LION FOREST INDUSTRIES

# LION FOREST INDUSTRIES BERHAD

(82056-X)

Laporan Tahunan

2015

Annual Report

# CONTENTS

# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the Thirty-Third Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 23 November 2015 at 3.00 pm for the following purposes:

**AGENDA**

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

2. To approve the payment of Directors' fees amounting to RM164,000 (2014: RM164,000). **Resolution 1**

3. To re-elect Directors:

   In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Dato' Eow Kwan Hoong retires by rotation and, being eligible, offers himself for re-election. **Resolution 2**

   In accordance with Article 99 of the Company's Articles of Association, Ms Cheng Hui Ya, Serena who was appointed subsequent to the financial year retires and, being eligible, offers herself for re-election. **Resolution 3**

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

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Lin Chung Dien be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 5**

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

6. Special Business

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

6.1 Retention of Independent Non-Executive Director

"THAT pursuant to the recommendation of the Malaysian Code on Corporate Governance 2012, Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served as an independent non-executive Director of the Company for more than nine (9) years, be and is hereby retained as an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 7**

6.2 Authority to Directors to Issue Shares

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 8**

6.3 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 30 October 2015 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 9**

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

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

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

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

whichever is the earlier; and

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

6.4 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 authorities, the Company be and is hereby authorised to buy back such number of ordinary shares of RM1.00 each in the Company ("Shares") 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 10**

(i) the aggregate number of shares bought back and/or held by the Company does not exceed 10% of the total issued and paid-up capital of the Company at any point of time provided always that in the event the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders' mandate for share buy-back which was obtained at the previous Annual General Meeting held on 2 December 2014, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed 10% of the total issued and paid-up share capital of the Company; 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 ordinary 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 cancel the Shares so purchased by the Company, to retain the Shares so purchased as treasury shares, or to retain part of such Shares so purchased as treasury shares and cancel the remainder, and to distribute the treasury shares as share dividends and/or resell the treasury shares on the market of Bursa Securities;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to execute all necessary documents, to give full effect to the Proposed Share Buy-Back with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities or as may be deemed necessary by the Directors and to take all steps and actions as may be required by the relevant authorities and as the Directors may deem necessary and expedient to finalise, implement and give full effect to the Proposed Share Buy-Back."

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

By Order of the Board

**WONG PHOOI LIN**
**YASMIN WEILI TAN BINTI ABDULLAH**
Secretaries

Kuala Lumpur
30 October 2015

***Notes:***

1. *Proxy*

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

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

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

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

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

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

   *Details on the following are set out in the Circular enclosed together with the 2015 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.*

4. *Resolution 7*

   *The Board assisted by the Nomination Committee, has assessed the independence of Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served on the Board as an independent non-executive Director of the Company for more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to retain Dato' Kalsom as an independent non-executive Director as she possesses the following attributes necessary in discharging her roles and functions as an independent non-executive Director of the Company:*

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

   *(ii)* *Has vast experience in various fields relevant to the Group's business.*

   *(iii)* *Challenges Management in an effective and constructive manner.*

   *(iv)* *Performs her duties as a Director without being subject to influence of Management.*

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

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

***Notes:*** *(continued)*

5. *Resolution 8*

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

   *As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 2 December 2014 which will lapse at the conclusion of this Annual General Meeting.*

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

6. *Resolution 9*

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

7. *Resolution 10*

   *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 genenral meeting of the company.*

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Thirty-Third Annual General Meeting of the Company are set out in the Directors' Profile on pages 7 to 9 of the 2015 Annual Report.

# CORPORATE INFORMATION

| | | |
|---|---|---|
| **Board of Directors** | : | Y. Bhg. Tan Sri William H.J. Cheng<br>*(Chairman)*<br>Mr Chan Ho Wai<br>*(Executive Director)*<br>Ms Cheng Hui Ya, Serena<br>*(Executive Director)*<br>Y. Bhg. Dato' Kalsom binti Abd. Rahman<br>Y. Bhg. Dato' Eow Kwan Hoong<br>Mr Lin Chung Dien |
| **Secretaries** | : | Ms Wong Phooi Lin<br>Puan Yasmin Weili Tan binti Abdullah |
| **Company No** | : | 82056-X |
| **Registered Office** | : | Level 14, Lion Office Tower<br>No. 1 Jalan Nagasari<br>50200 Kuala Lumpur<br>Tel No : 03-21420155<br>Fax No : 03-21413448<br>Website : www.lion.com.my/lionfib |
| **Share Registrar** | : | Secretarial Communications Sdn Bhd<br>Level 13, Lion Office Tower<br>No. 1 Jalan Nagasari<br>50200 Kuala Lumpur<br>Tel Nos : 03-21420155, 03-21418411<br>Fax No : 03-21428409 |
| **Auditors** | : | Deloitte<br>Level 16, Menara LGB<br>1 Jalan Wan Kadir<br>Taman Tun Dr. Ismail<br>60000 Kuala Lumpur |
| **Principal Bankers** | : | CIMB Bank Berhad<br>Bank Muamalat Malaysia Berhad |
| **Stock Exchange Listing** | : | Bursa Malaysia Securities Berhad ("Bursa Securities") |
| **Stock Name** | : | LIONFIB |
| **Bursa Securities Stock No** | : | 8486 |
| **Reuters Code** | : | LIOF.KL |
| **ISIN Code** | : | MYL8486OO002 |

# DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, aged 72, was appointed to the Board on 15 January 1991 and has been the Chairman since 27 August 1997.

