大学本科生。金狮集团医药援助基金則为迫切需要医疗的不幸者提供财务援助，包括手术、购置医药仪器和药物。这项基金也赞助社区保健计划如医疗营，并且为那些向肾病病患者提供津贴治疗服务的洗肾中心添购洗肾机。

环境

本集团寻求通过专注于采用全新技术与业界最具环保效益的准则来关心环境保护，充分利用资源与促进能源效益。本集团的业务运作严格遵守其所在领域的环境法律及条例管制。这包括制造工厂落实的排放管理与废料减少与重复使用计划，及为我们的产业发展计划进行绿化与提供公园设施。

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

展望

本集团的钢铁组的营业环境依然艰辛，这是由于全球的经济起伏不定，外国出口商继续展开倾销活动，以及成本上涨的压力。本集团将继续和当局合作，以便本地钢铁工业能够在有序之下成长和扩展。

对于产业组，由于在中国的综合发展计划持续推動，预料将会继续取得令人满意的业绩。至于我们的合同生产服务组，预料将继续对本集团作出正面的贡献。

董事部

董事部热烈欢迎DATO’ KAMARUDDIN BIN HAJI ISMAIL在本会计年度出任本公司的独立非执行董事。董事部深信，本公司将受惠于他的宝贵经验与专长。

鸣谢

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

我也要真诚感谢董事们，在过去一年来给予的可贵指导和所作出的贡献，也要感谢我们各级雇员不懈的献身精神及对本集团的贡献。

主席
丹斯里锺廷森

FINANCIAL STATEMENTS
2013
For The Financial Year Ended 30 June 2013

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Loss, net of tax	(220,865)	(174,122)
Attributable to:		
Owners of the Company	(220,865)	(174,122)
Non-controlling interests	–	–
	(220,865)	(174,122)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the effects arising from the impairment loss on investments in associates which resulted an increase in the Company's loss by RM104.1 million as disclosed in Note 15 to the financial statements.

DIVIDEND

The amount of dividend paid by the Company since 30 June 2012 were as follows:

	RM'000
In respect of the financial year ended 30 June 2012 as reported in the Directors' Report of that year, a first and final dividend of 2% (1 sen per share), tax exempt was paid on 27 December 2012	7,372

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2013, of 2% (1 sen per share), tax exempt amounting to a dividend payable of approximately RM7,372,000 (on the assumption that none of the holders of the 5-year 4% Irredeemable Convertible Unsecured Loan Stocks 2008/2013 of the Company ("ICULS") convert their ICULS) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2014.

DIRECTORS

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

Tan Sri William H.J. Cheng	
Tan Sri Cheng Yong Kim	
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	
Heah Sieu Lay	
Dato' Kamaruddin bin Haji Ismail	(Appointed on 19.2.2013)
Dato' Ismail @ Mansor bin Said	(Retired on 12.12.2012)

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

In accordance with Article 99 of the Company's Articles of Association, Y. Bhg. Dato' Kamaruddin bin Haji Ismail who was appointed during the financial year retires 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 retires and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

Save for the ICULS which are convertible into new ordinary shares of RM0.50 each in the Company, neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 Each			
	1.7.2012	**Acquired**	**Disposed**	**30.6.2013**
Direct Interest				
Tan Sri William H.J. Cheng	121,356,607	–	–	121,356,607
Tan Sri Cheng Yong Kim	7,841,337	–	–	7,841,337
Indirect Interest				
Tan Sri William H.J. Cheng	286,428,888	–	–	286,428,888
Tan Sri Cheng Yong Kim	94,559,690	–	(91,059,690)	3,500,000

DIRECTORS' INTERESTS (Continued)

In addition, the following Directors were also deemed to have an interest in shares in the Company by virtue of the ICULS which are convertible into new ordinary shares of RM0.50 each in the Company at a conversion price of RM0.50 for each new ordinary share of RM0.50 each in the Company as follows:

	Number of RM1.00 Nominal Value of ICULS			
	1.7.2012	**Acquired**	**Converted**	**30.6.2013**
Direct Interest				
Tan Sri William H.J. Cheng	121,615,000	–	–	121,615,000
Tan Sri Cheng Yong Kim	1,000,000	–	–	1,000,000
Indirect Interest				
Tan Sri William H.J. Cheng	203,961,522	–	–	203,961,522

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

Indirect Interest
Tan Sri William H.J. Cheng

	Number of Ordinary Shares			
	1.7.2012	**Acquired**	**Disposed**	**30.6.2013**
LDH Investment Pte Ltd	4,500,000	–	–	4,500,000

	Number of Ordinary Shares of RM1.00 Each			
	1.7.2012	**Acquired**	**Disposed**	**30.6.2013**
Jernih Aktif Sdn Bhd	70	–	–	70

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.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group was implemented on 2 February 2011 for a period of 5 years. The main features of the ESOS are set out in Note 32 to the financial statements.

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

OTHER STATUTORY INFORMATION

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

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

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

OTHER STATUTORY INFORMATION (Continued)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in these financial statements inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

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

(f) In the opinion of the Directors, other than disclosed in Note 2 to the financial statements:

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

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

(g) For the financial year ended 30 June 2013, the Group and the Company incurred net losses of approximately RM221 million and RM174 million respectively and as at that date, the Group's current liabilities exceeded its current assets by RM111 million.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 36 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 October 2013.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI WILLIAM H.J. CHENG** and **TAN SRI CHENG YONG KIM**, being two of the Directors of **LION DIVERSIFIED HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 41 to 132 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 43 to the financial statements on page 133 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 28 October 2013.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

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

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION DIVERSIFIED HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 41 to 133 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at Kuala Lumpur in the Federal Territory
on 28 October 2013

TAN SRI CHENG YONG KIM

Before me,

W530
TAN SEOK KETT
Commissioner for Oaths
Kuala Lumpur

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Lion Diversified Holdings Berhad, which comprise the statements of financial positions as at 30 June 2013 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 132.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Basis for qualified opinion

As disclosed in Note 11(e) to the financial statements, the construction in progress relating to the Group's Blast Furnace Project ("Project") in a subsidiary, with the stated carrying amount of approximately RM490 million as at the reporting date, has been suspended since 2009. We are unable to obtain sufficient appropriate audit evidence in relation to the assumptions used, including the date of resumption of the Project, in determining the recoverable amount of the construction in progress in accordance to FRS 136: Impairment of Assets. Consequently, we are also unable to satisfy ourselves as to the recoverability of the amount due from the subsidiary of RM456 million in relation to the Project in the financial statements of the Company. Accordingly, we are unable to determine the effect of adjustments, if any, on the financial statements of the Group and of the Company as at 30 June 2013.

Qualified opinion

In our opinion, except for the effects of the matter described in the "Basis of qualified opinion" paragraph, if any, the financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 2.1 to the financial statements which indicates that the Group and the Company incurred net losses of approximately RM221 million and RM174 million respectively for the financial year ended 30 June 2013 and as at that date, the Group's current liabilities exceeded its current assets by RM111 million. These conditions along with other matters as set forth in Note 2.1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act except for the following subsidiaries:

  (i) Lion Blast Furnace Sdn Bhd, which is qualified on the matter described in the "Basis of qualified opinion" paragraph above; and

  (ii) Lion DRI Sdn Bhd ("Lion DRI"), which include a "Emphasis of matter" highlighting the uncertainty that may cast significant doubt about the ability of Lion DRI to continue as a going concern.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 43 to the financial statements on page 133 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Ernst & Young
AF: 0039
Chartered Accountants

Low Khung Leong
No. 2697/01/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
28 October 2013

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000 (restated)
Revenue	3	**1,420,731**	1,516,718	**247**	480,839
Other income	4	**59,235**	118,570	**911**	32,531
Changes in inventories		**(9,949)**	(15,139)	**–**	–
Raw materials and consumables used		**(1,135,480)**	(1,295,972)	**–**	–
Property development expenditure	13(b)	**(73,526)**	(36,673)	**–**	–
Employee benefits expense	5	**(53,024)**	(46,972)	**(473)**	(434)
Depreciation and amortisation		**(35,853)**	(34,997)	**(194)**	(202)
Other expenses		**(75,665)**	(67,767)	**(12,381)**	(7,725)
Profit/(Loss) from operations	6	**96,469**	137,768	**(11,890)**	505,009
Finance costs	7	**(76,048)**	(77,603)	**(8,879)**	(8,853)
Impairment loss on:					
- Investments in subsidiaries	14	**–**	–	**(38,687)**	(189,596)
- Investments in associates	15	**–**	(10,725)	**(104,098)**	(149,472)
- Investment securities	24	**(12,256)**	–	**(7,601)**	–
- Trade receivable due from a related party	21(a)	**(34,317)**	(9,220)	**–**	–
Write off of plant and equipment		**(10,000)**	(36,765)	**–**	–
Mining expenditure expensed off		**(9,777)**	–	**–**	–
Gain/(Loss) on disposal of investment in associate		**–**	83	**–**	(536)
Share of results of associates		**(163,951)**	(238,003)	**–**	–
Share of results of jointly controlled entities		**2,278**	3,177	**–**	–
(Loss)/Profit before tax		**(207,602)**	(231,288)	**(171,155)**	156,552
Income tax expense	8	**(13,263)**	(18,041)	**(2,967)**	(2,774)
(Loss)/Profit, net of tax		**(220,865)**	(249,329)	**(174,122)**	153,778
Attributable to:					
- Owners of the Company		**(220,865)**	(249,329)	**(174,122)**	153,778
- Non-controlling interests		**–**	–	**–**	–
		(220,865)	(249,329)	**(174,122)**	153,778
Loss per share (sen):					
Basic	9(a)	**(15.9)**	(17.9)		
Diluted	9(b)	**(15.9)**	(17.9)		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000 (restated)
(Loss)/Profit, net of tax		**(220,865)**	(249,329)	**(174,122)**	153,778
Other comprehensive (loss)/income					
Foreign currency translations	24	**7,887**	(4,502)	**–**	–
Net (loss)/gain on available-for-sale financial assets:					
- Loss on fair value changes	24	**(36,683)**	(83,113)	**(5,552)**	(14,598)
- Transfer to profit or loss upon derecognition	24	**(5)**	(18,433)	**–**	–
- Loss reclassified to profit or loss	24	**12,256**	–	**7,601**	–
Other comprehensive (loss)/profit for the year, net of tax, representing items that may be reclassified subsequently to profit or loss		**(16,545)**	(106,048)	**2,049**	(14,598)
Total comprehensive (loss)/income for the year, attributable to the owners of the Company		**(237,410)**	(355,377)	**(172,073)**	139,180
Attributable to:					
- Owners of the Company		**(237,410)**	(355,377)	**(172,073)**	139,180
- Non-controlling interests		**–**	–	**–**	–
		(237,410)	(355,377)	**(172,073)**	139,180

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000 (restated)
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,304,762**	1,336,249	**387**	572
Investment properties	12	**11,431**	11,687	**–**	–
Land held for property development	13(a)	**69,485**	119,541	**–**	–
Investments in subsidiaries	14	**–**	–	**232,298**	270,985
Investments in associates	15	**91,413**	255,364	**20,470**	124,568
Investments in jointly controlled entities	16	**20,752**	22,243	**–**	–
Investment securities	17	**193,597**	46,309	**21,302**	26,860
Intangible assets	18	**10,484**	10,484	**–**	–
Deferred tax assets	19	**2,133**	5,175	**1,545**	4,512
		1,704,057	1,807,052	**276,002**	427,497
Current assets					
Property development costs	13(b)	**86,793**	55,797	**–**	–
Inventories	20	**231,386**	176,619	**–**	–
Investment securities	17	**–**	184,005	**–**	–
Trade and other receivables	21	**517,511**	583,443	**1,247,997**	1,258,979
Tax recoverable		**7,250**	7,671	**3,939**	3,933
Cash and cash equivalents	22	**313,164**	197,394	**7,840**	8,588
		1,156,104	1,204,929	**1,259,776**	1,271,500
TOTAL ASSETS		**2,860,161**	3,011,981	**1,535,778**	1,698,997

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2013 (Continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000 (restated)
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	23	**368,612**	368,612	**368,612**	368,612
Share premium		**330,967**	330,967	**330,967**	330,967
Other reserves	24	**303,307**	318,728	**287,182**	285,133
Retained profits	25	**254,085**	483,446	**248,457**	429,951
		1,256,971	1,501,753	**1,235,218**	1,414,663
Non-controlling interests		**–**	–	**–**	–
Total equity		**1,256,971**	1,501,753	**1,235,218**	1,414,663
Non-current liabilities					
Loans and borrowings	26	**190,368**	27,048	**179**	5,237
Deferred tax liabilities	19	**128,932**	119,045	**–**	–
Derivative liability	28	**16,389**	–	**–**	–
		335,689	146,093	**179**	5,237
Current liabilities					
Trade and other payables	29	**806,796**	736,213	**294,092**	265,902
Provisions	30	**38,000**	29,000	**–**	–
Product financing liabilities	31	**150,051**	97,944	**–**	–
Loans and borrowings	26	**262,630**	480,907	**6,289**	13,195
Tax payable		**10,024**	20,071	**–**	–
		1,267,501	1,364,135	**300,381**	279,097
Total liabilities		**1,603,190**	1,510,228	**300,560**	284,334
TOTAL EQUITY AND LIABILITIES		**2,860,161**	3,011,981	**1,535,778**	1,698,997

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Attributable to Owners of the Company						
		Non-Distributable						
	Note	Share Capital RM'000 (Note 23)	Share Premium RM'000	Other Reserves RM'000 (Note 24)	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group								
2013								
At 1 July 2012		**368,612**	**330,967**	**318,728**	**483,446**	**1,501,753**	**–**	**1,501,753**
Total comprehensive loss for the year		**–**	**–**	**(16,545)**	**(220,865)**	**(237,410)**	**–**	**(237,410)**
		368,612	**330,967**	**302,183**	**262,581**	**1,264,343**	**–**	**1,264,343**
Transactions with owners								
Transfer to capital reserve		**–**	**–**	**1,124**	**(1,124)**	**–**	**–**	**–**
Dividend	10	**–**	**–**	**–**	**(7,372)**	**(7,372)**	**–**	**(7,372)**
Total transactions with owners		**–**	**–**	**1,124**	**(8,496)**	**(7,372)**	**–**	**(7,372)**
At 30 June 2013		**368,612**	**330,967**	**303,307**	**254,085**	**1,256,971**	**–**	**1,256,971**
2012								
At 1 July 2011		368,612	330,967	424,776	740,147	1,864,502	–	1,864,502
Total comprehensive loss for the year		–	–	(106,048)	(249,329)	(355,377)	–	(355,377)
		368,612	330,967	318,728	490,818	1,509,125	–	1,509,125
Transactions with owners								
Dividend	10	–	–	–	(7,372)	(7,372)	–	(7,372)
Total transactions with owners		–	–	–	(7,372)	(7,372)	–	(7,372)
At 30 June 2012		368,612	330,967	318,728	483,446	1,501,753	–	1,501,753

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013 (Continued)

	Note	Share Capital RM'000 (Note 23)	← Non-Distributable → Share Premium RM'000	Other Reserves RM'000 (Note 24)	Retained Profits RM'000	Total RM'000
Company						
2013						
At 1 July 2012, as previously stated		**368,612**	**330,967**	**285,133**	**539,951**	**1,524,663**
Prior year adjustment	41	**–**	**–**	**–**	**(110,000)**	**(110,000)**
At 1 July 2012 (restated)		**368,612**	**330,967**	**285,133**	**429,951**	**1,414,663**
Total comprehensive income/(loss) for the year		**–**	**–**	**2,049**	**(174,122)**	**(172,073)**
		368,612	**330,967**	**287,182**	**255,829**	**1,242,590**
Transactions with owners						
Dividend	10	**–**	**–**	**–**	**(7,372)**	**(7,372)**
Total transactions with owners		**–**	**–**	**–**	**(7,372)**	**(7,372)**
At 30 June 2013		**368,612**	**330,967**	**287,182**	**248,457**	**1,235,218**
2012						
At 1 July 2011		368,612	330,967	299,731	283,545	1,282,855
Total comprehensive (loss)/income for the year		–	–	(14,598)	153,778	139,180
As restated		368,612	330,967	285,133	437,323	1,422,035
Transactions with owners						
Dividend	10	–	–	–	(7,372)	(7,372)
Total transactions with owners		–	–	–	(7,372)	(7,372)
At 30 June 2012 (restated)		368,612	330,967	285,133	429,951	1,414,663

