LION DIVERSIFIED HOLDINGS

LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

Laporan Tahunan Annual Report 2014

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Fourth Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 2 December 2014 at 2.30 pm for the following purposes:

AGENDA

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

2. To approve the payment of Directors' fees amounting to RM215,000 (2013: RM206,500). **Resolution 1**

3. To re-elect Director:

   In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat retires by rotation and, being eligible, offers himself for re-election. **Resolution 2**

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

5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 4**

6. Special Business

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

6.1 Authority to Directors to issue shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 5**

6.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 10 November 2014 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 6**

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."

6.3 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 7**

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

By Order of the Board

LIM KWEE PENG
YASMIN WEILI TAN BINTI ABDULLAH
Secretaries

Kuala Lumpur
10 November 2014

Notes:

1. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 25 November 2014 shall be eligible to attend the Meeting.*

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

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

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

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

2. *Circular to Shareholders dated 10 November 2014 ("Circular")*

   Details on the following are set out in the Circular enclosed together with the 2014 Annual Report:

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

   (ii) 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.

Notes: *(continued)*

4. *Resolution 5*

   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 19 December 2013 which will lapse at the conclusion of this Annual General Meeting.

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

5. *Resolution 6*

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

6. *Resolution 7*

   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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Director standing for re-appointment at the Forty-Fourth Annual General Meeting of the Company are set out in the Directors' Profile on page 6 of the 2014 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 Mr Heah Sieu Lay
Secretaries	:	Ms Lim Kwee Peng Puan Yasmin Weili Tan binti Abdullah
Company No	:	9428-T
Registered Office	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Homepage : www.lion.com.my/liondiv
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
Principal Bankers	:	Kuwait Finance House (Malaysia) Berhad The Bank of Nova Scotia Berhad Industrial and Commercial Bank of China (Malaysia) Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONDIV
Bursa Securities Stock No	:	2887
Reuters Code	:	LDIV.KL
ISIN Code	:	MYL2887OO007

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 71, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994. He is also 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, steel, tyre, motor, agriculture and computer.

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

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

- Chairman of Lion 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 364,586,607 ordinary shares of RM0.50 each in the Company ("LDHB Share") and an indirect interest in 318,694,862 LDHB Shares. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 178 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 and a major shareholder of the Company.

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

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 64, 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) from the University of Singapore in 1971. He has more than 35 years of experience in the business operations of the Lion Group encompassing retail, property development, mining, steel, tyre, motor, agriculture and computer. For a period of seven years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President Director in P T Lion Metal Works Tbk, a public company listed on the Indonesia Stock Exchange, which is a manufacturer of steel furniture, building material and stamping products in Indonesia. He took on the position of Managing Director of Lion Industries Corporation Berhad in 1995 and in 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

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

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

- Managing Director of Lion Industries Corporation Berhad, 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 9,841,337 ordinary shares of RM0.50 each in the Company ("LDHB Share") and an indirect interest in 379,157,070 LDHB Shares. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 178 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 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 seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

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 63, 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) in Economics from the University of Malaya and received his Master of Public Administration from the University of Southern California in the United States of America and his PhD (Honorary) 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, a public listed company.

Tan Sri Dato' Seri Dr Aseh attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

Heah Sieu Lay
Independent Non-Executive Director

Mr Heah Sieu Lay, a Malaysian, aged 61, 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) 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 seven (7) Board Meetings of the Company held during the financial year ended 30 June 2014.

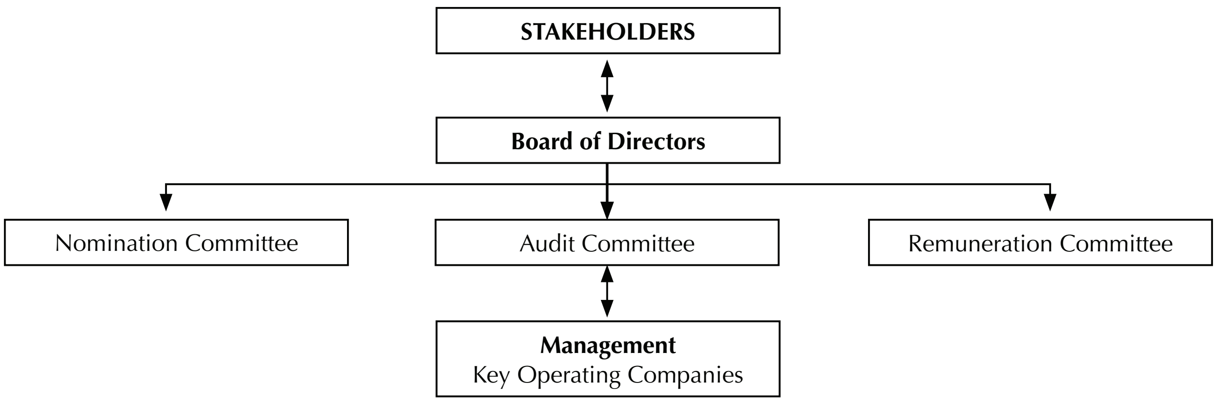
Save as disclosed above, none of the Directors has (i) any interest in securities in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the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

CORPORATE GOVERNANCE STATEMENT

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

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

Governance Framework



1. THE BOARD OF DIRECTORS ("BOARD")

Roles and Responsibilities

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2014, seven (7) Board Meetings were held 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 covering Code of Business Conduct for all employees of the Group, including the Whistleblower Policy, Sexual Harassment and Sustainability Policy & Framework of the Group and such codes, policies and ethics are briefed to all employees and accessible for reference within the Group.

Board Composition, Independence and Diversity Balance

Following the resignation of Y. Bhg. Dato' Kamaruddin bin Haji Ismail as an independent non-executive Director of the Company with effect from 28 August 2014, the Board comprises four (4) Directors, three (3) 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. However, the Board acknowledges the recommendation of the MCCG which requires that the board must comprise a majority of independent directors where the chairman of the board is not an independent director. In this regard, the Company will identify a suitable candidate to fill the vacancy arising from Dato' Kamaruddin's resignation as an independent non-executive Director of the Company.

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 two (2) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

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

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

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

Board Committees

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

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

Supply of Information

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

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

Company Secretaries

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

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

Nomination Committee

The Nomination Committee comprises three (3) members all of whom are non-executive Directors with a majority being independent directors. The Nomination Committee is chaired by Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat, an independent Director, who is also the senior independent Director identified by the Board.

The members and terms of reference of the Nomination Committee are presented on page 24 of this Annual Report.

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

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

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

The Directors' mix of skills are set out in the respective Directors' Profile on pages 6 to 8 of this Annual Report.

The Nomination Committee met two (2) times during the financial year ended 30 June 2014 where all the members attended.

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

(i) Established the nomination and election process for the members of the Board which was guided by the broad Fit & Proper and Independence criteria.

(ii) Established a set of quantitative and qualitative performance criteria to evaluate the performance of:

- The Board as a whole
- Each Director (Peer and Self-Assessment)
- Board Committees
- Directors' Independence

(iii) Reviewed and assessed the effectiveness of the Board and the Board Committees as well as the individual Directors based on the criteria set out by the Board and according to the fulfillment of the Nomination Committee's terms of reference for recommendation to the Board.

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

(v) Reviewed the training needs of the Directors.

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 24 of this Annual Report.

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

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

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

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
Executive Director	25	492	517
Non-executive Directors	214	735	949
	239	1,227	1,466

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

	Number of Directors	
Range of Remuneration (RM)	**Executive**	**Non-executive**
50,000 & below	–	3
500,001 – 550,000	1	–
800,001 – 850,000	–	1

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 conference, briefing and advocacy sessions, presentation, forum 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, requirements and compliance, finance, corporate social responsibility, environment, and fraud and corruption risk management:

Name of Directors	**Programmes**
Tan Sri William H.J. Cheng	• Lion Group In-house Directors' Training on Briefing on Agriculture Activities • Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • Lion Group In-house Directors' Training on Competition Law: 1. Understanding Competition Act 2010 and Identifying the Relevant Markets 2. Exploring Cartel, Objects and Effect in Section 4 and the Abuse of Dominant Position in Section 10 3. Exclusive Distribution Agreements, Exclusive Dealing Agreements, Resale Price Maintenance and Case Studies 4. Exemptions, Penalties and Compliance • Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets
Tan Sri Cheng Yong Kim	• The World Capital Markets Symposium 2013 on Redefining Markets: Sustaining Growth and Resilience • Lion Group In-house Directors' Training on Briefing on Agriculture Activities • Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • International Tin Conference 2014 in relation to: 1. Keynote Addresses and Tin Exchanges 2. Tin Applications and Market Outlook 3. New Tin Supply & Sustainability • Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets

Name of Directors	**Programmes**
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	• Participated as a speaker at a presentation on the potential projects of Nepal for investment at the Malaysian Business Delegation to Nepal held at Kathmandu, Nepal organised by the Malaysia Nepal Business Council • Bursa Malaysia – Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers • World Cities Summit Mayors Forum 2014 on the theme, "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	• Bursa Malaysia & Iclif – Nominating Committee Programme • Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management
Heah Sieu Lay	• Lion Group In-house Directors' Training on: 1. Crisis Communications & Handling – Building Resilience & Robustness for Corporate Governance under Current Sustainability Regime 2. Ethics & Integrity Transformation Strategy and Fraud & Corruption Risk Management • Lion Group In-house Directors' Training on: 1. Islamic Finance for Public Listed Companies 2. Shariah Compliance for Public Listed Companies & Bursa Suq Al-Sila - Islamic and Alternative Markets

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

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

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

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

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

2. RELATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

The Company's homepage at www.lion.com.my/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 is guided by the Group's Sustainability Plans/Framework to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities of Environmental and Corporate Social Responsibilities carried out by the Group are set out in the Sustainability section of the Chairman's Statement on pages 31 to 34 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control on pages 17 and 18 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 two (2) Directors, both of whom are independent. Following Y. Bhg. Dato' Kamaruddin bin Haji Ismail's cessation as an Audit Committee member of the Company with effect from 28 August 2014, the composition of the Audit Committee of the Company has fallen to below the minimum number of three (3) members as per the requirements of Chapter 15.09(1)(a) of the Listing Requirements. The Listing Requirements provided that in the event of any vacancy in the audit committee resulting in the non-compliance of subparagraphs 15.09(1), a listed issuer must fill the vacancy within three (3) months. In this regard, the Company will identify a suitable candidate to fill the vacancy arising from Dato' Kamaruddin's cessation as a member of the Audit Committee within three (3) months. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 19 to 23 of this Annual Report.

Directors' Responsibility in Financial Reporting

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

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 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 23 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 the stakeholders' and shareholders' investments and the Group's assets. Guided by the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers*, Corporate Disclosure Guide and Corporate Governance Guide (2nd Edition), the Board is pleased to present the Statement on Risk Management and Internal Control of the Group (excluding associated companies, as the Board does not have control over their operations) pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Board Responsibility

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

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

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

Risk Management

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

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

Control and Monitoring Process

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conclusion

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

AUDIT 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
  (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, an independent non-executive Director, had ceased to be a member of the Audit Committee upon his resignation as a member of the Board with effect from 28 August 2014.

  Following Dato' Kamaruddin's cessation as an Audit Committee member, the composition of the Audit Committee of the Company has fallen to below the minimum number of three (3) members as per the requirements of Chapter 15.09(1)(a) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements"). In this regard, the Company will identify a suitable candidate to fill the vacancy arising from Dato' Kamaruddin's cessation as a member of the Audit Committee within three (3) months.

- **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. Except for Y. Bhg. Dato' Kamaruddin bin Haji Ismail who was absent for two (2) Meetings, all other members attended all the seven (7) 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.

- **Corporate Governance**

  (a) Compliance

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

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

  (b) Sustainability

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

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 RM155,000.

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)

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)

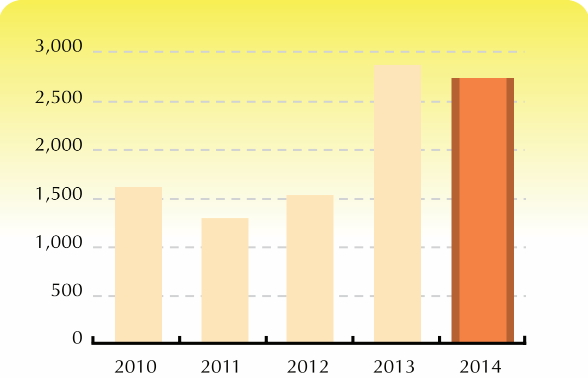
Terms of Reference :

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

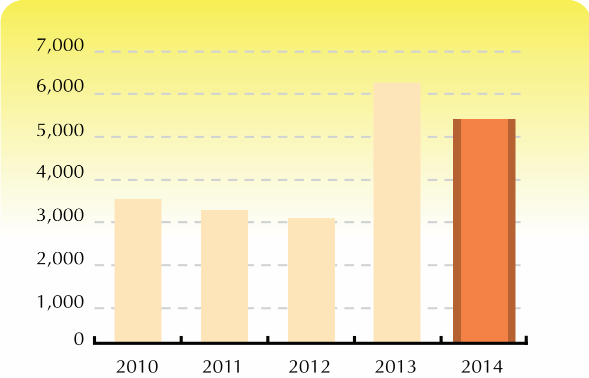
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2010	2011	2012	2013 (Restated, Note)	2014
Revenue	(RM'000)	1,590,465	1,279,092	1,516,718	2,855,572	**2,730,352**
Profit/(Loss) before tax	(RM'000)	263,031	(29,158)	(231,288)	(233,840)	**(864,870)**
Profit/(Loss) after tax	(RM'000)	192,356	(52,118)	(249,329)	(222,616)	**(852,911)**
Net profit/(loss) attributable to owners of the Company	(RM'000)	192,356	(52,118)	(249,329)	(158,533)	**(696,203)**
Total assets	(RM'000)	3,572,558	3,295,665	3,011,981	6,269,239	**5,407,335**
Net assets	(RM'000)	1,826,898	1,864,502	1,501,753	1,236,418	**529,070**
Total borrowings	(RM'000)	778,760	529,472	507,955	2,245,285	**2,289,760**
Earnings/(Loss) per share	(Sen)	13.8	(3.7)	(17.9)	(11.4)	**(50.0)**
Net assets per share	(Sen)	209	214	165	89	**38**
Dividends (Paid and Proposed):						
Rate	(Sen)	1.0	1.0	1.0	1.0	**–**
Amount (net of tax)	(RM'000)	7,372	7,372	7,372	13,922	**–**

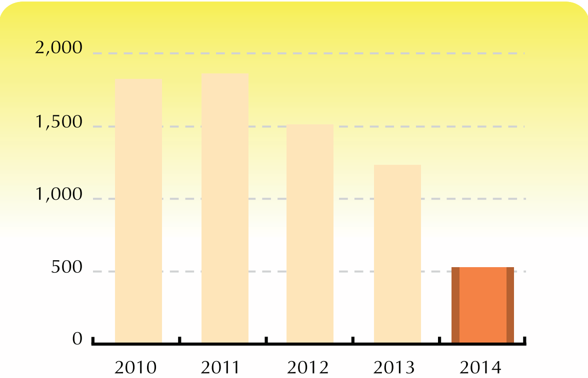
Note: *The Group's financials for the financial year ended 30 June 2013 are restated pursuant to the adoption of FRS 10 Consolidated Financial Statements. It is impractical to restate the Group's financials for the financial years 2010 to 2012 without incurring excessive costs.*



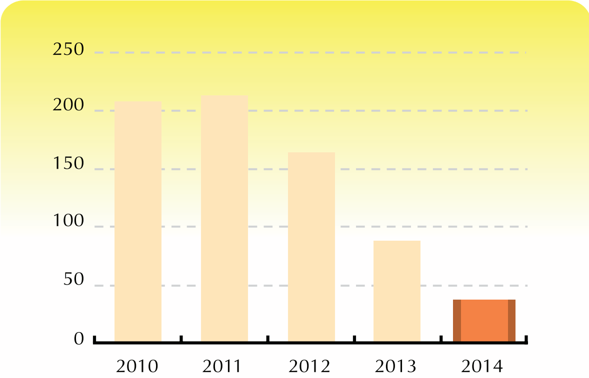
REVENUE RM Million



TOTAL ASSETS RM Million



NET ASSETS RM Million



NET ASSETS PER SHARE Sen

THE GROUP'S BUSINESSES

- 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.*

- California Lodge, Barcelona Mansion and Sydney Villa series (clockwise, from top) by D' Venice Residence in Changshu, China, have been successfully completed and handed over to purchasers.
- *Siri California Lodge, Barcelona Mansion dan Sydney Villa (ikut arah jam, dari atas) projek 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 2014.

PRESTASI KEWANGAN

Industri keluli telah mengharungi satu lagi tempoh yang sukar dan mencabar sepanjang tahun kewangan. Di peringkat global, industri keluli terus menerus mengalami masalah lebihan penawaran sehingga menyebabkan harga-harga produk berkenaan jatuh dan tindakan para pengilang dari China melambak produk keluli mereka yang semakin menjadi-jadi. Berikutan itu, para pengeluar keluli berdepan dengan masalah kewangan yang tidak menentu, persaingan yang sengit dan sentimen pasaran yang lembap.

Kumpulan yang bergiat terutamanya dalam pengeluaran dan penjualan produk keluli rata, terjejas teruk dengan persekitaran keluli dunia yang buruk dan lambakan produk keluli secara berleluasa, ditambah pula dengan peningkatan kos pengeluaran, terutamanya kenaikan tarif elektrik dan gas. Oleh kerana persekitaran operasi yang tidak menggalakkan, Kumpulan telah mencatat pendapatan yang lebih rendah sebanyak RM2.7 bilion (2013: RM2.9 bilion) dan kerugian operasi lebih tinggi daripada RM115 juta (2013: RM88 juta) berbanding dengan tahun sebelumnya.

Berikutan kelewatan yang berlaku dalam pelaksanaan projek relau bagas dalam tahun kewangan, Kumpulan memperuntukkan kerugian rosot nilai sebanyak RM436 juta bagi loji dan peralatan sehingga menyebabkannya mengalami kerugian sebelum cukai yang tinggi sebanyak RM865 juta berbanding RM234 juta pada tahun sebelumnya, termasuk keuntungan yang berlaku hanya sekali sebanyak RM271 juta daripada diskaun penyelesaian pinjaman (kerugian bersih daripada pelupusan syarikat sekutu).

Menurut kepada pemakaian Financial Reporting Standard ("FRS") 10 dalam tahun kewangan semasa, Kumpulan kini disifatkan sebagai mempunyai kawalan de-facto ke atas Lion Corporation Berhad ("LCB") meskipun menguasai kurang daripada 50% untuk mendapat hak mengundi kerana Kumpulan merupakan pemegang saham tunggal terbesar LCB dengan pegangan kepentingan dalam ekuiti sebanyak 49.1%. Oleh itu, LCB dianggap anak syarikat milik Syarikat selaras dengan keperluan FRS 10. Sehubungan itu, Kumpulan telah menyatukan kedudukan dan keputusan kewangan Kumpulan LCB secara retrospektif.

PERKEMBANGAN KORPORAT

Bagi tahun kewangan dalam kajian:

(i) Kumpulan telah selesai melupuskan 100% atau keseluruhan kepentingan ekuiti dalam Lion Plate Mills Sdn Bhd, syarikat subsidiari LCB, melibatkan pertimbangan tunai sebanyak RM33 juta. Pelupusan itu menyebabkan Kumpulan mencatatkan keuntungan luar biasa sebanyak RM23 juta.

(ii) LCB pada 25 Oktober 2013, telah mengumumkan bahawa syarikat senarai awam itu adalah tertakluk kepada keperluan Nota Amalan 17 ("PN 17") di bawah Keperluan-Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad ("Bursa Securities"). Menurut PN 17, Syarikat dikehendaki menyerahkan satu pelan regularisasi dalam tempoh 12 bulan kepada Suruhanjaya Sekuriti atau Bursa Securities ("Pelan Regularisasi").

Oleh kerana, LCB sedang merumuskan Pelan Regularisasinya, pihak syarikat telah memohon kepada Bursa Securities supaya diberikan lanjutan masa daripada 25 Oktober 2014 kepada 30 Jun 2015 bagi penyerahan pelan tersebut. Permohonan itu tertakluk kepada kelulusan Bursa Securities.

TINJAUAN OPERASI

Kumpulan pada dasarnya terbabit dalam aktiviti berikut:

- Pembuatan dan penjualan produk berkaitan besi (DRI) dan keluli ("Keluli");
- Perkhidmatan kontrak pembuatan elektronik dan mekanikal ("CMS");
- Pembangunan dan pengurusan hartanah ("Hartanah"); dan
- Pegangan pelaburan, perkilangan dan perniagaan perabot keluli, perniagaan produk keluli, pendaftaran saham dan perkhidmatan kesetiausahaan dan lain-lain ("Lain-lain").

(Tahun Kewangan Berakhir 30 Jun)	**Pendapatan**		**Keuntungan/(Kerugian) Mengikut Segmen**	
	2014 RM Juta	**2013 RM Juta**	**2014 RM Juta**	**2013 RM Juta**
Keluli	**2,356**	2,522	**(189)**	(156)
CMS	**148**	134	**12**	8
Hartanah	**197**	164	**65**	57
Lain-lain	**29**	36	**(3)**	3
	2,730	2,856	**(115)**	(88)

Bahagian Keluli

Operasi keluli Kumpulan dikendalikan terutamanya oleh syarikat-syarikat berikut:

(i) Megasteel Sdn Bhd ("Megasteel") 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.

(ii) Lion DRI Sdn Bhd ("Lion DRI") terbabit dalam pembuatan 'direct reduced iron' ("DRI"), bahan caj ferus berkualiti tinggi dan pengganti kepada sekerap yang digunakan dalam proses pembuatan keluli. Lion DRI adalah salah satu daripada dua pengeluar DRI di negara ini dan produk keluaran syarikat ini kebanyakannya digunakan dalam pengeluaran Megasteel.

Operasi keluli Kumpulan mengharungi satu lagi tahun yang lemah setelah terjejas teruk dengan tekanan harga akibat penawaran yang berlebihan dan pertumbuhan permintaan global yang mendatar. Pasaran keluli tempatan diburukkan lagi oleh kegiatan lambakan secara berleluasa oleh para pengeluar keluli asing yang membanjiri pasaran tersebut sebagai mengambil kesempatan daripada kelemahan yang ada dalam peraturan import. Ini telah membawa kemudaratan kepada perniagaan Kumpulan daripada segi penguasaan pasaran yang menurun dan penggunaan kapasiti pengeluaran yang rendah. Berikutan itu, pendapatan Bahagian Keluli merosot kepada RM2.4 bilion berbanding RM2.5 bilion pada tahun sebelumnya dan kerugian operasi meningkat lebih tinggi sebanyak RM189 juta berbanding RM156 juta pada tahun sebelumnya.

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

CMS Division

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 terutamanya 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 'enclosures' untuk penyimpanan data, penggera keselamatan dan 'private branch exchange' ("PBX") dan kotak 'set-top'. Barangan elektronik pula termasuk kad ujian peralatan kawalan, suis elektrik dan peralatan komunikasi. Kilang kita terletak di Melaka, Malaysia dan di Juarez, Mexico disokong oleh pejabat jualan di Amerika Syarikat untuk menyediakan perkhidmatan sokongan pelanggan.

Di sebalik persaingan yang sengit dan kenaikan harga bahan mentah yang dihadapi oleh Bahagian CMS kita, Bahagian ini masih berjaya mencapai prestasi yang membanggakan dengan pendapatan lebih tinggi sebanyak RM148 juta (2013: RM134 juta) dan keuntungan operasi sebanyak RM12 juta (2013: RM8 juta) bagi tahun kewangan dalam kajian.