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

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

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

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

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

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares of RM1.00 each and an indirect interest in 171,261,979 ordinary shares of RM1.00 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on pages 136 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the plantation sector.

Tan Sri William Cheng's daughter, Ms Cheng Hui Ya, Serena and his brother-in-law, Mr Chan Ho Wai, are the Executive Directors of the Company, and his nephew, Y. Bhg. Tan Sri Cheng Yong Kim, is 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 2015.

**Chan Ho Wai**
*Executive Director*

Mr Chan Ho Wai, a British National, aged 59, was appointed an Executive Director of the Company on 1 August 2008. He is also the Chairman of the Executive Share Option Committee and a member of the Remuneration Committee of the Company.

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

Mr Chan joined the Lion Group in 1992 and first held the position of Material Manager of Ceemax Technology Sdn Bhd in charge of material sourcing and product development until 1994. In 1995, he was appointed an Assistant General Manager of Likom Caseworks Sdn Bhd responsible for the operation and administration of the company until 1996. Since 1997, he is the director in charge of the manufacturing operations of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals. He was a Director of Silverstone Berhad, a public company which is involved in the manufacture and sale of tyres, rubber compounds and other related rubber products from 2005 to 2013. Prior to joining the Lion Group, he was an engineer with HK Aircraft Engineer Co responsible for aircraft maintenance from 1983 to 1991.

Mr Chan is the brother-in-law of Y. Bhg. Tan Sri William H.J. Cheng, the Chairman and a major shareholder of the Company, and his niece, Ms Cheng Hui Ya, Serena, is an Executive Director of the Company.

Mr Chan attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2015.

**Cheng Hui Ya, Serena**
*Executive Director*

Ms Cheng Hui Ya, Serena, a Malaysian, aged 29, was appointed an Executive Director of the Company on 24 August 2015.

Ms Cheng obtained her Higher Diploma in Multimedia Design and Technology from Hong Kong Polytechnic University in 2010 and thereafter, joined a marketing company in Taiwan as an intern.

Upon returning to Malaysia in 2011, she started her career in the property development industry with Sunsuria Development Sdn Bhd (part of the Sunsuria Group which is listed on the Main Market of Bursa Malaysia Securities Berhad) as a Sales & Marketing Executive carrying out sales and marketing including new projects launching, roadshows and fairs. This was followed by a stint in the Projects Department with exposure to and involvement in project planning and construction of the various developments undertaken by the Sunsuria Group.

Ms Cheng joined the Lion Group Property Division in 2013 and is part of the team responsible for property development in Malaysia and Cambodia. Her current portfolio as Project Manager since January 2014 involves property and construction business dealing with construction and building requirements.

Ms Cheng is the daughter of Y. Bhg. Tan Sri William H.J. Cheng who is the Chairman and a major shareholder of the Company. Her uncle, Mr Chan Ho Wai, is an Executive Director of the Company and her cousin, Y. Bhg. Tan Sri Cheng Yong Kim, is a major shareholder of the Company.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, aged 67, was appointed to the Board on 23 August 2004. She is also the Chairman of the Company's Audit and Risk Management Committee and Nomination Committee.

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

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

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

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

Dato' Kalsom has an indirect interest of 250,000 ordinary shares of RM1.00 each in the Company by virtue of options granted to her pursuant to the Company's Executive Share Option Scheme to subscribe for 250,000 shares in the Company at a subscription price of RM1.00 per share.

Dato' Kalsom attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2015.

**Dato' Eow Kwan Hoong**
*Independent Non-Executive Director*

Y. Bhg. Dato' Eow Kwan Hoong, a Malaysian, aged 62, was appointed to the Board on 14 December 2012. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit and Risk Management Committee, Nomination Committee and Executive Share Option Scheme Committee.

Dato' Eow is a member of the Malaysian Institute of Accountants and a fellow member of the Chartered Institute of Management Accountants (CIMA), United Kingdom. In 2013, he was elected by CIMA members in South East Asia to serve as Council member of CIMA UK for a three-year term. He is also a member of the South East Asia Regional Board of CIMA.

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

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

- IRIS Corporation Berhad and Versatile Creative Berhad, both public listed companies
- Lion AMB Resources Berhad

Dato' Eow has a direct shareholding of 8,026 ordinary shares of RM1.00 each and an indirect interest of 250,000 ordinary shares of RM1.00 each in the Company by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 250,000 shares in the Company at a subscription price of RM1.00 per share.

Dato' Eow attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2015.

**Lin Chung Dien**
*Independent Non-Executive Director*

Mr Lin Chung Dien, a Taiwanese, aged 72, was appointed to the Board on 25 February 2008. He is also a member of the Company's Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

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

Mr Lin has a direct shareholding of 7,060 ordinary shares of RM1.00 each and an indirect interest of 250,000 ordinary shares of RM1.00 each in the Company by virtue of options granted to him pursuant to the Company's Executive Share Option Scheme to subscribe for 250,000 shares in the Company at a subscription price of RM1.00 per share.