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000 (restated)
Cash flows from operating activities				
(Loss)/Profit before tax	**(207,602)**	(231,288)	**(171,155)**	156,552
Adjustments for:				
Depreciation and amortisation	**35,853**	34,997	**194**	202
Write off of plant and equipment	**10,546**	36,813	**–**	–
Gain on disposal of property, plant and equipment	**(30)**	(52)	**–**	–
(Gain)/Loss on disposal of investment in associate	**–**	(83)	**–**	536
(Gain)/Loss on conversion of Exchangeable Bonds	**(5)**	2,169	**–**	–
Realisation of gain from available-for-sale reserve	**(5)**	(18,433)	**–**	–
Impairment loss on:				
- Investments in associates	**–**	10,725	**104,098**	149,472
- Investment securities	**12,256**	–	**7,601**	–
- Investments in subsidiaries	**–**	–	**38,687**	189,596
Fair value loss/(gain) on derivative liability	**16,389**	(42,603)	**–**	–
Impairment loss on trade and other receivables	**36,580**	9,195	**6,919**	3,681
Provision for potential claims	**9,000**	7,000	**–**	–
Write down of inventories	**416**	336	**–**	–
Reversal of provision for liabilities	**–**	(17,695)	**–**	(17,695)
Reversal of impairment loss of:				
- Unquoted bonds	**(890)**	(2,480)	**(890)**	(2,480)
- Amounts due from subsidiaries	**–**	–	**–**	(4,381)
Unrealised foreign exchange loss, net	**7,216**	22,302	**1,199**	979
Waiver of subsidiaries' intercompany balances	**–**	–	**–**	7,960
Interest expense	**76,048**	77,603	**8,879**	8,853
Interest income	**(24,545)**	(19,504)	**(20)**	(15)
Dividend income	**(7,778)**	(10,129)	**(247)**	(480,839)
Share of results of associates	**163,951**	238,003	**–**	–
Share of results of jointly controlled entities	**(2,278)**	(3,177)	**–**	–
Operating profit/(loss) before working capital changes	**125,122**	93,699	**(4,735)**	12,421
Changes in working capital:				
Inventories	**(55,183)**	(26,674)	**–**	–
Receivables	**22,403**	(132,856)	**5,308**	17,721
Payables	**128,905**	128,736	**731**	(9,747)
Property development costs	**19,052**	(29,921)	**–**	–
Cash generated from operations	**240,299**	32,984	**1,304**	20,395
Interest received	**7,477**	19,504	**20**	15
Interest paid	**(64,781)**	(60,362)	**(246)**	(349)
Taxes (paid)/refund	**(9,982)**	(3,075)	**–**	605
Net cash generated from/(used in) operating activities	**173,013**	(10,949)	**1,078**	20,666

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013 (Continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000 (restated)**
Cash flows from investing activities				
Proceeds from disposal of investment in associate	**–**	84	**–**	84
Proceeds from disposal of property, plant and equipment	**336**	52	**–**	–
Proceeds from disposal of investment securities	**6**	21	**6**	21
Proceeds from redemption of unquoted bonds	**890**	2,480	**890**	2,480
Purchase of property, plant and equipment (Note 11(c))	**(6,087)**	(5,601)	**(9)**	–
Advances from subsidiaries	**–**	–	**31,172**	1,119
Deferred payment for acquisition of associate	**(13,519)**	(8,380)	**(13,519)**	(8,380)
Dividends received from investment securities	**547**	1,604	**241**	683
Dividend received from a subsidiary	**–**	–	**–**	3,000
Dividend received from a jointly controlled entity	**3,500**	1,855	**–**	–
Redemption of preference shares in a jointly controlled entity	**–**	11,947	**–**	–
Net cash (used in)/generated from investing activities	**(14,327)**	4,062	**18,781**	(993)
Cash flows from financing activities				
Dividend paid	**(7,372)**	(7,372)	**(7,372)**	(7,372)
Repayment of bank borrowings	**(76,142)**	(51,018)	**(13,093)**	(13,134)
Redemption of Exchangeable Bonds	**(24,234)**	–	**–**	–
Proceeds from bank borrowings	**62,064**	54,218	**–**	–
Repayment obligations under finance leases	**(400)**	(236)	**(98)**	(197)
Net cash used in financing activities	**(46,084)**	(4,408)	**(20,563)**	(20,703)
Net increase/(decrease) in cash and cash equivalents	**112,602**	(11,295)	**(704)**	(1,030)
Effects of changes in foreign exchange rates	**3,168**	7,591	**(44)**	373
Cash and cash equivalents at beginning of year	**197,394**	201,098	**8,588**	9,245
Cash and cash equivalents at end of year (Note 22)	**313,164**	197,394	**7,840**	8,588

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 14. There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 October 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 July 2012 as described fully in Note 2.2.

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

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

Fundamental accounting concept

The Group and the Company report the following conditions and events:

(i) The Group and the Company incurred net losses of approximately RM221 million and RM174 million respectively for the financial year ended 30 June 2013 and as at that date, the Group's current liabilities exceeded its current assets by RM111 million;

(ii) The Group has defaulted in payments to certain creditors as disclosed in Note 27. During the financial year, the Group has proposed a further deferment of payments to these creditors to be payable on or before 31 December 2013; and

(iii) Megasteel Sdn Bhd ("Megasteel"), an associate and a major customer of the Group, has material uncertainty on its ability to realise its assets and discharge its liabilities in the normal course of business.

Megasteel is currently working with an independent consultant and the authorities to conduct a study on turnaround action plans. Based on the independent consultant's findings, the action plans identified are, but not limited to the following:

(i) to undertake a corporate and debt restructuring to address capital and funding issues; and

(ii) to engage global experts in the steel industry to transfer technical know-how and best practice in the industry into Megasteel.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Fundamental accounting concept (Continued)

To address these plans, Megasteel has carried out the following:

(i) entered into discussions with the relevant authorities in implementing certain policies for the steel industry; and

(ii) entered into discussions with various interested third party investors with a view to inject new working capital via additional issuance of share capital ("Proposed Investment by New Investor(s)"). These discussions are still on-going.

The Group has taken the following initiatives:

(i) engage with its major creditors and bankers, with a view to defer certain payments due within the next 18 months;

(ii) to realise certain non-core assets of the Group; and

(iii) to expand its current market.

The Directors have concluded that the combination of the circumstances highlighted above indicates uncertainty that may cast significant doubt about the Group's ability to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering all pertinent information and actions plans above, the Directors believe that the Group and the Company will be able to continue as going concern for the foreseeable future.

2.2 Changes in accounting policies

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

On 1 July 2012, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2012:

Amendments to FRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
Amendments to FRS 7 *Disclosures - Transfers of Financial Assets*
Amendments to FRS 101 *Presentation of Items of Other Comprehensive Income*
Amendments to FRS 112 *Deferred Tax*: *Recovery of Underlying Assets* FRS 124 *Related Party Disclosures*

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

2.3 Standards and Interpretations issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

FRSs, Amendments to FRSs and IC Interpretations		**Effective for annual periods beginning on or after**
FRS 10	*Consolidated Financial Statements*	1 January 2013
FRS 11	*Joint Arrangements*	1 January 2013
FRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
FRS 13	*Fair Value Measurement*	1 January 2013
FRS 119	*Employee Benefits*	1 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

FRSs, Amendments to FRSs and IC Interpretations (Continued)		**Effective for annual periods beginning on or after**
FRS 127	*Separate Financial Statements*	1 January 2013
FRS 128	*Investment in Associate and Joint Ventures*	1 January 2013
Amendments to FRS 1	*Government Loans*	1 January 2013
Amendments to FRS 7	*Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to FRS 10	*Consolidated Financial Statements: Transition Guidance*	1 January 2013
Amendments to FRS 11	*Joint Arrangement: Transition Guidance*	1 January 2013
Amendments to FRS 12	*Disclosure of Interest in Other Entities: Transition Guidance*	1 January 2013
IC Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Improvement to FRSs Issued in 2012		1 January 2013
Amendments to FRS 10	*Investment Entities*	1 January 2014
Amendments to FRS 12	*Investment Entities*	1 January 2014
Amendments to FRS 127	*Investment Entities*	1 January 2014
Amendments to FRS 132	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 136	*Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to FRS 139	*Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21	*Levies*	1 January 2014
FRS 9	*Financial Instruments*	1 January 2015

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, except as disclosed below:

FRS 9 *Financial Instruments*

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The adoption of this first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurement of financial liabilities. The Group is in the process of making an assessment on the impact of adoption of FRS 9.

FRS 10 *Consolidated Financial Statements*

FRS 10 replaces the portion of FRS 127 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. FRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 10 will require management to exercise significant judgement to determine which entities are controlled and, therefore, are required to be consolidated by a parent, compared with the requirements that were in FRS 127.

FRS 12 *Disclosure of Interests in Other Entities*

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

FRS 13 *Fair Value Measurement*

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The Group is currently assessing the impact of adoption of FRS 13.

FRS 127 *Separate Financial Statements*

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

FRS 128 *Investments in Associates and Joint Ventures*

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 *Investments in Associates and Joint Ventures*. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

Amendments to FRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*

The amendments require additional information to be disclosed to enable the users of the Group's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments affect disclosure only and have no impact on the Group's financial position or performance.

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

The amendments to FRS 132 clarified that a legally enforceable right to set off is a right of set off that must not be contingent on a future event; and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendments further clarified that an entity will meet the net settlement criterion as provided in FRS 132 if the entity can settle amounts in a manner that the outcome is, in effect, equivalent to net settlement.

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* (MFRS 141) and IC Interpretation 15 *Agreements for Construction of Real Estate* (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS until the MFRS Framework becomes mandatory for Transitioning Entities for annual periods beginning on or after 1 January 2015.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2016. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has opted to defer the adoption of the MFRS Framework to the financial period beginning on 1 July 2015.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of 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. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. 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 except for unrealised losses, which are not eliminated, if there are indications of impairment.

Under the acquisition method of accounting, the results of subsidiaries acquired during the financial year are included in the consolidated financial statements from the effective date of acquisition. The acquisition method of accounting involves allocating the cost of acquisition to the fair value of the assets acquired and liabilities assumed at the date of acquisition. For business combinations, provisions are made for the acquiree's contingent liabilities existing at the date of acquisition as the Group deems that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities assumed, and equity instruments issued. Any costs directly attributable to the acquisition are recognised immediately in profit or loss. Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree, and the fair value of any Group's previously held equity interest in the acquiree (herein after referred to as cost of business combination), over the net amount of the fair value of identifiable assets acquired and liabilities assumed is recognised as goodwill.

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquirees are reassessed on acquisition unless the business combination results in a change on the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

(b) Subsidiaries

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(c) Transactions with non-controlling interests

Non-controlling interests (''NCI'') 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 consolidated statements of financial position, separately from parent shareholders' equity. Transactions with NCI are accounted for using the entity concept method, whereby, transactions with NCI are accounted for as transactions with owners. On acquisition of NCI, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to NCI is recognised directly in equity.

Total comprehensive income within a subsidiary is attributed to the NCI even if it results in a deficit balance.

(d) Associates

Associates are entities, not being subsidiaries or joint ventures, in which the Group has significant influence. 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.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associates are measured in the statements of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. 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 investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the Group's share of the associates' profit or loss for the period in which the investments are acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investments in the associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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.

(e) Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(e) Jointly controlled entities (Continued)

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entities.

In the Company's separate financial statements, its investments in jointly controlled entities 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.

(f) Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed off, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

Goodwill and fair value adjustments arising on the acquisitions of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.4(y).

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(g) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(g) Property, plant and equipment, and depreciation (Continued)

Freehold land is stated at cost less any accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold lands are depreciated over the period of the respective leases which range from 40 to 87 years.

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

Buildings	2% - 3%
Land improvements and infrastructure	3%
Plant and machinery	4% - 33%
Motor vehicles	10% - 20%
Office equipment, furniture and fittings	10% - 33.33%
Renovation	10% - 20%

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(h) Investment properties

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

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(i) Land held for property development and property development costs

(i) Land held for property development

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

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

(ii) Property development costs

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

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

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

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately. Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

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

(j) 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 first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(j) Impairment of non-financial assets (Continued)

Impairment losses are recognised in profit or loss.

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.

(k) Inventories

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

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

(l) Financial assets

Financial assets 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.

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 and the Company determine 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, held-to-maturity investments and available-for-sale financial assets.

(i) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(l) Financial assets (Continued)

(i) 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 are 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.

(ii) 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 12 months after the reporting date which are classified as non-current.

(iii) 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 12 months after the reporting date which are classified as current.

(iv) 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 of the three preceding 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 Group's and the Company's right to receive payment is established.

Investments in equity instruments 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 12 months after the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(l) Financial assets (Continued)

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.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, the date that the Group and the Company commit to purchase or sell the assets.

(m) Impairment of financial assets

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

(i) Trade and other 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 and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, receivables 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 and the Company'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 can be related objectively to 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.

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(m) Impairment of financial assets (Continued)

(iii) 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.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(o) Share capital and share issuance expenses

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

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

(p) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(p) Financial liabilities (Continued)

(ii) Other financial liabilities

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

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 are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 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.

(q) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(r) Contingencies

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(s) ICULS

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

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

(t) Employee benefits

(i) Defined contribution plans

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

(ii) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained profits upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(u) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

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

(ii) As lessor - Offtake Agreement

Effective 1 July 2011, the Group has adopted IC Int. 4, ''*Determining whether an Arrangement contains a Lease*'', which prescribes that the determination of whether an arrangement is or contains a lease shall be based on the substance of the arrangement. It requires an assessment of whether the fulfilment of the arrangement is dependent on the use of specific asset and the arrangement conveys a right to use such assets, such a contractual arrangement is accounted for as a finance or operating lease. Payment for services and the cost of inputs of the arrangement are excluded from the calculation of the minimum lease payments.

The adoption of IC Int. 4 has resulted in operating lease accounting being applied to the Group as the lessor for the Offtake Agreement with a customer.

For operating lease, the lease income is recognised over the term of the lease on the straight-line basis.

(v) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(v) Income tax (Continued)

(ii) Deferred tax (Continued)

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.4 **Summary of significant accounting policies** (Continued)

(w) **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(x) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Sale of goods

Revenue is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Sale of industrial land and completed properties

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

(iii) Interest income

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

(iv) Rental income and sales commission

Rental income and sales commission are recognised on the accrual basis.

(v) Dividend income

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

(vi) Development properties

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(y) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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 assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income.

On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on 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 exchange rates used for each respective unit of foreign currency ruling at the reporting date are as follows:

	2013 **RM**	**2012** **RM**
United States Dollar ("USD")	**3.17**	3.19
Chinese Renminbi ("Rmb")	**0.52**	0.50
Hong Kong Dollar ("HKD")	**0.41**	0.41

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(z) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(aa) Segment reporting

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

The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.5 Significant accounting estimates and judgements

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

(a) Critical judgements made in applying accounting policies

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

(i) Recoverability of debts due from Megasteel

Significant assumptions made by management with regards to the recoverability of debts due from Megasteel are disclosed in Note 21.

(ii) Impairment of asset

Significant assumptions made by management with regards to potential impairment of property, plant and equipment are disclosed in Note 11.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(a) Critical judgements made in applying accounting policies (Continued)

(iii) Impairment of cost of investment in subsidiaries and amount due from subsidiaries

As at 30 June 2013, the Company's investments in two wholly-owned subsidiaries, Lion DRI Sdn Bhd ("Lion DRI") and Lion Blast Furnace Sdn Bhd ("LBF") amounted to RM150 million and RM6 million respectively. As of that date, the debts due to the Company from Lion DRI and LBF amounted to RM539 million and RM456 million respectively.

As disclosed in Note 11, Megasteel is the major customer of Lion DRI and intended major customer of LBF. The Directors have a reasonable expectation that Megasteel will be given the necessary support to turnaround its business and will successfully implement its turnaround action plans as disclosed in Note 2.1. As such, the Directors are of the opinion that no impairment is required for these costs of investment and debts due from these subsidiaries.

(iv) Impairment of available-for-sale investments

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

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

(v) Classification between investment properties and property, plant and equipment

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

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

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

(vi) Jointly controlled entities

The Group has interest in several investments which it regards as jointly controlled entities although the Group owns less than half of the equity interest in these entities. These entities have not been regarded as subsidiaries of the Group as management has assessed that the contractual arrangements with the respective joint venture parties have given rise to joint control over these entities in accordance with FRS 131 *Interest in Joint Ventures*.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(a) Critical judgements made in applying accounting policies (Continued)

(vii) Financial guarantee contracts

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

For the financial year ended 30 June 2013, the Group and the Company have assessed the financial guarantee contracts and determined that the guarantees are more likely not to be called upon by the banks. Financial impact of such guarantees is not material.

(viii) Associate

The Group has an effective interest of 59.9% (2012: 59.9%) in Megasteel Sdn Bhd ("Megasteel"). Even though it appears that the Group has a majority stake in Megasteel, Megasteel is regarded as an associate because the Group does not control the holding company of Megasteel, Lion Corporation Berhad ("LCB") or Megasteel itself.

(ix) Offtake Agreement

Lion DRI has entered into an offtake agreement with Megasteel, to supply to Megasteel its entire production of the hot direct reduced iron and/or hot briquetted iron ("Steel Products") upon the terms and conditions of the agreement ("Offtake Agreement") as follows:

(I) The selling price of the Steel Products for the 10 years term shall be based on the formula of a cost plus certain margin ("Selling Price");

(II) 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;

(III) Megasteel shall settle the invoice within 30 days of the invoice failing which, interest at the rate of 2.25% above Malayan Banking Berhad's ("Maybank") base lending rate per annum shall be payable on the outstanding sum from the due date to date of settlement; and

(IV) Lion DRI shall be free to dispose of the Steel Products not taken up by Megasteel at the open market and if Lion DRI shall suffer a loss on such sale, Megasteel shall indemnify Lion DRI for such losses. In the event Lion DRI fails to deliver the Steel Products, Megasteel shall be at liberty to source for alternative equivalent and Lion DRI shall indemnify Megasteel for losses suffered.

The Group considers that it is a lessor within the Interpretation of IC Int. 4, "*Determining whether an Arrangement contains a Lease*". Consequently, the income from this Offtake Agreement is recognised over the term of the agreement on a straight line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty

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

(i) Property development

The Group recognises property development revenue and expenses in the income statement 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.