Bahagian ini akan meneruskan strateginya untuk meningkatkan dan menambah baik hubungan perniagaan dengan para pelanggan sedia ada, memperluaskan asas pelanggan melalui wakil perniagaan/ejen, menawarkan penyelesaian sehenti kepada pelanggan dan mengekalkan kos operasi dan pengeluaran pada tahap yang optimum dalam mengukuhkan kecekapan supaya prestasinya dapat dikekalkan pada tahun-tahun yang mendatang.

Bahagian Hartanah

Bagi tahun kewangan dalam kajian, Bahagian Hartanah kita mencatat prestasi lebih baik daripada dua buah projek hartanah yang sedang dilaksanakan seperti yang tersenarai di bawah. Pendapatan dan keuntungan operasi, masing-masing lebih tinggi kepada RM197 juta dan RM65 juta.

(i) Bandar Mahkota Cheras, Malaysia

Terletak di luar kawasan Batu 9 Jalan Cheras, Kuala Lumpur, dan bersebelahan dengan Kelab Golf Sungai Long. Projek ini melibatkan pembangunan perbandaran utama yang menawarkan kehidupan desa lengkap dengan pelbagai kemudahan sokongan.

Di sebalik pertumbuhan sederhana dalam pasaran hartanah tempatan berikutan langkah-langkah lebih ketat dikenakan oleh Bank Pusat untuk membendung masalah hutang isi rumah di negara ini, projek ini terus menjana hasil yang menggalakkan. Konsep pembangunan perbandaran yang diguna pakai oleh Bahagian Hartanah terus menjadi tarikan besar kepada para pelabur dan pemilik rumah.

(ii) Projek "D' Venice Residence", China

Terletak di Bandar Changshu di Wilayah Jiangsu China, projek ini dilaksanakan di atas empat bidang tanah yang terletak bersebelahan dengan jumlah keluasan 20.1 hektar. Dalam tahun kewangan, 458 buah apartmen kediaman bertingkat tinggi di bawah pembangunan Fasa 2 telah ditawarkan untuk jualan dengan kadar penerimaan pelanggan sekitar 70%. Bersama-sama dengan jualan apartmen/vila mewah yang dilancarkan pada tahun sebelumnya, projek hartanah ini telah mencatatkan pencapaian yang memuaskan dalam tempoh kajian.

Langkah-langkah untuk mengekang peningkatan mendadak harga hartanah yang diumumkan oleh Kerajaan Pusat China bagaimanapun telah membawa kepada perubahan luar jangkaan dalam persekitaran kewangan, harga hartanah dan lebihan bekalan dalam pasaran hartanah di China. Sehubungan itu, kita menjangkakan jualan pada tahun kewangan akan datang akan menjadi perlahan. Meskipun begitu, pihak pengurusan akan meneruskan strategi promosi yang agresif untuk mencapai jualan yang paling tinggi.

KELESTARIAN

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

Komuniti

Ketika menjalankan operasi perniagaan, Kumpulan sedar akan tanggungjawabnya sebagai warga korporat dalam menyumbang kepada masyarakat, di samping meningkatkan keuntungan dan nilai pemegang kepentingan. Kumpulan menumpukan kepada membantu masyarakat mencapai kemajuan melalui pendidikan dan rawatan perubatan dengan penubuhan dua buah yayasan oleh Syarikat-syarikat Kumpulan Lion di mana kumpulan adalah ahli.

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

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

Alam Sekitar

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

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

Dalam Pasaran

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

Tempat Kerja

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

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

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

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

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

PROSPEK

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

Kerajaan telah mengambil langkah untuk menyiasat dan mengkaji kemungkinan mengenakan duti antilambakan ke atas beberapa jenis produk keluli import dari negara-negara tertentu. Dengan langkah-langkah yang diambil oleh Kerajaan, kita berharap adanya dasar dan peraturan yang lebih tegas untuk memastikan produk-produk keluli import mematuhi keperluan yang ditetapkan oleh pihak berkuasa dan standard produk mandatori.

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

Bagi Bahagian Hartanah, Kumpulan menjangkakan dapat mengekalkan hasil yang memuaskan melalui projek-projek pembangunan bercampur yang sedang berjalan di Malaysia dan China, manakala Bahagian CMS kita dijangka terus memberi sumbangan positif kepada Kumpulan.

LEMBAGA PENGARAH

Pada 28 Ogos 2014, Y. Bhg. Dato' Kamaruddin bin Haji Ismail telah meletak jawatan sebagai Pengarah Syarikat. Y. Bhg. Dato' Kamaruddin bin Haji Ismail juga berkhidmat sebagai ahli Jawatankuasa Audit, Jawatankuasa Pencalonan dan Jawatankuasa Ganjaran. Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada Y. Bhg. Dato' Kamaruddin bin Haji Ismail atas sumbangan yang tidak ternilai sepanjang tempoh perkhidmatan beliau sebagai Pengarah Syarikat dan ahli jawatankuasa Syarikat yang dinyatakan di atas.

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 mengucapkan terima kasih kepada rakan-rakan Pengarah atas bimbingan sokongan dan sumbangan yang tidak ternilai di 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 2014.

FINANCIAL PERFORMANCE

It has been another challenging and difficult year for the steel industry. The global steel industry was relentlessly hit by the oversupply situation that led to depressed steel prices and rampant dumping activities by millers from China. Consequently, steelmakers had to combat financial uncertainties, intensified competition and sluggish market sentiments.

The Group which is primarily involved in the manufacturing and sale of flat steel products, was badly affected by the adverse world steel environment and rampant dumping of steel products coupled with the increase in production costs, particularly the hike in electricity and gas tariffs. Due to the unfavourable operating environment, the Group reported a lower revenue of RM2.7 billion (2013: RM2.9 billion) and higher operating loss of RM115 million (2013: RM88 million) as compared to the previous year.

During the financial year, in view of the further delay in the implementation of the blast furnace project, the Group has provided for an impairment loss of RM436 million in respect of its plant and equipment resulting in the Group registering a substantially higher loss before tax of RM865 million as compared to RM234 million a year ago which had included a one-off gain of RM271 million from the discounted settlement of borrowings in the previous year (net of loss on disposal of an associate).

Pursuant to the adoption of Financial Reporting Standard ("FRS") 10 in the current financial year, the Group is now deemed to have de-facto control on Lion Corporation Berhad ("LCB") even though it has less than 50% of the voting rights in view that the Group is the single largest shareholder of LCB with a 49.1% equity interest. Therefore, LCB is deemed to be a subsidiary of the Company in accordance with the requirements of FRS 10. Accordingly, the Group has consolidated the financial position and financial results of the LCB Group retrospectively.

CORPORATE DEVELOPMENTS

During the financial year under review:

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

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

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

REVIEW OF OPERATIONS

The Group is principally engaged in the following activities:

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

	Revenue		Segment Profit/(Loss)	
(Financial Year Ended 30 June)	**2014 RM Million**	**2013 RM Million**	**2014 RM Million**	**2013 RM Million**
Steel	**2,356**	2,522	**(189)**	(156)
CMS	**148**	134	**12**	8
Property	**197**	164	**65**	57
Others	**29**	36	**(3)**	3
	2,730	2,856	**(115)**	(88)

Steel Division

The Group's steel operations are mainly undertaken by the following companies:

(i) Megasteel Sdn Bhd ("Megasteel") is 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.

(ii) Lion DRI Sdn Bhd ("Lion DRI") is 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 its products are mostly used in Megasteel's production.

The Group's steel operations experienced another year in the doldrums, crippled by pricing pressure due to oversupply and stagnant growth in demand globally. The situation in the local steel market was further compounded by the rampant dumping activities by foreign steel producers who flooded the market by taking advantage of loopholes in the import regulations. This had caused material injury to the Group's business in terms of declining market share and low capacity utilisation. Consequently, the Division's revenue declined to RM2.4 billion as compared to RM2.5 billion in the previous year and a higher operating loss of RM189 million was reported as against RM156 million the year before.

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

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 office in the USA to provide customer support services.

Despite the intense competition and increase in raw material prices faced by the Division, our CMS Division managed to achieve commendable performance with higher revenue of RM148 million (2013: RM134 million) and operating profit of RM12 million (2013: RM8 million) for the financial year under review.

The Division will continue with its strategies to enhance and improve its business relationships with existing customers, expand its customer base via business representative/ agent, provide one-stop solution to customers and keep its operational and manufacturing costs at an optimised level to strengthen its competencies, so as to sustain its performance in the coming years.

Property Division

For the year under review, our Property Division posted better performance from two on-going property projects listed below. Revenue and operating profit were higher at RM197 million and RM65 million respectively.

(i) Bandar Mahkota Cheras, Malaysia

Located off 9th mile Jalan Cheras in Kuala Lumpur and adjoining Sungai Long Golf Club, this project is involved in the development of a major township offering quality country living complete with a range of supporting amenities.

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

(ii) "D' Venice Residence" Project, China

Located at Changshu City in Jiangsu Province in China, the project comprises four pieces of contiguous land totalling 20.1 hectares. During the financial year, 458 units of high-rise residential apartment under Phase 2 development had been offered for sale with a take-up rate of approximately 70%. Together with the recognition of the sales of high-end apartments/ villas which were launched in the previous year, this property project managed to post a satisfactory performance for the year under review.

The property cooling measures announced by China's Central Government however, has brought about unexpected changes in the financial environment, real estate prices and oversupply in the property market in China. As a result, we anticipate that sales for the coming financial year will be slow. In spite of this, the management will continue with its aggressive promotional strategies to achieve the highest sales possible.

SUSTAINABILITY

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

Community

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

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

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

Environment

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

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

Marketplace

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

Workplace

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

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

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

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

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

PROSPECTS

The influx of cheap imports remains a key issue for the domestic iron and steel industry. The Government's policy on steel imports is crucial to uphold local production and the supply chain of the domestic steel industry and to prevent the influx of sub-standard steel products into the country.

The Government has initiated steps to investigate and study the possibility of imposing anti-dumping duty on several types of steel products imported from certain countries. With these measures by the Government, we look forward to more stringent guidelines to ensure that the imported steel products comply with regulatory requirements and mandatory product standards.

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

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

BOARD OF DIRECTORS

On 28 August 2014, Y. Bhg. Dato' Kamaruddin bin Haji Ismail resigned as a Director of the Company. Y. Bhg. Dato' Kamaruddin bin Haji Ismail also served as a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. On behalf of the Board, I would like to express my sincere appreciation to Y. Bhg. Dato' Kamaruddin bin Haji Ismail for his invaluable contribution during his tenure as a Director of the Company and a member of the Company's aforementioned Board Committees.

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2014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

对钢铁业而言，本会计年度是另一个充满挑战和困难的年头。全球的钢铁业受到供应过剩的情况无情的打击，导致钢铁价格大跌，以及来自中国的钢铁厂展开猖獗的倾销活动。结果钢铁厂必须应付财务的不稳定、竞争加剧以及市场情绪缺乏活力的局面。

本集团主要从事平板钢产品的制造与销售，它的表现受到世界钢铁不利的环境和猖獗抛售钢铁产品的严重影响，再加上生产成本上涨(尤其是电费与煤气的价格上升)，更是雪上加霜。由于营运环境不利，和上一年度比较，本集团的营业额减少至27亿令吉（2013年度：29亿令吉），以及更高的营业亏损，计1亿1,500万令吉（2013年度：8,800万令吉）。

在本会计年度，由于兴建高炉的计划受到进一步拖延，本集团针对该项计划的厂房和设备拨出4亿3,600万令吉的损耗损失，使到本集团的税前亏损大大增加，高达8亿6,500万令吉。上一年度的税前亏损是2亿3,400万令吉。去年的账目中包括用折扣的方式解决欠款，取得2亿7,100万令吉的一次过盈利（净脱售联号亏损）。

由于本会计年度采纳Financial Reporting Standard (“FRS”) 10的记账方式，导致本集团现在事实上控制金狮机构有限公司（“金狮机构”），虽然本集团只持有金狮机构不到50%的投票权，但本集团是金狮机构的最大之一股东，拥有49.1%的股权。因此，根据FRS 10的现定，金狮机构被视为本公司的子公司。相应的，本集团用追溯方式综合金狮机构的财务地位和财务业绩。

企业发展

在本会计年度：

(i) 本集团完成脱售在Lion Plate Mills Sdn Bhd的100%股权（Lion Plate Mills Sdn Bhd 是金狮机构的一家子公司），取得3,300万令吉的现金。这项脱售使到本集团取得2,300万令吉的额外盈利。

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

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

业务检讨

本集团主要从事以下业务：

- 制造和销售铁（直接还原铁）、钢铁以及相关的产品（“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、制造和销售钢制家私、销售钢铁产品、股票注册以及秘书服务及其他（“其他”）。

	营业额		营业利润/ (亏损)	
(6月30日的会计年度)	**2014 (百万令吉)**	**2013 (百万令吉)**	**2014 (百万令吉)**	**2013 (百万令吉)**
钢铁	**2,356**	2,522	**(189)**	(156)
合同生产业服务	**148**	134	**12**	8
产业	**197**	164	**65**	57
其他	**29**	36	**(3)**	3
	2,730	2,856	**(115)**	(88)

钢铁组

本集团的钢铁业务主要由以下公司负责：

(i) 美佳钢铁私人有限公司（“美佳钢铁”）是从事钢铁的下游生产，制造热轧钢卷和冷轧钢卷，是马来西亚唯一热轧钢卷的生产者，产品供应国内市场及国际市场。

(ii) 金狮直接还原铁私人有限公司（“金狮直接还原铁”）是从事制造直接还原铁，直接还原铁是高品质的含铁原料，在制钢过程中取代废铁。金狮直接还原铁是国内生产直接还原铁的两家公司之一；它的产品主要供应给美佳钢铁用来制钢。

本地的钢铁市场，由于受到外国钢铁出产者进行猖獗的倾销活动而恶化；那些外国厂家利用我国入口条例的漏洞，使钢铁产品在本地市场泛滥。这使本集团的业势蒙受巨大创伤：所占的市场份额下降以及钢铁厂的使用率下降。这样一来，钢铁组的营业额从上一年度的25亿令吉减少到本年度的24亿令吉，营业亏损从上年度的1亿5,600万令吉增加到本年度的1亿8,900万令吉。

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

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，生产资讯工艺有关的部件和附件，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，比如电视盒和电视框，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顶上盒。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办事处，以支援客户。

尽管面对激烈竞争和原料价格上涨，本组仍然取得值得称赞的表现，本会计年度的营业额更高，达到1亿4,800万令吉（2013年度：1亿3,400万令吉），营业利润增加到1,200万令吉（2013年度：800万令吉）。

本组延续现有的策略，提高和改善与现有客户的商业关系，通过商业代表/代理扩大客户群，为客户提供一站式解决方案，使其营运成本和制造成本维持在最优化水平以加强竞争能力，以便在未来的年头能够持续有良好表现。

产业组

在本会计年度，我们在下述的两项在持续进行中的产业计划有更好的表现。营业额和营业利润都有所增加，分别是1亿9,700万令吉和6,500万令吉。

(i) 马来西亚蕉赖皇冠城

这项计划位于吉隆坡蕉赖路9英里，与双溪龙高尔夫球俱乐部毗邻。计划涉及发展一个庞大的市镇，拥有一系列完整的辅助设施，提供高素质的乡居生活环境。

在中央银行采取紧缩措施抑制家庭债务之后，本地产业市场只取得适度的增长。尽管如此，蕉赖皇冠城计划继续取得令人鼓舞的业绩。产业组採用的市镇发展概念仍然大大的吸引投资者和购屋者。

(ii) 中国微尼诗住宅计划

这项计划坐落在中国江苏省常熟市，包括四片相邻的土地，总面积20.1公顷。在本会计年度，在第二期发展之下，有458单位的高层住宅公寓出售，出售率接近70%。随着在去年推出的高档公寓/花园住宅销路好，这项产业计划今年取得令人满意的表现。

不过，中国中央政府宣布的产业降温措施，为财务环境和房地产价格带来预料不到的改变，在中国产业市场出现供应过剩。结果我们预测，在下一个会计年度，房地产的销售将会缓慢。尽管如此，管理层将继续推行积极的促销策略，以尽可能实现最高的销售。

可持续性

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

社区

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

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

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

环保

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

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

市场

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

工作场所

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

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

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

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

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

展望

廉价入口产品大量涌入，仍然是本地钢铁工业面对的一个关键问题。政府的钢铁入口政策至关重要，以支撑本地钢铁工业的生产和供应链，以及防止劣质钢铁产品涌入我国。

政府已经采取步骤，调查和研究对从某几个国家入口的几种钢铁产品征收反倾销税的可能性。有了政府的这些措施，我们展望政府会施行更加严格的指南，以确保入口的钢铁产品符合条例的规定以及强制性产品规格。

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

至于产业组，本集团目前在马来西亚和中国推行的两项混合性发展计划，预料将持续取得令人满意的业绩。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

2014年8月28日，Y. Bhg. Dato' Kamaruddin bin Haji Ismail辞去本公司的董事职位。在担任董事期间，Y. Bhg. Dato' Kamaruddin bin Haji Ismail也是审核委员会，提名委员会以及薪酬委员会的委员。我谨代表董事部，对Y. Bhg. Dato' Kamaruddin bin Haji Ismail 在担任本公司董事，以及上述委员会的委员期间宝贵的贡献，表达真诚的谢意。

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、支持和所作出的贡献，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。

董事主席
丹斯里锺廷森

FINANCIAL STATEMENTS

2014

For The Financial Year Ended 30 June 2014

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Loss, net of tax	(852,911)	(725,080)
Attributable to:		
Owners of the Company	(696,203)	(725,080)
Non-controlling interests	(156,708)	–
	(852,911)	(725,080)

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 the Blast Furnace Project which resulted in an increase in the Group's losses by RM436.0 million as disclosed in Note 12 to the financial statements.

DIVIDEND

The amount of dividend paid by the Company since 30 June 2013 were as follows:

	RM'000
In respect of the financial year ended 30 June 2013 as reported in the Directors' Report of that year, a first and final tax exempt dividend of 2% (1 sen per share) was paid on 16 January 2014	13,922

The Directors do not recommend any payment of dividend in respect of the financial year ended 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 (Resigned on 28 August 2014)

In accordance with Article 98 of the Company's Articles of Association, Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, 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

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 other than those arising from the share options granted under the Executive Share Option Scheme ("ESOS") and the 5-year 4% Irredeemable Convertible Unsecured Loan Stocks 2008/2013 ("ICULS") of the Company which had been fully converted into new ordinary shares of RM0.50 each in the Company as disclosed below.

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 39 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			
	1.7.2013	**Acquired**	**Disposed**	**30.6.2014**
Direct Interest				
Tan Sri William H.J. Cheng	121,356,607	243,230,000	–	364,586,607
Tan Sri Cheng Yong Kim	7,841,337	2,000,000	–	9,841,337
Indirect Interest				
Tan Sri William H.J. Cheng	286,428,888	97,923,044	(65,657,070)	318,694,862
Tan Sri Cheng Yong Kim	3,500,000	375,657,070	–	379,157,070

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 had been converted 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			
	1.7.2013	**Acquired**	**Disposed/ Converted**	**30.6.2014**
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)	–
Tan Sri Cheng Yong Kim	–	170,000,000	(170,000,000)	–

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:

	Number of Ordinary Shares			
	1.7.2013	**Acquired**	**Disposed**	**30.6.2014**
LDH Investment Pte Ltd				
Indirect Interest				
Tan Sri William H.J. Cheng	4,500,000	–	–	4,500,000
Tan Sri Cheng Yong Kim	–	4,500,000	–	4,500,000

	Number of Ordinary Shares of RM1.00 Each			
	1.7.2013	**Acquired**	**Disposed**	**30.6.2014**
Jernih Aktif Sdn Bhd				
Indirect Interest				
Tan Sri William H.J. Cheng	70	–	–	70
Tan Sri Cheng Yong Kim	–	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.

Issue of shares

During the financial year, the issued and paid-up share capital of the Company increased from RM368,611,613.50 divided into 737,223,227 ordinary shares of RM0.50 each to RM696,073,677.50 divided into 1,392,147,355 ordinary shares of RM0.50 each arising from the full conversion of RM327,462,064 nominal value of ICULS into 654,924,128 new ordinary shares of RM0.50 each in the Company.

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

Executive Share Option Scheme

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 36 to the financial statements.

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

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss, the statements of other 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 satisfied themselves that there were no known bad debts 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.

(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, save as disclosed in Note 2.1 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.

SIGNIFICANT EVENTS

Significant events are disclosed in Note 40 to the financial statements.

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 41 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 20 October 2014.

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 46 to 172 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 2014 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 48 to the financial statements on page 173 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 20 October 2014.

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 46 to 173 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 20 October 2014

TAN SRI CHENG YONG KIM

Before me,

W626
HAJJAH JAMILAH ISMAIL
Commissioner of 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 position as at 30 June 2014 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 172.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 20 to the financial statements, the Group has recognised deferred tax assets of RM418.1 million as at the reporting date. We are unable to obtain sufficient appropriate audit evidence in relation to the reasonableness of the assumptions used by management in their assessment of the Group's future profitability in order to satisfy ourselves on the quantum and extent of future taxable profit that will be available against which the temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Consequently, we were unable to determine the reasonableness of the carrying amount of the deferred tax assets of the Group.

As disclosed in Note 2.5(b)(viii) to the financial statements, the Group is contractually bound to acquire freight service from a third party service provider which is above the current market rates. We are unable to obtain sufficient appropriate audit evidence in relation to the reasonableness of the assumptions used by management in their assessment of the Group's future profitability in order to satisfy ourselves on the quantum of the provision for onerous contract to be recognised in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets arising from the agreement. Accordingly, we were unable to obtain sufficient audit evidence to determine whether any provision for onerous contract were necessary.