Mr Lin attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 30 June 2015.

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

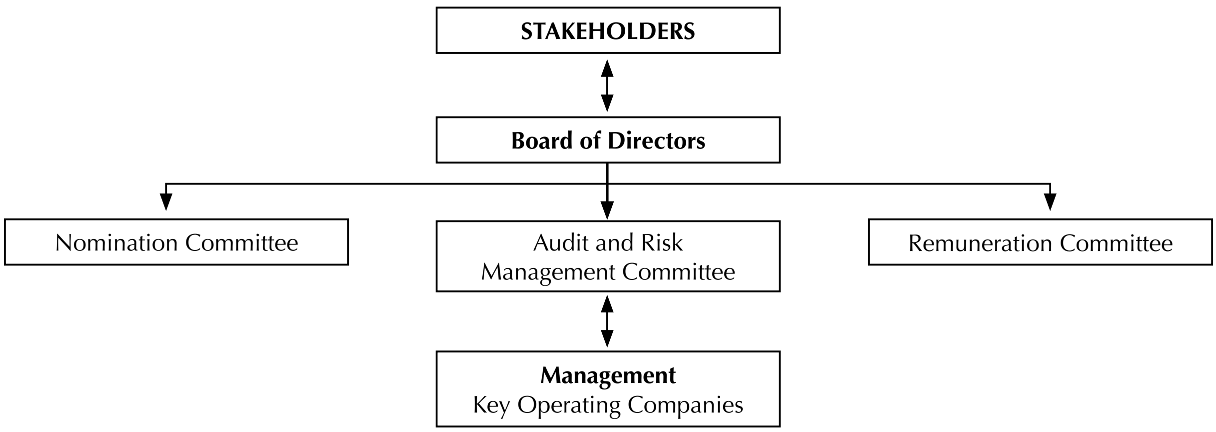
# CORPORATE GOVERNANCE STATEMENT

**Introduction**

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

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

**Corporate Governance Framework**




**Board Charter**

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

**ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

**Roles and Responsibilities of the Board**

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

The Board delegates to the Executive Directors ("ED"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The EDs may delegate aspects of their authority and powers but remain accountable to the Board for the Company's performance and are required to report regularly to the Board on the progress being made by the Company's business units and operations.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2015, 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.

**Delegation by the Board**

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

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

**Board Composition, Independence and Diversity Balance**

The Board comprises six (6) Directors, four (4) of whom are non-executive. The current Board of three (3) non-independent Directors, including the Chairman and three (3) independent Directors though complies with the Listing Requirements, is however, not in line with the recommendation of the MCCG which recommends that the board must comprise a majority of independent directors where the chairman of the board is not an independent director. The Board will endeavour to appoint a suitable candidate as an additional independent non-executive Director to the Board.

The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

In promoting diversity, gender and opportunities, the Board in its appointments and composition pays due recognition and weightage to the skills, experience and business acumen of the Directors. The Board reviews the appropriate mix of skills, experience and knowledge required of its members, in the context of the needs of the Group's businesses and strategies. The Board reviews its composition and size from time to time for appropriateness and the fulfilment of the gender diversity representation. The Board currently has two (2) female Directors.

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

**Directors' Code of Ethics**

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

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

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

**Sustainability**

The Board in discharging its governance role is guided by the Group's Sustainability Plans/Framework to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities carried out by the Group are set out in the Sustainability section of the Chairman's Statement on pages 30 to 41 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control on pages 19 to 21 of this Annual Report.

**Supply of Information**

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

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

**Company Secretaries**

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

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

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

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

**STRENGTHEN COMPOSITION**

**Nomination Committee**

The Nomination Committee comprises three (3) members, all of whom are non-executive independent Directors. The Nomination Committee is chaired by Y. Bhg. Dato' Kalsom binti Abd. Rahman, who is also the senior independent Director identified by the Board. The members and terms of reference of the Nomination Committee are presented on page 27 of this Annual Report.

**Appointment to the Board and the Effectiveness of the Board**

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

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

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

The Directors' mix of skills are set out in the respective Director's Profile on pages 7 to 9 of this Annual Report.

**Activities of the Nomination Committee for the Financial Year**

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

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

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

(iii) Reviewed the retention of an independent Director whose tenure of service has exceeded nine (9) years for recommendation to shareholders for their approval based on her attributes necessary in discharging her roles and functions as an independent Director.

(iv) Reviewed the training needs of the Directors.

(v) Considered and recommended for Board's consideration, the appointment of Ms Cheng Hui Ya, Serena as an Executive Director of the Company.