(ii) Taxes

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

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

The Group has RM88.8 million (2012: RM82.7 million) of tax losses and unabsorbed capital allowances carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses and unabsorbed capital allowances carried forward.

(iii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill are disclosed in Note 18.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(iv) Useful lives and residual value of plant and machinery

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

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

(v) Provision for potential claims

The Group determines whether a present obligation from potential claims arising from the arrangement entered with contractors in relation to the construction of property, plant and equipment that exist at the reporting date by taking into account all available evidence. On the basis of such evidence, the Directors considered if provisions are required to be recognised in the financial statements and if required, the estimated amounts are provided. Adequate provisions have been made in respect of financial obligations arising from the potential claims from the arrangement entered with certain contractors of the Group as disclosed in Note 30.

(vi) Derivative liability

The Group measures the derivative liability by reference to the fair value of the derivative liability at reporting date. Estimating fair value of the derivative liability requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the derivative liability. This estimate also requires determining the most appropriate inputs into the valuation model including the expected life of the derivative liability, expected volatility and making relevant assumptions about them. The assumptions and models used for estimating fair value of derivative liability and its carrying amount are disclosed in Note 28.

3. REVENUE

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sale of goods	**1,248,496**	1,412,732	**–**	–
Property development	**118,677**	48,013	**–**	–
Sales commission	**452**	533	**–**	–
Rental income	**335**	546	**–**	–
Operating lease rental income in respect of leased plant:				
- Minimum lease income	**29,578**	29,502	**–**	–
- Contingent rent	**15,715**	16,028	**–**	–
Dividend income from investment securities - quoted	**7,478**	9,364	**247**	839
Dividend income from subsidiaries	**–**	–	**–**	480,000
	1,420,731	1,516,718	**247**	480,839

4. OTHER INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income from:				
- Late payment	**20,882**	15,740	**–**	–
- Short term deposits and others	**3,663**	3,764	**20**	15
	24,545	19,504	**20**	15
Rental income	**191**	209	**–**	–
Dividend income	**300**	765	**–**	–
Realisation of gain from available-for-sale reserve (Note 24)	**5**	18,433	**–**	–
Fair value gain on derivative liability (Note 28)	**–**	42,603	**–**	–
Reversal of impairment loss on:				
- Unquoted bond	**890**	2,480	**890**	2,480
- Amounts due from subsidiaries	**–**	–	**–**	4,381
Reversal of provision for liabilities (Note 30)	**–**	17,695	**–**	17,695
Foreign exchange gain:				
- Realised	**10,353**	5,278	**–**	–
- Unrealised	**1,953**	196	**–**	–
Compensation claim (i)	**12,467**	8,238	**–**	–
Waiver of subsidiaries' intercompany balances	**–**	–	**–**	7,960
Other income	**8,531**	3,169	**1**	–
	59,235	118,570	**911**	32,531

(i) This amount arose from the claims from Megasteel as disclosed in Note 35(i).

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonuses	**38,631**	34,471	**390**	390
Pension costs - defined contribution plans	**3,609**	3,170	**75**	32
Other staff related expenses	**10,784**	9,331	**8**	12
	53,024	46,972	**473**	434

Included in employee benefits expense of the Group and of the Company is an executive Director's remuneration as further disclosed in Note 6(a).

6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(Loss) from operations is stated after charging/(crediting):

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration:				
- Current year	**505**	502	**28**	25
- Under provision in prior year	**8**	–	**3**	–
Directors' remuneration (Note a)	**672**	641	**672**	641
Depreciation:				
- Property, plant and equipment (Note 11)	**35,597**	34,739	**194**	202
- Investment properties (Note 12)	**256**	258	**–**	–
Direct operating expenses of investment properties	**1,442**	–	**–**	–
Write off of plant and equipment	**546**	48	**–**	–
Impairment loss/(Reversal of impairment loss) on trade and other receivables:				
- Subsidiaries	**–**	–	**6,919**	3,681
- Others	**2,263**	(25)	**–**	–
Provision for potential claims (Note 30)	**9,000**	7,000	**–**	–
Fair value loss/(gain) on derivative liability (Note 28)	**16,389**	(42,603)	**–**	–
Write down of inventories	**416**	336	**–**	–
Foreign exchange loss:				
- Realised	**2**	229	**–**	–
- Unrealised	**9,169**	22,498	**1,199**	979
Foreign exchange gain:				
- Realised	**(10,353)**	(5,278)	**–**	–
- Unrealised	**(1,953)**	(196)	**–**	–
Rental expenses	**6,393**	7,398	**–**	–
(Gain)/Loss on conversion of Exchangeable Bonds	**(5)**	2,169	**–**	–
Gain on disposal of property, plant and equipment	**(30)**	(52)	**–**	–

6. PROFIT/(LOSS) FROM OPERATIONS (Continued)

(a) Directors' remuneration

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

	Group/Company	
	2013	2012
	RM'000	**RM'000**
Executive Director:		
Fees	**25**	25
Salary and other emoluments	**390**	390
Pension costs - defined contribution plans	**75**	32
	490	447
Non-executive Directors:		
Fees	**182**	194
	672	641

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

	Number of Directors	
	2013	**2012**
<u>Executive Director</u>		
RM400,001 - RM450,000	**–**	1
RM450,001 - RM500,000	1	–
<u>Non-executive Directors</u>		
RM50,000 and below	**5 ***	5 *

* Including a Director who retired at the previous Annual General Meeting.

7. FINANCE COSTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
- Exchangeable Bonds	**14,741**	21,871	**–**	–
- Loans and borrowings	**21,811**	25,743	**–**	–
- Amounts owing to related parties	**17,162**	7,422	**–**	–
- Amounts owing to subsidiaries	**–**	–	**231**	323
- ICULS (Note 26(d))	**1,227**	2,004	**1,227**	2,004
- Deferred payments (Note 27)	**7,406**	6,500	**7,406**	6,500
- Product financing liabilities (Note 31)	**13,655**	14,031	**–**	–
- Obligations under finance leases	**46**	32	**15**	26
	76,048	77,603	**8,879**	8,853

8. INCOME TAX EXPENSE

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Income statements				
Current income tax:				
- Malaysian tax	**1,929**	1,348	**–**	–
- Foreign tax	**4,680**	3,697	**–**	–
	6,609	5,045	**–**	–
(Over)/Under provision in respect of previous years:				
- Malaysian income tax	**(217)**	543	**–**	–
- Foreign income tax	**(6,036)**	–	**–**	–
	(6,253)	543	**–**	–
Deferred income tax (Note 19):				
- Origination and reversal of temporary differences	**11,207**	12,303	**2,967**	2,774
- Under provision in respect of previous years	**1,700**	150	**–**	–
	12,907	12,453	**2,967**	2,774
Income tax expense recognised in profit or loss	**13,263**	18,041	**2,967**	2,774

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

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 June 2013 and 30 June 2012 is as follows:

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000 (restated)
(Loss)/Profit before tax	**(207,602)**	(231,288)	**(171,155)**	156,552
Tax at Malaysian statutory rate of 25% (2012: 25%)	**(51,901)**	(57,822)	**(42,789)**	39,138
Different tax rates in other countries	**228**	7,817	**–**	–
Adjustments:				
Non-deductible expenses	**29,290**	30,873	**45,807**	87,013
Income not subject to tax	**(1,739)**	(18,880)	**(56)**	(123,477)
(Over)/Under provision of income tax in respect of previous years	**(6,253)**	543	**–**	–
Under provision of deferred tax in respect of previous years	**1,700**	150	**–**	–
Deferred tax assets not recognised in current year	**1,520**	–	**5**	100
Deferred tax assets recognised on previously unrecognised tax losses and unabsorbed capital allowances	**–**	(3,347)	**–**	–
Share of results of associates	**40,988**	59,501	**–**	–
Share of results of jointly controlled entities	**(570)**	(794)	**–**	–
Tax expense for the year	**13,263**	18,041	**2,967**	2,774

8. INCOME TAX EXPENSE (Continued)

Domestic current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

Under the relevant People's Republic of China ("PRC") income tax law, the PRC companies of the Group were subject to corporate income tax at a rate of 25% (2012: 25%) on their respective taxable income.

Lion DRI was granted Pioneer Status incentive with full tax exemption for 5 years effective from 1 September 2008 with an option to re-apply for exemption for another 5 years through a fresh application to the authority by 1 August 2013. Lion DRI has made the application for exemption for another 5 years. As at the date of this report, Lion DRI has yet to receive the approval for exemption from the authority.

Tax savings during the financial year arising from:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Utilisation of previously unrecognised tax losses	**–**	1,080

9. LOSS PER SHARE

(a) Basic

Basic loss per share ("LPS") is calculated by dividing the net loss for the year, net of tax attributable to owners of the Company by the weighted average number of ordinary shares in issue after conversion of mandatorily convertible instruments during the financial year.

	Group	
	2013	**2012**
Loss, net of tax attributable to owner of the Company (RM'000)	**(220,865)**	(249,329)
Weighted average number of ordinary shares in issue ('000)	**737,223**	737,223
Adjustment for conversion of ICULS ('000)	**654,924**	654,924
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	**1,392,147**	1,392,147
Basic LPS (sen)	**(15.9)**	(17.9)

(b) Diluted

There is no dilutive event other than the conversion of ICULS which has already been taken into account in the basic LPS calculation. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

10. DIVIDENDS

	Group and Company				
		Dividends in respect of year		Dividends recognised in year	
	2013 RM'000	2012 RM'000	2011 RM'000	2013 RM'000	2012 RM'000
Recognised during the year:					
Dividends on ordinary shares:					
- First and final dividend of 2% for 2011, tax exempt (1.0 sen per ordinary share)	**–**	–	7,372	**–**	7,372
- First and final dividend of 2% for 2012, tax exempt (1.0 sen per ordinary share)	**–**	7,372	–	**7,372**	–
Proposed but not recognised as at 30 June:					
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:					
- First and final dividend for 2013, tax exempt (1.0 sen per ordinary share)	**7,372**	–	–	**–**	–
	7,372	7,372	7,372	**7,372**	7,372

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 30 June 2013, of 2% (1.0 sen per share), tax exempt amounting to a dividend payable of RM7,372,000 (on the assumption that none of the ICULS holders convert their ICULS) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2014.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction in Progress RM'000 Note (e)	Total RM'000
Cost										
At 1 July 2012	**115,591**	**8,174**	**16,288**	**142,923**	**730,441**	**4,812**	**5,674**	**1,229**	**495,677**	**1,520,809**
Additions	**–**	**–**	**–**	**834**	**7,001**	**1,970**	**573**	**–**	**7,948**	**18,326**
Disposals	**–**	**–**	**–**	**–**	**(319)**	**(374)**	**(1)**	**–**	**(3,498)**	**(4,192)**
Written off	**–**	**–**	**–**	**–**	**(762)**	**(180)**	**(317)**	**–**	**(10,414)**	**(11,673)**
Transfer from property development cost (Note 13(b))	**–**	**–**	**8**	**–**	**–**	**–**	**–**	**–**	**–**	**8**
Exchange differences	**–**	**–**	**98**	**–**	**(183)**	**44**	**18**	**(8)**	**–**	**(31)**
At 30 June 2013	**115,591**	**8,174**	**16,394**	**143,757**	**736,178**	**6,272**	**5,947**	**1,221**	**489,713**	**1,523,247**

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings RM'000	Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction in Progress RM'000 Note (e)	Total RM'000
Accumulated depreciation and impairment										
At 1 July 2012	–	692	1,818	16,001	158,550	2,560	3,716	1,223	–	184,560
Depreciation charge for the year	–	3	401	4,099	29,644	798	652	–	–	35,597
Disposals	–	–	–	–	(37)	(350)	(1)	–	–	(388)
Written off	–	–	–	–	(756)	(93)	(278)	–	–	(1,127)
Exchange differences	–	–	–	–	(165)	11	5	(8)	–	(157)
At 30 June 2013	–	695	2,219	20,100	187,236	2,926	4,094	1,215	–	218,485
Net carrying amount										
At 30 June 2013	115,591	7,479	14,175	123,657	548,942	3,346	1,853	6	489,713	1,304,762
Cost										
At 1 July 2011	115,591	8,174	15,963	138,370	731,976	4,233	5,477	1,164	533,154	1,554,102
Additions	–	–	2	1,389	970	986	256	–	2,098	5,701
Disposals	–	–	–	–	(9)	(459)	(2)	–	(2,810)	(3,280)
Written off	–	–	–	–	(883)	(28)	(164)	–	(36,765)	(37,840)
Reclassification	–	–	–	3,164	(3,164)	–	–	–	–	–
Transfer from property development cost (Note 13(b))	–	–	145	–	–	–	–	–	–	145
Exchange differences	–	–	178	–	1,551	80	107	65	–	1,981
At 30 June 2012	115,591	8,174	16,288	142,923	730,441	4,812	5,674	1,229	495,677	1,520,809
Accumulated depreciation and impairment										
At 1 July 2011	–	605	1,575	11,568	129,070	2,610	3,193	1,158	–	149,779
Depreciation charge for the year	–	87	243	4,068	29,337	403	601	–	–	34,739
Disposals	–	–	–	–	(9)	(459)	(2)	–	–	(470)
Written off	–	–	–	–	(843)	(28)	(156)	–	–	(1,027)
Reclassification	–	–	–	365	(365)	(4)	4	–	–	–
Exchange differences	–	–	–	–	1,360	38	76	65	–	1,539
At 30 June 2012	–	692	1,818	16,001	158,550	2,560	3,716	1,223	–	184,560
Net carrying amount										
At 30 June 2012	115,591	7,482	14,470	126,922	571,891	2,252	1,958	6	495,677	1,336,249

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Total RM'000
At 30 June 2013			
Cost			
At 1 July 2012	**2,056**	**9**	**2,065**
Addition	**–**	**9**	**9**
At 30 June 2013	**2,056**	**18**	**2,074**
Accumulated depreciation			
At 1 July 2012	**1,487**	**6**	**1,493**
Charge for the year	**192**	**2**	**194**
At 30 June 2013	**1,679**	**8**	**1,687**
Net carrying amount			
At 30 June 2013	**377**	**10**	**387**
At 30 June 2012			
Cost			
At 1 July 2011/30 June 2012	2,056	9	2,065
Accumulated depreciation			
At 1 July 2011	1,286	5	1,291
Charge for the year	201	1	202
At 30 June 2012	1,487	6	1,493
Net carrying amount			
At 30 June 2012	569	3	572

(a) Included in land improvements and infrastructure, plant and machinery is a direct reduced iron ("DRI") plant of a wholly-owned subsidiary, Lion DRI. The DRI plant is constructed on a piece of land leased from a related party for an initial term of thirty (30) years commencing 1 June 2008 and expiring on 31 May 2038, with an option for renewal for a further period of thirty (30) years.

(b) As at 30 June 2013, the property, plant and equipment of the Group with a net book value of RM735.3 million (2012: RM763.8 million) are pledged for bank borrowings, as disclosed in Note 26(b).

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Cash payments	**6,087**	5,601	**9**	–
Finance leases	**1,612**	100	**–**	–
Other payables	**10,627**	–	**–**	–
	18,326	5,701	**9**	–

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Motor vehicles	**2,212**	980	**272**	541

(d) Disposals of plant and equipment during the year were realised as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Cash received	**336**	52
Contra arrangement with creditors	**3,498**	2,810
	3,834	2,862

(e) Impairment of Construction in Progress

The construction in progress of approximately RM489.7 million (2012: RM495.7 million) relates to the Blast Furnace Project ("Project"). The Project is constructed on land which is under a lease arrangement with related party. Under the arrangement, the related party will only commence charging lease rental at a mutually agreed date to be determined. The intended output from the Project is hot metal ("HM"), which will be used by Megasteel as its raw material.

The Project has been suspended since 2009 pending efforts to secure financing. A term sheet previously signed with a lender had expired in July 2012. Currently, management is still in discussion with the said lender on the proposed financing requirements.

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(e) Impairment of Construction in Progress (Continued)

Management has adopted the following assumptions in the assessment of impairment of the construction in progress:

(i) Megasteel, who is intended to be the major customer for the Project, will successfully implement its turnaround plan as discussed in Note 2.1;

(ii) the lender will provide the required financing for the construction of the Project;

(iii) the balance of the financing will be sourced from new third party investor(s);

(iv) the technology and technical specifications of the Project remain relevant;

(v) the contractors of the Project, will be able to resume the construction based on the condition of the existing construction in progress;

(vi) the Project is to produce and sell HM to Megasteel at its maximum production capacity;

(vii) the selling price of the HM to be sold to Megasteel is based on the market price;

(viii) the main raw material for the HM is iron ore, which will be sourced from both local and overseas markets; and

(ix) an annual discount rate of 13% is used.

The Directors are of the opinion that the carrying amount of the Project is recoverable as plans are in place to resume the construction of the Project upon obtaining sufficient financing.

(f) Impairment of DRI plant

As at 30 June 2013, the carrying amount of Lion DRI's plant was approximately RM662.6 million (2012: RM691.1 million).