Qualified opinion

In our opinion, except for the effects on the matters described in the "Basis for qualified opinion" paragraph, if any, the financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2014 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 2.1 to the financial statements which discloses that the Group and the Company incurred net losses of approximately RM852.9 million (2013: RM222.6 million) and RM725.1 million (2013: RM174.1 million) respectively for the financial year ended 30 June 2014 and as at that date, the Group's current liabilities exceeded its current assets by RM1,998.9 million (2013: RM1,910.8 million). These conditions along with other matters as set forth in Note 2.1 to the financial statements, indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

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 15 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 material 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 the auditors' reports for the following subsidiaries were qualified in respect of matters discussed below:

    (i) Lion Corporation Berhad ("LCB") and Megasteel Sdn Bhd ("Megasteel"), which qualified on the realisability of deferred tax assets described in the "Basis for qualified opinion" paragraph above and the quantum of the provision for onerous contract in accordance with FRS 137 Provisions, Contingent Liabilities and Contingent Assets arising from Offtake Agreement with Lion DRI Sdn Bhd ("Lion DRI");

    (ii) Lion DRI, which qualified on the recoverability of amount due from Megasteel; and

    (iii) Lion DRI, LCB and Megasteel, which include an "Emphasis of matter" highlighting the uncertainty that may cast significant doubt about the ability of Lion DRI, LCB and Megasteel to continue as a going concern.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 48 to the financial statements on page 173 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
20 October 2014

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
Revenue	3	**2,730,352**	2,855,572	**8**	247
Other income	4	**72,739**	55,660	**3,562**	911
Changes in inventories		**(33,897)**	(55,938)	**–**	–
Raw materials and consumables used		**(1,951,164)**	(2,035,692)	**–**	–
Property development expenditure		**(118,586)**	(89,781)	**–**	–
Employee benefits expense	5	**(139,655)**	(147,563)	**(500)**	(473)
Depreciation and amortisation		**(164,520)**	(163,426)	**(173)**	(194)
Inventories written down/written off (net)		**(33,876)**	(26,438)	**–**	–
Other expenses		**(461,668)**	(484,897)	**(517)**	(5,462)
		(100,275)	(92,503)	**2,380**	(4,971)
Finance costs	7	**(284,897)**	(322,789)	**(7,862)**	(8,879)
Gain on settlement of liabilities	8	**–**	847,166	**–**	–
Loss on disposal of an associate	8	**–**	(575,958)	**–**	–
Impairment loss/Write off on:					
- Plant and equipment	12	**(446,389)**	(10,000)	**–**	–
- Investments in subsidiaries	15	**–**	–	**(170,562)**	(142,785)
- Investments in associates	16	**–**	(39,843)	**–**	–
- Investment securities		**(62,035)**	(36,414)	**(7,348)**	(7,601)
- Receivables from subsidiaries	22	**–**	–	**(538,492)**	(6,919)
Gain/(Loss) on disposal of subsidiaries	15	**22,899**	–	**(1,651)**	–
Mining expenditure expensed off		**–**	(9,777)	**–**	–
Share of results of associates		**2,172**	4,000	**–**	–
Share of results of joint ventures		**3,655**	2,278	**–**	–
Loss before tax	6	**(864,870)**	(233,840)	**(723,535)**	(171,155)
Income tax expense	9	**11,959**	11,224	**(1,545)**	(2,967)
Loss, net of tax		**(852,911)**	(222,616)	**(725,080)**	(174,122)
Attributable to:					
- Owners of the Company		**(696,203)**	(158,533)	**(725,080)**	(174,122)
- Non-controlling interests		**(156,708)**	(64,083)	**–**	–
		(852,911)	(222,616)	**(725,080)**	(174,122)
Loss per share (sen):					
Basic	10(a)	**(50.0)**	(11.4)		
Diluted	10(b)	**(50.0)**	(11.4)		

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
Loss, net of tax		**(852,911)**	(222,616)	**(725,080)**	(174,122)
Other comprehensive income/(loss)					
Foreign currency translations		**3,923**	6,335	**–**	–
Net (loss)/gain on available-for-sale financial assets:					
- Loss on fair value changes		**(47,197)**	(36,769)	**–**	(5,552)
- Transfer to profit or loss upon derecognition		**–**	(5)	**–**	–
- Loss reclassified to profit or loss		**49,251**	12,256	**–**	7,601
Share of reserves of associates reclassified to profit or loss upon disposal		**–**	(29,515)	**–**	–
Share of other comprehensive (loss)/ income of associates		**(675)**	435	**–**	–
Other comprehensive income/(loss) for the year, net of tax, representing items that may be reclassified subsequently to profit or loss		**5,302**	(47,263)	**–**	2,049
Total comprehensive loss for the year, attributable to the owners of the Company		**(847,609)**	(269,879)	**(725,080)**	(172,073)
Attributable to:					
- Owners of the Company		**(693,426)**	(190,983)	**(725,080)**	(172,073)
- Non-controlling interests		**(154,183)**	(78,896)	**–**	–
		(847,609)	(269,879)	**(725,080)**	(172,073)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	2014 RM'000	Group 2013 RM'000 (Restated)	1.7.2012 RM'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	12	**2,992,729**	3,597,203	3,748,785
Investment properties	13	**11,175**	11,431	11,687
Land held for property development	14(a)	**71,299**	76,290	125,529
Investments in associates	16	**53,845**	52,662	963,668
Investments in joint ventures	17	**24,026**	20,752	22,243
Investment securities	18	**25,051**	197,961	56,719
Intangible assets	19	**10,484**	10,484	10,484
Deferred tax assets	20	**418,082**	385,941	361,779
		3,606,691	4,352,724	5,300,894
Current assets				
Property development cost	14(b)	**102,515**	91,090	59,498
Inventories	21	**833,792**	1,073,575	1,125,864
Investment securities	18	**133,056**	25,225	229,116
Trade and other receivables	22	**257,905**	240,050	361,619
Derivative assets	23	**92**	–	–
Tax recoverable		**3,515**	12,043	13,612
Cash and bank balances	24	**469,769**	464,699	327,234
		1,800,644	1,906,682	2,116,943
Non-current assets classified as held for sale	25	**–**	9,833	–
		1,800,644	1,916,515	2,116,943
TOTAL ASSETS		**5,407,335**	6,269,239	7,417,837

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2014 (Continued)

	Note	Group 2014 RM'000	2013 RM'000 (Restated)	1.7.2012 RM'000 (Restated)
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	26	**696,074**	368,612	368,612
Share premium		**330,967**	330,967	330,967
Other reserves	27	**17,655**	301,865	333,191
(Accumulated losses)/ Retained profits		**(515,626)**	234,974	402,003
		529,070	1,236,418	1,434,773
Non-controlling interests		**(209,762)**	(55,579)	23,317
Total equity		**319,308**	1,180,839	1,458,090
Non-current liabilities				
Loans and borrowings	28	**907,200**	1,110,922	1,478,771
Deferred tax liabilities	20	**125,688**	130,895	122,719
Derivative liability	31	**–**	16,389	–
Deferred liabilities	32	**255,600**	2,834	2,587
		1,288,488	1,261,040	1,604,077
Current liabilities				
Trade and other payables	33	**1,986,664**	2,031,125	1,912,041
Provisions	34	**38,000**	38,000	29,000
Product financing liabilities	35	**383,218**	613,744	578,504
Loans and borrowings	28	**1,382,560**	1,134,363	1,815,950
Derivative liability	31	**43**	–	–
Tax payable		**9,054**	10,128	20,175
		3,799,539	3,827,360	4,355,670
Total liabilities		**5,088,027**	5,088,400	5,959,747
TOTAL EQUITY AND LIABILITIES		**5,407,335**	6,269,239	7,417,837

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2014 (Continued)

	Note	Company 2014 RM'000	2013 RM'000 (Restated)	1.7.2012 RM'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	12	**214**	387	572
Investments in subsidiaries	15	**80,435**	252,768	395,553
Investment securities	18	**13,954**	21,302	26,860
Deferred tax assets	20	**–**	1,545	4,512
		94,603	276,002	427,497
Current assets				
Other receivables	22	**718,394**	1,247,997	1,258,979
Tax recoverable		**784**	3,939	3,933
Cash and bank balances	24	**7,575**	7,840	8,588
		726,753	1,259,776	1,271,500
TOTAL ASSETS		**821,356**	1,535,778	1,698,997
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	26	**696,074**	368,612	368,612
Share premium		**330,967**	330,967	330,967
Other reserves	27	**–**	287,182	285,133
(Accumulated losses)/Retained profits		**(530,825)**	248,457	429,951
Total equity		**496,216**	1,235,218	1,414,663
Non-current liability				
Loans and borrowings	28	**108**	179	5,237
Current liabilities				
Other payables	33	**263,176**	294,092	265,902
Loans and borrowings	28	**61,856**	6,289	13,195
		325,032	300,381	279,097
Total liabilities		**325,140**	300,560	284,334
TOTAL EQUITY AND LIABILITIES		**821,356**	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 2014

	Note	Share Capital RM'000 (Note 26)	Share Premium RM'000	Other Reserves RM'000 (Note 27)	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
		← Attributable to Owners of the Company				→		
		← Non-Distributable →						
Group								
2014								
At 1 July 2013, as restated		**368,612**	**330,967**	**301,865**	**234,974**	**1,236,418**	**(55,579)**	**1,180,839**
Total comprehensive income/(loss) for the year		**–**	**–**	**2,777**	**(696,203)**	**(693,426)**	**(154,183)**	**(847,609)**
		368,612	**330,967**	**304,642**	**(461,229)**	**542,992**	**(209,762)**	**333,230**
Transactions with owners								
Transfer to capital reserve		**–**	**–**	**195**	**(195)**	**–**	**–**	**–**
Issuance of ordinary shares pursuant to conversion of ICULS		**327,462**	**–**	**(287,182)**	**(40,280)**	**–**	**–**	**–**
Dividends	11	**–**	**–**	**–**	**(13,922)**	**(13,922)**	**–**	**(13,922)**
Total transactions with owners		**327,462**	**–**	**(286,987)**	**(54,397)**	**(13,922)**	**–**	**(13,922)**
At 30 June 2014		**696,074**	**330,967**	**17,655**	**(515,626)**	**529,070**	**(209,762)**	**319,308**
2013								
At 1 July 2012, as previously stated		368,612	330,967	318,728	483,446	1,501,753	–	1,501,753
Effects from adoption of FRS 10	2.2	–	–	14,463	(81,443)	(66,980)	23,317	(43,663)
At 1 July 2012, as restated		368,612	330,967	333,191	402,003	1,434,773	23,317	1,458,090
Total comprehensive loss for the year		–	–	(32,450)	(158,533)	(190,983)	(78,896)	(269,879)
		368,612	330,967	300,741	243,470	1,243,790	(55,579)	1,188,211
Transactions with owners								
Transfer to capital reserve		–	–	1,124	(1,124)	–	–	–
Dividends	11	–	–	–	(7,372)	(7,372)	–	(7,372)
Total transactions with owners		–	–	1,124	(8,496)	(7,372)	–	(7,372)
At 30 June 2013, as restated		368,612	330,967	301,865	234,974	1,236,418	(55,579)	1,180,839

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014 (Continued)

	Note	Share Capital RM'000 (Note 26)	←Non-Distributable→ Share Premium RM'000	Other Reserves RM'000 (Note 27)	Retained Profits/ (Accumulated Losses) RM'000	Total RM'000
Company						
2014						
At 1 July 2013		**368,612**	**330,967**	**287,182**	**248,457**	**1,235,218**
Total comprehensive loss for the year		**–**	**–**	**–**	**(725,080)**	**(725,080)**
		368,612	**330,967**	**287,182**	**(476,623)**	**510,138**
Transactions with owners						
Issuance of ordinary shares pursuant to conversion of ICULS		**327,462**	**–**	**(287,182)**	**(40,280)**	**–**
Dividends	11	**–**	**–**	**–**	**(13,922)**	**(13,922)**
Total transactions with owners		**327,462**	**–**	**(287,182)**	**(54,202)**	**(13,922)**
At 30 June 2014		**696,074**	**330,967**	**–**	**(530,825)**	**496,216**
2013						
At 1 July 2012		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						
Dividends	11	–	–	–	(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

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 2014

	Group		Company	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Cash flows from operating activities				
Loss before tax	**(864,870)**	(233,840)	**(723,535)**	(171,155)
Adjustments for:				
Depreciation and amortisation	**164,520**	163,426	**173**	194
Write off of plant and equipment	**645**	553	**–**	–
Gain on disposal of property, plant and equipment	**(17)**	(135)	**–**	–
(Gain)/Loss on disposal of subsidiaries	**(22,899)**	–	**1,651**	–
Loss on disposal of an associate	**–**	575,958	**–**	–
Gain on conversion of Exchangeable Bonds	**–**	(5)	**–**	–
Gain on settlement of liabilities	**–**	(847,166)	**–**	–
Realisation of gain from available-for-sale reserve	**–**	(5)	**–**	–
Impairment loss/Write off on:				
- Investments in subsidiaries	**–**	–	**170,562**	142,785
- Investments in associates	**–**	39,843	**–**	–
- Investment securities	**62,035**	36,414	**7,348**	7,601
- Plant and equipment	**446,389**	10,000	**–**	–
- Receivables from subsidiaries	**–**	–	**538,492**	6,919
Fair value (gain)/loss on derivative liability	**(16,346)**	16,389	**–**	–
Fair value gain on derivative assets	**(92)**	–	**–**	–
Impairment loss on trade and other receivables	**502**	2,337	**–**	–
Provision for potential claims	**–**	9,000	**–**	–
Provision for defined benefit plan	**178**	274	**–**	–
Inventories written down/written off (net)	**33,876**	26,450	**–**	–
Waiver of debts	**283**	–	**–**	–
Reversal of impairment loss of unquoted bonds	**(1,325)**	(890)	**(1,325)**	(890)
Unrealised foreign exchange (gain)/loss (net)	**(9,772)**	5,299	**(2,227)**	1,199
Interest expense	**284,897**	322,789	**7,862**	8,879
Interest income	**(9,374)**	(10,041)	**(10)**	(20)
Dividend income	**(175)**	(7,663)	**(8)**	(247)
Share of results of associates	**(2,172)**	(4,000)	**–**	–
Share of results of joint ventures	**(3,655)**	(2,278)	**–**	–
Operating profit/(loss) before working capital changes	**62,628**	102,709	**(1,017)**	(4,735)
Changes in working capital:				
Inventories	**205,907**	25,841	**–**	–
Receivables	**(16,340)**	132,902	**4**	5,308
Payables	**14,695**	86,917	**871**	731
Property development costs	**(6,478)**	17,641	**–**	–
Cash generated from/(used in) operations	**260,412**	366,010	**(142)**	1,304
Interest received	**7,836**	9,607	**10**	20
Interest paid	**(135,738)**	(130,575)	**(1,508)**	(246)
Retirement benefit paid	**(134)**	(27)	**–**	–
Taxes (paid)/refund	**(17,915)**	(12,939)	**3,155**	–
Net cash generated from operating activities	**114,461**	232,076	**1,515**	1,078

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014 (Continued)

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Cash flows from investing activities				
Proceeds from disposal of subsidiary	**32,996**	–	**120**	–
Proceeds from disposal of an associate	**–**	79,500	**–**	–
Proceeds from disposal of property, plant and equipment	**43**	542	**–**	–
Proceeds from disposal of investment securities	**–**	6	**–**	6
Proceeds from redemption of unquoted bonds	**7,697**	5,249	**1,325**	890
Purchase of property, plant and equipment (Note 12(c))	**(6,712)**	(23,435)	**–**	(9)
Addition to non-current assets classified as held for sale (Note 25)	**(267)**	–	**–**	–
(Payment to)/Advances from subsidiaries	**–**	–	**(25,576)**	31,172
Deferred payment for acquisition of subsidiary (Note 30)	**(18,940)**	(13,519)	**(18,940)**	(13,519)
Dividends received from investment securities	**175**	2,083	**8**	241
Dividends received from associate	**314**	1,100	**–**	–
Dividends received from joint ventures	**–**	3,500	**–**	–
Net cash generated from/(used in) investing activities	**15,306**	55,026	**(43,063)**	18,781
Cash flows from financing activities				
Dividends paid	**(13,922)**	(7,372)	**(13,922)**	(7,372)
Increase of deposits with licensed banks	**(159)**	(155)	**–**	–
Repayment of bank borrowings	**(351,379)**	(128,716)	**(6,603)**	(13,093)
Redemption of Exchangeable Bonds	**(46,454)**	(24,234)	**–**	–
Redemption of bonds and debts	**(25,914)**	(56,166)	**–**	–
Proceeds from bank borrowings	**250,280**	62,064	**–**	–
Repayment of obligations under finance leases	**(439)**	(505)	**(67)**	(98)
Net cash used in financing activities	**(187,987)**	(155,084)	**(20,592)**	(20,563)
Net (decrease)/increase in cash and cash equivalents	**(58,220)**	132,018	**(62,140)**	(704)
Effects of changes in foreign exchange rates	**84**	3,165	**89**	(44)
Cash and cash equivalents at beginning of year	**443,995**	308,812	**7,840**	8,588
Cash and cash equivalents at end of year (Note 24)	**385,859**	443,995	**(54,211)**	7,840

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

1. CORPORATE INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 15. There have been no significant changes in the nature of the principal activities of the Group and of the Company 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, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 October 2014.

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.

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.

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

(i) the Group and the Company incurred net losses of approximately RM852.9 million (2013: RM222.6 million) and RM725.1 million (2013: RM174.1 million) respectively for the financial year ended 30 June 2014 and as at that date, the Group's current liabilities exceeded its current assets by RM1,998.9 million (2013: RM1,910.8 million);

(ii) the Group and the Company have defaulted in payments to certain creditors and lenders as disclosed in Notes 28 and 30. During the financial year, the Group has proposed further deferment of payments and is in the midst of formulating plans of deferment of payments to these creditors and lenders;

(iii) a material subsidiary, Megasteel Sdn Bhd ("Megasteel"), faces material uncertainty on its ability to realise its assets and discharge its liabilities in the normal course of business;

Megasteel is working togerther with an independent consultant and the authorities had conducted a study on turnaround action plans to address the issues pertaining to the repayment of the liabilities and borrowings. Based on the independent consultant's findings, the action plans identified are, but not limited to the following:

- to undertake a corporate and debt restructuring to address capital and funding issues;
- to engage global experts in the steel industry to transfer technical know-how and best practice in the industry into Megasteel; and
- implemented certain cost saving plans and changes to the sales strategies.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

- entered into discussions with the relevant authorities in implementing certain policies for the steel industry; and
- entered into discussions with various interested third party investors with a view to inject new working capital via additional issuance of share capital. These discussions are still on-going and there is no indication from these various interested third party investors that they are no longer interested to invest in Megasteel.

The Group has also taken the following initiatives:

(i) to engage with its major creditors and lenders, 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.

In June 2014, the relevant authority had started an investigation on alleged illegal dumping of steel products from overseas in response to a petition made in that these dumping activities have an adverse effect on the steel industry in Malaysia. If the allegations are proven to be affirmative, the relevant authority may impose a preliminary anti-dumping duty at the rate that is necessary to prevent further injury to the steel manufacturing industry in Malaysia.

In October 2014, the Government has announced the imposition of 120-day Provisional Anti-Dumping Duty Measure on Hot Rolled Coils originating or exported from certain countries.

The Directors have concluded that the combination of the circumstances highlighted above indicates uncertainties 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 action 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 2013, 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 January 2013:

FRS 10	*Consolidated Financial Statements*
FRS 11	*Joint Arrangements*
FRS 12	*Disclosure of Interests in Other Entities*
FRS 13	*Fair Value Measurement*
FRS 119	*Employee Benefits*
FRS 127	*Separate Financial Statements*
FRS 128	*Investment in Associate and Joint Ventures*
Amendments to FRS 1	*Government Loans*
Amendments to FRS 7	*Disclosures - Offsetting Financial Assets and Financial Liabilities*
Amendments to FRS 10	*Consolidated Financial Statements: Transition Guidance*
Amendments to FRS 11	*Joint Arrangement: Transition Guidance*
Amendments to FRS 12	*Disclosure of Interest in Other Entities: Transition Guidance*
Amendments to FRS 101	*Presentation of Financial Statements (Improvements to FRSs (2012))*
Amendments to FRS 116	*Property, Plant and Equipment (Improvements to FRSs (2012)*
Amendments to FRS 132	*Financial Instruments: Presentation (Improvements to FRSs (2012))*
Amendments to FRS 134	*Interim Financial Reporting (Improvements to FRSs (2012))*
IC Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

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 except as discussed below:

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

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

FRS 10 *Consolidated Financial Statements*

FRS 10 replaces part of FRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation Special Purpose Entities* that deals with consolidated financial statements. Under FRS 10, an investor controls an investee when:

(a) the investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its investment with the investee; and

(c) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under FRS 127 *Consolidated and Separate Financial Statements*, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor that owns less than 50% of the voting shares in an investee has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders. The application of FRS 10 affected the accounting for the Group's equity interest in Lion Corporation Berhad ("LCB"), which was previously treated as associate of the Group and accounted for using the equity method of accounting but now treated as a subsidiary.

Pursuant to the adoption of FRS 10, the Group is now deemed to have de-facto control on LCB even though it has less than 50% of the voting rights. The Group is the single largest shareholder of LCB with a 49.1% (2013: 49.2%) equity interest. Historically, the other shareholders have not formed a group to exercise their votes collectively. LCB is deemed to be a subsidiary of the Company in accordance with the requirements of FRS 10. Accordingly, the Group is required to consolidate the financial position and financial results of the LCB Group and adjustments have been made retrospectively.

The above change in accounting policy has affected the amounts reported in the Group's consolidated financial statements, as shown in Note 2.2(i) to 2.2(iii) below.

FRS 11 *Joint Arrangements*

FRS 11 replaces FRS 131 *Interests in Joint Ventures* and IC Interpretation 113 *Jointly-Controlled Entities – Non-monetary Contributions by Venturers*.

The classification of joint arrangements under FRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under FRS 11, joint arrangements are classified as either joint operations or joint ventures.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

FRS 11 *Joint Arrangements* (Continued)

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

The above change in accounting policy has no significant impact to the financial statements of the Group and of the Company.

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.

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. As a result of the guidance in FRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. FRS 13 also requires additional disclosures.

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

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

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

The above change in accounting policy has no significant impact to the financial statements of the Group.

FRS 127 *Separate Financial Statements*

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

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.