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

**Re-election, Re-appointment and Retention of Directors**

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

**Directors' Remuneration**

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

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

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

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

| | Fees RM'000 | Salaries & Other Emoluments RM'000 | Total RM'000 |
|---|---|---|---|
| Executive Director | 20 | 416 | 436 |
| Non-executive Directors | 164 | – | 164 |
| | 184 | 416 | 600 |

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

| Range of Remuneration (RM) | Number of Directors Executive | Non-executive |
|---|---|---|
| 25,001 – 50,000 | – | 4 |
| 400,001 – 450,000 | 1 | – |

## REINFORCE INDEPENDENCE

### Assessment of Independent Directors and Board Performance Evaluation

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

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

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

### The Role and Functions of Chairman and ED

There is a clear division of responsibilities between the Chairman and the EDs 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 EDs are responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

## FOSTER COMMITMENT

### Time Commitment

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

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

### Directors' Training

All members of the Board except for Ms Cheng Hui Ya, Serena, have attended Bursa Securities' Mandatory Accreditation Programme ("MAP"). Ms Serena Cheng, who was appointed to the Board on 24 August 2015 will attend the MAP as prescribed in the Listing Requirements.

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

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

| Name of Directors | Programmes |
|---|---|
| Tan Sri William H.J. Cheng | • Lion Group In-house Directors' Training on:<br>1. General pillars of ASEAN Economic Community ("AEC")<br>2. Protection of intellectual property in view of the AEC single market<br>• Seminar on Hong Kong Regulatory Requirement on Directors – Disclosure of Inside Information |
| Chan Ho Wai | • Bursa Malaysia – Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers<br>• Lion Group In-house Directors' Training on:<br>1. The Key Factors of Goods and Services Tax and its Implementation<br>2. Transfer Pricing<br>• Lion Group In-house Directors' Training on:<br>1. General pillars of ASEAN Economic Community ("AEC")<br>2. Protection of intellectual property in view of the AEC single market |
| Dato' Kalsom binti Abd. Rahman | • Financial Institutions Directors' Education Elective Programme on Sweating the Right Stuff – Risk for Profitable Growth<br>• Permodalan Nasional Berhad - Investment Series on "Great companies deserve great boards and great boards leading the way for highly innovative companies"<br>• MISC Berhad - Board of Directors Annual Training 2014 on Conflict of Interest, Finance and Accounting Treatment Issues, Outlook of LNG Shipping, O&G Industry.<br>• Petronas - Customised Advocacy Session for Directors on Current State and Future Direction: Regulatory Perspective – Trends in Sustainability & Corporate Governance.<br>• Malaysian Industrial Development Finance Berhad - Directors' Training on Islamic Banking in Indonesia<br>• Permodalan Nasional Berhad in collaboration with Yayasan Tun Ismail - Public Lecture Series 2015 on Light and Shadow in the Boardroom – Reflections on Board Evaluation and Development. |

| | |
|---|---|
| Dato' Eow Kwan Hoong | • Lion Group In-house Directors' Training on:<br>1. The Key Factors of Goods and Services Tax and its Implementation<br>2. Transfer Pricing<br>• Lion Group In-house Directors' Training on:<br>1. General pillars of ASEAN Economic Community ("AEC")<br>2. Protection of intellectual property in view of the AEC single market |
| Lin Chung Dien | • Lion Group In-house Directors' Training on:<br>1. The Key Factors of Goods and Services Tax and its Implementation<br>2. Transfer Pricing |

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

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

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

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

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

## UPHOLD INTEGRITY IN FINANCIAL REPORTING

### Financial Reporting

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

The Audit and Risk Management Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit and Risk Management Committee comprises three (3) members, all of whom are independent Directors. The terms of reference and the main activities undertaken by the Audit and Risk Management Committee during the financial year under review are set out in the Audit and Risk Management Committee Report on pages 22 to 26 of this Annual Report.

### Directors' Responsibility in Financial Reporting

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

**Relationship with the External Auditors**

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

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

**RECOGNISE AND MANAGE RISKS**

**Risk Management Framework**

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

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

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

**Internal Control**

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

**Internal Audit Function**

The Board has established an internal audit function within the Group. The internal audit function is led by a Chief Internal Auditor who reports directly to the Audit and Risk Management Committee. The internal auditors attend all meetings of the Audit and Risk Management Committee and the detailed internal audit function is set out in the Audit and Risk Management Committee Report on pages 22 to 26 of this Annual Report.

**Compliance Function**

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

**ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

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

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

**STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

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

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

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

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

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Introduction**

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

**Board Responsibility**

The Board affirms its overall responsibility for the Group's system of risk management and internal control which is key to managing principal risks which may impede the achievement of the Group's corporate and business objectives, consistent with the requirements of Principle 6 of the Malaysian Code on Corporate Governance 2012. This responsibility includes reviewing the adequacy and integrity of this system which covers enterprise risk management, financial, organisational, operational and compliance controls. However, in view of the inherent limitations in any system, such system of internal control can only provide reasonable and not absolute assurance against material misstatements, frauds or losses and unforeseen emerging risks.

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

**Management Responsibility**

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

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

**Risk Management Process**

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

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

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

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

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

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

**Key Elements of Risk Management and Internal Control**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Conclusion**

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

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

**Review by External Auditors**

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

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

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

**COMPOSITION**

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

- **Members**

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

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

  Mr Lin Chung Dien
  *(Independent Non-Executive Director)*

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

- **Secretaries**

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

- **Membership**

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

- **Meetings and Minutes**

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

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

**TERMS OF REFERENCE**

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

## ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, ten (10) Audit and Risk Management Committee Meetings were held. Except for Mr Lin Chung Dien who was absent for one (1) Meeting, all other members attended all the ten (10) Meetings held in the financial year.