When assessing the impairment that may be required of the DRI plant, management has adopted the following assumptions:

(i) Megasteel, who is the existing major customer of Lion DRI, will successfully implement its turnaround plans as discussed in Note 2.1;

(ii) Lion DRI is to produce and sell hot direct reduced iron ("HDRI") to Megasteel at rates ranging from 80% to 100% of its maximum production capacity;

(iii) Lion DRI continues to sell the HDRI to Megasteel at cost plus certain margin as stated in the Offtake Agreement with Megasteel. Megasteel is to compensate any loss of profit suffered by Lion DRI in the extent that HDRI is sold to any third party; and

(iv) an annual discount rate of 13% is used.

The Directors, having considered all available pertinent information and assumptions above, are of the opinion that no impairment is required for the DRI plant.

12. INVESTMENT PROPERTIES

	Group 2013 RM'000	Group 2012 RM'000
Cost		
At 1 July/30 June	**13,395**	13,395
Accumulated depreciation		
At 1 July	**1,708**	1,450
Charge for the year	**256**	258
At 30 June	**1,964**	1,708
Net carrying amount		
At 30 June	**11,431**	11,687
Estimated fair value at 30 June		
Office premises and factory	**13,045**	12,415

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

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop these investment properties.

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group 2013 RM'000	Group 2012 RM'000
Leasehold land		
At cost		
At 1 July	**119,541**	132,137
Transfer to property development costs	**(60,216)**	(24,499)
Additions	**6,023**	2,595
Exchange differences	**4,137**	9,308
At 30 June	**69,485**	119,541

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (Continued)

(b) Property development costs

	Group 2013 RM'000	Group 2012 RM'000
Property development costs at 1 July:		
Leasehold land	**52,913**	27,891
Development costs	**113,286**	64,734
	166,199	92,625
Costs incurred during the year:		
Development costs	**38,561**	46,278
Costs recognised in income statement:		
At 1 July	**(110,402)**	(73,729)
Recognised during the year	**(73,526)**	(36,673)
At 30 June	**(183,928)**	(110,402)
Transferred from land held for property development:		
Leasehold land	**53,340**	24,234
Development costs	**6,876**	265
	60,216	24,499
Transferred to property, plant and equipment (Note 11):		
Development costs	**(8)**	(145)
Unsold units transferred to inventories:		
Leasehold land	**–**	(1,177)
Development costs	**–**	(2,407)
	–	(3,584)
Exchange differences	**5,753**	6,526
Property development costs at 30 June	**86,793**	55,797

The leasehold land under land held for property development and property development cost with carrying value RM48.2 million (2012: RM Nil) and RM52.9 million (2012: RM Nil) respectively are pledged as security for banking borrowings, as disclosed in Note 26(b)(iv).

14. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000 (restated)
Unquoted shares, at cost	**628,228**	628,228
Less: Accumulated impairment losses	**(395,930)**	(357,243)
	232,298	270,985

14. INVESTMENTS IN SUBSIDIARIES (Continued)

As at 30 June 2013, the unquoted shares of subsidiaries with a carrying value of RM181.98 million (2012: RM181.98 million) are pledged for bank borrowings, as disclosed in Note 26(b).

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2013 %	Equity interest 2012 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	**100**	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	**100**	100
LDH Trading Sdn Bhd	Malaysia	Property holding	**100**	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	**100**	100
Urban Resources Sdn Bhd	Malaysia	Property development	**100**	100
Megavest Sdn Bhd	Malaysia	Property development and management	**100**	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	**100**	100
Likom CMS Sdn Bhd	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	**100**	100
Likom Caseworks Sdn Bhd	Malaysia	Manufacturing of metal and plastic components including metal stamping, plastic injection moulding and assembly of parts and services	**100**	100
Parkson Pacific Pte Ltd *	Singapore	Investment holding	**100**	100
Parkson Glomart Pte Ltd * (Dissolved on 9.10.2012)	Singapore	Ceased operations	**–**	100
Parkson Management Pte Ltd * (Dissolved on 6.9.2013)	Singapore	Ceased operations	**100**	100
LDH (S) Pte Ltd *	Singapore	Investment holding	**100**	100
LDH Investment Pte Ltd *	Singapore	Investment holding	**# 60**	# 60
Lion DRI Sdn Bhd	Malaysia	Manufacturing and sale of direct reduced iron products	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2013 %	Equity interest 2012 %
Well Morning Limited *	Hong Kong SAR	Investment holding	**100**	100
Excel Step Investments Limited	British Virgin Islands	Investment holding	**100**	100
Fusion Energy Sdn Bhd	Malaysia	Dormant	**100**	100
Lion Blast Furnace Sdn Bhd	Malaysia	Manufacturing and trading in steel products	**100**	100
Ara Seri Bangun Sdn Bhd	Malaysia	Dormant	**100**	100
Temasek Potensi Sdn Bhd	Malaysia	Investment holding	**100**	100
Pioneer Glory International Limited	British Virgin Islands	Investment holding	**100**	100
Jana Serimas Sdn Bhd	Malaysia	Dormant	**100**	100
Sharp Synergy Sdn Bhd	Malaysia	Dormant	**100**	100
Subsidiary of LDH Manufacturing Sdn Bhd				
CPB Enterprise Sdn Bhd	Malaysia	Property management	**100**	100
Subsidiary of LDH Trading Sdn Bhd				
Banting Resources Sdn Bhd	Malaysia	Property investment	**100**	100
LDH Resources Limited	Cayman Islands	Dormant	**100**	–
Subsidiary of Lion Subang Parade Sdn Bhd				
LDH Management Sdn Bhd	Malaysia	Investment holding and project management	**100**	100
Subsidiaries of LDH Management Sdn Bhd				
Atlantic Dimension Sdn Bhd	Malaysia	Investment holding	**100**	100
Viroy Management Services Sdn Bhd	Malaysia	Investment holding and property management	**100**	100
Shanghai DEbier Management Consulting Co Ltd *	People's Republic of China	Management consulting services	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2013 %	2012 %
Subsidiary of Likom Caseworks Sdn Bhd				
Likom Caseworks USA Inc *	United States of America	Sale of enclosure for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Likom Caseworks USA Inc				
Likom de Mexico S.A. de C.V *	Mexico	Manufacturing and assembly for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Lion DRI Sdn Bhd				
Limbungan Makmur Sdn Bhd	Malaysia	Provision of chartering services	**100**	100
Subsidiary of Well Morning Limited				
Changshu Lion Enterprise Co Ltd	People's Republic of China	Property development	**100**	100
Subsidiary of Excel Step Investments Limited				
Teraju Varia Sdn Bhd	Malaysia	Investment holding	**100**	100
Subsidiary of Lion Blast Furnace Sdn Bhd				
LBF Enterprise (L) Limited	Malaysia	Dormant	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2013 %	2012 %
Subsidiaries of Temasek Potensi Sdn Bhd				
Ara Aspirasi Sdn Bhd	Malaysia	Dormant	**100**	100
Gempower Sdn Bhd	Malaysia	Dormant	**100**	100
Jernih Aktif Sdn Bhd	Malaysia	Dormant	**70**	70
Tunas Dimensi Sdn Bhd	Malaysia	Dormant	**100**	100
Subsidiary of Pioneer Glory International Limited				
Fortius Resources (Cambodia) Co Limited	Cambodia	Dormant	**100**	100

All the companies are audited by Ernst & Young Malaysia except for those marked (*) which are audited by other firms.

30% held by the Company and 30% held by LDH Manufacturing Sdn Bhd.

Deconsolidation of subsidiary

During the financial year, the Company deconsolidated a wholly-owned subsidiary, Parkson Glomart Pte Ltd, which was dissolved on 9 October 2012.

In the previous financial year, the Company had deconsolidated a wholly-owned subsidiary, Sichuan Parkson Retail Development Co Ltd, which was wound up on 11 July 2011.

The deconsolidation have no material effects on the Group's financial results, financial position or cash flows.

Acquisition of subsidiaries

During the financial year, the Group acquired 100% equity interest in LDH Resources Limited for a cash consideration of USD1.00 (equivalent to approximately RM3.20).

In the previous financial year, the Group acquired 100% equity interest in Tunas Dimensi Sdn Bhd, Jana Serimas Sdn Bhd, Sharp Synergy Sdn Bhd and Jernih Aktif Sdn Bhd for a cash consideration of RM2.00 each.

The Group's shareholding in Jernih Aktif Sdn Bhd was diluted to 70% following the issuance and allotment of shares to an external party during the previous financial year.

The acquisitions of these subsidiaries have no material effects on the Group's financial results, financial position or cash flows.

Impairment made during the financial year

During the financial year, the Company has made an impairment loss of RM38.7 million (2012: RM189.6 million) on its investments in subsidiaries due to its carrying amounts exceeding their estimated recoverable amounts.

Significant assumptions with regards to the impairment of Lion DRI and LBF

In assessing the amount of impairment that may be required on the carrying amounts of investments in Lion DRI and LBF totalling RM156.0 million, management adopted similar assumptions as disclosed in the impairment test of DRI plant and Blast Furnace Project in Note 11.

15. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Quoted shares, at cost:				
- In Malaysia	**966,778**	966,778	**215,277**	215,277
Less: Accumulated impairment losses	**(10,725)**	(10,725)	**(194,807)**	(185,709)
Share of post acquisition reserves	**(864,640)**	(745,662)	**–**	–
	91,413	210,391	**20,470**	29,568
Unquoted shares, at cost:				
- In Malaysia	**324,463**	324,463	**324,463**	324,463
- Outside Malaysia	**5,078**	5,078	**–**	–
Less: Accumulated impairment losses	**–**	–	**(324,463)**	(229,463)
Share of post acquisition reserves	**(329,541)**	(284,568)	**–**	–
	–	44,973	**–**	95,000
	91,413	255,364	**20,470**	124,568
Market value of quoted shares:				
- In Malaysia	**145,655**	210,391	**20,470**	29,568

The Group's share of losses of associates has been recognised to the extent of the carrying amount of the investments. The unrecognised share of losses amounts to RM134.5 million (2012: RM107.2 million) as at 30 June 2013.

Name of associates	**Country of incorporation**	**Principal activities**	**Proportion (%) of ownership interest 2013 %**	**2012 %**
Held by the Company:				
Lion Corporation Berhad *(i) (ii) (iii)*	Malaysia	Investment holding	**6.9**	6.9
Megasteel Sdn Bhd	Malaysia	Manufacturing of hot rolled coils and cold rolled coils	**21.1**	21.1
Held through subsidiaries:				
Lion Corporation Berhad *(i) (ii) (iii)*	Malaysia	Investment holding	**42.3**	42.3
Inner Mongolia Leadar Parkson Plaza Co Ltd *(iii)*	People's Republic of China	Ceased operations	**25.0**	25.0

(i) Listed on the Main Market of Bursa Malaysia Securities Berhad.

(ii) As at 30 June 2013, the Group holds in total approximately 49.2% equity interest in Lion Corporation Berhad ("LCB") via the Company (6.9%), Graimpi Sdn Bhd (24.7%), Lion DRI Sdn Bhd (17.4%), LDH (S) Pte Ltd (0.1%), LDH Management Sdn Bhd (0.01%) and Teraju Varia Sdn Bhd (negligible).

(iii) Audited by firms other than Ernst & Young.

15. INVESTMENTS IN ASSOCIATES (Continued)

The summarised financial information of the associates is as follows:

	2013 RM'000	2012 RM'000
Assets and liabilities		
Current assets	**1,227,129**	1,420,701
Non-current assets	**3,107,593**	4,237,806
Total assets	**4,334,722**	5,658,507
Current liabilities	**(3,107,593)**	(3,556,769)
Non-current liabilities	**(1,036,351)**	(1,568,984)
Total liabilities	**(4,143,944)**	(5,125,753)
Results		
Revenue	**2,597,263**	3,235,355
Loss for the year	**(326,658)**	(524,737)

As at 30 June 2013, the Company has deposited 90,809,917 (2012: 90,809,917) of LCB shares amounting to RM20.4 million (2012: RM29.5 million) with the security trustee to secure the settlement of the long term payables disclosed in Note 27.

Impairment in the Company's cost of investments in associates

During the financial year, the Company has made an impairment loss of RM104.1 million (2012: RM149.5 million) in respect of its investments in LCB and Megasteel due to the continuous losses incurred.

Included in investments in associates unquoted shares are investments in Preference "E" Shares and Preference "G" Shares of Megasteel amounting to RM100.0 million with the following salient features:

Terms of Preference "E" Shares

The Preference "E" Shares of RM0.01 each of Megasteel include 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;

15. INVESTMENTS IN ASSOCIATES (Continued)

Terms of Preference "E" Shares (Continued)

(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 of Megasteel include 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;

(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;

15. INVESTMENTS IN ASSOCIATES (Continued)

Terms of Preference "G" Shares (Continued)

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

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

(b) Mandatory Early Redemption

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

(c) Optional Redemption

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

(d) Mandatory Redemption

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

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

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

On the fourth anniversary of the date of issue, Megasteel had extended the tenure of the Preference "G" Shares for a further five years from the maturity date in accordance with the terms of issue.

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2013	**2012**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	**88**	88
Share of post-acquisition results	**20,664**	22,155
	20,752	22,243

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The Group's aggregate share of income, expenses, assets and liabilities of the jointly controlled entities is as follows:

	2013 RM'000	2012 RM'000
Assets and liabilities		
Current assets	**27,729**	34,017
Non-current assets	**1**	6
Total assets	**27,730**	34,023
Current liabilities/Total liabilities	**(6,978)**	(11,780)
Results		
Revenue	**7,365**	15,430
Expenses, including finance costs and income tax	**(5,087)**	(12,253)

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2013 %	2012 %
Panareno Sdn Bhd *	Malaysia	Property development and property investment	**35**	35
North Plaza Sdn Bhd *	Malaysia	Property development	**42.5**	42.5

* Audited by firms other than Ernst & Young.

17. INVESTMENT SECURITIES

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current				
Available-for-sale financial assets				
Quoted:				
- Shares in Malaysia	**–**	184,005	**–**	–

17. INVESTMENT SECURITIES (Continued)

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Non-current				
Held-to-maturity investments				
Unquoted:				
- Bonds [(a)]	**–**	–	**–**	–
- Shares in Malaysia [(b)]	**50**	51	**–**	–
	50	51	**–**	–
Available-for-sale financial assets				
Quoted:				
- Shares in Malaysia	**193,425**	45,765	**21,180**	26,367
- Shares outside Malaysia	**122**	493	**122**	493
	193,547	46,258	**21,302**	26,860
Total non-current investment securities	**193,597**	46,309	**21,302**	26,860
Total investment securities	**193,597**	230,314	**21,302**	26,860
Consists of the following:				
Investment in:				
- related party entities	**193,475**	229,821	**21,180**	26,367
- others	**122**	493	**122**	493
	193,597	230,314	**21,302**	26,860
Market value of quoted shares:				
- In Malaysia	**193,425**	229,770	**21,180**	26,367
- Outside Malaysia	**122**	493	**122**	493

The Group's investments in quoted shares in Malaysia with carrying amounts of RM36.0 million (2012: RM44.8 million) are pledged as security for the banking facilities extended to the Group, as disclosed in Note 26(b)(ii) and (iii).

Investment in quoted shares in Malaysia with carrying amounts of RM156.7 million (2012: RM184.0 million) is pledged as security for the Exchangeable Bonds, as disclosed in Note 26(a).

17. INVESTMENT SECURITIES (Continued)

(a) Held-to-maturity - unquoted bonds

	Group/Company	
	2013 RM'000	2012 RM'000
Unquoted bonds, at cost	**14,451**	14,451
Accrued interests	**3,685**	3,685
	18,136	18,136
Less: Redeemed	**(7,223)**	(6,333)
Less: Accumulated impairment losses	**(10,913)**	(11,803)
	–	–

The unquoted bonds, issued by the former holding company of the Company, bear a yield to maturity which ranges from 4.0% to 4.75% (2012: 4.0% to 4.75%) per annum. However, no interest income is recognised as the former holding company is in financial difficulties.

(b) Unquoted shares - non-current

	Group	
	2013 RM'000	2012 RM'000
Unquoted shares in Malaysia, at cost	**53**	53
Less: Amortisation of premium	**(3)**	(2)
	50	51

The above represent the amortisation of premium for two preference shares of RM1,000 each which are redeemable at least six months before 5 December 2090 at a redemption price of RM1,000 per share.

18. INTANGIBLE ASSETS

	Goodwill on Consolidation RM'000	Purchased Goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 2011/2012 and 30 June 2012/2013	**14,662**	**18,814**	**33,476**
Accumulated impairment			
At 1 July 2012/30 June 2013	**14,662**	**8,330**	**22,992**
Net carrying amount			
At 30 June 2012	–	10,484	10,484
At 30 June 2013	**–**	**10,484**	**10,484**

18. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill has been allocated to the Group's CGU identified according to the country of operation and business segment as follows:

	Total RM'000
Malaysia	
Contract manufacturing services	
At 30 June 2012/2013	**10,484**

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flows projections from financial budgets approved by management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections and the forecast growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	2013	2012
Revenue growth rates	**15%**	15%
Pre-tax discount rates	**13%**	13%

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

(i) Budgeted gross margins and revenue growth rates – management determines budgeted gross margin based on performance achieved in the past five years and its expectations on market development.

(ii) Post-tax discount rates – Discount rates reflect management's estimate of the risks specific to these entities. In determining appropriate discount rates for each units, consideration has been given to applicable weighted average cost of capital for each unit.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use of the respective CGU, if the revenue growth rate had been 2% lower, with all other variables held constant, an impairment loss of RM3.8 million would have been recognised.