(i) Impact of the application of the FRS 10 on the net assets and equity of the Group and of the Company as at 1 July 2012 and 30 June 2013 are as follows:

Group	30.6.2013 As previously stated RM'000	FRS 10 adjustments RM'000	30.6.2013 As restated RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	1,304,762	2,292,441	3,597,203
Investment properties	11,431	–	11,431
Land held for property development	69,485	6,805	76,290
Investments in associates	91,413	(38,751)	52,662
Investments in joint ventures	20,752	–	20,752
Investment securities	193,597	4,364	197,961
Intangible assets	10,484	–	10,484
Deferred tax assets	2,133	383,808	385,941
	1,704,057	2,648,667	4,352,724
Current assets			
Property development cost	86,793	4,297	91,090
Inventories	231,386	842,189	1,073,575
Investment securities	–	25,225	25,225
Trade and other receivables	517,511	(277,461)	240,050
Tax recoverable	7,250	4,793	12,043
Cash and bank balances	313,164	151,535	464,699
	1,156,104	750,578	1,906,682
Non-current assets classified as held for sale	–	9,833	9,833
	1,156,104	760,411	1,916,515
TOTAL ASSETS	2,860,161	3,409,078	6,269,239

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(i) Impact of the application of the FRS 10 on the net assets and equity of the Group and of the Company as at 1 July 2012 and 30 June 2013 are as follows: (Continued)

Group	30.6.2013 As previously stated RM'000	FRS 10 adjustments RM'000	30.6.2013 As restated RM'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	368,612	–	368,612
Share premium	330,967	–	330,967
Other reserves	303,307	(1,442)	301,865
Retained profits	254,085	(19,111)	234,974
	1,256,971	(20,553)	1,236,418
Non-controlling interests	–	(55,579)	(55,579)
Total equity	1,256,971	(76,132)	1,180,839
Non-current liabilities			
Loans and borrowings	190,368	920,554	1,110,922
Deferred tax liabilities	128,932	1,963	130,895
Derivative liability	16,389	–	16,389
Deferred liabilities	–	2,834	2,834
	335,689	925,351	1,261,040
Current liabilities			
Trade and other payables	806,796	1,224,329	2,031,125
Provisions	38,000	–	38,000
Product financing liabilities	150,051	463,693	613,744
Loans and borrowings	262,630	871,733	1,134,363
Tax payable	10,024	104	10,128
	1,267,501	2,559,859	3,827,360
Total liabilities	1,603,190	3,485,210	5,088,400
TOTAL EQUITY AND LIABILITIES	2,860,161	3,409,078	6,269,239

Company			
ASSETS			
Non-current assets			
Investments in subsidiaries	232,298	20,470	252,768
Investments in associates	20,470	(20,470)	–

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(i) Impact of the application of the FRS 10 on the net assets and equity of the Group and of the Company as at 1 July 2012 and 30 June 2013 are as follows: (Continued)

Group	**1.7.2012 As previously stated RM'000**	**FRS 10 adjustments RM'000**	**1.7.2012 As restated RM'000**
ASSETS			
Non-current assets			
Property, plant and equipment	1,336,249	2,412,536	3,748,785
Investment properties	11,687	–	11,687
Land held for property development	119,541	5,988	125,529
Investments in associates	255,364	708,304	963,668
Investments in joint ventures	22,243	–	22,243
Investment securities	46,309	10,410	56,719
Intangible assets	10,484	–	10,484
Deferred tax assets	5,175	356,604	361,779
	1,807,052	3,493,842	5,300,894
Current assets			
Property development cost	55,797	3,701	59,498
Inventories	176,619	949,245	1,125,864
Investment securities	184,005	45,111	229,116
Trade and other receivables	583,443	(221,824)	361,619
Tax recoverable	7,671	5,941	13,612
Cash and bank balances	197,394	129,840	327,234
	1,204,929	912,014	2,116,943
TOTAL ASSETS	3,011,981	4,405,856	7,417,837

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(i) Impact of the application of the FRS 10 on the net assets and equity of the Group and of the Company as at 1 July 2012 and 30 June 2013 are as follows: (Continued)

Group	**1.7.2012 As previously stated RM'000**	**FRS 10 adjustments RM'000**	**1.7.2012 As restated RM'000**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	368,612	–	368,612
Share premium	330,967	–	330,967
Other reserves	318,728	14,463	333,191
Retained profits	483,446	(81,443)	402,003
	1,501,753	(66,980)	1,434,773
Non-controlling interests	–	23,317	23,317
Total equity	1,501,753	(43,663)	1,458,090
Non-current liabilities			
Loans and borrowings	27,048	1,451,723	1,478,771
Deferred tax liabilities	119,045	3,674	122,719
Deferred liabilities	–	2,587	2,587
	146,093	1,457,984	1,604,077
Current liabilities			
Trade and other payables	736,213	1,175,828	1,912,041
Provisions	29,000	–	29,000
Product financing liabilities	97,944	480,560	578,504
Loans and borrowings	480,907	1,335,043	1,815,950
Tax payable	20,071	104	20,175
	1,364,135	2,991,535	4,355,670
Total liabilities	1,510,228	4,449,519	5,959,747
TOTAL EQUITY AND LIABILITIES	3,011,981	4,405,856	7,417,837
Company			
ASSETS			
Non-current assets			
Investments in subsidiaries	270,985	124,568	395,553
Investments in associates	124,568	(124,568)	–

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(ii) Impact of the application of the FRS 10 on the statements of profit or loss of the Group for the financial year:

	2014 RM'000	2013 RM'000
Increase in revenue	**1,528,963**	1,434,841
Decrease in other income	**(6,124)**	(3,575)
Increase in inventories	**(43,381)**	(45,989)
Increase in raw materials and consumables used	**(980,246)**	(900,212)
Increase in property development expenditure	**(56,357)**	(16,255)
Increase in employee benefits expense	**(88,675)**	(94,539)
Increase in depreciation and amortisation	**(128,923)**	(127,573)
Increase in inventories written down/written off	**(33,824)**	(26,438)
Increase in other expenses	**(403,783)**	(409,232)
Increase in finance costs	**(211,386)**	(246,741)
Increase in exceptional items	**215,007**	241,524
Increase in share of results of associates	**93,586**	167,951
Decrease in income tax expense	**23,296**	24,487
Increase in loss for the year	**(91,847)**	(1,751)
Increase in loss for the year attributable to:		
Owners of the Company	**64,861**	62,332
Non-controlling interests	**(156,708)**	(64,083)
	(91,847)	(1,751)

(iii) Impact of the application of the FRS 10 on the cash flows of the Group for the financial year:

	2014 RM'000	2013 RM'000
Net cash inflow from operating activities	**44,721**	122,580
Net cash inflow from investing activities	**40,759**	71,460
Net cash outflow from financing activities	**(60,487)**	(174,639)
Net cash inflow	**24,993**	19,401

(iv) Application of the FRS 10 has no material impact on the cash flows of the Company for the financial years ended 30 June 2014 and 30 June 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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**
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
Amendments to FRS 2	*Share-based Payment (Annual Improvements to FRSs 2010-2012 Cycle)*	1 July 2014
Amendments to FRS 3	*Business Combinations (Annual Improvements to FRSs 2010-2012 Cycle)*	1 July 2014
Amendments to FRS 3	*Business Combinations (Annual Improvements to FRSs 2010-2013 Cycle)*	1 July 2014
Amendments to FRS 119	*Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to FRS 8	*Operating Segments (Annual Improvements to FRSs 2010-2012 Cycle)*	1 July 2014
Amendments to FRS 13	*Fair Value Measurement (Annual Improvements to FRSs 2011-2013 Cycle)*	1 July 2014
Amendments to FRS 116	*Property, Plant and Equipment (Annual Improvements FRSs 2010-2012 Cycle)*	1 July 2014
Amendments to FRS 124	*Related Party Disclosures (Annual Improvements to FRSs 2010-2012 Cycle)*	1 July 2014
Amendments to FRS 138	*Intangible Assets (Annual Improvements to FRSs 2010-2012 Cycle)*	1 July 2014
Amendments to FRS 140	*Investment Property (Annual Improvements to FRSs 2011-2013 Cycle)*	1 July 2014
Amendments to FRS 116 and FRS 138	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 11	*Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 14	*Regulatory Deferral Accounts*	1 January 2016
FRS 9	*Financial Instruments (IFRS 9 issued by IASB in November 2009)*	To be announced
FRS 9	*Financial Instruments (IFRS 9 issued by IASB in October 2010)*	To be announced
FRS 9	*Financial Instruments Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139*	To be announced

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to FRS 9: *Mandatory Effective Date of FRS 9 and Transition Disclosures*, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. 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 not have an impact on classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phase, when the final standard including all phases is issued.

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 2017.

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 2018. 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 2017.

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.

The Company controls an investee if, and only if, the Company has all the following:

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders;

(ii) potential voting rights held by the Company, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary is consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. 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 when there are indications of impairment.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income ("OCI") and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost, is regarded as the cost on initial recognition of an investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

Business combinations (Continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 139 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the 'acquired' entity is reflected within equity as merger reserve/deficit. The profit or loss reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

At each reporting date, the Group's retained profits for the immediate preceding financial year in relation to the entities under common control, after adjusting for proposed/declared dividend as at that date will be transferred to merger deficit.

(b) 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.

(c) Subsidiaries

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(c) Subsidiaries (Continued)

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

(d) Investment in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition, the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and OCI of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures 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.

After application of the equity method, the Group applies FRS 139 *Financial Instruments: Recognition and Measurement* to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(e) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realised or intended to sold or consumed in normal operating cycle;

(ii) held primarily for the purpose of trading;

(iii) expected to be realised within twelve months after the reporting period; or

(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

(i) it is expected to be settled in normal operating cycle;

(ii) it is held primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting period; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(f) Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(f) Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets of liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(g) Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale. Any differences are included in the statement of profit or loss.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Non-current assets are not depreciated or amortised once classified as held for sale. Additional disclosures are provided in Note 25.

(h) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(h) Goodwill (Continued)

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 of, 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(ab).

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.

(i) 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. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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 89 years.

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

Buildings, land improvements and infrastructure	2% - 10%
Plant and machinery	3% - 33%
Motor vehicles	10% - 22%
Office equipment, furniture and fittings	2% - 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

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

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.

(j) 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.

Investment properties are derecognised when either they have been disposed of 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.

(k) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(k) Land held for property development and property development costs (Continued)

(ii) Property development costs (Continued)

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.

(l) 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 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.

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. Impairment loss on goodwill is not reversed in a subsequent period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(m) 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.

(n) 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 and this derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139) or financial assets acquired principally for the purpose of selling in the near term.

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

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(n) Financial assets (Continued)

(ii) Loans and receivables (Continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(o) 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(o) Impairment of financial assets (Continued)

(iii) Available-for-sale financial assets (Continued)

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.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, with a maturity of three months or less. These may also include bank overdrafts (if any) that form an integral part of the cash management process.

(q) 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.

(r) 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)

(r) 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.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(s) 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.

(t) 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)

(u) 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.

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

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

(w) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(w) Employee benefits (Continued)

(ii) Employee share option plans (Continued)

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.

(iii) Defined benefit plan - Unfunded

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

Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight-line basis over the average period until the amended benefits become vested.

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

(iv) Short term benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(x) 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.

The lessee shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.4(aa).

(y) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(y) Income tax (Continued)

(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.

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)

(y) Income tax (Continued)

(iii) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred in a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statements of financial position.

(z) 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.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. When a contract becomes onerous, the present obligation under the contract shall be recognised as a provision and measured at the lower of the expected net cost of fulfilling the contract and the expected cost of terminating the contract.

(aa) 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. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(aa) Revenue recognition (Continued)

(iv) Rental income

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

(v) Sales commission

Sales commission is recognised upon fulfilment of the terms of the sales contract.

(vi) Dividend income

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

(vii) 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.

(ab) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Summary of significant accounting policies (Continued)

(ab) Foreign currencies (Continued)

(iii) Foreign operations (Continued)

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:

		2014 RM	2013 RM
United States Dollar	(“USD”)	**3.21**	3.17
Chinese Renminbi	(“Rmb”)	**0.52**	0.52
Euro Dollar	(“Euro”)	**4.38**	4.14
Hong Kong Dollar	(“HKD”)	**0.41**	0.41

(ac) 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.

(ad) 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 45, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) 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.

Based on management's review, there was an impairment of RM62.0 million (2013: RM36.4 million) and RM7.3 million (2013: RM7.6 million) on investments of the Group and of the Company respectively during the financial year.

(ii) 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.

(iii) Joint ventures

The Group has interest in several investments which it regards as joint ventures 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 11 *Joint Arrangements*.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

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

(iv) 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 2014, 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 disclosed in Note 38(i).

(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.

A 5% difference in estimated total property development cost would increase or decrease the Group's loss for the year by RM1.8 million (2013: RM3.4 million).

(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 authorities 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) Taxes (Continued)

The Group has unrecognised tax benefits of RM910.0 million (2013: RM626.7 million) in the form of unused tax losses and unabsorbed capital allowances. 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.

(iii) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses 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 on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on estimation of future sales, operating costs, capital expenditure, dividends and other capital management transactions which are highly judgemental. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

As disclosed in Note 2.1, management has prepared significant comprehensive action plans to address the future viability and profitability of the Group. These will in turn result in future taxable profits to the Group to realise the deferred tax assets recognised.

The carrying value of recognised deferred tax assets of the Group are disclosed in Note 20.

(iv) 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 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 19.

(v) Depreciation, useful lives, residual value and impairment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(v) Depreciation, useful lives, residual value and impairment of plant and machinery (Continued)

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.

The Group also carried out impairment test, which required the estimation of the value-in-use and the fair value less cost to sell of certain propety, plant and equipment as detailed in Note 12.

The Group carries its Project at its salvageanle value. Significant judgement is required in determining the market value and the quantity of the Project. In making the judgement, the Group estimate the salvageable value based on information available in the steel market report and the report prepared by the supplier.

The carrying amount of assests of the Group arising from Project is disclosed in Note 12(e).

(vi) 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 34.

(vii) 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 31.

(viii) Provision for onerous contract

The Group is contractually bound to acquire freight service from a third party service provider which is above the current market rates. There may exist an onerous contract where the Group may need to incur unavoidable costs which may exceed the economic benefits expected to be received from it. However, as disclosed in Note 2.1, the Group has embarked on a restructuring scheme which will see the return to profitability. On this premise, the Group has prepared the business plan which forecasted that the Group will be able to recover all the cost of production, including the cost of freight services mentioned above. Accordingly, no provision for onerous contract has been made for the aforementioned cost of freight services.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Significant accounting estimates and judgements (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ix) Impairment of investment securities

At reporting date, management determines whether the carrying amounts of its investments are impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arms-length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts.

In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The growth rates used to forecast the projected cash flow for the following year approximate the performances of the respective investments based on the latest available management accounts.

(x) Impairment of loans and receivables

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

To determine whether there is objective evidence of impairment, 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. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loans and receivables at the reporting date are disclosed in Note 22.

(xi) Impairment of investment in subsidiaries

At reporting date, management determines whether the carrying amounts of its investments in subsidiaries are impaired. This involves measuring the recoverable amounts by applying the method as disclosed in Note 2.5(b)(x).

Based on management's review, an impairment of RM170.6 million (2013: RM142.8 million) is required for the Company's investment in subsidiaries during the current financial year as further disclosed in Note 15.

3. REVENUE

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

	Group		Company	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Sale of goods	**2,533,301**	2,683,890	**–**	–
Property development	**196,448**	163,650	**–**	–
Sales commission	**31**	30	**–**	–
Rental income	**151**	335	**–**	–
Dividend income from investment securities - quoted	**8**	7,478	**8**	247
Others	**413**	189	**–**	–
	2,730,352	2,855,572	**8**	247

4. OTHER INCOME

	Group		Company	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Interest income from short term deposits and others	**9,374**	10,041	**10**	20
Rental income	**2,678**	5,435	**–**	–
Insurance claim	**1,857**	5,782	**–**	–
Dividend income	**167**	185	**–**	–
Realisation of gain from available-for-sale reserve (Note 27)	**–**	5	**–**	–
Fair value gain on derivative liability (Note 31)	**16,346**	–	**–**	–
Fair value gain on derivative assets (Note 23)	**92**	–	**–**	–
Reversal of impairment loss on unquoted bonds	**1,325**	890	**1,325**	890
Foreign exchange gain:				
- Realised	**2,977**	17,788	**–**	–
- Unrealised	**13,161**	3,870	**2,227**	–
Sale of by-products	**11,544**	1,311	**–**	–
Other income	**13,218**	10,353	**–**	1
Total	**72,739**	55,660	**3,562**	911

5. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Wages, salaries and bonuses	**100,774**	104,693	**439**	390
Pension costs - defined contribution plans	**11,322**	12,371	**53**	75
Defined benefit plan (Note 32)	**178**	274	**–**	–
Other staff related expenses	**27,381**	30,225	**8**	8
	139,655	147,563	**500**	473

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. LOSS BEFORE TAX

Loss before tax is stated after charging/(crediting):

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Auditors' remuneration:				
- Current year	**1,003**	985	**30**	28
- Under provision in prior year	**19**	8	**2**	3
Directors' remuneration (Note 6(a))	**1,466**	1,878	**707**	672
Depreciation:				
- Property, plant and equipment (Note 12)	**164,264**	163,170	**173**	194
- Investment properties (Note 13)	**256**	256	**–**	–
Direct operating expenses of investment properties	**–**	1,442	**–**	–
Write off of plant and equipment	**645**	553	**–**	–
Impairment loss on trade and other receivables (net)	**502**	2,337	**–**	–
Provision for potential claims (Note 34)	**–**	9,000	**–**	–
Fair value loss on derivative liability (Note 31)	**–**	16,389	**–**	–
Foreign exchange loss:				
- Realised	**13,800**	2	**–**	–
- Unrealised	**3,389**	9,169	**–**	1,199
Rental expenses				
- Plant, machinery and equipment	**3,569**	4,631	**–**	–
- Premises	**3,462**	3,609	**–**	–
Waiver of debts	**283**	–	**–**	–
Gain on conversion of Exchangeable Bonds	**–**	(5)	**–**	–
Gain on disposal of property, plant and equipment	**(17)**	(135)	**–**	–

6. LOSS BEFORE TAX (Continued)

(a) Directors' remuneration

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

	Group		Company	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Executive Director:				
Fees	**25**	25	**25**	25
Salary and other emoluments	**439**	390	**439**	390
Pension costs - defined contribution plans	**53**	75	**53**	75
	517	490	**517**	490
Non-executive Directors:				
Fees	**214**	206	**190**	182
Salary and other emoluments	**668**	1,067	**–**	–
Pension costs - defined contribution plans	**67**	115	**–**	–
	949	1,388	**190**	182
	1,466	1,878	**707**	672

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

	Group Number of Directors	
	2014	**2013**
Executive Director		
RM450,001 - RM500,000	**–**	1
RM500,001 - RM550,000	**1**	–
Non-executive Directors		
RM50,000 and below	**3**	4 *
RM800,001 - RM850,000	**1**	–
RM1,250,001 - RM1,300,000	**–**	1

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

7. FINANCE COSTS

	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
Interest expense on:				
- Exchangeable Bonds, ICULS and RCSLS	**32,020**	49,342	**380**	1,227
- Loans and borrowings	**131,131**	168,375	**–**	–
- Amounts owing to subsidiaries and related parties	**47,291**	39,869	**44**	231
- Deferred payments (Note 30)	**5,974**	7,406	**5,974**	7,406
- Product financing liabilities (Note 35)	**50,368**	39,828	**–**	–
- Obligations under finance leases	**63**	53	**9**	15
- Bank overdrafts	**2,470**	1,141	**1,455**	–
- Others	**17,936**	16,775	**–**	–
	287,253	322,789	**7,862**	8,879
Less: Interest expense capitalised in property development cost (Note 14)	**(2,356)**	–	**–**	–
	284,897	322,789	**7,862**	8,879

8. GAIN ON SETTLEMENT OF LIABILITIES AND LOSS ON DISPOSAL OF AN ASSOCIATE

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Loss on disposal of an associate	**–**	(575,958)
Gain on settlement of debts	**–**	847,166

In the previous financial year, the Group had disposed of its entire equity interest in Lion Industries Corporation Berhad ("LICB"), a 25.34% associate, for a cash consideration of approximately RM254.5 million, which had resulted in a loss of RM576.0 million.

The proceeds arising from the above disposal had been utilised to repay and redeem the bonds, debts and RCSLS of the LCB Group which resulted in a gain of RM847.2 million.

9. INCOME TAX EXPENSE

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
		(Restated)		
Profit or loss				
Current income tax:				
- Malaysian tax	**13,721**	6,370	**–**	–
- Foreign tax	**11,382**	4,680	**–**	–
	25,103	11,050	**–**	–
Under/(Over) provision in respect of previous years:				
- Malaysian income tax	**266**	(230)	**–**	–
- Foreign income tax	**–**	(6,036)	**–**	–
	266	(6,266)	**–**	–
Deferred income tax (Note 20):				
- Origination and reversal of temporary differences	**(38,187)**	(21,481)	**1,545**	2,967
- Under provision in respect of previous years	**859**	5,473	**–**	–
	(37,328)	(16,008)	**1,545**	2,967
Income tax (benefit)/expense recognised in profit or loss	**(11,959)**	(11,224)	**1,545**	2,967

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.

9. INCOME TAX EXPENSE (Continued)

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 30 June 2014 and 30 June 2013 is as follows:

	Group		**Company**	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Loss before tax	**(864,870)**	(233,840)	**(723,535)**	(171,155)
Tax at Malaysian statutory rate of 25% (2013: 25%)	**(216,218)**	(58,460)	**(180,884)**	(42,789)
Different tax rates in other countries	**985**	228	**–**	–
Adjustments:				
Non-deductible expenses	**145,791**	102,953	**182,431**	45,807
Income not subject to tax	**(13,002)**	(109,156)	**(2)**	(56)
Under/(Over) provision of income tax in respect of previous years	**266**	(6,266)	**–**	–
Under provision of deferred tax in respect of previous years	**859**	5,473	**–**	–
Deferred tax assets not recognised in current year	**71,225**	56,629	**–**	5
Deferred tax assets recognised on previously unrecognised tax losses and unabsorbed capital allowances	**(408)**	(1,055)	**–**	–
Share of results of associates	**(543)**	(1,000)	**–**	–
Share of results of joint ventures	**(914)**	(570)	**–**	–
Tax (benefit)/expense for the year	**(11,959)**	(11,224)	**1,545**	2,967

Domestic current income tax is calculated at the statutory tax rate of 25% (2013: 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% (2013: 25%) on their respective taxable income.

Lion DRI Sdn Bhd ("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. In June 2014, Lion DRI was granted the approval for exemption from the authority for another 5 years effective from 1 September 2013 to 31 August 2018.

Tax savings during the financial year arising from:

	Group	
	2014 RM'000	**2013 RM'000 (Restated)**
Utilisation of previously unrecognised tax losses	**(408)**	–

9. INCOME TAX EXPENSE (Continued)

The following unabsorbed capital allowance and unutilised tax losses are available for offset against future taxable income, subject to approvals from relevant authorities.

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
Unabsorbed capital allowance	**2,946,557**	2,899,620
Unutilised tax losses	**1,147,542**	966,947
Other deductible temporary difference	**70,103**	55,935

10. 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 number of ordinary shares in issue after conversion of mandatorily convertible instruments during the financial year.

	Group	
	2014	**2013**
		(Restated)
Loss, net of tax attributable to owners of the Company (RM'000)	**(696,203)**	(158,533)
Number of ordinary shares in issue ('000) *	**1,392,147**	737,223
Adjustment for conversion of ICULS ('000)	**–**	654,924
Adjusted number of ordinary shares in issue and issuable ('000)	**1,392,147**	1,392,147
Basic LPS (sen)	**(50.0)**	(11.4)

* There was no issuance of new shares during the previous financial year ended 30 June 2013.

(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 in the previous year. ICULS had been fully converted during the current financial year. 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.