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

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

- **Financial Results**

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

- **Internal Audit**

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

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

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

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

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

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

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

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

- **External Audit**

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

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

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

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

  The Audit and Risk Management Committee had received from the external auditors written confirmation on their independence and disclosed their policies on independence, safeguards and procedures to address threats to their independence and objectivity, and that they are in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants (By-Laws) as adopted by the Malaysian Institute of Accountants.

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

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

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

- **Corporate Governance**

  **Compliance**

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

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

  - Integrity and Fraud Risk Policy

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

- Procurement Policy

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

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

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

- **Risk Management**

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

- **Related Party Transactions**

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

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

- **Other Activities**

  **Tax**

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

## INTERNAL AUDIT FUNCTION

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

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

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

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

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

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

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM262,500.

# NOMINATION COMMITTEE

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

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

Mr Lin Chung Dien
*(Independent Non-Executive Director)*

**Terms of Reference** :

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

# REMUNERATION COMMITTEE

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

**Members** : Mr Chan Ho Wai
*(Non-Independent Executive Director)*

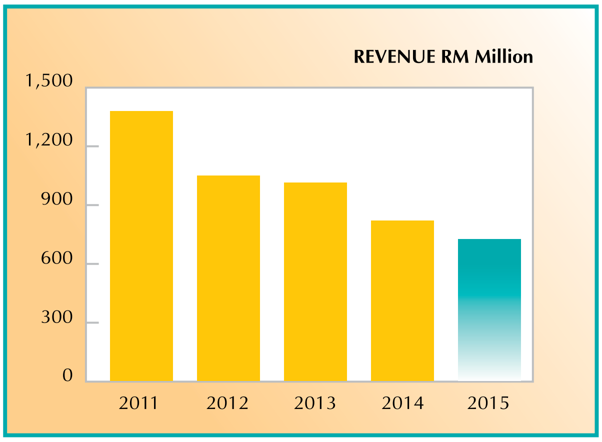
Mr Lin Chung Dien
*(Independent Non-Executive Director)*

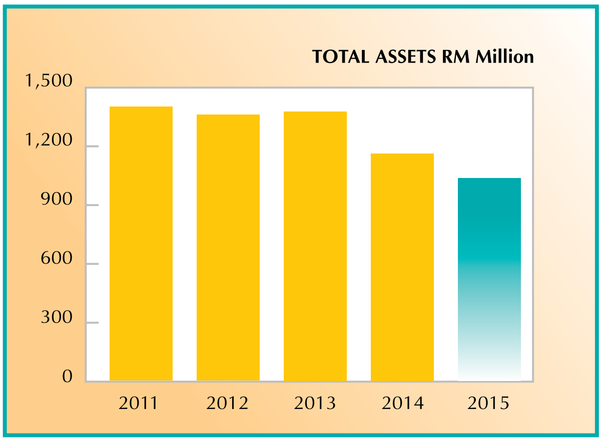
**Terms of Reference** :

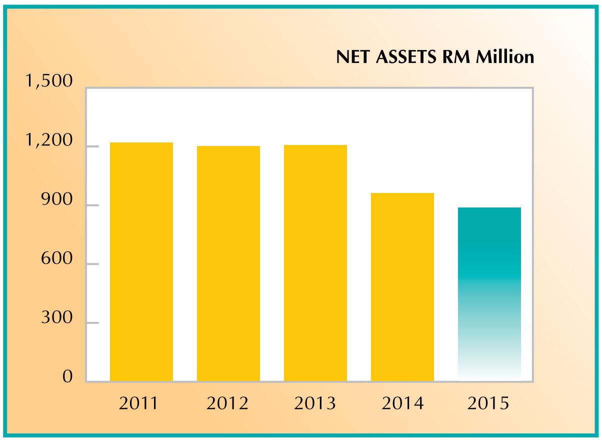
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