19. DEFERRED TAX

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 July	**(113,870)**	(101,350)	**4,512**	7,286
Recognised in income statements	**(12,907)**	(12,453)	**(2,967)**	(2,774)
Exchange differences	**(22)**	(67)	**–**	–
At 30 June	**(126,799)**	(113,870)	**1,545**	4,512
Presented after appropriate offsetting as follows:				
Deferred tax assets	**2,133**	5,175	**1,545**	4,512
Deferred tax liabilities	**(128,932)**	(119,045)	**–**	–
	(126,799)	(113,870)	**1,545**	4,512

19. DEFERRED TAX (Continued)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Provisions RM'000	ICULS RM'000	Total RM'000
At 1 July 2012	**663**	**4,512**	**5,175**
Recognised in income statements	**(53)**	**(2,967)**	**(3,020)**
Exchange differences	**(22)**	**–**	**(22)**
At 30 June 2013	**588**	**1,545**	**2,133**
At 1 July 2011	1,010	7,286	8,296
Recognised in income statements	(280)	(2,774)	(3,054)
Exchange differences	(67)	–	(67)
At 30 June 2012	663	4,512	5,175

Deferred tax liabilities of the Group:

	Property, Plant and Equipment RM'000
At 1 July 2012	**(119,045)**
Recognised in income statements	**(9,887)**
At 30 June 2013	**(128,932)**
At 1 July 2011	(109,646)
Recognised in income statements	(9,399)
At 30 June 2012	(119,045)

Deferred tax assets of the Company:

	ICULS RM'000
At 1 July 2012	**4,512**
Recognised in income statements	**(2,967)**
At 30 June 2013	**1,545**
At 1 July 2011	7,286
Recognised in income statements	(2,774)
At 30 June 2012	4,512

19. DEFERRED TAX (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RM'000	RM'000	**RM'000**	RM'000
Unused tax losses *	**84,383**	79,927	**–**	–
Unabsorbed capital allowances *	**4,420**	2,703	**19**	–
Others	**(43)**	49	**(55)**	(53)
	88,760	82,679	**(36)**	(53)

* The unused tax losses and unabsorbed capital allowances have been restated upon the finalisation of prior year's tax computation.

Section 44(5A) and Paragraph 75A of Schedule 3 of the Malaysian Income Tax Act 1967 ("MITA") which became effective in year of assessment 2006 restricts the utilisation of unabsorbed business losses and capital allowances where there is a substantial change in the ordinary shareholder of a company. The test for determining whether there is a substantial change in shareholders is carried out by comparing the shareholders on the last day of the basis period in which the unused tax losses and unabsorbed capital allowances were ascertained with those on the first day of the basis period in which the unused tax losses and unabsorbed capital allowances are to be utilised.

Pursuant to guidelines issued by the Malaysian tax authority in 2008, the Ministry of Finance has exempted all companies from the provisions of Section 44(5A) and Paragraph 75A of Schedule 3 of the MITA except for dormant companies. Therefore, all active subsidiaries are allowed to carry forward their unabsorbed business losses and capital allowances.

20. INVENTORIES

	Group	
	2013	2012
	RM'000	RM'000
Cost		
Properties held for sale	**600**	3,675
Raw materials	**197,219**	46,220
Raw materials in-transit	**–**	85,460
Work-in-progress	**711**	952
Finished goods	**1,633**	8,773
Consumables	**30,192**	30,679
	230,355	175,759
Net realisable value		
Finished goods	**1,031**	860
Total	**231,386**	176,619

As at 30 June 2013, raw materials with carrying amounts of RM150.0 million (2012: RM97.9 million) are under the product financing liabilities arrangement as disclosed in Note 31.

As disclosed in Note 26(b)(ii), inventories of a subsidiary of RM30.9 million (2012: RM36.8 million) are pledged for bank borrowings.

21. TRADE AND OTHER RECEIVABLES

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current				
Trade receivables:				
- Third parties [(a)]	**38,527**	30,701	**–**	–
- Associate [(a)]	**456,381**	469,463	**–**	–
- Related parties	**7**	68	**–**	–
	494,915	500,232	**–**	–
Less: Allowance for impairment:				
- Third parties	**(1,676)**	(1,771)	**–**	–
- Associate	**(43,537)**	(9,220)	**–**	–
	(45,213)	(10,991)	**–**	–
	449,702	489,241	**–**	–
Other receivables:				
Amounts owing by subsidiaries [(b)]	**–**	–	**1,425,904**	1,424,661
Sundry receivables [(b) & (c)]	**18,665**	36,000	**–**	–
Deposits	**6,460**	5,682	**3**	3
Prepayments [(d)]	**43,869**	50,099	**25**	5,352
Amounts owing by related parties [(b)]	**2,861**	2,311	**390**	369
Amounts owing by jointly controlled entities [(b)]	**260**	4,210	**–**	–
	72,115	98,302	**1,426,322**	1,430,385
Less: Allowance for impairment:				
- Sundry receivables	**(3,961)**	(3,755)	**–**	–
- Amounts owing by subsidiaries	**–**	–	**(177,980)**	(171,061)
- Amounts owing by related parties	**(345)**	(345)	**(345)**	(345)
	(4,306)	(4,100)	**(178,325)**	(171,406)
	67,809	94,202	**1,247,997**	1,258,979
Total trade and other receivables	**517,511**	583,443	**1,247,997**	1,258,979
Less: Prepayments	**(43,869)**	(50,099)	**(25)**	(5,352)
Add: Cash and cash equivalents (Note 22)	**313,164**	197,394	**7,840**	8,588
Total loans and receivables	**786,806**	730,738	**1,255,812**	1,262,215

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

The Group has a significant concentration of credit risk in the form of trade receivable due from Megasteel, an associate, constituting approximately 92% (2012: 94%) of the total trade receivables balances as at the reporting date. The total exposure of the Group arising from debt due from Megasteel amounted to RM412.8 million (2012: RM460.2 million), of which RM344.5 million (2012: RM229.1 million) has exceeded the credit terms.

Included in balance due from Megasteel are overdue interests and compensation claims charged to Megasteel in accordance to the Offtake Agreement signed between the parties on 16 July 2007. The amount due from Megasteel bears late payment interest at 8.85% (2012: 8.85%) per annum.

In January 2012, Megasteel had proposed a settlement scheme ("Settlement Scheme") to the Group to settle the long outstanding debts of approximately RM444.5 million via shares ("Share Settlement Scheme") and cash payments ("Cash Settlement Scheme"). The Settlement Scheme was approved by the scheme creditors of Megasteel on 3 February 2012 and the Share Settlement Scheme was completed on 5 March 2012 with the receipt of 444.5 million LCB shares.

As at 30 June 2012, the outstanding balance of RM88.9 million under the Cash Settlement Scheme was due on the earlier of:

(i) 31 December 2012; or
(ii) within 5 market days upon the completion of the Proposed Investment by New Investor(s).

On 5 December 2012, Megasteel had proposed to its scheme creditors for a further deferment of the repayment of the outstanding debts under the Cash Settlement Scheme.

As at 30 June 2013, the outstanding balance under the Cash Settlement Scheme amounted to RM23.1 million.

In considering the amount of allowance for impairment loss on the debt due from Megasteel, the Directors have assumed that Megasteel will successfully implement its turnaround plans as disclosed in Note 2.1.

As at the date of this report, the proposed plans are still on-going. However, the Directors have a reasonable expectation that Megasteel will obtain the necessary support to turnaround its business. As such, the Directors are of the opinion that the debt outstanding from Megasteel is recoverable.

Except for the amount owing from Megasteel, the Group has no other significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

As disclosed in Note 26(b)(ii), the entire amount due from Megasteel of RM412.8 million (2012: RM367.9 million) is pledged for bank borrowings.

Further details on related party transactions are disclosed in Note 35.

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Aging analysis of trade receivables

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Neither past due nor impaired	**97,818**	255,397
1 to 30 days past due but not impaired	**127,560**	149,916
31 to 60 days past due but not impaired	**154,474**	30,952
61 to 90 days past due but not impaired	**43,930**	8,980
91 to 120 days past due but not impaired	**1,683**	1,243
More than 121 days past due but not impaired	**24,237**	42,753
Past due but not impaired	**351,884**	233,844
	449,702	489,241
Impaired	**45,213**	10,991
	494,915	500,232

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been re-negotiated during the financial year except for the debt due from Megasteel.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM351.9 million (2012: RM233.8 million) that are past due but not impaired as at the reporting date. None of the trade receivables have been re-negotiated during the financial year except for the debt due from Megasteel as previously discussed.

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2013	**2012**
	RM'000	**RM'000**
Trade receivables - nominal amounts	**45,213**	10,991
Less: Allowance for impairment	**(45,213)**	(10,991)
	–	–

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Receivables that are past due but not impaired (Continued)

Movement in allowance accounts are as follows:

	Group	
	2013	**2012**
	RM'000	**RM'000**
At 1 July	**10,991**	1,785
Charge for the year *	**34,372**	9,395
Reversal of impairment loss	**(149)**	(200)
Exchange differences	**(1)**	11
At 30 June	**45,213**	10,991

* Included in this amount is an impairment of RM34.3 million (2012: RM9.2 million) on the amount due from Megasteel.

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Other receivables

The amounts owing by subsidiaries are unsecured, interest free and have no fixed terms of repayment.

The amounts owing by related parties are unsecured, have no fixed terms of repayment and interest free. Related parties refer to companies in which certain Directors and a substantial shareholder of the Company are directors and/or substantial shareholders.

The amounts owing by jointly controlled entities represent shareholders' advance made pursuant to the Joint Venture Agreement. The amounts are unsecured, interest free and have no fixed terms of repayment.

Significant assumptions

In assessing the collectability of balances due from Lion DRI and LBF totalling RM995.2 million, management has adopted the assumption that Megasteel will be able to successfully complete its turnaround plans as disclosed in Note 2.1.

Further details on the related party transactions are disclosed in Note 35.

(c) Included in sundry receivables are dividend income from investments securities of RM7.23 million (2012: RM17.68 million) which are held by the trustees on behalf of the holders of Exchangeable Bonds.

(d) Included in prepayments in the previous financial year is an amount that relates to mining exploration cost of RM5.9 million which was expensed off during the current financial year.

21. TRADE AND OTHER RECEIVABLES (Continued)

(e) As disclosed in Note 26(b)(i) and (ii), other receivables of certain subsidiaries of RM43.8 million (2012: RM44.4 million) are pledged for bank borrowings.

Movement in allowance accounts are as follows:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At 1 July	**4,100**	4,100	**171,406**	181,264
Charge for the year	**2,357**	–	**6,919**	3,681
Reversal of impairment loss	**–**	–	**–**	(4,381)
Written off	**(2,151)**	–	**–**	(9,158)
At 30 June	**4,306**	4,100	**178,325**	171,406

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Deposits, cash and bank balances:				
Cash on hand and at banks	**42,011**	37,890	**629**	1,344
Cash management funds	**4,027**	4,027	**–**	–
Deposits with licensed banks	**267,126**	155,477	**7,211**	7,244
Cash and cash equivalents	**313,164**	197,394	**7,840**	8,588

The deposits, cash and bank balances of the subsidiaries in the People's Republic of China ("PRC") amounting to RM207.9 million (2012: RM92.3 million) at the reporting date are subject to the exchange control restrictions of that country and are restricted to be used in the PRC for the subsidiaries' operations. These balances are available for use by those subsidiaries and the exchange control restrictions will only apply if the monies are to be remitted to countries outside the PRC.

Included in cash at banks is an Escrow Account of RM2.3 million (2012: RM2.1 million) maintained by a subsidiary which is pledged to the Murabahah Islamic Instrument as detailed in Note 26(b)(iii).

Deposits, cash and bank balances pledged with financial institutions for banking facilities extended to the Group, are as detailed below:

(i) deposit with licensed banks of the Group of RM45.0 million (2012: RM50.1 million) which is for a sinking fund account maintained by a wholly-owned subsidiary, as disclosed in Note 26(b)(ii)(VI). Subsequent to the financial year end, this deposit was utilised to repay part of the term loan.

(ii) deposits with licensed banks of the Group and of the Company of RM13.1 million (2012: RM14.1 million) and RM7.2 million (2012: RM7.2 million) respectively which are pledged for banking facilities granted to a subsidiary.

The cash management funds provide daily liquidity without any restriction on redemption limit with the redemption notice of 1 day.

22. CASH AND CASH EQUIVALENTS (Continued)

The range of interest rates of deposits at the reporting date were as follows:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Licensed banks	**0.07%-3.10%**	0.04%-3.10%	**0.17%-2.90%**	0.20%-2.85%
Cash management funds	**2.69%-2.99%**	2.77%-3.04%	**–**	–

Deposits of the Group and of the Company have maturity days range from 1 to 386 days (2012: 1 to 359 days). Bank balances are deposits held at call with licensed banks.

23. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2013	**2012**	**2013 RM'000**	**2012 RM'000**
Authorised:				
At 1 July/30 June	**9,000,000**	9,000,000	**4,500,000**	4,500,000
Issued and fully paid:				
At 1 July/30 June	**737,223**	737,223	**368,612**	368,612

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

24. OTHER RESERVES

	Fair Value Adjustment Reserve RM'000	Capital Reserves RM'000	Exchange Fluctuation Reserves RM'000	Equity Components of ICULS RM'000	Total RM'000
Group					
At 1 July 2011	123,533	2,700	11,361	287,182	424,776
Other comprehensive income					
Available-for-sale investments:					
- Loss on fair value changes	(83,113)	–	–	–	(83,113)
- Transfer to profit or loss upon realisation	(18,433)	–	–	–	(18,433)
Foreign currency translation difference	–	–	(4,502)	–	(4,502)
At 30 June 2012	21,987	2,700	6,859	287,182	318,728

24. OTHER RESERVES (Continued)

	Fair Value Adjustment Reserve RM'000	Capital Reserves RM'000	Exchange Fluctuation Reserves RM'000	Equity Components of ICULS RM'000	Total RM'000
Group					
At 1 July 2012	**21,987**	**2,700**	**6,859**	**287,182**	**318,728**
Other comprehensive income					
Available-for-sale investments:					
- Loss on fair value changes	**(36,683)**	**–**	**–**	**–**	**(36,683)**
- Transfer to profit or loss upon realisation	**(5)**	**–**	**–**	**–**	**(5)**
- Loss reclassified to profit or loss	**12,256**	**–**	**–**	**–**	**12,256**
Foreign currency translation difference	**–**	**–**	**7,887**	**–**	**7,887**
Transaction with owners					
Transfer from retained profits	**–**	**1,124**	**–**	**–**	**1,124**
At 30 June 2013	**(2,445)**	**3,824**	**14,746**	**287,182**	**303,307**

	Fair Value Adjustment Reserve RM'000	Equity Components of ICULS RM'000	Total RM'000
Company			
At 1 July 2011	12,549	287,182	299,731
Other comprehensive income			
Available-for-sale investments:			
- Loss on fair value changes	(14,598)	–	(14,598)
At 30 June 2012	(2,049)	287,182	285,133
At 1 July 2012	**(2,049)**	**287,182**	**285,133**
Other comprehensive income			
Available-for-sale investments:			
- Loss on fair value changes	**(5,552)**	**–**	**(5,552)**
- Loss reclassified to profit or loss	**7,601**	**–**	**7,601**
At 30 June 2013	**–**	**287,182**	**287,182**

24. OTHER RESERVES (Continued)

(a) Fair value adjustment reserve

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

(b) Capital reserves

The capital reserves represent:

(i) The transfer from distributable earnings of a wholly-owned subsidiary company arising from its bonus issue of shares; and

(ii) The reserve maintained by the Group's subsidiary in the PRC in accordance with the regulations in that country and are not available for payment of dividend.

(c) Exchange fluctuation reserves

The exchange fluctuation reserves represent exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Equity component of ICULS

The reserve represents the fair value of the equity component of ICULS, net of deferred tax, as determined on the date of issue. Further details of ICULS are disclosed in Note 26(d).

25. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders (''single tier system''). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance of the Income Tax Act, 1967 (''S.108 balance'') and opt to pay dividends under the single tier system.

The change in the tax legislation also provide for the S.108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007. The Company did not elect for the irrevocable option to disregard the S.108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the S.108 balance as at 30 June 2013 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 30 June 2013, the Company has sufficient tax credit in the S.108 balance to frank the payment of dividends amounting to RM25,402,000 (2012: RM25,402,000) out of its retained profits. As at that date, the Company has sufficient balance in its tax exempt account for the declaration of tax-exempt dividends out of its entire retained profits.