11. DIVIDENDS

	Group and Company			
	Dividends in respect of year		Dividends recognised in year	
	2013 RM'000	2012 RM'000	2014 RM'000	2013 RM'000
Dividends on ordinary shares:				
- First and final dividend of 2% for 2012, tax exempt (1.0 sen per ordinary share)	–	7,372	**–**	7,372
- First and final dividend of 2% for 2013, tax exempt (1.0 sen per ordinary share)	13,922	–	**13,922**	–
	13,922	7,372	**13,922**	7,372

The Directors do not recommend any payment of dividend in respect of the financial year ended 30 June 2014.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings, 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 2013	362,623	21,670	760,812	3,903,430	9,756	49,598	1,221	502,469	5,611,579
Additions	–	–	872	2,484	81	1,772	–	1,573	6,782
Disposals	–	–	–	(84)	(231)	(5)	–	–	(320)
Written off	–	–	–	(910)	(36)	(252)	–	(628)	(1,826)
Reclassification	–	–	–	2,655	–	–	–	(2,655)	–
Transfer from property development cost (Note 14(b))	–	–	45	–	–	–	–	–	45
Exchange differences	–	–	(2)	317	3	11	13	–	342
At 30 June 2014	362,623	21,670	761,727	3,907,892	9,573	51,124	1,234	500,759	5,616,602
Accumulated depreciation and impairment									
At 1 July 2013	9,673	3,552	206,652	1,741,735	6,225	35,324	1,215	10,000	2,014,376
Depreciation charge for the year	–	168	21,192	138,742	936	3,226	–	–	164,264
Disposals	–	–	–	(84)	(205)	(5)	–	–	(294)
Written off	–	–	–	(901)	(36)	(244)	–	–	(1,181)
Impairment loss	–	–	109	10,310	–	–	–	435,970	446,389
Exchange differences	–	–	–	291	3	12	13	–	319
At 30 June 2014	9,673	3,720	227,953	1,890,093	6,923	38,313	1,228	445,970	2,623,873

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings, 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
Comprising:									
Accumulated depreciation	**–**	**3,720**	**227,844**	**1,853,908**	**6,923**	**38,313**	**1,228**	**–**	**2,131,936**
Accumulated impairment	**9,673**	**–**	**109**	**36,185**	**–**	**–**	**–**	**445,970**	**491,937**
	9,673	**3,720**	**227,953**	**1,890,093**	**6,923**	**38,313**	**1,228**	**445,970**	**2,623,873**
Net carrying amount									
At 30 June 2014	**352,950**	**17,950**	**533,774**	**2,017,799**	**2,650**	**12,811**	**6**	**54,789**	**2,992,729**
Cost									
At 1 July 2012, as previously stated	115,591	8,174	159,211	730,441	4,812	5,674	1,229	495,677	1,520,809
Prior year adjustment (Note 46)	–	–	–	–	–	–	–	(23,882)	(23,882)
Adoption of FRS 10	247,032	16,961	605,652	3,179,466	4,444	41,036	–	18,855	4,113,446
At 1 July 2012 (Restated)	362,623	25,135	764,863	3,909,907	9,256	46,710	1,229	490,650	5,610,373
Additions	–	1,019	843	12,181	2,116	3,836	–	15,825	35,820
Disposals	–	–	–	(453)	(1,480)	(5)	–	(3,498)	(5,436)
Written off	–	–	–	(765)	(180)	(351)	–	(414)	(1,710)
Adjustment	–	–	–	19	–	–	–	(94)	(75)
Transfer from property development cost (Note 14(b))	–	–	8	–	–	–	–	–	8
Reclassified to assets held for sale (Note 25)	–	(4,484)	(5,000)	(17,276)	–	(610)	–	–	(27,370)
Exchange differences	–	–	98	(183)	44	18	(8)	–	(31)
At 30 June 2013	362,623	21,670	760,812	3,903,430	9,756	49,598	1,221	502,469	5,611,579

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings, 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, as previously stated	–	692	17,819	158,550	2,560	3,716	1,223	–	184,560
Adoption of FRS 10	9,673	3,208	168,687	1,461,562	4,259	29,639	–	–	1,677,028
At 1 July 2012 (Restated)	9,673	3,900	186,506	1,620,112	6,819	33,355	1,223	–	1,861,588
Depreciation charge for the year	–	243	20,862	138,279	944	2,842	–	–	163,170
Disposals	–	–	–	(70)	(1,456)	(5)	–	–	(1,531)
Written off	–	–	–	(759)	(93)	(305)	–	–	(1,157)
Impairment loss	–	–	–	–	–	–	–	10,000	10,000
Reclassified to assets held for sale (Note 25)	–	(591)	(716)	(15,662)	–	(568)	–	–	(17,537)
Exchange differences	–	–	–	(165)	11	5	(8)	–	(157)
At 30 June 2013	9,673	3,552	206,652	1,741,735	6,225	35,324	1,215	10,000	2,014,376
Comprising:									
Accumulated depreciation	–	3,552	206,652	1,715,860	6,225	35,324	1,215	–	1,968,828
Accumulated impairment	9,673	–	–	25,875	–	–	–	10,000	45,548
	9,673	3,552	206,652	1,741,735	6,225	35,324	1,215	10,000	2,014,376
Net carrying amount									
At 30 June 2013	352,950	18,118	554,160	2,161,695	3,531	14,274	6	492,469	3,597,203

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Total RM'000
At 30 June 2014			
Cost			
At 1 July 2013 and 30 June 2014	**2,056**	**18**	**2,074**
Accumulated depreciation			
At 1 July 2013	**1,679**	**8**	**1,687**
Charge for the year	**171**	**2**	**173**
At 30 June 2014	**1,850**	**10**	**1,860**
Net carrying amount			
At 30 June 2014	**206**	**8**	**214**
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

(a) Included in building, 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 Megasteel 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 2014, the property, plant and equipment of the Group with a net book value of RM2,867.9 million (2013: RM3,033.5 million) are pledged for bank borrowings, as disclosed in Note 28.

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Group		Company	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Cash payments	**6,712**	23,435	**–**	9
Finance leases	**70**	1,758	**–**	–
Other payables	**–**	10,627	**–**	–
	6,782	35,820	**–**	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	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Motor vehicles	**1,809**	2,284	**207**	272

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

	Group	
	2014 RM'000	**2013 RM'000 (Restated)**
Cash received	**43**	542
Contra arrangement with creditors	**–**	3,498
	43	4,040

(e) Impairment of Blast Furnace Project

The construction in progress of approximately RM30.3 million (2013: RM465.8 million) relates to the Blast Furnace Project ("Project"). The intended output from the Project is hot metal, 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.

Due to prolonged suspension of the Project, management is of the opinion that the Project is effectively impaired and it is uncertain whether the Project will resume in future. Impairment has been provided to write down the carrying amount of the Project to its salvageable value, as estimated by the management.

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

(f) Impairment of DRI plant, Megasteel Plant and Secomex Plant

As at 30 June 2014, the carrying amounts of Lion DRI's plant, Megasteel's plant and Secomex Manufacturing (M) Sdn Bhd's ("Secomex") plant (collectively "the Plant") were approximately RM537.4 million, RM1,370.4 million and RM93.3 million respectively.

Secomex owns two plants which are the 900 thermal depolymerization ("TPD") and the 600 TPD heat exchanger plants, with carrying amount of approximately RM46.3 million and RM47.0 million respectively of which the former is temporarily unutilised.

The Plant (excluding the 900 TPD plant) are grouped as one CGU for the purpose of assessing impairment, whereas the unutilised 900 TPD plant is treated as a separate CGU. The plant is grouped as one CGU that as these three plants are inter-dependent and the production of hot rolled coil and cold rolled coil has to be supported by the operation of these three plants.

The fair value of the Plant is determined by an independent professional valuer ("Valuer"). The Valuer has utilised the Cost Approach in valuing the assets.

The Cost Approach considers the cost to replace or reproduce the Plant in accordance with current market prices of similar plants, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence to arrive at a reasonable valuation. The Cost Approach generally furnishes the most reliable indication of value of the Plant where direct market evidence is limited or unavailable.

The fair value of the Plant (excluding the 900 TPD plant) as assessed by the Valuer is higher than their carrying amounts. Hence, no impairment is required for the Plant.

The carrying amount of the unutilised 900 TPD plant is higher than its fair value determined, resulting in an impairment loss of approximately RM10.4 million.

When assessing the impairment that may be required of the Plant, the Valuer has adopted the significant assumptions to estimate the replacement cost of the Plant.

Significant assumptions used by the Valuer are as follows:

Adjustments made for:

(a) Physical obsolescence

It represents the loss in value due to the decreased usefulness of a fixed asset as the asset's useful life expires. This can be caused by factors such as wear and tear, deterioration, physical stresses and exposure to various elements.

(b) Functional obsolescence

It represents the loss in value due to the decreased usefulness of a fixed asset that is inefficient or inadequate relative to other more efficient or less costly replacement assets resulting from technological developments.

(c) Economic obsolescence

It represents the loss in value due to decreased usefulness of a fixed asset caused by external factors, independent from the characteristics of the asset or how it operated. Increased cost of raw materials, labour or utilities that cannot be offset by an increase in price due to competition or limited demand; as well as change in environmental or other regulations, inflation or higher interest rates, may also suggest the presence of economic obsolescence.

13. INVESTMENT PROPERTIES

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Cost		
At 1 July/30 June	**13,395**	13,395
Accumulated depreciation		
At 1 July	**1,964**	1,708
Charge for the year (Note 6)	**256**	256
At 30 June	**2,220**	1,964
Net carrying amount		
At 30 June	**11,175**	11,431
Estimated fair value at 30 June		
Office premises, factory buildings and apartments	**12,673**	13,045

Fair value for the investment properties, comprising office premises, factory buildings and apartments 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.

As at 30 June 2014, investment properties with a net book value of RM8.9 million (2013: RM Nil) are pledged for bank borrowings, as disclosed in Note 28.

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
At cost		
<u>Leasehold land</u>		
At 1 July	**69,485**	119,541
Transfer to property development costs	**(822)**	(60,216)
Additions	**162**	6,023
Exchange differences	**(54)**	4,137
At 30 June	**68,771**	69,485
<u>Freehold land</u>		
At 1 July	**6,805**	5,988
Transfer to property development costs	**(4,277)**	(1,345)
Additions	**–**	2,162
At 30 June	**2,528**	6,805
Total	**71,299**	76,290

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

(b) Property development costs

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Property development costs at 1 July:		
Leasehold land	**108,078**	52,913
Freehold land	**7,914**	12,289
Development costs	**177,278**	161,246
	293,270	226,448
Costs incurred during the year:		
Freehold land	**3,305**	7,427
Development costs	**130,164**	51,964
	133,469	59,391
Reversal of completed projects	**(27,547)**	(54,551)
Costs recognised in profit or loss:		
At 1 July	**(202,180)**	(166,950)
Recognised during the year	**(118,586)**	(89,781)
Reversal of completed projects	**27,547**	54,551
At 30 June	**(293,219)**	(202,180)
Transferred from land held for property development:		
Leasehold land	**(532)**	53,340
Freehold land	**4,277**	1,345
Development costs	**1,354**	6,876
	5,099	61,561
Transferred to property, plant and equipment (Note 12):		
Development costs	**(45)**	(8)
Unsold units transferred to inventories:		
Leasehold land	**(1,155)**	–
Development costs	**(7,148)**	(5,324)
	(8,303)	(5,324)
Exchange differences	**(209)**	5,753
Property development costs at 30 June	**102,515**	91,090

The leasehold land under land held for property development and property development cost with carrying value RM Nil (2013: RM48.2 million) and RM52.4 million (2013: RM52.9 milion) respectively are pledged as security for bank borrowings, as disclosed in Note 28. Included in the property development costs incurred during the financial year were interest expense capitalised of RM2.4 million (2013: RM Nil).

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

Property development in the People's Republic of China

Pursuant to the provision of the land use right contract and supplemental agreement signed between the Group and the Changshu City Land Resources Bureau China ("Land Resources Bureau") in March 2008 and October 2011 respectively in relation to the 2 pieces of land located in Changshu City, Jiangsu Province, China, the development of the land is required to be completed by October 2013, failing which, the Land Resources Bureau reserves the right to impose penalty or claim back the said land.

As at the reporting date, these 2 pieces of land with a carrying amount of approximately RM12.8 million are still undeveloped due to soft property market in China. The Group has applied to the Land Resources Bureau to change the development plan but the approval has yet to be obtained.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 RM'000	**2013 RM'000 (Restated)**
Quoted shares:		
- In Malaysia	**213,472**	215,243
- Less: Accumulated impairment losses	**(208,416)**	(194,792)
	5,056	20,451
Quoted warrants	**17**	18
Unquoted shares, at cost	**952,708**	952,707
Less: Accumulated impairment losses	**(877,346)**	(720,408)
	75,362	232,299
	80,435	252,768
Market value of:		
- Quoted shares	**5,056**	20,451
- Quoted warrants	**17**	18
	5,073	20,469

As at 30 June 2014, the unquoted shares of subsidiaries with a carrying value of RM37.4 million (2013: RM190.8 million) are pledged for bank borrowings, bonds and debts, as disclosed in Notes 28 and 29.

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2014 %	Equity interest 2013 %
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

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2014 %	Equity interest 2013 %
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 Management Pte Ltd * (Dissolved on 6.9.2013)	Singapore	Ceased operations	**–**	100
LDH (S) Pte Ltd *	Singapore	Investment holding	**100**	100
LDH Investment Pte Ltd *	Singapore	Investment holding	**60 (1)**	60 (1)
Lion DRI Sdn Bhd	Malaysia	Manufacturing and sale of direct reduced iron products	**100**	100
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

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2014 %	2013 %
Subsidiary of LDH Manufacturing Sdn Bhd				
CPB Enterprise Sdn Bhd	Malaysia	Property management	**100**	100
Subsidiaries of LDH Trading Sdn Bhd				
Banting Resources Sdn Bhd	Malaysia	Property investment	**100**	100
LDH Resources Limited	Cayman Islands	Dormant	**100**	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 LDH Management Consultant Co Ltd (formerly known as Shanghai DEbier Management Consulting Co Ltd) *	People's Republic of China	Management consulting services	**100**	100
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

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2014 %	2013 %
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
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

Pursuant to the adoption of FRS 10, the Group is now deemed to have a de-facto control on LCB even though it has less than 50% of the voting right in LCB.

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2014 %	2013 %
LCB *@	Malaysia	Investment holding	**49.1** (2)	49.2 (3)

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2014 %	2013 %
Subsidiaries of Lion Corporation Berhad				
LCB Harta (M) Sdn Bhd *	Malaysia	Managing of debts novated from LCB and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries	**100**	100
Limpahjaya Sdn Bhd *	Malaysia	Investment holding	**100**	100
Lion Construction & Engineering Sdn Bhd *	Malaysia	Construction and civil engineering works	**100**	100
Lion General Trading & Marketing (S) Pte Ltd *	Singapore	General merchant	**100**	100
Lion Rubber Works Sdn Bhd *	Malaysia	Ceased operations	**100**	100
Lion Steelworks Sdn Bhd *	Malaysia	Manufacture and distribution of office equipment, security equipment and steel related products	**100**	100
Lion Trading & Marketing Sdn Bhd *	Malaysia	Trading and marketing of security equipment, office equipment and steel related products	**100**	100
LCB Harta (L) Limited *	Malaysia	Acquisition and management of USD denominated consolidated and rescheduled debts	**100**	100
Total Triumph Investments Limited *	British Virgin Islands	Investment holding	**100**	100
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *	Hong Kong SAR	Ceased operations	**71**	71
Lion Com Sdn Bhd *	Malaysia	Investment holding	**100**	100
Lyn (Pte) Ltd *	Singapore	Investment holding	**79**	79

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2014 %	Equity interest 2013 %
Subsidiaries of Limpahjaya Sdn Bhd (Continued)				
Megasteel Sdn Bhd	Malaysia	Manufacturing of hot rolled coils and cold rolled coils	**100** [4]	100 [4]
Umevest Sdn Bhd *	Malaysia	Ceased operations	**100**	100
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd *	Malaysia	Share registration and secretarial services	**100**	100
Subsidiary of Lyn (Pte) Ltd				
Logic Furniture (S) Pte Ltd *	Singapore	Ceased operations	**100**	100
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited	Malaysia	To issue and manage bonds pursuant to its parent company's debt financing exercise	**100**	100
Secomex Manufacturing (M) Sdn Bhd	Malaysia	Manufacturing and marketing of industrial gases	**100**	100
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd *	Malaysia	Investment holding	**100**	100
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd *	Malaysia	Ceased operations	**100**	100
Subsidiary of Lion General Trading & Marketing (S) Pte Ltd				
Lion Plate Mills Sdn Bhd * (Disposed of on 31.12.2013)	Malaysia	Manufacturing and marketing of hot rolled steel plate	**–**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2014 %	2013 %
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd *	Malaysia	Ceased operations	**100**	100
Subsidiary of Total Triumph Investments Limited				
Bright Steel Sdn Bhd *	Malaysia	Manufacturing, sale and distribution of steel and iron products	**100**	100
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd *	Malaysia	Ceased operations	**100**	100
Bright Steel Service Centre Sdn Bhd *	Malaysia	Processing and selling of steel coils and sheets	**57.1**	57.1
Bright Enterprise (Sdn.) Berhad *	Malaysia	Ceased operations	**100**	100
Century Container Industries Sdn Bhd *	Malaysia	Ceased operations	**100**	100
Omali Corporation Sdn Bhd *	Malaysia	Investment holding	**100**	100
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd *	Malaysia	Property development	**100**	100

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

(1) 30% held by the Company and 30% held by LDH Manufacturing Sdn Bhd.

(2) As at 30 June 2014, the Group holds in total approximately 49.1% equity interest in LCB, via the Company (6.8%), Graimpi (24.7%), Lion DRI (17.4%), LDH (S) Pte Ltd (0.1%), LDH Management Sdn Bhd (0.01%) and Teraju Varia Sdn Bhd (negligible).

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

(4) 78.9% held by Limpahjaya Sdn Bhd and 21.1% held by the Company.

@ Listed on the Main Market of Bursa Malaysia Securities Berhad.

Disposal of subsidiary

During the financial year, a subsidiary of the Group had completed the disposal of its entire 100% equity interest in Lion Plate Mills Sdn Bhd for a cash consideration of RM33.0 million.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Disposal of subsidiary (Continued)

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

	Group	
	As at date of disposal RM'000	**2013 RM'000**
Property, plant and equipment (Note 25)	10,100	9,833
Trade and other receivables	872	–
Tax recoverable	35	–
Cash and bank balances	4	–
Trade and other payables	(910)	–
Net assets disposed	10,101	9,833
Total disposal proceeds	33,000	
Gain on disposal to the Group	22,899	
Cash inflow arising on disposal:		
Cash consideration	33,000	
Cash and bank balances of subsidiary disposed	(4)	
	32,996	

Deconsolidation of subsidiaries

During the financial year, the Company had deconsolidated a wholly-owned subsidiary, Parkson Management Pte Ltd, which was dissolved on 6 September 2013.

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

The deconsolidation of Parkson Management Pte Ltd and Parkson Glomart Pte Ltd have no material effect on the Group's financial results, financial position or cash flows.

Acquisition of subsidiary

There is no acquisition of subsidiary during the financial year. In the previous financial year, the Group acquired 100% equity interest in LDH Resources Limited for a cash consideration of USD1.00 (equivalent to approximately RM3.20).

The acquisition of subsidiary has no material effect 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 RM170.6 million (2013: RM142.8 million) on its investments in subsidiaries as their carrying amounts exceeded their estimated recoverable amounts using similar assumptions as disclosed in the impairment test of DRI plant and Blast Furnace Project in Note 12.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

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

	2014 RM'000	2013 RM'000
LCB		
Carrying amount of non-controlling interest	**(209,762)**	(55,579)
Loss allocated to non-controlling interest	**(154,183)**	(78,896)

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	LCB	
	2014 RM'000	2013 RM'000
Summarised statement of comprehensive income:		
Revenue	**2,481,954**	2,591,833
Loss for the year	**(598,834)**	(326,656)
Loss attributable to:		
- owners of LCB	**(507,071)**	(245,618)
- non-controlling interest of LCB	**(91,763)**	(81,038)
Summarised statement of financial position:		
Non-current assets	**2,797,217**	3,107,593
Current assets	**1,042,891**	1,227,129
Total assets	**3,840,108**	4,334,722
Non-current liabilities	**(1,222,615)**	(1,036,351)
Current liabilities	**(3,035,974)**	(3,122,991)
Total liabilities	**(4,258,589)**	(4,159,342)
Net (liabilities)/assets	**(418,481)**	175,380
Equity attributable to owners of LCB	**(286,066)**	216,032
Non-controlling interests of LCB	**(132,415)**	(40,652)
Summarised cash flows information:		
Net cash generated from operating activities	**44,721**	122,580
Net cash generated from investing activities	**40,759**	71,460
Net cash used in financing activities	**(60,487)**	(174,639)
Net increase in cash and cash equivalents	**24,993**	19,401

16. INVESTMENTS IN ASSOCIATES

	Group	
	2014 RM'000	2013 RM'000 (Restated)
Quoted shares outside Malaysia, at cost	**95,994**	95,994
Less: Accumulated impairment losses	**(52,005)**	(52,005)
Share of post acquisition reserves	**8,211**	7,785
	52,200	51,774
Unquoted shares, at cost:		
- In Malaysia	**844,801**	844,801
- Outside Malaysia	**5,078**	5,078
Less: Accumulated impairment losses	**(447,512)**	(447,512)
Share of post acquisition reserves	**(400,722)**	(401,479)
	1,645	888
	53,845	52,662
Market value of quoted shares:		
- Outside Malaysia	**49,651**	51,774

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

Name of associates	Country of incorporation	Principal activities	Equity interest 2014 %	Equity interest 2013 %
Held through subsidiaries:				
ACB Resources Berhad	Malaysia	Investment holding	**47.7**	47.7
Lion Plantations Sdn Bhd	Malaysia	Investment holding	**30.0**	30.0
Lion Insurance Company Limited	Malaysia	Captive insurance business	**40.9**	40.9
Lion Asiapac Limited ("LAP")	Singapore	Investment holding	**30.0**	30.0
Inner Mongolia Leadar Parkson Plaza Co Ltd	People's Republic of China	Ceased operations	**25.0**	25.0

All the companies are audited by firms other than Ernst & Young.

16. INVESTMENTS IN ASSOCIATES (Continued)

Summarised financial information of the Group's material associate is set out below. The summarised financial information represents the amounts in the FRS financial statements of the material associate and not the Group's share of those amounts:

	LAP	
	2014	**2013**
	RM'000	**RM'000**
(i) Summarised statement of financial position		
Current assets	**264,558**	253,980
Non-current assets	**63,316**	73,682
Total assets	**327,874**	327,662
Current liabilities	**(10,406)**	(11,369)
Non-current liabilities	**(8,629)**	(8,899)
Total liabilities	**(19,035)**	(20,268)
Net assets	**308,839**	307,394
(ii) Summarised statement of profit or loss		
Revenue	**84,454**	77,203
Profit for the year	**4,713**	4,383
(iii) Group's share of net assets, representing carrying amount of the Group's interest in the associate (before impairment)	**92,652**	92,218
(iv) Group's share of results of the associate	**1,414**	1,315

Aggregate information of associates that are not material:

	Group	
	2014	**2013**
	RM'000	**RM'000**
The Group's share of profit before tax from continuing operations	**767**	4,372
The Group's share of profit after tax from continuing operations	**758**	2,685
The Group's share of total comprehensive income	**758**	2,685

Impairment in the Group's cost of investments in associates

In the previous financial year, the Group had provided an impairment loss of RM39.8 million in respect of its investments in LAP, due to continuing low market price.

Loss on disposal of an associate

In the previous financial year, LCB Group had disposed of its entire equity interest in LICB, a 25.34% associate, for a cash consideration of approximately RM254.5 million, which had resulted in a loss of RM576.0 million.

17. INVESTMENTS IN JOINT VENTURES

	Group 2014 RM'000	Group 2013 RM'000
Unquoted ordinary shares, at cost	**88**	88
Share of post-acquisition results	**23,938**	20,664
	24,026	20,752

Details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2014 %	Proportion (%) of ownership interest 2013 %
Panareno Sdn Bhd ("Panareno")	Malaysia	Property development and property investment	**35**	35
North Plaza Sdn Bhd ("North Plaza") (In liquidation - voluntary)	Malaysia	Dormant	**42.5**	42.5

All the companies are audited by firms other than Ernst & Young.