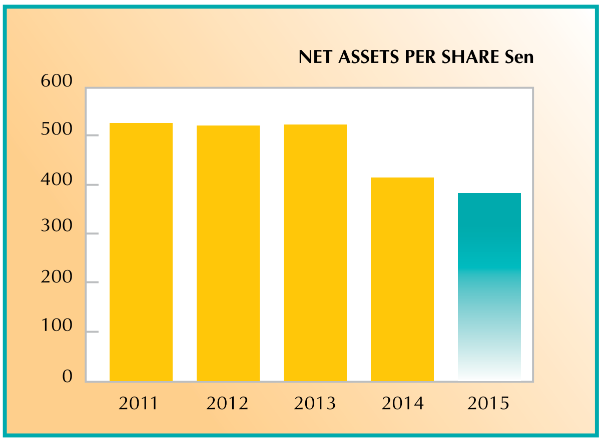
# 5 YEARS GROUP FINANCIAL HIGHLIGHTS

| **Financial years ended 30 June** | | **2011** | **2012** | **2013** | **2014** | **2015** |
|---|---|---|---|---|---|---|
| Revenue | (RM'000) | 1,376,798 | 1,046,090 | 1,011,304 | 817,922 | **721,449** |
| Profit/(Loss) before tax | (RM'000) | 216,622 | 25,078 | 25,638 | (236,620) | **(93,385)** |
| Profit/(Loss) after tax | (RM'000) | 198,912 | 10,475 | 10,885 | (250,006) | **(104,552)** |
| Net profit/(loss) attributable to owners of the Company | (RM'000) | 207,637 | 2,762 | 10,866 | (249,339) | **(99,968)** |
| Total assets | (RM'000) | 1,405,965 | 1,366,432 | 1,383,260 | 1,169,710 | **1,041,831** |
| Net assets | (RM'000) | 1,219,618 | 1,207,203 | 1,212,023 | 962,049 | **887,462** |
| Total borrowings | (RM'000) | 22,089 | 20,174 | 7,441 | 23,774 | **22,892** |
| Earnings/(Loss) per share | (Sen) | 89.7 | 1.2 | 4.7 | (107.7) | **(43.2)** |
| Net assets per share | (Sen) | 527 | 521 | 523 | 415 | **383** |
| Dividends: | | | | | | |
| Rate | (Sen) | 33.0 | 12.0 | 2.0 | – | – |
| Amount | (RM'000) | 63,103 | 27,789 | 3,474 | – | – |



# THE GROUP'S BUSINESSES

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


- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products under the "Hi-Rev" brand including its line of motor oils that meet the American Petroleum Institute's certification, and automotive components.
- *Posim Petroleum Marketing Sdn Bhd mengedar rangkaian produk berasaskan petroleum di bawah jenama "Hi-Rev" termasuk barisan minyak motor yang menepati persijilan Institut Petroleum Amerika dan komponen automotif.*

# PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan ini membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Forest Industries Berhad ("LFIB" atau "Kumpulan") bagi tahun kewangan berakhir 30 Jun 2015.

**PRESTASI KEWANGAN**

Tahun kewangan 2015 menyaksikan Kumpulan mengharungi satu lagi tempoh yang mencabar apabila persekitaran perniagaannya terjejas berikutan keadaan yang tidak menentu di dalam dan luar negara. Keadaan menjadi bertambah parah terutamanya pada setengah kedua tahun kewangan di mana kejatuhan harga minyak mentah dunia memberikan kesan yang buruk kepada ekonomi Malaysia dan nilai Ringgit; dan juga kemerosotan sentimen pengguna berikutan meningkatnya kos sara hidup selepas pelaksanaan Cukai Barangan dan Perkhidmatan ("GST" ) pada 1 April.

Bagi tahun kewangan dalam kajian, operasi perdagangan dan pengedaran secara konsistennya kekal menjadi penyumbang utama kepada prestasi kewangan Kumpulan. Kumpulan mencatatkan perolehan sebanyak RM721.4 juta berbanding RM817.9 juta pada tahun kewangan sebelumnya. Penurunan perolehan sebanyak 12% berbanding tahun sebelumnya adalah disebabkan oleh hasil jualan produk keluli yang lebih rendah meskipun terdapat peningkatan dalam jualan bahan-bahan binaan dan minyak pelincir.

Bahagian yang ditanggung kita dalam kerugian syarikat-syarikat bersekutu adalah lebih tinggi sebanyak RM47.2 juta terutamanya disebabkan oleh kerugian yang dicatatkan oleh Lion Asiapac Limited (dimiliki sebanyak 36.68% kepentingan) berkaitan dengan peruntukan obligasi kontrak yang timbul daripada operasi pembangunan hartanah dan kerugian akibat rosot nilai loji dan peralatan operasi pemprosesan batu kapur.

Kumpulan mengiktiraf kerugian secara sekali sebanyak RM70.0 juta terhadap penyelesaian penuh dan yang terakhir berjumlah RM85.0 juta berikutan tuntutan tindakan litigasi terhadap bekas anak syarikatnya, Sabah Forest Industries Sdn Bhd.

Kumpulan mencatatkan kerugian sebelum cukai lebih rendah sebanyak RM93.4 juta berbanding RM236.6 juta pada tahun kewangan sebelumnya. Sehingga pada 30 Jun 2015, aset bersih Kumpulan adalah sebanyak RM887.5 juta atau RM3.83 sesaham.

**PERKEMBANGAN KORPORAT**

LFIB pada 26 Ogos 2015 telah mengemukakan cadangan rasmi kepada Lembaga Pengarah Lion AMB Resources Berhad ("Lion AMB"), sebuah anak syarikat LFIB, berkenaan dengan cadangan pengambilalihan oleh LFIB kesemua baki saham biasa bernilai RM1.00 setiap satu dalam Lion AMB ("Saham Lion AMB") yang belum dipegangnya pada pertimbangan tunai sebanyak RM0.40 bagi setiap saham Lion AMB ("Cadangan Pengambilalihan").