26. LOANS AND BORROWINGS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Secured:				
Exchangeable Bonds [(a)]	**45,570**	232,523	**–**	–
Term loans [(b)]	**210,447**	235,135	**–**	–
Obligations under finance leases [(c)]	**390**	151	**66**	97
	256,407	467,809	**66**	97
Unsecured:				
ICULS [(d)]	**6,223**	13,098	**6,223**	13,098
	262,630	480,907	**6,289**	13,195
Non-current				
Secured:				
Exchangeable Bonds [(a)]	**143,634**	–	**–**	–
Term loans [(b)]	**45,381**	21,677	**–**	–
Obligations under finance leases [(c)]	**1,353**	380	**179**	246
	190,368	22,057	**179**	246
Unsecured:				
ICULS [(d)]	**–**	4,991	**–**	4,991
	190,368	27,048	**179**	5,237
Total borrowings				
Exchangeable Bonds [(a)]	**189,204**	232,523	**–**	–
Term loans [(b)]	**255,828**	256,812	**–**	–
Obligations under finance leases [(c)]	**1,743**	531	**245**	343
ICULS [(d)]	**6,223**	18,089	**6,223**	18,089
	452,998	507,955	**6,468**	18,432

The remaining maturities of the loans and borrowings excluding obligations under finance leases as at 30 June 2013 are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
On demand or within one year	**262,240**	480,756	**6,223**	13,098
More than one year and less than two years	**157,207**	17,491	**–**	4,991
More than two years and less than five years	**31,808**	9,177	**–**	–
	451,255	507,424	**6,223**	18,089

26. LOANS AND BORROWINGS (Continued)

(a) Exchangeable Bonds

On 16 November 2007, Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of the Company, issued USD132,110,000 nominal value 5-year 2.5% Exchangeable Bonds ("Bonds") which are constituted by a Trust Deed dated 16 November 2007 made between Excel Step ("Issuer"), the Company ("Guarantor") and AmTrustee Berhad ("Security Trustee") ("Trust Deed").

The Bonds were to have matured on 16 November 2012 and were exchangeable into approximately 40 million ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson Shares").

The holders of the Bonds had on 24 October 2012, approved an Extraordinary Resolution, in accordance with the provisions of the Trust Deed, to amend certain terms and conditions of the Bonds and the Trust Deed and to approve the release of monies held by the Security Trustee in respect of the existing security arrangements of the Bonds for the purpose of conversion into United States Dollar ("USD") and to approve the application of such USD amount in making payments due by the Issuer on 16 November 2012.

The revised principal terms of the Bonds are as follows:

(i) the Bonds shall mature on 16 November 2014;

(ii) the Bonds shall be redeemed at 100% of their principal amount on the extended maturity date;

(iii) the four partial redemptions totalling approximately USD20.6 million on 16 November 2012, 16 May 2013, 16 November 2013 and 16 May 2014 respectively;

(iv) quarterly coupon payments on and after 16 November 2012, with a yield reduction from 9.0% per annum calculated on a semi-annual basis to 6.0% per annum calculated on a quarterly basis;

(v) the dividend protection mechanism in respect of capital distributions to be made by Parkson on or after 16 November 2012 to be by way of a cash payment and not an adjustment to the exchange price; and

(vi) Issuer redemption permitted where the relevant volume weighted average price of the Parkson Shares is at least 120% of the applicable early redemption amount divided by the exchange ratio,

in each case effective from and including 16 November 2012.

The redemption premium of USD4.4 million (approximately RM13.4 million), equivalent to 6.4173% of the nominal amount of Bonds outstanding is payable as a one-off cash payment on 16 November 2012. Accrued dividends and other cash amounts held by the Security Trustee under the security over the Parkson Shares totalling USD6.0 million (approximately RM18.3 million) shall be released from such security, converted into USD and applied to meet the payments due by the Issuer on 16 November 2012.

On 7 January 2013, the exchange price was adjusted downwards from RM5.69 to RM5.31 per Parkson Share. The exchange price was further adjusted downwards from RM5.31 to RM4.89 on 17 May 2013.

During the financial year, the bondholders had converted USD10,000 (approximately RM33,415) Bonds at an exchange price of RM5.69 per Parkson Share.

On 16 November 2012 and 16 May 2013, Excel Step had redeemed approximately USD11.7 million (approximately RM35.4 million) Bonds plus accrued interest from the bondholders whereby USD6.0 million (approximately RM18.3 million) was paid using the accrued dividend previously held by the Security Trustee and the remainder by the way of cash.

In the previous financial year, the bondholders had converted USD15.6 million (approximately RM52.1 million) Bonds where USD14.6 million (approximately RM48.8 million) Bonds were converted at an exchange price of RM5.76 per Parkson Share and the remaining USD1 million (approximately RM3.3 million) Bonds were converted at an exchange price of RM5.69 per Parkson Share.

As at the reporting date, the yield to maturity of the Bonds is 6% (2012: 9%) per annum.

26. LOANS AND BORROWINGS (Continued)

(b) Term loans

	Group 2013 RM'000	Group 2012 RM'000
Current		
RM loan at cost of fund ("COF") + 2.5% per annum (i)	**12,500**	4,900
RM loan at base lending rate ("BLR") + 1.75% per annum (ii)	**–**	57,500
RM loan at BLR + 1.25% per annum (ii)	**147,619**	147,989
Letter of Credit-i Facility (iii)	**24,468**	24,746
Rmb loan at base lending rate in China ("BLR China") x 1.1 times per annum (iv)	**25,860**	–
	210,447	235,135
Non-current		
RM loan at COF + 2.5% per annum (i)	**9,177**	21,677
Rmb loan at BLR China x 1.1 times per annum (iv)	**36,204**	–
	45,381	21,677
	255,828	256,812

(i) RM loan at COF + 2.5% per annum

This loan is secured by the following:

(I) first legal charge over 6 parcels of land of the subsidiary;

(II) debenture over fixed and floating assets of the subsidiary:

	A Subsidiary 2013 RM'000	A Subsidiary 2012 RM'000
Property, plant and equipment	**72,705**	72,742
Other receivables	**128**	286
Tax recoverable	**–**	12
Cash and cash equivalents	**158**	571
Total	**72,991**	73,611

(III) corporate guarantee from the Company; and

(IV) memorandum of deposits over shares of the subsidiary.

In the previous financial year, the subsidiary obtained approval from its lender to reschedule the repayment terms of the loan. The new repayment terms have been staggered into quarterly payments repayable in full by March 2015.

26. LOANS AND BORROWINGS (Continued)

(b) Term loans (Continued)

(ii) RM loan at BLR + 1.75% per annum and RM loan at BLR + 1.25% per annum

This loan is secured by the following:

(I) debenture incorporating a fixed and floating charge over all present and future assets and undertaking of the subsidiary as follows:

	A Subsidiary	
	2013	**2012**
	RM'000	**RM'000**
Property, plant and equipment	**662,623**	691,095
Investment securities	**67,184**	93,935
Inventories	**30,945**	36,799
Trade and other receivables	**456,491**	412,314
Tax recoverable	**1,717**	119
Cash and cash equivalents	**56,686**	58,443
Total	**1,275,646**	1,292,705

(II) irrevocable and unconditional corporate guarantee from the Company;

(III) first legal charge over the Company's 100% shareholding in the subsidiary;

(IV) irrevocable and unconditional letter of undertaking from the Company to support the operations of the subsidiary;

(V) legal assignment on all present and future rights, title, interests and benefits of the subsidiary in and under the Offtake Agreement dated 16 July 2007 entered into between the subsidiary and a related party ("related party"), and of the lease between the subsidiary and the related party of all those pieces and parcels of land;

(VI) legal assignment of all present and future rights, title, interests and benefits of a cash deposit in the sinking fund account (minimum RM45 million to be maintained) with the lenders. As disclosed in Note 22, the Group has utilised the RM45 million deposit to partially settle this term loan subsequent to the financial year end; and

(VII) irrevocable and unconditional letter of undertaking from the related party addressed to the lenders and to the subsidiary which the related party has right of way to enable the subsidiary to carry on its operations and business of manufacturing direct reduced iron and hot briquetted iron in the vicinity of the lease of land.

On 10 January 2012, the wholly-owned subsidiary had obtained an additional term loan facility amounting to RM50 million for working capital purposes. The interest rate charged by the lender is BLR + 1.75% per annum. The additional securities pledged to the lender are as follows:

(I) irrevocable and unconditional personal guarantee by a Director of the Company and the wholly-owned subsidiary; and

(II) memorandum of deposit on 108.6 million LCB shares.

Certain financial covenants requirements of this loan were breached during the financial year. However, the subsidiary has obtain a one-time waiver from the bank not to exercise its rights to accelerate payment up to 30 June 2013.

26. LOANS AND BORROWINGS (Continued)

(b) Term loans (Continued)

(iii) Letter of Credit-i Facility

In May 2006, a subsidiary of the Company, entered into a facility agreement with Kuwait Finance House (Malaysia) Berhad ("Kuwait Finance House") for an Islamic letter of credit facility, namely Letter of Credit-i Facility, for a maximum aggregate sum of up to RM35 million. In December 2009, the credit facility was reduced to a maximum aggregate sum up to RM25 million. The Letter of Credit-i Facility is a type of Murabahah Islamic Instrument ("Murabahah").

The Letter of Credit-i Facility bears Murabahah profit margin of 5.5% to 6.5% per annum and has a tenure of 180 days.

The Letter of Credit-i Facility is secured by the following:

(I) all issued and paid-up shares of the subsidiary;

(II) 20.8 million quoted shares with carrying value of RM20.4 million (2012: RM25.4 million) owned by the Company as disclosed in Note 17(b);

(III) corporate guarantee by the Company; and

(IV) assignment over a designated escrow account identified to Kuwait Finance House with a power of attorney in relation thereto as disclosed in Note 22.

(iv) Rmb loan at BLR China x 1.1 times per annum

The loan is secured by a charge over the leasehold land disclosed under land held for property development and property development cost of the subsidiary at a carrying amount of approximately RM48.2 million (2012: RM Nil) and RM52.9 million (2012: RM Nil) respectively, as disclosed in Note 13.

(c) Obligations under finance leases

The Group has finance leases for motor vehicles as disclosed in Note 11.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		**Company**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Minimum lease payments:				
Not later than one year	**444**	172	**77**	112
Later than one year and not later than five years	**1,421**	393	**195**	244
Later than five years	**116**	29	**–**	29
	1,981	594	**272**	385
Less: Future finance charges	**(238)**	(63)	**(27)**	(42)
Present value of finance lease liabilities	**1,743**	531	**245**	343

26. LOANS AND BORROWINGS (Continued)

(c) Obligations under finance leases (Continued)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Present value of finance lease liabilities:				
Not later than one year	**390**	151	**66**	97
Later than one year and not later than five years	**1,251**	352	**179**	218
Later than five years	**102**	28	**–**	28
	1,743	531	**245**	343
Analysed as:				
Due within one year	**390**	151	**66**	97
Due after one year	**1,353**	380	**179**	246
	1,743	531	**245**	343

The obligations under finance leases bore interest at the reporting date at rates ranging from 2.3% to 3.3% (2012: 2.5% to 3.3%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and the Company.

(d) ICULS

In 2008, the Company issued RM327,462,064 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 ("ICULS") at 100% of its nominal value.

The salient terms of the ICULS are as follows:

(a) Conversion rights and rate

The ICULS are convertible into new ordinary shares of RM0.50 each in the Company ("LDHB Share") during the conversion period at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price").

(b) Conversion period

The ICULS are convertible at any time during the period of 5 years maturing on the date which is the fifth (5th) anniversary of the date of issue of the ICULS.

(c) Coupon rate

The ICULS bear a coupon rate of 4% per annum based on the nominal value of the ICULS payable semi-annually in arrears on every 6 months from the date of issue up to the maturity date.

(d) Redeemability

There will not be any redemption of the ICULS. All remaining ICULS on the maturity date shall be mandatorily converted into new LDHB Shares at the Conversion Price.

26. LOANS AND BORROWINGS (Continued)

(d) ICULS (Continued)

(e) Ranking

The new LDHB Shares to be issued upon conversion of the ICULS shall rank *pari passu* in all respects with the then existing LDHB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date on which the new LDHB Shares issued pursuant to the conversion of the ICULS are credited into the securities account of the holder of ICULS maintained with Bursa Malaysia Depository Sdn Bhd.

The ICULS are listed on the Main Market of Bursa Malaysia Securities Berhad.

As at 30 June 2013, RM327,462,064 (2012: RM327,462,064) nominal value of ICULS remained outstanding.

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

	Group/Company	
	2013	2012
	RM'000	**RM'000**
Nominal value	**327,462**	327,462
Less: Unamortised discount	**(321,239)**	(309,373)
Net amount	**6,223**	18,089
Amount due within one year	**(6,223)**	(13,098)
Amount due after one year	**–**	4,991

The amount recognised in the statements of financial position may be analysed as follows:

	Group/Company	
	2013	2012
	RM'000	**RM'000**
Liability component at 1 July	**18,089**	29,219
Interest expenses recognised during the year (Note 7)	**1,227**	2,004
Interest paid during the year	**(13,093)**	(13,134)
Liability component at 30 June	**6,223**	18,089

Interest expense on the ICULS is calculated on the effective yield basis by applying the interest rate of 7% (2012: 7%) per annum.

27. LONG TERM PAYABLES

	Group/Company	
	2013	**2012**
	RM'000	**RM'000**
Deferred payments	**79,521**	81,401
Interest expense recognised during the year (Note 7)	**7,406**	6,500
	86,927	87,901
Payments made during the year	**(13,519)**	(8,380)
	73,408	79,521
Amount due within one year (Note 29)	**(73,408)**	(79,521)
Amount due after one year	**–**	–

Deferred payments represent the outstanding balance of the purchase consideration for the acquisition by the Company and Teraju Varia Sdn Bhd ("Teraju Varia"), a wholly-owned subsidiary of the Group, of RM denominated bonds issued by LCB ("LCB Bonds") for a cash consideration of RM400 million on 27 February 2009. On the same date, the Company and Teraju Varia converted these LCB Bonds into 804,460,000 ordinary shares of RM1.00 each in LCB.

The deferred payments bear interest at the rate of 9% (2012: 9%) per annum and as at 30 June 2013, 90,809,917 (2012: 90,809,917) LCB shares are pledged as security for the outstanding deferred payments as disclosed in Note 15.

In the previous financial year, the Company proposed to the creditors for a deferment of the repayment of RM78.9 million on or before 31 December 2012.

During the financial year, the Company proposed to the creditors for a further deferment of the repayment of RM73.4 million on or before 31 December 2013. As at the reporting date, majority of the creditors have not reverted with their written consents.

28. DERIVATIVE LIABILITY

	Group	
	2013	**2012**
	RM'000	**RM'000**
At 1 July	**–**	42,603
Changes in fair value recognised in income statements during the year (Note 6)	**16,389**	(42,603)
At 30 June	**16,389**	–

This represents the exchange feature which is a separate embedded derivative contained in the Bonds. Bondholders are able to exchange the Bonds into Parkson Shares at a fixed exchange price as disclosed in Note 26(a). The derivative liability is carried at fair value through profit or loss.

The fair value changes are calculated using a binomial option pricing model, taking into account the terms and conditions upon which the derivative liability is issued.

28. DERIVATIVE LIABILITY (Continued)

The list of inputs to the option pricing model is as follows:

	Group	
	2013	**2012**
Parkson Share price (RM)	**3.90**	4.58
Exchange price (RM)	**4.89**	5.69
Expected volatility (%)	**24**	25
Expected life of exchange feature (years)	**1.4**	0.4
Risk free rate (% per annum)	**3.2**	3.2

The expected life of exchange feature is based on the contractual life of the Bonds. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the exchange feature, is indicative of future trends, which may not necessarily be the actual outcome.

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Trade payables [(a)]	**455,803**	388,335	**–**	–
Other payables:				
Sundry payables	**126,074**	105,099	**–**	–
Advance from customers	**12,539**	9,031	**–**	–
Deposits	**1,402**	1,279	**–**	–
Accruals	**79,905**	94,345	**22,218**	22,247
Project payables [(b)]	**4,679**	9,981	**–**	–
Amounts owing to subsidiaries [(c)]	**–**	–	**196,529**	162,957
Amounts owing to related parties [(d)]	**52,986**	48,622	**1,937**	1,177
Deferred payments (Note 27)	**73,408**	79,521	**73,408**	79,521
	350,993	347,878	**294,092**	265,902
Total trade and other payables	**806,796**	736,213	**294,092**	265,902
Add: Loans and borrowings (Note 26)	**452,998**	507,955	**6,468**	18,432
Product financing liabilities (Note 31)	**150,051**	97,944	**–**	–
Total financial liabilities carried at amortised cost	**1,409,845**	1,342,112	**300,560**	284,334

(a) Trade payables

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days).

Included in trade payables were amount due to related parties amounting to approximately RM355.8 million (2012: RM273.6 million) arising from transactions as further disclosed in Note 35.

29. TRADE AND OTHER PAYABLES (Continued)

(b) Project payables

Project payables represent accrued construction costs for plant and machinery which are unsecured and interest free.

(c) Amounts owing to subsidiaries

The amounts owing to subsidiaries are interest free except for a total amount of USD6.0 million (approximately RM19.0 million) (2012: USD6.0 million approximately RM19.1 million) which bears interest of 0.22% (2012: 2.0%) per annum and are repayable on demand. All amounts due from subsidiaries are unsecured.

(d) Amounts owing to related parties

Included in amounts owing to related parties of the Group is an amount of RM45.0 million (2012: RM45.0 million) Offtake Deposit received from Megasteel which is to secure Megasteel obligation under the Offtake Agreement as disclosed in Note 35(i)(a). In the event Megasteel is unable to settle the outstanding debts due to the Group within the credit period given, the Group shall be entitled to withdraw from the Offtake Deposit towards settlement of the overdue debt.

Subsequent to the financial year end, the Offtake Deposit was utilised to repay the outstanding debt owing by Megasteel.

The remaining balance of amounts owing to related parties are interest free except for an amount of approximately RM4.6 million (2012: RM1.9 million) which bears interest of 8.85% (2012: 8.85%) per annum and are repayable on demand. All amounts due from related parties are unsecured.