Summarised financial information of material joint venture is set out below. The summarised financial information represents the amounts in the FRS financial statements of the material joint venture and not the Group's share of those amounts:

	Panareno 2014 RM'000	Panareno 2013 RM'000
(i) Summarised statements of financial position		
Non-current assets	**2**	3
Current assets	**86,653**	78,086
Total assets	**86,655**	78,089
Non-current liabilities	**–**	–
Current liabilities	**(17,752)**	(18,557)
Total liabilities	**(17,752)**	(18,557)
Net assets	**68,903**	59,532

17. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint venture is set out below. The summarised financial information represents the amounts in the FRS financial statements of the material joint venture and not the Group's share of those amounts: (Continued)

		Panareno 2014 RM'000	Panareno 2013 RM'000
(ii)	Summarised statements of profit or loss		
	Revenue	**44,321**	21,044
	Profit for the year	**9,372**	5,320
(iii)	Group's share of net assets, representing carrying amount of the Group's interest in joint venture	**24,116**	20,836
(iv)	Group's share of results of joint venture	**3,660**	2,130

Aggregate information of joint venture that is not material:

	North Plaza 2014 RM'000	North Plaza 2013 RM'000
The Group's share of (loss)/profit before tax from continuing operations	**(5)**	148
The Group's share of (loss)/profit after tax from continuing operations	**(5)**	148
The Group's share of total comprehensive (loss)/income	**(5)**	148

18. INVESTMENT SECURITIES

	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
Non-current				
Held-to-maturity investments				
Unquoted:				
- ACB Bonds [(a)]	**–**	3,072	**–**	–
- Shares in Malaysia [(b)]	**35**	35	**–**	–
	35	3,107	**–**	–
Available-for-sale financial assets				
Quoted:				
- Shares in Malaysia	**24,806**	194,614	**13,832**	21,180
- Shares outside Malaysia	**122**	122	**122**	122
	24,928	194,736	**13,954**	21,302
Unquoted:				
- Shares in Malaysia [(c)]	**88**	118	**–**	–
Total non-current investment securities	**25,051**	197,961	**13,954**	21,302

18. INVESTMENT SECURITIES (Continued)

	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
Current				
Available-for-sale financial assets				
Quoted:				
- Shares in Malaysia	**109,857**	–	**–**	–
Held-to-maturity investments				
Unquoted:				
- ACB Bonds [(a)]	**23,199**	25,225	**–**	–
Total current investment securities	**133,056**	25,225	**–**	–
Total investment securities	**158,107**	223,186	**13,954**	21,302
Consists of the following:				
Investments in:				
- related party entities	**157,985**	223,064	**13,832**	21,180
- others	**122**	122	**122**	122
	158,107	223,186	**13,954**	21,302
Market value of quoted shares:				
- In Malaysia	**134,663**	194,614	**13,832**	21,180
- Outside Malaysia	**122**	122	**122**	122

The Group's investments in quoted shares in Malaysia with carrying amounts of RM24.0 million (2013: RM36.0 million) are pledged as security for the banking facilities extended to the Group, as disclosed in Note 28.

The Group's investments in quoted shares in Malaysia with carrying amounts of RM109.9 million (2013: RM156.7 million) are pledged as security for the Exchangeable Bonds, as disclosed in Note 28.

(a) Held-to-maturity investment - unquoted ACB bonds

	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
At 1 July	**28,297**	54,945	**–**	–
Accreted interest	**967**	2,209	**–**	–
Redemption during the year	**(7,697)**	(5,249)	**(1,325)**	(890)
Impairment loss	**–**	(24,158)	**–**	–
Reversal of impairment loss	**1,325**	890	**1,325**	890
Exchange difference	**307**	(340)	**–**	–
At 30 June	**23,199**	28,297	**–**	–
Receivable within one year	**(23,199)**	(25,225)	**–**	–
Receivable within one year to two years	**–**	3,072	**–**	–

18. INVESTMENT SECURITIES (Continued)

(a) Held-to-maturity investment - unquoted ABC bonds (Continued)

The ACB Bonds represent consolidated and rescheduled USD debts issued by Amsteel Harta (L) Limited ("ACB SPV") acquired by a subsidiary, from its holder in prior years. The ACB Bonds constitute a direct, unsubordinated and secured obligations of the ACB SPV and is charged as security for the bonds, debts and RCSLS issued by LCB.

The major terms of the ACB Bonds are as follows:

(i) Maturity of the ACB Bonds:

Class	Nominal Value USD'000	Net Present Value USD'000	Maturity Date	Cash Yield-To-Maturity (per annum)
B	16,315	14,665	31.12.2014	3.25%
C	6,949	6,318	31.12.2011	4.00%
	23,264	20,983		

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

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

The unquoted bonds, bear a yield to maturity which ranges from 4.0% to 4.75% (2013: 4.0% to 4.75%) per annum. The unquoted bonds has been fully impaired by the Company in the previous financial years and no interest is recognised in profit or loss.

(b) Held-to-maturity investment - unquoted shares

	Group 2014 RM'000	Group 2013 RM'000
Unquoted shares in Malaysia, at cost	**38**	38
Less: Amortisation of premium	**(3)**	(3)
	35	35

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. INVESTMENT SECURITIES (Continued)

(c) Available-for-sale financial assets - unquoted shares

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
Unquoted shares in Malaysia, at cost	**393**	393
Less: Accumulated impairment losses	**(305)**	(275)
	88	118

19. INTANGIBLE ASSETS

	Goodwill on Consolidation RM'000	**Purchased Goodwill RM'000**	**Total RM'000**
Group			
Cost			
At 1 July 2012/2013 and 30 June 2013/2014	**14,662**	**18,814**	**33,476**
Accumulated impairment			
At 1 July 2012/2013 and 30 June 2013/2014	**14,662**	**8,330**	**22,992**
Net carrying amount			
At 30 June 2013	–	10,484	10,484
At 30 June 2014	**–**	**10,484**	**10,484**

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 2013/2014	**10,484**

19. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill (Continued)

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:

	Group	
	2014	**2013**
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) Pre-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, management believes that no reasonably possible changes in any of the key assumption would cause the carrying value of these CGUs to differ materially from recoverable amounts except for the changes in the prevailing operating environment, the impact of which is not ascertainable.

20. DEFERRED TAX

	Group		Company	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
At 1 July	**255,046**	(113,870)	**1,545**	4,512
Adoption of FRS 10	**–**	352,930	**–**	–
At 1 July (Restated)	**255,046**	239,060	**1,545**	4,512
Recognised in profit or loss	**37,328**	16,008	**(1,545)**	(2,967)
Exchange differences	**20**	(22)	**–**	–
At 30 June	**292,394**	255,046	**–**	1,545
Presented after appropriate offsetting as follows:				
Deferred tax assets	**418,082**	385,941	**–**	1,545
Deferred tax liabilities	**(125,688)**	(130,895)	**–**	–
	292,394	255,046	**–**	1,545

20. DEFERRED TAX (Continued)

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

Deferred tax assets of the Group:

	Provisions RM'000	Unused tax losses RM'000	Unabsorbed capital allowances RM'000	Other payables and accruals RM'000	ICULS RM'000	Total RM'000
At 1 July 2013	**588**	**100,899**	**709,066**	**11,068**	**1,545**	**823,166**
Recognised in profit or loss	**297**	**(19,639)**	**5,705**	**4,781**	**(1,545)**	**(10,401)**
Exchange differences	**9**	**–**	**–**	**–**	**–**	**9**
	894	**81,260**	**714,771**	**15,849**	**–**	**812,774**
Offsetting						**(394,692)**
At 30 June 2014 (after offsetting)						**418,082**
At 1 July 2012	663	101,492	561,635	9,898	4,512	678,200
Recognised in profit or loss	(53)	(593)	147,431	1,170	(2,967)	144,988
Exchange differences	(22)	–	–	–	–	(22)
	588	100,899	709,066	11,068	1,545	823,166
Offsetting						(437,225)
At 30 June 2013 (after offsetting)						385,941

Deferred tax liabilities of the Group:

	RCSLS RM'000	Property, plant and equipment RM'000	Unrealised foreign exchange gains RM'000	Total RM'000
At 1 July 2013	**(1,963)**	**(553,575)**	**(12,582)**	**(568,120)**
Recognised in profit or loss	**1,127**	**49,153**	**(2,551)**	**47,729**
Exchange differences	**–**	**11**	**–**	**11**
	(863)	**(504,411)**	**(15,133)**	**(520,380)**
Offsetting				**394,692**
At 30 June 2014 (after offsetting)				**(125,688)**
At 1 July 2012	(3,674)	(422,884)	(12,582)	(439,140)
Recognised in profit or loss	1,711	(130,691)	–	(128,980)
	(1,963)	(553,575)	(12,582)	(568,120)
Offsetting				437,225
At 30 June 2013 (after offsetting)				(130,895)

20. DEFERRED TAX (Continued)

Deferred tax assets of the Company:

	ICULS RM'000
At 1 July 2013	**1,545**
Recognised in profit or loss	**(1,545)**
At 30 June 2014	**–**
At 1 July 2012	4,512
Recognised in profit or loss	(2,967)
At 30 June 2013	1,545

The following are unrecognised deferred tax benefits:

	Group	
	2014 RM'000	**2013 RM'000**
Unused tax losses *	**822,502**	563,351
Unabsorbed capital allowances *	**87,473**	63,356
Others	**3,131**	3,131
	913,106	629,838

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

Deferred tax assets have not been recognised in respect of the unused tax losses and unabsorbed capital allowances as it is not probable that taxable profit will be available against which the unused tax losses and unabsorbed capital allowances can be utilised, considering that the relevant subsidiaries have been incurring losses and there are no other tax planning opportunities or other evidence of recoverability in the near future.

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.

The recognition of deferred tax assets is based on the assumption that the Group will receive support from the relevant authority from financial year 2016 onwards as disclosed in Note 2.1.

21. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Cost		
Properties held for sale	**9,707**	10,127
Raw materials	**303,668**	523,274
Work-in-progress	**2,544**	8,693
Finished goods	**24,819**	35,959
Spares, supplies and consumables	**143,652**	149,264
	484,390	727,317
Net realisable value		
Raw materials	**4,849**	5,313
Work-in-progress	**4,883**	3,305
Finished goods	**336,737**	337,080
Spares, supplies and consumables	**2,933**	560
	349,402	346,258
Total	**833,792**	1,073,575

The inventories in relation to the product financing liabilities as disclosed in Note 35, where titles are with other parties are as follows:

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Raw materials:		
- with related parties	**60,278**	123,090
- with third parties	**112,536**	213,089
	172,814	336,179
Finished goods:		
- with related parties	**134,366**	180,547
- with third parties	**121,034**	92,320
	255,400	272,867
Total	**428,214**	609,046

The product financing facilities with related parties have been entered 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.

As disclosed in Note 28, inventories of certain subsidiaries of RM274.8 million (2013: RM293.1 million) are pledged for bank borrowings.

22. TRADE AND OTHER RECEIVABLES

	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
Current				
Trade receivables [a]	**173,884**	141,671	**–**	–
Allowance for impairment	**(14,459)**	(14,470)	**–**	–
	159,425	127,201	**–**	–
Other receivables:				
Amounts owing by subsidiaries [b]	**–**	–	**1,434,798**	1,425,904
Sundry receivables [c]	**38,745**	38,093	**–**	–
Deposits	**9,459**	10,898	**3**	3
Prepayments	**55,021**	60,936	**21**	25
Amounts owing by related parties [d]	**3,436**	10,424	**389**	390
Amounts owing by joint ventures [e]	**81**	260	**–**	–
	106,742	120,611	**1,435,211**	1,426,322
Less: Allowance for impairment:				
- Sundry receivables	**(7,917)**	(7,417)	**–**	–
- Amounts owing by subsidiaries	**–**	–	**(716,472)**	(177,980)
- Amounts owing by related parties	**(345)**	(345)	**(345)**	(345)
	(8,262)	(7,762)	**(716,817)**	(178,325)
	98,480	112,849	**718,394**	1,247,997
Total trade and other receivables	**257,905**	240,050	**718,394**	1,247,997
Total trade and other receivables	**257,905**	240,050	**718,394**	1,247,997
Less: Prepayments	**(55,021)**	(60,936)	**(21)**	(25)
Add: Cash and bank balances (Note 24)	**469,769**	464,699	**7,575**	7,840
Total loans and receivables	**672,653**	643,813	**725,948**	1,255,812

22. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

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

Aging analysis of trade receivables

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

	Group	
	2014 RM'000	**2013 RM'000 (Restated)**
Neither past due nor impaired	**139,460**	103,650
1 to 30 days past due but not impaired	**9,591**	18,110
31 to 60 days past due but not impaired	**2,546**	916
61 to 90 days past due but not impaired	**3,985**	345
91 to 180 days past due but not impaired	**338**	760
More than 181 days past due but not impaired	**3,505**	3,420
Past due but not impaired	**19,965**	23,551
	159,425	127,201
Impaired	**14,459**	14,470
	173,884	141,671

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.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM20.0 million (2013: RM23.6 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.

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	
	2014 RM'000	**2013 RM'000 (Restated)**
Trade receivables - nominal amounts	**14,459**	14,470
Less: Allowance for impairment	**(14,459)**	(14,470)
	–	–

22. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Movement in allowance accounts are as follows:

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
At 1 July	**14,470**	14,507
Charge for the year	**82**	113
Reversal of impairment loss	**(80)**	(133)
Written off	**(14)**	(16)
Exchange differences	**1**	(1)
At 30 June	**14,459**	14,470

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) Amounts owing by subsidiaries

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

Significant assumptions

During the financial year, the Company made an allowance for impairment loss on the amount owing by subsidiaries amounted to RM538.5 million (2013: RM6.9 million) mainly due to uncertainties of the recoverability from LBF and Lion DRI.

In assessing the collectability of balances due from Lion DRI of RM539.6 million (2013: RM539.4 million) and LBF of RM462.1 million (2013: RM455.8 million), management has adopted the assumption that Megasteel will be able to successfully complete its turnaround plans as disclosed in Note 2.1.

(c) Sundry receivables

Included in sundry receivables are dividend receivable from investments securities of RM7.2 million (2013: RM7.2 million) which are held by the trustees on behalf of the holders of Exchangeable Bonds.

(d) Amounts owing by related parties

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 substantial shareholders of the Company are directors and/or substantial shareholders.

(e) Amounts owing by joint ventures

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

As disclosed in Note 28, trade and other receivables of certain subsidiaries of RM71.9 million (2013: RM110.8 million) are pledged for bank borrowings.

Further details on related party transactions are disclosed in Note 39.

22. TRADE AND OTHER RECEIVABLES (Continued)

Movement in allowance accounts (other receivables) are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000 (Restated)**	**RM'000**	**RM'000**
At 1 July	**7,762**	7,556	**178,325**	171,406
Charge for the year	**500**	2,357	**538,492**	6,919
Written off	**–**	(2,151)	**–**	–
At 30 June	**8,262**	7,762	**716,817**	178,325

23. DERIVATIVE ASSETS

	Group	
	2014	**2013**
	RM'000	**RM'000**
Non-hedging derivative:		
Forward currency contracts	**92**	–

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting

Forward currency contracts are used to manage the foreign currency exposures arising from its receivables denominated in USD which existed at the reporting date, extending to May 2015 (2013: Nil).

24. CASH AND BANK BALANCES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000 (Restated)**	**RM'000**	**RM'000**
Cash and bank balances:				
Cash on hand and at banks	**174,254**	129,202	**405**	629
Cash management funds	**4,012**	4,027	**–**	–
Deposits with licensed banks	**291,503**	331,470	**7,170**	7,211
Total cash and bank balances	**469,769**	464,699	**7,575**	7,840
Less: Bank overdrafts (Note 28)	**(77,132)**	(14,085)	**(61,786)**	–
Deposits with licensed bank with maturity of more than three months	**(6,778)**	(6,619)	**–**	–
Cash and cash equivalents	**385,859**	443,995	(**54,211**)	7,840

The cash and bank balances of the subsidiaries in the PRC amounting to RM239.5 million (2013: RM207.9 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.

24. CASH AND BANK BALANCES (Continued)

Included in cash at banks is an Escrow Account of RM1.6 million (2013: RM2.3 million) maintained by a subsidiary which is pledged to the Murabahah Islamic Instrument as detailed in Note 28.

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 RM Nil (2013: RM45.0 million) which is for a sinking fund account maintained by a wholly-owned subsidiary, as disclosed in Note 28. In the current year, this deposit has been utilised to partially settle the term loan of the wholly-owned subsidiary.

(ii) Deposits with licensed banks of the Group and of the Company of RM80.4 million (2013: RM13.5 million) and RM7.2 million (2013: RM7.2 million) respectively which are pledged for banking facilities granted to the Group as disclosed in Note 28.

(iii) Cash and bank balances and deposits with financial institutions of the Group amounting to RM11.8 million (2013: RM28.7 million) are secured by way of a floating charge for borrowings as disclosed in Note 28.

(iv) Cash management fund is recognised under cash and cash equivalents due to its investments in high quality short-term money market securities, undergo only minor value fluctuations and can be readily converted within one day into known amounts of cash.

The following deposits and bank balances are maintained in the name of a third party accounts to facilitate certain property development projects undertaken by the Group. Control over these balances are with the Group's management:

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
Bank balances	**103,703**	73,523
Deposits with financial institutions	**17,862**	15,899
	121,565	89,422

Included in bank balances of a subsidiary is an amount of RM103.3 million (2013: RM73.1 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use for other operations.

The third party has provided a confirmation that all beneficial rights over these banks balances rest with a subsidiary of the Group.

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	%	**%**	**%**	**%**
Licensed banks	**0.1 - 3.1**	0.1 - 3.1	**0.2 - 2.9**	0.2 - 2.9
Cash management funds	**2.6 - 3.1**	2.7 - 3.0	**–**	–

Deposits of the Group and of the Company have maturity days range from 1 to 364 days (2013: 1 to 359 days).

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
At 1 July	**9,833**	–
Reclassified from property, plant and equipment (Note 12)	**–**	9,833
Addition	**267**	–
Disposal (Note 15)	**(10,100)**	–
At 30 June	**–**	9,833

26. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares of RM0.50 each		**Amount**	
	2014	**2013**	**2014**	**2013**
			RM'000	**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	**737,223**	737,223	**368,612**	368,612
Issuance of shares pursuant to conversion of ICULS	**654,924**	–	**327,462**	–
At 30 June	**1,392,147**	737,223	**696,074**	368,612

During the financial year, the issued and paid-up share capital of the Company increased from RM368,611,613.50 divided into 737,223,227 ordinary shares of RM0.50 each to RM696,073,677.50 divided into 1,392,147,355 ordinary shares of RM0.50 each arising from the full conversion of RM327,462,064 nominal value of ICULS into 654,924,128 new ordinary shares of RM0.50 each in the Company as disclosed in Note 28(g).

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

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.

27. OTHER RESERVES

Group	Fair value adjustment reserve RM'000	Capital reserves RM'000	Exchange fluctuation reserves RM'000	Equity components of ICULS and RCSLS RM'000	Warrant reserve RM'000	Total RM'000
At 1 July 2012	21,987	2,700	6,859	287,182	–	318,728
Effects from adoption of FRS 10	364	(3,856)	12,384	1,898	3,673	14,463
At 1 July 2012 (Restated)	22,351	(1,156)	19,243	289,080	3,673	333,191
Other comprehensive (loss)/income						
Available-for-sale investments:						
- Loss on fair value changes	(36,769)	–	–	–	–	(36,769)
- Transfer to profit or loss upon realisation	(5)	–	–	–	–	(5)
- Loss reclassified to profit or loss	12,256	–	–	–	–	12,256
Foreign currency translation difference	–	–	6,335	–	–	6,335
Share of reserves of associates reclassified to profit or loss upon disposal	–	(18,390)	(11,125)	–	–	(29,515)
Share of other comprehensive income/(loss) of associates	–	585	(150)	–	–	435
Less: Non-controlling interests	44	9,039	5,730	–	–	14,813
Transaction with owners						
Transfer from retained profits	–	1,124	–	–	–	1,124
At 30 June 2013 (Restated)	(2,123)	(8,798)	20,033	289,080	3,673	301,865
At 1 July 2013	**(2,123)**	**(8,798)**	**20,033**	**289,080**	**3,673**	**301,865**
Other comprehensive income/(loss)						
Available-for-sale investments:						
- Loss on fair value changes	**(47,197)**	**–**	**–**	**–**	**–**	**(47,197)**
- Loss reclassified to profit or loss	**49,251**	**–**	**–**	**–**	**–**	**49,251**
Foreign currency translation difference	**–**	**–**	**3,923**	**–**	**–**	**3,923**
Share of other comprehensive income/(loss) of associates	**–**	**(1,357)**	**682**	**–**	**–**	**(675)**
Less: Non-controlling interests	**203**	**690**	**(3,418)**	**–**	**–**	**(2,525)**
Transaction with owners						
Transfer from retained profits	**–**	**195**	**–**	**–**	**–**	**195**
Conversion of ICULS during the financial year	**–**	**–**	**–**	**(287,182)**	**–**	**(287,182)**
At 30 June 2014	**134**	**(9,270)**	**21,220**	**1,898**	**3,673**	**17,655**

27. OTHER RESERVES (Continued)

	Fair value adjustment reserve RM'000	Equity components of ICULS RM'000	Total RM'000
Company			
At 1 July 2012	(2,049)	287,182	285,133
Other comprehensive income/(loss)			
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
At 1 July 2013	**–**	**287,182**	**287,182**
Transaction with owners			
Conversion of ICULS during the financial year	**–**	**(287,182)**	**(287,182)**
At 30 June 2014	**–**	**–**	**–**

(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 of 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 and RCSLS

The reserve represents the fair value of the equity component of ICULS and RCSLS, net of deferred tax, as determined on the date of issue. Further details of ICULS and RCSLS are disclosed in Note 28.

27. OTHER RESERVES (Continued)

(e) Warrant reserve

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

The details of LCB Warrants are as follows:

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

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

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

28. LOANS AND BORROWINGS

	Group		Company	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Non-current				
Secured:				
Exchangeable Bonds [a]	**–**	143,634	**–**	–
RCSLS [b]	**90,174**	176,060	**–**	–
Term loans [d]	**51,044**	45,381	**–**	–
Obligations under finance leases [f]	**1,091**	1,462	**108**	179
Bonds and debts (Note 29)	**764,891**	744,385	**–**	–
	907,200	1,110,922	**108**	179
Current				
Secured:				
Exchangeable Bonds [a]	**155,734**	45,570	**–**	–
RCSLS [b]	**181,153**	82,176	**–**	–
Syndicated term loan [c]	**625,603**	607,999	**–**	–
Term loans [d]	**174,337**	231,195	**–**	–
Bills payable	**70,890**	60,554	**–**	–
Revolving credits	**33,000**	33,000	**–**	–
Bank overdrafts [e]	**71,727**	9,853	**61,786**	–
Obligations under finance leases [f]	**425**	432	**70**	66
	1,312,869	1,070,779	**61,856**	66

28. LOANS AND BORROWINGS (Continued)

	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
Current (Continued)				
Unsecured:				
ICULS [g]	–	6,223	–	6,223
Bills payable	**64,286**	53,129	–	–
Bank overdrafts	**5,405**	4,232	–	–
	69,691	63,584	–	6,223
	1,382,560	1,134,363	**61,856**	6,289
Total borrowings				
Exchangeable Bonds [a]	**155,734**	189,204	–	–
RCSLS [b]	**271,327**	258,236	–	–
Syndicated term loan [c]	**625,603**	607,999	–	–
Term loans [d]	**225,381**	276,576	–	–
Bills payable	**135,176**	113,683	–	–
Revolving credits	**33,000**	33,000	–	–
Bank overdrafts [e]	**77,132**	14,085	**61,786**	–
Obligations under finance leases [f]	**1,516**	1,894	**178**	245
ICULS [g]	–	6,223	–	6,223
Bonds and debts (Note 29)	**764,891**	744,385	–	–
	2,289,760	2,245,285	**61,964**	6,468

The remaining maturities of the loans and borrowings excluding obligations under finance leases as at 30 June 2014 are as follows:

	Group 2014 RM'000	Group 2013 RM'000 (Restated)	Company 2014 RM'000	Company 2013 RM'000
On demand or within one year	**1,382,135**	1,133,931	**61,786**	6,223
More than one year and less than two years	**95,674**	250,028	–	–
More than two years and less than five years	**482,762**	374,798	–	–
Over five years	**327,673**	484,634	–	–
	2,288,244	2,243,391	**61,786**	6,223

28. 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 then exchangeable into approximately 40.0 million ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson") ("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 the 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. On 17 November 2013, the exchange price was adjusted downwards from RM4.89 to RM4.43, follow by a further adjustment on 17 May 2014 from RM4.43 to RM3.75.

In the previous 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 2013 and 16 May 2014, the Issuer had redeemed approximately USD12.7 million (approximately RM41.0 million) Bonds plus accrued interest from the bondholders which was paid by the way of cash.