Cadangan Pengambilalihan ini disyorkan pelaksanaannya melalui skim pengaturan ahli di bawah Seksyen 176 Akta Syarikat, 1965 antara Lion AMB dan semua pemegang saham Lion AMB selain LFIB ("Pemegang Saham Skim") ("Skim").

Pada 7 September 2015, Lembaga Pengarah Lion AMB telah membincangkan Cadangan Pengambilalihan dan bersetuju untuk membentangkan Skim itu tersebut kepada Pemegang Saham Skim berkenaan untuk mendapat kelulusan.

Cadangan Pengambilalihan ini dijangka selesai menjelang akhir tahun kewangan 2016.

Pada tarikh Laporan Tahunan ini, LFIB memegang 304,801,451, saham Lion AMB mewakili kira-kira 89.64% daripada modal saham terbitan dan berbayar Lion AMB.

**KAJIAN OPERASI**

**Bahan Binaan dan Produk Keluli**

Pada tahun kewangan dalam kajian, terutamanya dalam tempoh sembilan bulan pertama, aktiviti pembinaan kekal berkembang terutamanya dipacu oleh sektor kediaman, bukan kediaman dan infrastruktur. Perkembangan ini berkait rapat dengan kegiatan perniagaan kita dalam perdagangan dan pengedaran bahan-bahan binaan, sekali gus membolehkan Bahagian ini mencatatkan pertumbuhan yang sihat dalam jualan bahan-bahan binaan.

Jualan pada bulan-bulan sebelum pelaksanaan GST pada 1 April meningkat dengan ketaranya berikutan aktiviti "*stocking up*" oleh para kontraktor dan pemaju. Perniagaan menjadi perlahan selepas pelaksanaan GST apabila pembekal, kontraktor, pemaju dan pengguna akhir terpaksa berdepan dengan kos yang lebih tinggi dan isu-isu berkaitan aliran tunai di bawah rejim cukai yang baharu. Pasaran dijangka kekal berkembang dengan perlahan dan tidak meningkat dalam tempoh yang singkat melainkan jika terdapat peningkatan dalam perbelanjaan Kerajaan.

Bagi perniagaan perdagangan produk keluli Bahagian, sektor ini mencatatkan prestasi lebih rendah berbanding jangkaan kerana keluli dan produk berkaitannya mengalami tekanan harga pada tahun kewangan dalam kajian. Keadaan ini berlaku berikutan pengimportan sejumlah besar keluli berharga murah terutamanya dari China dan harga itu gagal ditandingi oleh pengilang-pengilang keluli tempatan. Sehubungan itu, perniagaan bahan-bahan mentah kita bagi tujuan pengeluaran keluli telah jatuh dengan ketara dalam tahun kewangan ini.

Prospek Bahagian ini akan bergantung secara umumnya kepada kejayaan pelaksanaan langkah-langkah berkesan oleh Kerajaan untuk membendung lambakan yang dilakukan oleh kilang-kilang keluli asing.

Prestasi yang bercampur-campur dan pendapatan faedah yang lebih rendah menyaksikan Bahagian mencatat perolehan dan segmen keuntungan yang lebih rendah masing-masing sebanyak RM618.2 juta dan RM15.4 juta berbanding dengan RM717.4 juta dan RM34.4 juta pada tahun sebelumnya.

Melangkah ke hadapan, sektor pembinaan akan terus memberikan sumbangan positif kepada pertumbuhan ekonomi Malaysia dengan pelaksanaan secara berterusan projek-projek Kerajaan di bawah Program Transformasi Ekonomi. Walau bagaimanapun, sektor kediaman dan bukan kediaman dijangka perlahan dengan ketara disebabkan oleh dasar pinjaman bank yang ketat dan sektor berkenaan pada masa ini juga berdepan dengan keadaan "berlakunya pembinaan yang berlebihan" (over built). Oleh kerana perniagaan perdagangan bahan binaan Bahagian mendapat manfaat daripada kedua-dua sektor itu, kita perlu meluaskan liputan pasaran dengan tujuan untuk mengekalkan hasil jualan dalam persekitaran yang sangat berdaya saing. Keutamaan juga akan diberi kepada kawalan kos dan perbelanjaan, meluaskan lagi perkhidmatan nilai tambah kepada pelanggan dan bekerjasama erat dengan para pembekal dan rakan dagangan untuk memastikan Bahagian ini kekal menguntungkan dalam persekitaran yang mencabar.

**Minyak Pelincir, Produk Petroleum dan Automotif**

Tahun kewangan 2015 menyaksikan kejadian yang tidak pernah berlaku sebelum ini. Pergerakan harga minyak mentah dunia, kekukuhan Dolar Amerika Syarikat, pelaksanaan GST di negara kita dan penurunan bilangan kenderaan berdaftar telah memberi cabaran kepada kita untuk mengkaji dan mencari jalan supaya kekal berdaya saing di dalam perniagaan.

Walaupun penurunan harga minyak asas secara umumnya membawa kesan kepada pengurangan kos pengeluaran minyak pelincir, tetapi tekanan untuk menurunkan harga jualan perlu dilakukan bagi memenuhi jangkaan pasaran. Pada masa yang sama, kejatuhan nilai Ringgit turut memberikan kesan yang ketara ke atas bahan–bahan mentah yang diperlukan di mana kebanyakannya adalah diimport.