The normal credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days). Other credit terms are assessed on a case-by-case basis.

Further details on related party transactions are disclosed in Note 35.

30. PROVISIONS

	Provision for Liabilities RM'000 (a)	Provision for Potential Claims RM'000 (b)	Total RM'000
Group			
At 1 July 2012	**–**	**29,000**	**29,000**
Additional provision	**–**	**9,000**	**9,000**
At 30 June 2013	**–**	**38,000**	**38,000**
At 1 July 2011	17,695	22,000	39,695
Additional provision	–	7,000	7,000
Reversal of provision	(17,695)	–	(17,695)
At 30 June 2012	–	29,000	29,000

30. PROVISIONS (Continued)

	Provision for Liabilities RM'000 (a)
Company	
At 1 July 2011	**17,695**
Reversal of provision	**(17,695)**
At 30 June 2012/30 June 2013	**–**

(a) Provision for liabilities

This relates to the estimated quantum of the potential liabilities that may arise from the closure of an operation which is subject to the Company's indemnity.

(b) Provision for potential claims

The provision for potential claims represents the estimated quantum of claims by the contractors for the construction of the Blast Furnace Project ("Project") that was suspended as disclosed in Note 11(d). The claims provided are to compensate the losses caused by the delay of the construction of the Project. The Directors are of the opinion that the current provision is adequate to cover the losses incurred. As of the reporting date, no litigation has been taken by the contractors against the Group.

31. PRODUCT FINANCING LIABILITIES

	Group	
	2013 RM'000	**2012 RM'000**
Payable within 1 year		
- with external parties	**150,051**	97,944

The liabilities represent trade financing arrangements contracted by a subsidiary with third parties to purchase raw materials. The titles to the inventories pertaining to these arrangements are legally with the third parties, whereby the subsidiary has the obligation to purchase. The terms of trade financing arrangements are 120 days (2012: 120 days), bearing interest rates ranging from 2.2% to 2.3% (2012: 2.2% to 2.3%) and late payment interest ranging from 7.5% to 12% (2012: 7.5% to 12%) per annum. The amount of inventories under such arrangements is disclosed in Note 20.

The trade financing arrangements are denominated in US Dollar. Further details of foreign exchange currency risk are as disclosed in Note 38(d).

32. EMPLOYEE SHARE-BASED PAYMENT

The main features of the Executive Share Option Scheme ("ESOS"), which became effective on 2 February 2011, are as follows:

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

(b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 5% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS subject to the following being complied with:

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

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

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment and each grant of options shall be in multiples of 100 ordinary shares.

(d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the shareholders or the relevant authorities.

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

33. COMMITMENTS

(a) Capital commitments

	Group	
	2013	**2012**
	RM'000	**RM'000**
Capital expenditure for property, plant and equipment:		
Approved and contracted for	**2,261,389**	2,258,642
Approved but not contracted for	**285,467**	286,170
	2,546,856	2,544,812

(b) Non-cancellable operating lease commitments

Future minimum rentals payable:		
Not later than one year	**4,010**	4,105
Later than one year and not later than five years	**12,208**	7,317
Later than five years	**21,600**	22,742
	37,818	34,164

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries.

34. CONTINGENT LIABILITIES

(i) Corporate guarantees

Upon adoption of FRS 139 effective 1 July 2010, the financial guarantees provided to financiers for subsidiaries are no longer disclosed as contingent liabilities but would instead be recorded as financial liabilities if considered likely to crystallise. The Company has assessed the financial guarantee contracts and concluded that the financial impact of the crystallisable guarantees is not material which includes the shortfall in value of RM27.4 million between the Parkson Shares pledged and the outstanding Bonds as disclosed in Note 26(a).

(ii) Claims from contractors

As disclosed in Note 30(b), contractors for the Blast Furnace Project ("Project") have made claims of RM95.0 million to recover the cost incurred for purchasing parts and components for the Project but not delivered, and the compensation for damages incurred by the contractors due to the delay, of which RM38.0 million (2012: RM29.0 million) has been provided in the financial statements. The remaining claims were not provided as the management is unable to obtain appropriate and satisfactory evidence to satisfy themselves as to the validity of the claims.

(iii) Capital expenditure relating to the Project

The Group is exposed to liabilities on parts purchased from contractors but not delivered to the site due to the delay in construction of the Project as disclosed in Note 11. As at the reporting date, the contractors have yet to submit the invoices and proof of claims for parts purchased. The quantum of the liabilities will be determined based on a mutually agreed sum of work done.

Neither the parts nor the liabilities have been recognised in the financial statements as the Directors are of the opinion that the claims from the contractors cannot be reliably measured as at the reporting date.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with other related parties

		Group	
Related Parties	**Nature**	**2013 RM'000**	**2012 RM'000**
Amsteel Mills Sdn Bhd	Sale of steel products	**–**	108,469
Antara Steel Mills Sdn Bhd	Purchase of steel products	**66,867**	27,856
Lion Waterway Logistics Sdn Bhd	Transportation services	**58,139**	53,069
Megasteel	Sale of steel products (a)	**1,111,218**	1,153,177
Megasteel	Operating lease rental of plant	**45,293**	45,530
Megasteel	Purchase of consumables	**28,738**	27,134
Megasteel	Lease of land	**1,142**	1,142
Megasteel	Compensation claim (income)	**12,467**	8,238
Megasteel	Compensation expense, net	**–**	(942)
Megasteel	Commission, management and finance income from trading of steel products (b)	**1,822**	1,359
Megasteel	Interest expense	**191**	1,852
Secomex Manufacturing (M) Sdn Bhd	Purchase of consumables	**10,783**	10,933
Posim Marketing Sdn Bhd ("Posim")	Purchase of steel products	**160,000**	248,193
Posim	Sale of steel products	–	3,999
Posim	Interest expense	**16,971**	5,570

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with other related parties (Continued)

(a) On 16 July 2007, Lion DRI entered into an Offtake Agreement with Megasteel, to supply to Megasteel its entire production of the hot direct reduced iron and/or hot briquetted iron (''Steel Products''), upon the terms and conditions of the Offtake Agreement as follows:

(I) The selling price of the Steel Products for the 10 years term shall be based on the formula of a cost plus certain margin (''Selling Price'');

(II) 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;

(III) Megasteel shall settle the invoice within 30 days of the invoice failing which, interest at the rate of 2.25% above Malayan Banking Berhad's (''Maybank'') base lending rate per annum shall be payable on the outstanding sum from the due date to date of settlement;

(IV) Lion DRI shall be free to dispose of the Steel Products not taken up by Megasteel at the open market and if Lion DRI shall suffer a loss on such sale, Megasteel shall indemnify Lion DRI for such losses. In the event Lion DRI fails to deliver the Steel Products, Megasteel shall be at liberty to source for alternative equivalent and Lion DRI shall indemnify Megasteel for losses suffered; and

(V) Megasteel shall ensure that at all times for the duration of the Offtake Agreement, in the event there is withdrawal of the Offtake Deposit for purposes of payments of any amount owing by Megasteel to Lion DRI, the Offtake Deposit shall be maintained at RM45.0 million. Accordingly, Megasteel shall within seven (7) days top up the shortfall in the Offtake Deposit, failing which Lion DRI shall have the right to suspend sale of the Steel Product to Megasteel until such shortfall has been topped up.

(b) Graimpi Sdn Bhd (''Graimpi''), a wholly-owned subsidiary of the Company, had the arrangement with Megasteel to supply to Megasteel scrap iron, direct reduced iron, hot briquetted iron, pig iron and/or such other steel materials. Megasteel shall pay Graimpi at cost of purchase, plus 0.9% commission on materials, and interest at the rate of 1.25% per annum over and above the prevailing Maybank base lending rate.

Amsteel Mills Sdn Bhd, Antara Steel Mills Sdn Bhd and Lion Waterway Logistics Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a substantial shareholder of the Company.

Megasteel and Secomex Manufacturing (M) Sdn Bhd are subsidiaries of Lion Corporation Berhad, an associate of the Company wherein a Director of the Company is also a substantial shareholder.

Posim Marketing Sdn Bhd, a wholly-owned subsidiary of Lion Forest Industries Berhad wherein a Director of the Company is also a substantial shareholder.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2013 are disclosed in Notes 21 and 29.

35. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonuses	**635**	718	**390**	390
Pension costs - defined contribution plans	**75**	32	**75**	32
	710	750	**465**	422

36. SUBSEQUENT EVENT

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

(i) Proposed joint venture in the Blast Furnace Project among the Company, Lion Industries Corporation Berhad ("LICB") and Lion Forest Industries Berhad in the equity participation of 51:29:20 by the subscription of new ordinary shares of RM1.00 each at par for cash in the capital of Lion Blast Furnace Sdn Bhd ("LBF") to the value of USD162.2 million (equivalent to approximately RM494.7 million); and

(ii) Proposed acquisitions by LBF of various parcels of contiguous freehold lands all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 147.76 acres from Andalas Development Sdn Bhd, Che Kiang Realty Sdn Bhd and Amsteel Mills Sdn Bhd (a 99%-owned subsidiary of LICB) for a total cash consideration of approximately RM52.28 million.

Following the terminations, LBF will not undertake the proposed leasing of three parcels of contiguous freehold vacant lands all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 202.89 acres from Megasteel for a lease tenure of thirty (30) years.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Fair value information has not been disclosed for the Group's investments in equity instrument that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market and does not have any comparable industry peer that is listed.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value

(i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

	Note
Held-to-maturity investment (non-current)	17
Trade and other receivables (current)	21
Loans and borrowings (current and non-current)	26
Trade payables (current)	29
Product financing liabilities (current)	31

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are repriced to market interest rates on or near the reporting date.

The carrying amount of the current portion of loans and borrowings, obligations under finance lease, product financing liabilities and non-current portion of investment security classified as held-to-maturity are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Amounts due from/to subsidiaries, related parties and jointly controlled entities

It is not practical to estimate the fair values of the amounts owing by/to subsidiaries and related parties due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

(iii) Quoted equity instruments

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business day on the reporting date.

(iv) Derivatives

The fair value of embedded derivative liability is calculated using a binomial option pricing model, taking into account the terms and conditions upon which the derivative liability is issued.

(v) Financial guarantees

The fair values of financial guarantees are determined based on the probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

- the likelihood of the guaranteed party defaulting within the guaranteed period;
- the exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- the estimated loss exposure if the party guaranteed were to default.

(vi) Cash and cash equivalents, trade and other receivables

The fair values approximate to their carrying amounts due to the relatively short term maturity of these financial instruments.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2013, the Group and the Company held the following financial instruments carried at fair values in the statement of financial position:

	2013 RM'000	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**
Group				
Assets measured at fair value				
Available-for-sale financial assets:				
Non-current	**193,547**	**193,547**	**–**	**–**
Liability measured at fair value				
Derivative liability	**16,389**	**–**	**16,389**	**–**
Company				
Assets measured at fair value				
Available-for-sale financial assets:				
Non-current	**21,302**	**21,302**	**–**	**–**

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	2012 RM'000	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**
Group				
Assets measured at fair value				
Available-for-sale financial assets:				
Current	184,005	184,005	–	–
Non-current	46,258	46,258	–	–
	230,263	230,263	–	–
Company				
Assets measured at fair value				
Available-for-sale financial assets:				
Non-current	26,860	26,860	–	–

During the financial years ended 30 June 2013 and 30 June 2012, there were no transfers between Level 1 and Level 2 fair values measurements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

The Board of Directors reviews and agrees policies and procedures for managing each of these risks, which are executed by the Group's key management personnel. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. It is the Group's policy not to engage in speculative transactions. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

It is and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) 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. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Credit risk is controlled by the application of credit approval limits, monitoring procedures and assessment of collateral values. In addition, receivables balances are monitored on an ongoing basis via Management reporting procedures and internal credit review procedures.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

Exposure to credit risk

Information regarding the Group's exposure to credit risk is disclosed in Note 21.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21.

Deposits with licensed banks and quoted investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group actively manages its operating cash flows and the availability of fund so as to ensure that all funding needs are met. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2013				
Group				
Financial liabilities				
Trade and other payables	806,796	–	–	806,796
Loans and borrowings	268,337	190,392	61	458,790
Product financing liabilities	150,051	-	–	150,051
Derivative liability	–	16,389	–	16,389
Total undiscounted financial liabilities	1,225,184	206,781	61	1,432,026
Company				
Financial liabilities				
Trade and other payables	294,092	–	–	294,092
Loans and borrowings	6,300	195	–	6,495
Total undiscounted financial liabilities	300,392	195	–	300,587

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2012				
Group				
Financial liabilities				
Trade and other payables	736,213	–	–	736,213
Loans and borrowings	493,671	28,365	29	522,065
Product financing liabilities	97,944	–	–	97,944
Total undiscounted financial liabilities	1,327,828	28,365	29	1,356,222
Company				
Financial liabilities				
Trade and other payables	265,902	–	–	265,902
Loans and borrowings	13,210	5,235	29	18,474
Total undiscounted financial liabilities	279,112	5,235	29	284,376

(c) 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 is managed through the use of fixed and floating rates debts. The information on maturity dates and effective interest rates of financial assets and liabilities are 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 loss net of tax would have been RM0.2 million lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk

The Group is exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group in currencies other than its functional currency. As these transactions are mainly denominated in United States Dollar ("USD"), the Group's foreign currency exchange risk is primarily due to USD. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group 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.

<u>Sensitivity analysis for foreign currency risk</u>

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

		Group (Loss)/Profit net of tax RM'000	Company Profit/(Loss) net of tax RM'000
2013			
USD/RM	- strengthened 3%	**(6,171)**	**5,677**
	- weakened 3%	**6,171**	**(5,677)**
2012			
USD/RM	- strengthened 3%	(5,774)	5,976
	- weakened 3%	5,774	(5,976)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Main Market of Bursa Malaysia Securities Berhad, whereas the quoted equity instrument outside Malaysia is listed on the Australian Securities Exchange ("ASX") in Australia. These instruments are classified as available-for-sale financial assets.

To manage its market price risk arising from investments in quoted equity instruments, the Group diversifies and manages its portfolio in accordance with established guidelines and policies.

<u>Sensitivity analysis for equity price risk</u>

At the reporting date, if the Group's quoted investments listed on the Bursa Securities had been 2% higher/ lower, with all other variables held constant, the Group's other reserve in equity would have been RM3.9 million (2012: RM4.6 million) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale. As at the reporting date, the impact of changes in 2% (2012: 2%) on the ASX, with all other variables constant, is immaterial to the Group's loss net of tax and equity.

39. 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 make adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. No changes were made in the objective, policies or processes during the financial years ended 30 June 2013 and 30 June 2012 respectively.

	Group	
	2013	**2012**
	RM'000	**RM'000**
Loans and borrowings	**452,998**	507,955
Trade and other payables	**806,796**	736,213
Less: Cash and cash equivalents	**(313,164)**	(197,394)
Net debts	**946,630**	1,046,774
Equity attributable to owners of the Company	**1,256,971**	1,501,753
Less: ICULS equity component	**(287,182)**	(287,182)
	969,789	1,214,571
Total capital and net debts	**1,916,419**	2,261,345
Gearing ratio	**49%**	46%

40. SEGMENT INFORMATION

(a) Reporting format

The primary segment format is determined to be business segment as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

(b) Business segments

The Group is organised on a worldwide basis into four major business segments:

(i) Steel - Manufacturing and sale of steel products
(ii) Property - Property development and management
(iii) Contract manufacturing services ("CMS") - Electronic and mechanical contract manufacturing services
(iv) Others - Investment holding, trading and others

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

40. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2013

	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	1,159,872	119,012	133,917	7,930	–	1,420,731
Inter-segment sales	–	1,551	–	–	(1,551)	–
Total revenue	1,159,872	120,563	133,917	7,930	(1,551)	1,420,731
Results						
Segment results	62,188	35,500	7,912	4,118	–	109,718
Realisation of gain from available-for-sale reserve						5
Fair value loss on derivative liability						(16,389)
Realised and unrealised foreign exchange gain, net						3,135
Profit from operations						96,469
Finance costs						(76,048)
Impairment loss on:						
- Investment securities						(12,256)
- Trade receivable from a related party						(34,317)
Write off of plant and equipment						(10,000)
Mining expenditure expensed off						(9,777)
Share of results of associates						(163,951)
Share of results of jointly controlled entities						2,278
Income tax expense						(13,263)
Loss for the year						(220,865)
Assets						
Segment assets	1,951,056	515,365	85,893	186,299	–	2,738,613
Investments in associates						91,413
Investments in jointly controlled entities						20,752
Unallocated corporate assets						9,383
Consolidated total assets						2,860,161
Liabilities						
Segment liabilities	831,051	137,680	24,700	470,803	–	1,464,234
Unallocated corporate liabilities						138,956
Consolidated total liabilities						1,603,190
Other information						
Capital expenditure	11,170	48	3,804	3,304	–	18,326
Depreciation	31,445	842	2,878	688	–	35,853
Impairment losses	34,317	206	–	14,313	–	48,836
Other non-cash expense	3,507	1	454	–	–	3,962

40. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2012

	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	1,314,173	53,687	138,961	9,897	–	1,516,718
Inter-segment sales	–	1,551	–	–	(1,551)	–
Total revenue	1,314,173	55,238	138,961	9,897	(1,551)	1,516,718
Results						
Segment results	57,821	16,207	10,025	9,932	–	93,985
Realisation of gain from available-for-sale reserve						18,433
Fair value gain on derivative liability						42,603
Realised and unrealised foreign exchange loss, net						(17,253)
Profit from operations						137,768
Finance costs						(77,603)
Impairment loss on:						
- Investment in associate						(10,725)
- Trade receivable from a related party						(9,220)
Write off of plant and equipment						(36,765)
Gain on disposal of investment in associate						83
Share of results of associates						(238,003)
Share of results of jointly controlled entities						3,177
Income tax expense						(18,041)
Loss for the year						(249,329)
Assets						
Segment assets	1,938,170	411,423	85,207	286,728	–	2,721,528
Investments in associates						255,364
Investments in jointly controlled entities						22,243
Unallocated corporate assets						12,846
Consolidated total assets						3,011,981
Liabilities						
Segment liabilities	743,936	71,394	22,764	533,018	–	1,371,112
Unallocated corporate liabilities						139,116
Consolidated total liabilities						1,510,228
Other information						
Capital expenditure	3,619	523	1,234	325	–	5,701
Depreciation	31,268	454	2,778	497	–	34,997
Impairment losses	9,220	–	–	10,725	–	19,945
Other non-cash expense	7,003	–	381	–	–	7,384

40. SEGMENT INFORMATION (Continued)

(c) Geographical segments

The Group's four business segments are operated in three main geographical areas:

(i)	Malaysia	-	Steel, property, CMS and others
(ii)	People's Republic of China	-	Property and others
(iii)	Others	-	CMS and others

An analysis of the Group's revenue, carrying amount of segment assets and capital expenditure by geographical segment are as follows:

	Segment Revenue		Segment Assets		Capital Expenditure	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Malaysia	**1,198,223**	1,358,385	**2,152,208**	2,204,016	**17,542**	4,590
People's Republic of China	**116,609**	48,128	**395,208**	289,914	**317**	643
Others	**105,899**	110,205	**191,197**	227,598	**467**	468
Total	**1,420,731**	1,516,718	**2,738,613**	2,721,528	**18,326**	5,701

(d) Information about major customers

Revenue from two customers (being related parties as disclosed in Note 35) amounting to RM1,156.5 million (2012: RM1,198.7 million) and RM Nil (2012: RM108.5 million) respectively, arising from sales by the Steel segment.