28. LOANS AND BORROWINGS (Continued)

(a) Exchangeable Bonds (Continued)

In the previous financial year, 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.

As at the reporting date, the yield to maturity of the Bonds is 6% (2013: 6%) per annum.

The Bonds is secured by investment in quoted shares in Malaysia with carrying amounts of RM109.9 million (2013: RM156.7 million) as disclosed in Note 18. As at 30 June 2014, there is a shortfall of approximately RM45.9 million (2013: RM32.5 million) between the carrying amount of investment securities pledged as compared to the outstanding liability of the Exchangeable Bonds.

Subsequent to the financial year end, the Issuer had proposed certain amendments to the terms and conditions of the Bonds and the Trust Deed as disclosed in Note 41.

(b) Redeemable convertible secured loan stocks ("RCSLS")

Pursuant to the completion of the Lion Corporation Berhad Scheme ("LCB Scheme") for implementation on 27 February 2009, the Group had converted a portion of its LCB Class B Bonds and LCB Debts into LCB RCSLS as follows:

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

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

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

Salient terms of the RCSLS are as follows:

(i) The tranches of RCSLS are as follows:

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

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

(ii) Conversion right and rate

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

28. LOANS AND BORROWINGS (Continued)

(b) Redeemable convertible secured loan stocks ("RCSLS") (Continued)

(iii) Conversion period

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

(iv) Redeemability

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

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

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

- Mandatory Redemption

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

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

  (b) shareholders' or creditors' winding-up of LCB or upon the declaration of the event of default.

(v) Security

The securities for the RCSLS shall be the same as the securities for the LCB Bonds and LCB Debts (Note 29).

(vi) Ranking of new shares

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

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

28. LOANS AND BORROWINGS (Continued)

(b) Redeemable convertible secured loan stocks ("RCSLS") (Continued)

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

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

The RCSLS are redeemable over the following periods:

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
Within one year	**181,153**	82,176
From one to two years	**90,174**	92,821
From two to five years	**–**	83,239
	271,327	258,236

(c) Syndicated term loans

A restructuring scheme in relation to the Syndicated Term Loans of Megasteel came into effect in the previous financial year ("Restructured Scheme"). The restructured amount of the Syndicated Term Loans which comprise an RM denominated Term Loan of RM598.5 million and USD denominated Term Loan of USD205.2 million are repayable over the following periods:

		Principal Amount of Repayment RM Term Loan RM'Mil	Principal Amount of Repayment USD Term Loan USD'Mil
Repayment date			
June 2007	*	47.9	16.4
December 2007	*	23.9	8.2
June 2008	*	23.9	8.2
December 2008	*	47.9	16.4
June 2009		–	–
December 2009		–	–
June 2010	*	47.9	16.4
December 2010	*	71.8	24.6
June 2011	**	71.8	24.6
December 2011	**	71.8	24.6
June 2012	**	71.8	24.6
December 2012	**	59.9	20.5
June 2013	**	59.9	20.5
		598.5	205.0

28. LOANS AND BORROWINGS (Continued)

(c) Syndicated term loans (Continued)

* These amounts have been repaid in full.

** In the previous financial years, Megasteel had repaid RM57.2 million and USD19.6 million of the RM denominated Term Loan and the USD denominated Term Loan respectively. No further repayment in the current financial year and the balance outstanding as at 30 June 2014 for RM denominated Term Loan is RM278.0 million and USD denominated Term Loan is USD95.3 million (approximately RM306.5 million).

Interest servicing

(i) Interest

Interest will continue to be serviced semi-annually. The interest rate is as follows:

- From 1 July 2010 onwards : 5% + COF/LIBOR

(ii) Default interest

Default rate of 2% will be payable on the defaulted principal instalment.

The interest rates at the reporting date for Syndicated Term Loans are as follows:

	Group	
	2014	**2013**
	%	**%**
RM Term Loan	**11.3 - 11.9**	9.3 - 11.9
USD Term Loan	**7.2 - 7.3**	5.3 - 7.8

The Syndicated Term Loans facility is secured against:

(i) property, plant and equipment of Megasteel and its subsidiaries as disclosed in Note 12, including any future additions;

(ii) floating assets of Megasteel and its subsidiaries; and

(iii) charge over certain investment in subsidiaries.

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

(I) Sale of quoted shares of a related party ("Pledged Shares")

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

28. LOANS AND BORROWINGS (Continued)

(c) Syndicated term loans (Continued)

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

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

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

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

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

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

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

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

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

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

The PRS involves the following:

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

Meanwhile, the Syndicated Term Loans had been rolled-over to 31 December 2014.

28. LOANS AND BORROWINGS (Continued)

(d) Term loans

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Current		
RM loan at cost of fund ("COF") + 2.5% per annum (i)	**3,500**	12,500
RM loan at BLR + 1.25% per annum (ii)	**103,128**	147,619
Letter of Credit-i Facility (iii)	**24,605**	24,468
RM loan at COF + 1.5% per annum (iv)	**21,295**	20,748
RM loan from financial institution (v)	**20,000**	–
Rmb loan at base lending rate in China ("BLR China") x 1.1 times per annum (vi)	**1,809**	25,860
	174,337	231,195
Non-current		
RM loan at COF + 2.5% per annum (i)	**16,677**	9,177
Rmb loan at BLR China x 1.1 times per annum (vi)	**34,367**	36,204
	51,044	45,381
Total	**225,381**	276,576

(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 a wholly-owned subsidiary, Banting Resources Sdn Bhd ("Banting Resources");

(II) debenture over fixed and floating assets of Banting Resources which consist of the following:

	2014 RM'000	2013 RM'000
Property, plant and equipment	**72,668**	72,705
Other receivables	**409**	128
Cash and bank balances	**179**	158
Total	**73,256**	72,991

(III) corporate guarantee from the Company; and

(IV) memorandum of deposits over the shares in Banting Resources.

On 27 November 2013, Banting Resources has rescheduled the payment of the outstanding term loan owing to the bank and the tenure has been varied to 30 months commencing from 20 March 2015.

28. LOANS AND BORROWINGS (Continued)

(d) Term loans (Continued)

(ii) 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 a wholly-owned subsidiary, Lion DRI, as follows:

	2014 RM'000	2013 RM'000
Property, plant and equipment	**632,693**	662,623
Investment securities	**27,377**	67,184
Inventories	**65,407**	30,945
Trade and other receivables	**261,061**	456,491
Tax recoverable	**1,421**	1,718
Cash and bank balances	**9,587**	56,686
Total	**997,546**	1,275,647

(II) irrevocable and unconditional corporate guarantee from the Company;

(III) first legal charge over the Company's 100% shareholding in Lion DRI;

(IV) irrevocable and unconditional letter of undertaking from the Company to support the operations of Lion DRI;

(V) legal assignment on all present and future rights, title, interests and benefits of Lion DRI in and under the Offtake Agreement dated 16 July 2007 entered into between Lion DRI and Megasteel, and of the lease between Lion DRI and Megasteel 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 24, the Group has utilised the RM45 million deposit to partially settle this term loan during the financial year; 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 Lion DRI to carry on its operations and business of manufacturing direct reduced iron and hot briquetted iron in the vicinity of the lease of land.

Certain financial covenants requirements of this loan were breached during the financial year. However, the subsidiary has obtained a one-time waiver from the bank not to exercise its rights to accelerate payment up to 30 June 2015.

28. LOANS AND BORROWINGS (Continued)

(d) Term loans (Continued)

(iii) Letter of Credit-i Facility

In May 2006, a wholly-owned subsidiary of the Company, Graimpi Sdn Bhd ("Graimpi"), had 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 Graimpi;

(II) 20.8 million quoted shares with carrying value of RM13.3 million (2013: RM20.4 million) owned by the Company as disclosed in Note 18;

(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 24.

(iv) RM loan at COF + 1.5% per annum

The loan together with bills payable, revolving credits and bank overdrafts are secured against freehold land of certain subsidiaries including all buildings, fixture and fittings and plant and machinery affixed from time to time thereon, floating assets of those subsidiaries.

(v) RM loan with financial institution

The loan is secured by a charge over the property, plant and equipment and investment properties of a subsidiary with a carrying amount of approximately RM15.1 million (2013: RM Nil) and RM8.9 million (2013: RM Nil) as disclosed in Note 12 and Note 13 respectively.

(vi) 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 a subsidiary with a carrying amount of approximately RM Nil (2013: RM48.2 million) and RM52.4 million (2013: RM52.9 million) respectively, as disclosed in Note 14.

(e) Bank overdrafts

Bank overdrafts of the Group and of the Company of RM61.8 million (2013: RM Nil) are secured by deposits with licensed banks as disclosed in Note 24.

28. LOANS AND BORROWINGS (Continued)

(f) Obligations under finance leases

The Group has finance leases for motor vehicles as disclosed in Note 12.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Minimum lease payments:				
Not later than one year	**474**	492	**77**	77
Later than one year and not later than five years	**1,242**	1,540	**117**	195
Later than five years	**–**	116	**–**	–
	1,716	2,148	**194**	272
Less: Future finance charges	**(200)**	(254)	**(16)**	(27)
Present value of finance lease liabilities	**1,516**	1,894	**178**	245
Present value of finance lease liabilities:				
Not later than one year	**425**	432	**70**	66
Later than one year and not later than five years	**1,091**	1,360	**108**	179
Later than five years	**–**	102	**–**	–
	1,516	1,894	**178**	245
Analysed as:				
Due within one year	**425**	432	**70**	66
Due after one year	**1,091**	1,462	**108**	179
	1,516	1,894	**178**	245

The obligations under finance leases bore interest at the reporting date at rates ranging from 2.3% to 3.3% (2013: 2.3% to 3.3%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and the Company.

28. LOANS AND BORROWINGS (Continued)

(g) 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 were 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 were 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 bore 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 were no redemption of the ICULS. All remaining ICULS on the maturity date were mandatorily converted into new LDHB Shares at the Conversion Price.

(e) Ranking

The new LDHB Shares issued upon conversion of the ICULS ranked *pari passu* in all respects with the then existing LDHB Shares, save and except that they are not 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.

During the financial year, all ICULS had been converted into new ordinary shares of RM0.50 each in the Company as disclosed in Note 26.

The value of the ICULS was split into the liability component and the equity component, representing the fair value of the conversion option. The ICULS were accounted for in the statements of financial position as follows:

	Group/Company	
	2014	**2013**
	RM'000	**RM'000**
Nominal value	**327,462**	327,462
Less: Unamortised discount	**(327,462)**	(321,239)
Net amount	**–**	6,223
Amount due within one year	**–**	(6,223)
Amount due after one year	**–**	–

28. LOANS AND BORROWINGS (Continued)

(g) ICULS (Continued)

The amount recognised in the statements of financial position may be analysed as follows:

	Group/Company	
	2014 RM'000	2013 RM'000
Liability component at 1 July	**6,223**	18,089
Interest expenses recognised during the year (Note 7)	**380**	1,227
Interest paid during the year	**(6,603)**	(13,093)
Liability component at 30 June	**–**	6,223

Interest expense on the ICULS was calculated on the effective yield basis by applying the interest rate of 7% (2013: 7%) per annum.

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

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

29. BONDS AND DEBTS

	Group	
	2014 RM'000	2013 RM'000 (Restated)
Non-Current		
Secured:		
- LCB Bonds	**760,816**	740,419
- LCB Debts	**4,075**	3,966
Total	**764,891**	744,385
From two to five years	**437,218**	259,751
After five years	**327,673**	484,634
	764,891	744,385

29. BONDS AND DEBTS (Continued)

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

On 27 February 2009, LCB had:

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

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

(iii) converted a portion of its LCB Class B Bonds and LCB Debts into RCSLS (Note 28(b)).

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

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

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

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

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

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

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

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

(d) the Residual Assets, if any;

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

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

(g) all rights, title and interest of the LCB and Limpahjaya Sdn Bhd under the Deed of Undertaking;

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

29. BONDS AND DEBTS (Continued)

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

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

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

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

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

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

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

Dedicated Cash Flows means cash flow from the following sources:

- net surplus proceeds from the disposal of any assets in the PDP for the Group over which there is presently a security, if applicable;
- net proceeds from the disposal of any assets in the PDP for the Group over which there is presently no security;
- proceeds of the LDHB Inter-Co Repayment received by the LCB (including any loyalty payment received following the full repayment of LDHB Inter-Co Repayment);
- dividends or cash flow from the Deed of Undertaking;
- subject to the proportions allocated pursuant to the Trust Deed, dividends and disposal proceeds from Bright Steel Sdn Bhd and Lion Plate Mills Sdn Bhd;
- repayment proceeds from the ACB SPV Debts and proceeds from the Property Development Project; and
- proceeds from the disposal of 11.1% of the issued and paid-up share capital of Megasteel.

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

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

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

30. LONG TERM PAYABLES

	Group/Company	
	2014	**2013**
	RM'000	**RM'000**
Deferred payments	**73,408**	79,521
Interest expense recognised during the year (Note 7)	**5,974**	7,406
	79,382	86,927
Payments made during the year	**(18,940)**	(13,519)
Amount due within one year (Note 33)	**60,442**	73,408

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 Company, 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% (2013: 9%) per annum and as at 30 June 2014, 90,059,917 (2013: 90,809,917) LCB shares are pledged as security for the outstanding deferred payments.

In the previous financial year, the Company proposed to the creditors for a deferment of the repayment of RM73.4 million on or before 31 December 2013.

During the financial year, the Company proposed to the creditors for a further deferment of the repayment of RM60.4 million on or before 31 December 2014. As at the reporting date, majority of the creditors have not reverted with their written consents.

31. DERIVATIVE LIABILITY

	Group	
	2014	**2013**
	RM'000	**RM'000**
At 1 July	**16,389**	–
Changes in fair value recognised in profit or loss during the year (Notes 4 and 6)	**(16,346)**	16,389
At 30 June	**43**	16,389
Amount payable within one year	**(43)**	–
Amount payable after one year	**–**	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 28(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.

31. DERIVATIVE LIABILITY (Continued)

The list of inputs to the option pricing model is as follows:

	2014	2013
Parkson Share price (RM)	**2.58**	3.90
Exchange price (RM)	**3.75**	4.89
Expected volatility (%)	**25**	24
Expected life of exchange feature (years)	**0.4**	1.4
Risk free rate (% per annum)	**3.0**	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.

32. DEFERRED LIABILITIES

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

(a) Defined benefit plan - Unfunded

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

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

	Group	
	2014 RM'000	2013 RM'000 (Restated)
Non-current		
At 1 July	**2,834**	2,587
Charged to profit or loss (Note 5)	**178**	274
Benefit paid	**(134)**	(27)
At 30 June	**2,878**	2,834
The amount recognised is analysed as follows:		
- Present value of unfunded defined benefit obligations	**2,878**	2,834

32. DEFERRED LIABILITIES (Continued)

(a) Defined benefit plan - Unfunded (Continued)

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
The expenses recognised in the profit or loss are analysed as follows:		
- Current service cost	**153**	152
- Interest cost	**138**	122
- Past service cost	**(113)**	–
	178	274

The principal actuarial assumptions used are as follows:

	Group	
	2014	**2013**
	%	**%**
Discount rate	**5**	5
Expected rate of salary increase	**5**	5

(b) Deferred creditor

In April 2014, Megasteel and Tenaga Nasional Berhad ("TNB") have mutually agreed to settle a RM305.63 million claim made by TNB for the supply of electricity. A consent judgment had been recorded at the High Court of Malaya, stating that Megasteel has been given a 12-month moratorium from 1 April 2014 to pay the amount and that it shall commence the scheduled payment of the amount by 24 monthly instalments from 1 April 2015. Additionally, the supply of electricity by TNB shall be on an advance payment basis effective 1 April 2014.

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 RM'000	2013 RM'000 (Restated)	2014 RM'000	2013 RM'000
Trade payables [(a)]	**1,505,740**	1,475,262	**–**	–
Other payables				
Sundry payables	**75,362**	156,424	**–**	–
Advance from customers [(b)]	**83,895**	52,654	**–**	–
Deposits	**824**	1,333	**–**	–
Accruals	**198,784**	211,049	**22,218**	22,218
Project payables [(c)]	**6,214**	9,348	**–**	–
Amounts owing to subsidiaries [(d)]	**–**	–	**177,708**	196,529
Amounts owing to related parties [(e)]	**55,403**	51,647	**2,808**	1,937
Long term payables (Note 30)	**60,442**	73,408	**60,442**	73,408
	480,924	555,863	**263,176**	294,092
Total trade and other payables	**1,986,664**	2,031,125	**263,176**	294,092
Add: Loans and borrowings (Note 28)	**2,289,760**	2,245,285	**61,964**	6,468
Deferred liabilities (Note 32)	**255,600**	2,834	**–**	–
Product financing liabilities (Note 35)	**383,218**	613,744	**–**	–
Total financial liabilities carried at amortised cost	**4,915,242**	4,892,988	**325,140**	300,560

(a) Trade payables

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 120 days (2013: 30 to 90 days).

Included in trade payables are amounts due to related parties amounting to approximately RM997.0 million (2013: RM809.3 million) arising from transactions as further discolsed in Note 39. These balances bear interest at rates ranging from 7.6% to 9.0% (2013: 7.6% to 9.0%) per annum.

(b) Advance from customers

Included in the advance from customers are security deposits amounted to RM19.6 million (2013: RM28.9 million) which bear interest at rates ranging from 6.5% to 10.0% (2013: 6.5% to 10%) per annum.

33. TRADE AND OTHER PAYABLES (Continued)

(c) Project payables

Project payables represent accrued construction costs for plant and machinery. These payables are unsecured and non-interest bearing.

(d) Amounts owing to subsidiaries

The amounts owing to subsidiaries are non-interest bearing except for a balance of USD6.2 million (approximately RM19.9 million) (2013: USD6.2 million approximately RM19.7 million) which bears interest at a rate of 0.22% (2013: 0.22%) per annum. These balances are repayable on demand and are unsecured.

(e) Amounts owing to related parties

Amounts owing to related parties are unsecured, non-interest bearing and are payable on demand.

34. PROVISIONS

	Group	
	2014	**2013**
	RM'000	**RM'000**
At 1 July	**38,000**	29,000
Additional provision	**–**	9,000
At 30 June	**38,000**	38,000

The provision for potential claims represents the estimated quantum of claims by the contractors for the construction of the Project that was suspended as disclosed in Note 12(e). 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 initiated by the contractors against the Group.

35. PRODUCT FINANCING LIABILITIES

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
Payable within one year		
- with related parties	**165,218**	299,083
- with external parties	**218,000**	314,661
	383,218	613,744

35. PRODUCT FINANCING LIABILITIES (Continued)

These liabilities represent trade financing arrangements contracted by subsidiaries with certain parties to purchase raw materials. The titles to the inventories pertaining to these arrangements are legally with the these parties and of which the Group has the obligation to purchase. The terms of trade financing arrangements are from 90 days to 120 days (2013: 90 days to 120 days), bearing interest rates ranging from 2.1% to 12.0% (2013: 2.2% to 12.0%) per annum. The carrying amount of inventories under such arrangements is disclosed in Note 21.

The trade financing arrangements are denominated in US Dollar. Further details of foreign exchange currency risk are as disclosed in Note 43(d).

36. 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 was granted pursuant to the ESOS.

37. COMMITMENTS

(a) Capital commitments

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Capital expenditure for property, plant and equipment:		
Approved and contracted for	**18,696**	2,268,782
Approved but not contracted for	**42,511**	333,440
	61,207	2,602,222

(b) Non-cancellable operating lease commitments

	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Future minimum rentals payable:		
Not later than one year	**3,336**	2,680
Later than one year and not later than five years	**4,773**	6,686
	8,109	9,366

Operating lease payments represent rentals payable by the Group for use of land, buildings, plant and machineries.

38. 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 chances of the guarantees to crystallisable is merely possible and this include the shortfall between the pledged securities and the outstanding liability of the Exchangeable Bonds as disclosed in Note 28(a).

(ii) Claims from contractors

As disclosed in Note 34, contractors for the Blast Furnace Project ("Project") have made claims of RM96.0 million (2013: RM96.0 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 (2013: RM38.0 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 these 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 12. 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.

38. CONTINGENT LIABILITIES (Continued)

(iii) Capital expenditure relating to the Project (Continued)

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.

(iv) Contingent liabilities arising from anti-competitive effects

On 1 November 2013, the Malaysia Competition Commission ("MyCC") issued its Proposed Decision on Megasteel. In its Proposed Decision, MyCC is of the view that Megasteel had breached the provision of Section 10(1) of the Competition Act, 2010 in that it had abused its dominant position by charging or imposing a price for its hot rolled coil and cold rolled coil that amounts to a margin squeeze that produces anti-competitive effects in the cold rolled coil market. A financial penalty of RM4.5 million was imposed by the MyCC on Megasteel. Megasteel had on 12 December 2013 filed a written representation to MyCC and presented its oral representation on 21 July 2014. Megasteel is now awaiting the MyCC's final decision.

(v) Contingent liabilities relating to joint ventures

A number of contingent liabilities have arisen as a result of the Group's interests in joint ventures. The amount disclosed below represents the aggregate amount of such contingent liabilities before taking into account the Group's proportion of ownership interest.

(a) Claims from Crest Builder Sdn Bhd ("Crest Builder")

On 1 March 2013, Crest Builder commenced an arbitration against Panareno Sdn Bhd ("Panareno") on an allegation that Crest Builder is entitled to an extension of time for the completion of the works with an extended completion date of 29 July 2011 and claiming for an amount of RM50,398,443 together with interest thereon for balance sum in the development of project known as Twins, 318 units of serviced residence at Damansara Heights, Kuala Lumpur ("the Twins Project"). On 19 April 2013, Panareno had filed a defence and counterclaim of approximately RM77 million against Crest Builder on a declaration that Crest Builder is not entitled to the extension of time and claiming liquidated damages for late delivery and compensation for damages incurred by Panareno due to the delay and rectification works in relation to the Twins Project. The Tribunal has tentatively fixed for further hearing dates in October 2014, January 2015 and April 2015.

(b) Claims from Tenaga Nasional Berhad ("TNB")

Panareno had been served with a writ of summon by TNB claiming the sum to be determined by the court, alleging for damage caused to its underground cables. TNB alleged that the cost to change the cables amounted to RM14,863,250. Panareno had since issued Third Party Proceedings against Vital Project Sdn Bhd, the main contractor of the water piping works for Twins development, seeking indemnity for the TNB's claim. The court has yet to fix the hearing date for the case.

39. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with other related parties

Related Parties	Nature	Group 2014 RM'000	Group 2013 RM'000 (Restated)
Amsteel Mills Sdn Bhd	Trade sales	**546,135**	559,27
	Trade purchases	**692,152**	464,851
	Rental income	**1,196**	3,225
	Rental expenses	**790**	1,405
Antara Steel Mills Sdn Bhd	Trade purchases	**30,605**	112,275
	Trade sales	**13,889**	11,066
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**8,431**	10,157
	Rental expenses	**1,116**	1,057
Lion Waterway Logistics Sdn Bhd	Logistic services	**66,881**	78,051
Singa Logistics Sdn Bhd	Logistic services	**17,914**	14,257
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**3,136**	3,096
Posim Marketing Sdn Bhd	Trade purchases	**42,187**	196,240
	Trade sales	**5,976**	70,203
	Interest expense	**21,956**	16,971
Lion Tooling Sdn Bhd	Trade purchases	**3,461**	3,558
Compact Energy Sdn Bhd	Trade purchases	**9,360**	13,452
Mitsui & Co., Ltd	Trade purchases	**34,904**	32,330
Lion Holdings Private Limited	Product financing facilities	**245,852**	394,834
	Interest expenses	**8,954**	10,991
Ributasi Holdings Sdn Bhd	Product financing facilities	**2,500**	18,455
	Interest expense	**594**	955

Amsteel Mills Sdn Bhd, Antara Steel Mills Sdn Bhd, Amsteel Mills Marketing Sdn Bhd and Lion Waterway Logistics Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a substantial shareholder of the Company.

Singa Logistics Sdn Bhd, Posim Petroleum Marketing Sdn Bhd and Posim Marketing Sdn Bhd are subsidiaries of Lion Forest Industries Berhad wherein certain Directors and substantial shareholders of the Company are substantial shareholders.

Lion Tooling Sdn Bhd and Compact Energy Sdn Bhd are subsidiaries of ACB Resouces Berhad and Lion Asiapac Limited respectively wherein certain Directors and substantial shareholders of the Company is a director and/or substantial shareholders.

Mitsui & Co., Ltd is a substantial shareholder of a subsidiary of LCB, a company in which certain Directors and the substantial shareholders of the Company are Directors and substantial shareholders.

Lion Holdings Private Limited is a company in which a Director and a substantial shareholder of the Company has interest whilst Ributasi Holdings Sdn Bhd is a company in which certain Directors and substantial shareholders of the Company have interests.

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 2014 are disclosed in Notes 22 and 33.

39. 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	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000 (Restated)**	**RM'000**	**RM'000**
Wages, salaries and bonuses	**1,682**	1,997	**439**	390
Pension costs - defined contribution plans	**120**	190	**53**	75
	1,802	2,187	**492**	465

40. SIGNIFICANT EVENTS

(a) On 29 August 2013, the Company had announced the termination of the following proposals:

(i) proposed joint venture in the Project among the Company, 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, Chee 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 the 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.

(b) LCB, a company listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), wherein the Group holds a 49.1% equity interest, had on 25 October 2013 announced that it is an affected listed issuer pursuant to the provisions of the Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Securities. In accordance with the PN17, LCB is required to submit a regularisation plan within 12 months to the Securities Commission/Bursa Securities ("Regularisation Plan"). As LCB is still formulating the Regularisation Plan, LCB had on 1 October 2014 submitted an application to Bursa Securities for an extension of time from 25 October 2014 to 30 June 2015 for LCB to make the submission of the Regularisation Plan. The application is pending the approval from Bursa Securities.

(c) A wholly-owned subsidiary of LCB had on 31 December 2013, completed the disposal of Lion Plate Mills Sdn Bhd for a cash consideration of RM33 million as disclosed in Note 15.

(d) Tan Sri William H.J. Cheng ("TSWC") had on 12 December 2013, offered to acquire the entire outstanding LCB Bonds/Debts/RCSLS from each lender of LCB ("LCB Lenders") for a cash consideration of RM246.0 million (''Initial Offer'').

40. SIGNIFICANT EVENTS (Continued)

(d) (Continued)

To facilitate the aforesaid proposed acquisition of LCB Bonds/Debts/RCSLS, it was proposed that amendments be made to the respective issue documents, *inter alia*, permitting the transferability of and voting rights to the LCB Bonds/Debts/RCSLS to TSWC (''Proposed Amendments''). Apart from that, LCB had also proposed to (i) defer the payment of the principal and coupon of the LCB Class B(a) RCSLS, LCB Class B(b) RCSLS and LCB Class B(c) RCSLS amounting to RM85.41 million from 31 December 2013 to 30 June 2014 (''Proposed LCB Deferment''); and (ii) seek the indulgence of the LCB Lenders to not declare an event of default under the terms of the issue documents ("Proposed LCB Indulgence for Non-Declaration of Event of Default").

TSWC had on 6 January 2014, withdrawn the Initial Offer (''Withdrawal'') and would review the terms for a revised offer for the proposed acquisition of LCB Bonds/Debts/RCSLS. Consequent to the Withdrawal, LCB had withdrawn the resolution set out in its circular dated 13 December 2013 to the LCB Lenders in relation to the Proposed Amendments from the meeting of the LCB Lenders held on 13 January 2014 ("LCB Lenders' Meeting"). Save for the Proposed Amendments, LCB had obtained approval of the LCB Lenders for, the Proposed LCB Deferment and the Proposed LCB Indulgence for Non-Declaration of Event of Default at the LCB Lenders' Meeting.

TSWC had on 26 June 2014, made a revised offer to acquire the entire outstanding LCB Bonds/Debts/RCSLS from the LCB Lenders for a cash consideration of RM246.0 million. In this regard, LCB had on 27 June 2014 issued a circular (as supplemented by a supplemental at circular dated 3 July 2014) to seek the LCB Lenders' approval on the following proposals ("LCB Proposals"):

(i) Proposed Amendments;

(ii) proposed term-out of the outstanding LCB Bonds/Debts/RCSLS;

(iii) proposed waiver of 1% penalty interest from the LCB Lenders for the principal amounts of the LCB Bonds/Debts/RCSLS deferred;

(iv) Proposed LCB Indulgence for Non-Declaration of Event of Default; and

(v) proposed substitution and replacement of the Deed of Undertaking dated 27 February 2009 between the Company, LCB, Limpahjaya Sdn Bhd, Khazanah Nasional Berhad and RHB Investment Bank Berhad (as Security Trustee).

The LCB Lenders' had at its meeting held on 14 July 2014, approved the LCB Proposals.

41. SUBSEQUENT EVENT

On 10 October 2014, the Company announced that Excel Step Investments Limited ("Issuer"), a wholly-owned subsidiary of the Company (as Guarantor), is proposing certain amendments to the terms of the Exchangeable Bonds ("Proposed EB Amendments") (Note 28(a)).

The Proposed EB Amendments include, amongst others, the following:

(i) extension of the maturity date of the Exchangeable Bonds to 16 November 2017;

(ii) release (on a one-time basis) of RM5,461,000 from the cash amounts held by the Security Trustee under the existing security arrangements to make partial redemption payment due by the Issuer on 16 November 2014;

(iii) redemption of the Bonds at 100% of their principal amount on the extended maturity date; and

41. SUBSEQUENT EVENT (Continued)

The Proposed EB Amendments include, amongst others, the following: (Continued)

(iv) re-scheduling of the six partial redemptions totalling USD24 million to 16 November 2014, 16 May 2015, 16 November 2015, 16 May 2016, 16 November 2016 and 16 May 2017,

in each case effective from and including 16 November 2014.

As at the date of this report, the Proposed EB Amendments are pending the approval of the holders of the Exchangeble Bonds via an Extraordinary Resolution at the bondholders' meeting to be held on 3 November 2014.

42. 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.

(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 are disclosed in the following notes:

	Note
Investment securities	18
Trade and other receivables	22
Cash and bank balances	24
Loans and borrowings	28
Trade and other payables	33
Product financing liabilities	35

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 or due to the insignificant impact of discounting except as discussed below:

	Group	
	Carrying value RM'000	**Fair value RM'000**
2014		
Exchangeable Bonds (Note 28(a))	**155,734**	**130,662**
Obligation under finance leases (Note 28(f))	**1,516**	**1,047**
2013		
Exchangeable Bonds (Note 28(a))	189,204	154,684
Obligation under finance leases (Note 28(f))	1,894	1,397

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(ii) Amounts due from/to subsidiaries, related parties and joint ventures

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) Unquoted investments

It is not practical to estimate the fair value of the Group's unquoted investments due to lack of market information and the inability to estimate fair value without incurring excessive costs. However, the Group does not expect the carrying amounts to be significantly different from recoverable amounts.

(v) 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.

(vi) 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.

(c) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities 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; and

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

As at 30 June 2014, the Group and the Company held the following financial instruments carried at fair values in the statement of financial position:

	2014 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	25,016	25,016	–	–
Current	109,857	109,857	–	–
	134,873	134,873	–	–
Current				
Derivative assets	92	92	–	–
Assets for which fair values are disclosed				
Non-current				
Investment properties	12,673	–	–	12,673
Investments in associates	49,651	49,651	–	–
Liability measured at fair value				
Derivative liability	43	–	43	–
Liabilities for which fair values are disclosed				
Exchangeable Bonds	130,662	130,662	–	–
Obligation under finance leases	1,047	–	1,047	–
Company				
Assets measured at fair value				
Non-current				
Available-for-sale financial assets	13,954	13,954	–	–
Investments in subsidiaries	5,073	5,073	–	–

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	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	194,854	194,854	–	–
Assets for which fair values are disclosed				
Non-current				
Investment properties	13,045	–	–	13,045
Investments in associates	51,774	51,774	–	–
Liability measured at fair value				
Derivative liability	16,389	–	16,389	–
Liabilities for which fair values are disclosed				
Exchangeable Bonds	154,684	154,684	–	–
Obligation under finance leases	1,397	–	1,397	–
Company				
Assets measured at fair value				
Non-current				
Available-for-sale financial assets	21,302	21,302	–	–
Investments in subsidiaries	20,469	20,469	–	–

During the financial years ended 30 June 2014 and 30 June 2013, there were no transfers between Level 1 and Level 2 fair values measurements.

43. 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.

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.

Exposure to credit risk

Information regarding the Group's exposure to credit risk is disclosed in Note 22.

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 22.

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 22.

(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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

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
2014				
Group				
Financial liabilities				
Trade and other payables	1,986,664	–	–	1,986,664
Loans and borrowings	1,389,734	716,652	476,264	2,582,650
Product financing liabilities	383,218	–	–	383,218
Derivative liability	43	–	–	43
Deferred liabilities - deferred creditor	–	269,524	–	269,524
Total undiscounted financial liabilities	3,759,659	986,176	476,264	5,222,099
Company				
Financial liabilities				
Trade and other payables	263,176	–	–	263,176
Loans and borrowings	61,863	118	–	61,981
Total undiscounted financial liabilities	325,039	118	–	325,157

43. 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
2013				
Group				
Financial liabilities				
Trade and other payables	2,031,125	–	–	2,031,125
Loans and borrowings	1,142,020	951,863	472,439	2,566,322
Product financing liabilities	613,744	–	–	613,744
Derivative liability	–	16,389	–	16,389
Total undiscounted financial liabilities	3,786,889	968,252	472,439	5,227,580
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

(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 RM0.4 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.

43. 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 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.

Sensitivity analysis for foreign currency risk

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

		Group Loss net of tax RM'000	**Company Loss net of tax RM'000**
2014			
USD/RM	- strengthened 3%	**(3,482)**	**5,611**
	- weakened 3%	**3,482**	**(5,611)**
2013			
USD/RM	- strengthened 3%	(6,171)	5,677
	- weakened 3%	6,171	(5,677)

(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. 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.

Sensitivity analysis for equity price risk

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 RM3.1 million (2013: RM3.9 million) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

44. 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 2014 and 30 June 2013 respectively.

	Group	
	2014	**2013**
	RM'000	**RM'000**
		(Restated)
Loans and borrowings	**2,289,760**	2,245,285
Trade and other payables	**1,986,664**	2,031,125
Deferred liabilities	**255,600**	2,834
Product financing liabilities	**383,218**	613,744
Less: Cash and bank balances	**(469,769)**	(464,699)
Net debts	**4,445,473**	4,428,289
Equity attributable to owners of the Company	**529,070**	1,236,418
Less: ICULS equity component	**–**	(287,182)
	529,070	949,236
Total capital and net debts	**4,974,543**	5,377,525
Gearing ratio	**89%**	82%

45. 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, manufacture and trading of steel furniture, trading of steel products, share registration and secretarial services 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.

45. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2014

	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	2,356,012	196,837	147,809	29,694	–	2,730,352
Inter-segment sales	5,957	1,551	–	602	(8,110)	–
Total revenue	2,361,969	198,388	147,809	30,296	(8,110)	2,730,352
Results						
Segment results	(189,276)	64,932	11,736	(3,054)	–	(115,662)
Fair value gain on derivative liability/assets						16,438
Realised and unrealised foreign exchange loss, net						(1,051)
						(100,275)
Finance costs						(284,897)
Impairment loss on:						
- Investment securities						(62,035)
- Plant and equipment						(446,389)
Gain on disposal of subsidiaries						22,899
Share of results of associates						2,172
Share of results of joint ventures						3,655
Income tax expense						11,959
Loss for the year						(852,911)
Assets						
Segment assets	3,773,451	726,736	78,557	329,123	–	4,907,867
Investments in associates						53,845
Investments in joint ventures						24,026
Unallocated corporate assets						421,597
Consolidated total assets						5,407,335
Liabilities						
Segment liabilities	2,938,065	216,748	24,282	737,972	–	3,917,067
Unallocated corporate liabilities						1,170,960
Consolidated total liabilities						5,088,027
Other information						
Capital expenditure	4,539	1,070	1,185	255	–	7,049
Depreciation	159,766	846	2,924	984	–	164,520
Impairment losses	451,795	–	–	56,629	–	508,424
Other non-cash expense	34,375	1	86	521	–	34,983

45. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2013 (Restated)

	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	2,522,311	163,985	133,917	35,359	–	2,855,572
Inter-segment sales	8,767	1,551	–	461	(10,779)	–
Total revenue	2,531,078	165,536	133,917	35,820	(10,779)	2,855,572
Results						
Segment results	(156,639)	56,598	7,912	3,523	–	(88,606)
Realisation of gain from available-for sale reserve						5
Fair value loss on derivative liability						(16,389)
Realised and unrealised foreign exchange gain, net						12,487
						(92,503)
Finance costs						(322,789)
Impairment loss on:						
- Investment securities						(36,414)
- Investments in associates						(39,843)
Gain on settlement of liabilities						847,166
Loss on disposal of an associate						(575,958)
Write off of plant and equipment						(10,000)
Mining expenditure expensed off						(9,777)
Share of results of associates						4,000
Share of results of joint ventures						2,278
Income tax expense						11,224
Loss for the year						(222,616)
Assets						
Segment assets	4,814,456	637,265	85,893	260,227	–	5,797,841
Investments in associates						52,662
Investments in joint ventures						20,752
Unallocated corporate assets						397,984
Consolidated total assets						6,269,239
Liabilities						
Segment liabilities	3,181,189	154,597	24,700	584,270	–	3,944,756
Unallocated corporate liabilities						1,143,644
Consolidated total liabilities						5,088,400
Other information						
Capital expenditure	28,419	48	3,804	3,549	–	35,820
Depreciation	158,728	847	2,878	973	–	163,426
Impairment losses	18,572	–	–	67,685	–	86,257
Other non-cash expense	35,198	1	543	624	–	36,366

45. 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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Malaysia	**2,499,215**	2,633,065	**4,315,438**	5,211,358	**6,935**	35,036
People's Republic of China	**93,220**	116,609	**444,860**	395,280	**16**	317
Others	**137,917**	105,898	**147,569**	191,203	**98**	467
Total	**2,730,352**	2,855,572	**4,907,867**	5,797,841	**7,049**	35,820

(d) Information about major customers

Revenue from three customers (being related parties as disclosed in Note 39) amounting to RM566.0 million (2013: RM640.5 million) arising from sales by the Steel segment.

46. PRIOR YEAR ADJUSTMENT AND COMPARATIVE FIGURES

During the financial year, the Group made prior year adjustment relating to the over-recognition of liability amounting to RM23,881,550 recorded in pervious financial years. The effect of this prior year adjustment is as follows:

	As previously stated RM'000	**Adjustments RM'000**	**Restated RM'000**
Statement of financial position			
Group			
30 June 2013			
Property, plant and equipment	3,621,085	(23,882)	3,597,203
Other payables	579,745	(23,882)	555,863
1 July 2012			
Property, plant and equipment	3,772,667	(23,882)	3,748,785
Other payables	596,114	(23,882)	572,232

47. 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.

48. SUPPLEMENTARY INFORMATION - BREAKDOWN OF ACCUMULATED LOSSES/RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the accumulated losses/retained profits of the Group and of the Company as at 30 June 2014 into realised and unrealised profits/losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

	Group		**Company**	
	2014 RM'000	**2013 RM'000 (Restated)**	**2014 RM'000**	**2013 RM'000**
Total (accumulated losses)/ retained profits of the Company and its subsidiaries:				
- Realised	**(164,556)**	509,576	**(496,350)**	277,465
- Unrealised	**80,172**	161,097	**(34,475)**	(29,008)
	(84,384)	670,673	**(530,825)**	248,457
Total share of accumulated losses from associates:				
- Realised	**(394,943)**	(396,347)	**–**	–
- Unrealised	**2,432**	2,653	**–**	–
	(392,511)	(393,694)	**–**	–
Total share of retained profits from joint ventures:				
- Realised	**23,938**	20,664	**–**	–
Less: Consolidated adjustments	**(62,669)**	(62,669)	**–**	–
Total (accumulated losses)/ retained profits	**(515,626)**	234,974	**(530,825)**	248,457

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2014

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM 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 (16)	2.3	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 (22)	24.1	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	3.2	June 2008
6.	33, Dong Nan Da Dao Changshu City Jiangsu Province China	Leasehold 7.7.2078	488 sq metres	Building	Office (5)	2.8	March 2008
7.	Lot 4, Solok Waja 3 Kawasan Perindustrian Bukit Raja, Klang Selangor Darul Ehsan	Leasehold 22.10.2088	24,281 sq metres	Industrial land and building	Factory, office & warehouse (31)	2.7	August 1983
8.	H.S. (D) 13422 P.T. 17213 H.S. (D) 13423 P.T. 17214 H.S. (D) 13424 P.T. 17215 H.S. (D) 26819 P.T. 17217 & H.S. (D) 13426 P.T. 17218 Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor Darul Ehsan	Freehold	1,921,742 sq metres	Industrial land and building	Factory & office (15)	632.4	October 1995

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
9. Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor Darul Ehsan	Leasehold 2112	2.51 acres	Industrial land	Road	1.0	March 2013
10. Lot 2823 & 2824 Sungai Tunas Mukim Tanjung Dua Belas Daerah Kuala Langat Selangor Darul Ehsan	Freehold	1.6643 hectares	Industrial land and building	Factory, office & warehouse (7)	7.8	April 2005
11. Lot 177, Jalan Utas 15/7 Section 15 40000 Shah Alam Selangor Darul Ehsan	Leasehold 10.7.2074	42,131 sq metres	Land and building	Factory & office (22)	14.6	April 1995

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 15 October 2014

Authorised Capital	:	RM4,500,000,000
Issued and Paid-up Capital	:	RM696,073,677.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 15 October 2014

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	234	2.42	6,065	0.00
100 to 1,000	2,261	23.40	1,876,289	0.13
1,001 to 10,000	4,121	42.66	21,358,071	1.53
10,001 to 100,000	2,530	26.19	91,283,274	6.56
100,001 to less than 5% of issued shares	511	5.29	594,339,562	42.69
5% and above of issued shares	4	0.04	683,284,094	49.09
	9,661	100.00	1,392,147,355	100.00

Substabtial Shareholders as at 15 October 2014

Substantial Shareholders	← Direct Interest →		← Indirect Interest →	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Sri William H.J. Cheng	364,586,607	26.19	318,125,462	22.85
2. Tan Sri Cheng Yong Kim	9,841,337	0.71	375,657,070	26.98
3. Dynamic Horizon Holdings Limited	363,400,000	26.10	–	–
4. Amsteel Mills Sdn Bhd	116,180,800	8.35	60,029,832	4.31
5. Lion Industries Corporation Berhad	37,518,645	2.70	176,210,632	12.66
6. LLB Steel Industries Sdn Bhd	–	–	176,210,632	12.66
7. Steelcorp Sdn Bhd	–	–	176,210,632	12.66

Thirty Largest Registered Shareholders as at 15 October 2014

Registered Shareholders		No. of Shares	% of Shares
1.	Dynamic Horizon Holdings Limited	333,400,000	23.95
2.	Cheng Heng Jem	175,653,607	12.62
3.	Amsteel Mills Sdn Bhd	92,230,487	6.63
4.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	82,000,000	5.89
5.	Antara Steel Mills Sdn Bhd	60,029,832	4.31
6.	Narajaya Sdn Bhd	53,997,801	3.88
7.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	46,933,000	3.37
8.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (8119566)	30,000,000	2.15
9.	M & A Nominee (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited (M&A)	30,000,000	2.15
10.	RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for Cheng Heng Jem	30,000,000	2.15
11.	RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for William Cheng Sdn Bhd	30,000,000	2.15
12.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-4	23,950,313	1.72
13.	Ributasi Holdings Sdn Bhd	17,983,427	1.29
14.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (8106442)	17,000,000	1.22
15.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	15,000,000	1.08
16.	Lion Holdings Private Limited	12,257,070	0.88
17.	Maybank Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Limited (Client A/C)	10,750,000	0.77
18.	Cheng Yong Kim	9,841,337	0.71
19.	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for San Tuan Sam	5,455,600	0.39
20.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LIO0157M)	5,000,000	0.36
21.	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Lee Chun Fun (PB)	5,000,000	0.36
22.	RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Ng Siong Ket (EPF)	4,736,600	0.34
23.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASM Asia Recovery (Master) Fund	3,840,800	0.28
24.	Maybank Nominees (Tempatan) Sdn Bhd Lim Kah Eng	2,948,900	0.21
25.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lu Yap Yang	2,862,100	0.21
26.	Teh Bee Gaik	2,800,000	0.20
27.	Yong Swee Hing	2,700,000	0.19
28.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Irene Toh Lai Ping (TJJ/Ken)	2,352,500	0.17
29.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Siong Ket	2,335,500	0.17
30.	Cheng Chai Hai	2,273,086	0.16

Directors' Interests in Shares in the Company and its Related Corporations as at 15 October 2014

The Directors' interests in shares in the Company and its related corporations as at 15 October 2014 are as follows:

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
The Company	RM0.50				
Tan Sri William H.J. Cheng		364,586,607	26.19	318,694,862	22.89
Tan Sri Cheng Yong Kim		9,841,337	0.71	379,157,070	27.24

Related Corporations

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim

	Nominal Value per Ordinary Share	Indirect Interest No. of Shares	Indirect Interest % of Shares
LDH Investment Pte Ltd	*	4,500,000	100.00
Jernih Aktif Sdn Bhd	RM1.00	70	70.00

Note:

* *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 15 October 2014.

OTHER INFORMATION

(I) MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests since the end of the previous financial year or which are still subsisting at the end of the financial year.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors for the financial year was RM134,000 (2013: RM151,500).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2014 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related		
(i) Sale of direct reduced iron, scrap iron and other related products and services	Lion Corporation Berhad Group ("LCB Group") [1]	1,021,068
	Lion Forest Industries Berhad Group ("LFIB Group") [2]	5,972
(ii) Purchase of steel products, scrap iron and other related products and services	LCB Group [1]	36,711
	Lion Industries Corporation Berhad Group [2]	46,457
	LFIB Group [2]	42,214
(iii) Rental of industrial land and buildings	LCB Group [1]	1,142

Notes:

"Group" includes subsidiary and associated companies

[1] A Company in which certain Directors and certain major shareholders of the Company have substantial interests.

[2] A Company in which a Director and certain major shareholders of the Company have substantial interests.

(IV) SHARE BUY-BACK

There was no share buy-back during the financial year.

(V) CONVERTIBLE SECURITIES

The RM327,462,064 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks 2008/2013 of the Company had been fully converted into 654,924,128 new ordinary shares of RM0.50 each of the Company during the financial year.

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LION DIVERSIFIED HOLDINGS BERHAD
(9428-T)

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-Fourth Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 2 December 2014 at 2.30 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To re-elect as Director, Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat		
3. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng		
4. To re-appoint Auditors		
5. Authority to Directors to issue shares		
6. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
7. Proposed Renewal of Authority for Share Buy-Back		

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

As witness my/our hand this .... day of 2014

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

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 25 November 2014 shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.

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