41. PRIOR YEAR ADJUSTMENT

During the financial year, the Company made a prior year adjustment relating to an impairment loss on investment in a subsidiary of RM110.0 million which should have been recorded in the previous financial year as the carrying amount of the investment has already exceeded the recoverable amount then. The effect of this prior year adjustment is as follows:

	Company 2013 RM'000
Effect on retained profits:	
At 1 July 2012, as previously stated	539,951
Effect of adjustment due to impairment loss	(110,000)
At 1 July 2012, as restated	429,951

41. PRIOR YEAR ADJUSTMENT (Continued)

	Previously stated RM'000	Adjustment RM'000	Restated RM'000
Company			
Income statement			
Impairment loss on investments in subsidiaries	(79,596)	(110,000)	(189,596)
Statement of financial position			
Investments in subsidiaries	380,985	(110,000)	270,985

42. COMPARATIVE

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

43. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

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

	Group		**Company**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total retained profits/ (accumulated losses) of the Company and its subsidiaries:				
- Realised	**1,742,685**	1,752,121	**261,064**	538,469
- Unrealised	**(247,046)**	(189,061)	**(12,607)**	(108,518)
	1,495,639	1,563,060	**248,457**	429,951
Total share of accumulated losses from associates				
- Realised	**(1,003,293)**	(887,007)	**–**	–
- Unrealised	**(201,612)**	(153,948)	**–**	–
	(1,204,905)	(1,040,955)	**–**	–
Total share of retained profits/ (accumulated losses) from jointly controlled entities:				
- Realised	**26,020**	24,082	**–**	–
- Unrealised	**–**	(72)	**–**	–
	26,020	24,010	**–**	–
Less: Consolidated adjustments	**(62,669)**	(62,669)	**–**	–
Total retained profits	**254,085**	483,446	**248,457**	429,951

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2013

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Last Revaluation
1. Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250 Melaka	Leasehold 13.4.2081	3,885.5 sq metres	Buildings	Apartment (15)	2.4	June 2004
2. Melaka Technology Park PN 20575 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 14.8.2096	19.8 acres	Buildings	Factory (21)	24.5	December 2007
3. Geran 64183, Lot 32889 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	63.4 hectares	Land	Vacant	15.1	December 2007
4. GRN 39954, Lot 2324 HS(D) 5379, PT 6341 GRN 41084, Lot 8379 GRN 55361, Lot 12164 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	763.7 acres	Land	Vacant	100.5	June 2008
5. PN 22648, Lot 2697 PN 22678, Lot 2699 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Leasehold 14.10.2095	36.2 acres	Land	Vacant	3.3	June 2008
6. 33, Dong Nan Da Dao Changshu City Jiangsu Province China	Leasehold 7.7.2078	488 sq metres	Building	Office (4)	2.9	March 2008

ANALYSIS OF SHAREHOLDINGS AND CONVERTIBLE SECURITIES

Share Capital as at 16 October 2013

Authorised Capital	:	RM4,500,000,000
Issued and Paid-up Capital	:	RM368,611,613.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 16 October 2013

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	203	2.01	5,526	0.00
100 to 1,000	2,288	22.66	1,976,777	0.27
1,001 to 10,000	4,419	43.77	23,062,391	3.13
10,001 to 100,000	2,697	26.71	96,446,872	13.08
100,001 to less than 5% of issued shares	486	4.81	336,877,766	45.70
5% and above of issued shares	4	0.04	278,853,895	37.82
	10,097	100.00	737,223,227	100.00

Substantial Shareholders as at 16 October 2013

Substantial Shareholders	← Direct Interest →		← Indirect Interest →		
	No. of Shares	% of Shares	No. of Shares	% of Shares	Nominal Value of ICULS# (RM)
1. Tan Sri William H.J. Cheng	121,356,607	16.46	286,209,888	38.82	325,401,322 [a]
2. Lion Development (Penang) Sdn Bhd	1,061,889	0.14	89,997,801	12.21	–
3. Narajaya Sdn Bhd	89,997,801	12.21	–	–	–
4. Amsteel Mills Sdn Bhd	116,180,800	15.76	–	–	30,014,916 [b]
5. Lion Industries Corporation Berhad	37,518,645	5.09	116,180,800	15.76	30,014,916 [b]
6. LLB Steel Industries Sdn Bhd	–	–	116,180,800	15.76	30,014,916 [b]
7. Steelcorp Sdn Bhd	–	–	116,180,800	15.76	30,014,916 [b]
8. Deluxe Venture International Limited	17,400,000	2.36	–	–	170,000,000 [c]

Notes:

\# *5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") which are convertible into new ordinary shares of RM0.50 each in the Company ("LDHB Share") at a conversion price of RM0.50 for each new LDHB Share.*

a *Direct interest in RM121,615,000 nominal value of ICULS and indirect interest in RM203,786,322 nominal value of ICULS.*

b *Indirect interest.*

c *Direct interest.*

Thirty Largest Registered Shareholders as at 16 October 2013

Registered Shareholders	No. of Shares	% of Shares
1. AMSEC Nominees (Asing) Sdn Bhd AmTrustee Berhad for Yuanshan Holding Limited	92,230,487	12.51
2. Narajaya Sdn Bhd	89,997,801	12.21
3. Cheng Heng Jem	58,225,607	7.90
4. ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	38,400,000	5.21
5. AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Amsteel Mills Sdn Bhd (CS-Amsteel0)	23,950,313	3.25
6. Deluxe Venture International Limited	17,400,000	2.36
7. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (8106442)	15,000,000	2.03
8. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	15,000,000	2.03
9. M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	14,731,000	2.00
10. Ributasi Holdings Sdn Bhd	10,593,427	1.44
11. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	10,000,000	1.36
12. Cheng Yong Kim	7,841,337	1.06
13. Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ributasi Holdings Sdn Bhd	7,390,000	1.00
14. Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for San Tuan Sam	7,328,600	0.99
15. RHB Nominees (Tempatan) Sdn Bhd RHB Investment Management Sdn Bhd For Ng Siong Ket (EPF)	6,235,500	0.85
16. Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LIO0157M)	5,000,000	0.68
17. CIMSEC Nominees (Asing) Sdn Bhd CIMB for Lee Chun Fun (PB)	5,000,000	0.68
18. Lion Holdings Private Limited	4,714,258	0.64
19. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASM Asia Recovery (Master) Fund	3,840,800	0.52
20. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Seong Liam	3,500,000	0.47
21. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	3,199,600	0.43
22. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chia Tue Hua (Margin)	3,194,700	0.43
23. Gan Seong Liam	3,000,000	0.41
24. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lu Yap Yang	2,862,100	0.39
25. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Siong Ket	2,764,600	0.38
26. Yong Swee Hing	2,700,000	0.37
27. Lion Industries Corporation Berhad	2,518,645	0.34
28. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Irene Toh Lai Ping (04IR014Q-004)	2,352,500	0.32
29. Cheng Yong Kwang	2,272,173	0.31
30. Wilfred Koh Seng Han	2,169,000	0.29

5-Year 4% Irredeemable Convertible Unsecured Loan Stocks 2008/2013 ("ICULS")

No. of ICULS as at 16 October 2013	:	327,462,064
Nominal Value	:	RM1.00 each
Coupon Rate	:	4% per annum payable semi-annually
Conversion Period	:	17 December 2008 to 17 December 2013
Conversion Price	:	RM0.50 for each new ordinary share of RM0.50 each
Conversion Right	:	ICULS holders will have the right to convert the ICULS at the Conversion Price into new ordinary shares of RM0.50 each in the Company during the Conversion Period

Distribution of ICULS Holdings as at 16 October 2013

Size of ICULS Holdings	No. of ICULS Holders	% of ICULS Holders	No. of ICULS	% of ICULS
Less than 100	2	1.23	100	0.00
100 to 1,000	120	73.62	33,200	0.01
1,001 to 10,000	30	18.40	104,831	0.03
10,001 to 100,000	3	1.84	63,200	0.02
100,001 to less than 5% of issued ICULS	4	2.45	5,630,817	1.72
5% and above of issued ICULS	4	2.46	321,629,916	98.22
	163	100.00	327,462,064	100.00

Thirty Largest ICULS Holders as at 16 October 2013

Registered ICULS Holders	No. of ICULS	% of ICULS
1. Deluxe Venture International Limited	170,000,000	51.91
2. Scotia Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	65,000,000	19.85
3. Cheng Heng Jem	56,615,000	17.29
4. Antara Steel Mills Sdn Bhd	30,014,916	9.17
5. Lion Holdings Private Limited	3,771,406	1.15
6. Cheng Yong Kim	1,000,000	0.31
7. Cheng Chai Hai	699,411	0.21
8. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian (Hong Kong) Limited-A/C Clients	160,000	0.05
9. Lee Hau Hian	32,000	0.01
10. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Kim Chye @ Teoh Kim Chai (E-KLC)	16,000	Negligible
11. Chan Chau Ha @ Chan Chow Har	15,200	Negligible
12. Lim Sang Sen	10,000	Negligible
13. Chan Yee Sang	8,000	Negligible
14. Lee Siew Nong	8,000	Negligible

Thirty Largest ICULS Holders as at 16 October 2013 (Continued)

Registered ICULS Holders	No. of ICULS	% of ICULS
15. Maybank Securities Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	8,000	Negligible
16. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kok Woo	6,600	Negligible
17. Pan Yok Eng	5,600	Negligible
18. Chan Pheng Hock	5,000	Negligible
19. Chuah Boon Kiang	4,800	Negligible
20. Nor Hafizah binti Ahmad Marzuki	4,000	Negligible
21. Ooi Kean Hin	4,000	Negligible
22. Tan Gee Siew	4,000	Negligible
23. Teu Liak Chey	3,200	Negligible
24. Ng Say Kong @ Ng Seah Yew	3,000	Negligible
25. Cheong Seng Tin	2,400	Negligible
26. Tang Wei Chum	2,400	Negligible
27. Teh Peng Tin	2,320	Negligible
28. Aw May Fah	2,000	Negligible
29. Ee Tee Gin	2,000	Negligible
30. Koh Sun @ Wong Koh Sang	2,000	Negligible

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

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

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	RM0.50				
Tan Sri William H.J. Cheng		121,356,607	16.46	286,428,888 (1)	38.85
Tan Sri Cheng Yong Kim		7,841,337	1.06	3,500,000 (2)	0.47

Related Corporations

Tan Sri William H.J. Cheng

	Nominal Value per Ordinary Share	Indirect Interest	
		No. of Shares	% of Shares
LDH Investment Pte Ltd	*	4,500,000	100.00
Jernih Aktif Sdn Bhd	RM1.00	70	70.00

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

Notes:

(1) Also deem interested in the following:

(i) a direct interest in RM121,615,000 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company ("ICULS") which are convertible into 243,230,000 new ordinary shares of RM0.50 each in the Company ("LDHB Share") at a conversion price of RM0.50 for each new LDHB Share ("Conversion Price"); and

(ii) an indirect interest in RM203,961,522 nominal value of ICULS which are convertible into 407,923,044 new LDHB Shares at the Conversion Price.

(2) Also deem interested in a direct interest in RM1,000,000 nominal value of ICULS which are convertible into 2,000,000 new LDHB Shares at the Conversion Price.

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

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

MATERIAL CONTRACTS INVOLVING THE INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

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

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

3. Conditional Sale and Purchase Agreement dated 3 March 2011 and supplemented by agreements dated 26 August 2011, 2 March 2012, 30 August 2012 and 1 March 2013 entered into between LBF and Andalas Development Sdn Bhd ("Andalas"), a wholly-owned subsidiary of Amble Bond Sdn Bhd, a company wherein certain Directors and a major shareholder of the Company have interests, for the acquisition by LBF from Andalas of various parcels of contiguous freehold vacant lands held under various land titles all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 97.92 acres (approximately 4,265,395 square feet ("sq ft")) for a total cash consideration of RM32.00 million. The said Conditional Sale and Purchase Agreement was mutually terminated by all the parties on 29 August 2013.

4. Conditional Sale and Purchase Agreement dated 3 March 2011 and supplemented by agreements dated 26 August 2011, 2 March 2012, 30 August 2012 and 1 March 2013 entered into between LBF and Che Kiang Realty Sdn Bhd ("Che Kiang"), a wholly-owned subsidiary of Lion Teck Chiang Limited, a company wherein certain Directors and a major shareholder of the Company have interests, for the acquisition by LBF from Che Kiang of various parcels of contiguous freehold vacant lands held under various land titles all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 8.48 acres (approximately 369,389 sq ft) for a total cash consideration of RM4.06 million. The said Conditional Sale and Purchase Agreement was mutually terminated by all the parties on 29 August 2013.

5. Conditional Sale and Purchase Agreement dated 3 March 2011 and supplemented by agreements dated 26 August 2011, 2 March 2012, 30 August 2012 and 1 March 2013 entered into between LBF and Amsteel Mills Sdn Bhd ("AMSB"), a 99%-owned subsidiary of LICB, for the acquisition by LBF from AMSB of a parcel of freehold land being part of the land held under title no. H.S.(D) 13425, P.T. 17216 located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres (approximately 1,801,642 sq ft) for a total cash consideration of approximately RM16.22 million. The said Conditional Sale and Purchase Agreement was mutually terminated by all the parties on 29 August 2013.

OTHER INFORMATION

(I) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM102,000 (2012: RM82,000).

(II) RECURRENT RELATED PARTY TRANSACTIONS

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

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related		
(i) Sale of direct reduced iron, scrap iron and other steel related products and services	Lion Corporation Berhad Group ("LCB Group") [(1)]	1,209,684
(ii) Purchase of steel products, scrap iron and other steel related products and services	LCB Group [(1)]	39,738
	Lion Industries Corporation Berhad Group [(2)]	127,042
	Lion Forest Industries Berhad Group [(1)]	160,065
(iii) Rental of industrial land and buildings	LCB Group [(1)]	1,142

Notes:

"Group" includes subsidiary and associated companies

[(1)] Companies in which a Director and certain major shareholders of the Company have substantial interests.

[(2)] A Company in which certain Directors and a major shareholder of the Company have substantial interests.

(III) SHARE BUY-BACK

There was no share buy-back during the financial year.

(IV) CONVERTIBLE SECURITIES

There was no conversion of the 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company into shares during the financial year.

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

being a member/members of LION DIVERSIFIED HOLDINGS 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-Third Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Office Tower, No. 1 Jalan Nagasari (Off Jalan Raja Chulan), 50200 Kuala Lumpur on 19 December 2013 at 10.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve a first and final dividend		
2. To approve Directors' fees		
3. To re-elect as Director, Y. Bhg. Tan Sri Cheng Yong Kim		
4. To re-elect as Director, Y. Bhg. Dato' Kamaruddin bin Haji Ismail		
5. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng		
6. To re-appoint Auditors		
7. Authority to Directors to issue shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
9. Proposed Renewal of Authority for Share Buy-Back		
10. Proposed Grant of Options to Y. Bhg. Dato' Kamaruddin bin Haji Ismail		
11. Proposed Amendment to the Articles of Association of the Company		

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

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

No. of shares: ....

Signed: ....

Representation at Meeting:

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