Di tengah-tengah persaingan sengit yang dialami oleh Bahagian ini, unit-unit perniagaan terus melibatkan diri lebih rapat lagi dengan rakan-rakan kongsi perniagaan dan mengiktiraf keperluan untuk mereka bersaing dan memberikan khidmat kepada para pengguna akhir mereka. Dalam hal ini, keutamaan usaha kita adalah memberikan sokongan dan mewujudkan nilai kepada perniagaan mereka pada setiap masa. Bantuan jangka panjang kita berupa peralatan bengkel, sokongan teknikal dan kempen mengenai produk, kesemuanya menjurus ke arah memastikan hubungan yang berkekalan dengan mereka untuk manfaat kedua-dua belah pihak.

Berikutan penggunaan telefon pintar dan tablet yang menjadi semakin penting dalam kehidupan kita pada masa kini, kita telah mengguna teknologi dan aplikasi mudah alih yang inovatif dalam operasi kita. Penggunaan pendekatan baharu ini merupakan cara yang berkesan untuk membantu kita mencapai objektif perniagaan. Baru-baru ini, kita telah mengadakan prapelancaran Apps tersendiri iaitu '*Hi- Rev Partners*' di Apple Store dan Google Play, terutamanya untuk rakan niaga berdaftar kita. Sememangnya menjadi hasrat kita supaya inisiatif ini dapat memberi nilai kepada operasi perniagaan mereka dan juga kita.

Kawalan kualiti sentiasa diutamakan dalam aktiviti pengeluaran dan kita memastikan pematuhan yang ketat dalam proses pembuatan dan juga ujian bagi memastikan produk yang telah siap dijamin berkualiti terbaik pada setiap masa mengikut piawaian dan prosedur di bawah ISO 9001-2008.

Jenama minyak pelincir kita, *Hi- Rev, Energy* dan *T- Trax* secara meluas diiktiraf sebagai produk berkualiti tinggi. Kita berbangga dengan produk *Hi- Rev* yang kini diiktiraf dan disahkan sebagai minyak pelincir yang diluluskan penggunaannya oleh pengeluar kereta terkemuka seperti *PORSCHE*, *VOLVO* dan *DAIMLER*. Pengiktirafan ini mengesahkan bahawa produk kita dirumus mengikut spesifikasi yang tinggi seperti mana dikehendaki untuk operasi kenderaan mereka.

Dengan tumpuan berterusan ke atas kualiti, sokongan teknikal dan inisiatif pemasaran untuk berdepan dengan persekitaran operasi yang mencabar ini, Kumpulan mencatatkan perolehan lebih tinggi sebanyak RM81.9 juta, peningkatan sebanyak 10% berbanding RM74.6 juta pada tahun kewangan sebelumnya. Seiringan dengan ini, keuntungan Bahagian turut meningkat kepada RM12.5 juta daripada RM11.3 juta pada tahun kewangan sebelumnya.

Melangkah ke hadapan, kita sentiasa peka terhadap arah aliran atau trend pasaran domestik dan global, tanpa mengambil kira keadaan di luar jangkaan, Bahagian ini akan terus menghasilkan nilai kepada para pemegang kepentingannya.

**Lain-lain**

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

Operasi pengangkutan kita mencatatkan perolehan 26% lebih rendah dan keuntungan kecil sebanyak RM0.2 juta berbanding setahun lalu berikutan permintaan terhadap perkhidmatan pengangkutan oleh kilang-kilang keluli tempatan mengalami kejatuhan.

ACCA KAPPA, jenama Itali yang diasaskan pada tahun 1869 yang menawarkan serangkaian luas produk seperti berus rambut premium, produk penjagaan tubuh dan haruman, kini memasuki tahun ketiga operasi perniagaannya di bawah hak pengedaran eksklusif. Kita akan terus mengembangkan penjualannya melalui kaunter jualan di gedung beli-belah Parkson, salun-salun rambut profesional dan peruncit-peruncit atas talian seperti Parkson Online.

## DIVIDEN

Lembaga Pengarah tidak mencadangkan sebarang pembayaran dividen untuk tahun kewangan berakhir 30 Jun 2015.

## KELESTARIAN

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

### Komuniti

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

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

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

### Alam Sekitar

Kumpulan sentiasa prihatin terhadap isu alam sekitar dengan menekankan kepada penggunaan teknologi terkini dan menerima pakai amalan perniagaan yang mesra alam, mengoptimumkan penggunaan sumber dan menggalakkan penggunaan tenaga secara cekap. Operasi-operasi Kumpulan dikendalikan mengikut peruntukan undang-undang dan peraturan alam sekitar yang diguna pakai oleh industri kendaliannya. Ini termasuk pengurusan sisa dan pengenalan produk-produk yang lebih berkesan dan menjimatkan tenaga serta proses-proses seperti teknik pengurusan 5S oleh operasi-operasi pembuatan, pengedaran dan pengangkutan. Bahagian bahan binaan kita mempromosi dan menjual pelbagai produk Indeks Bangunan Hijau menerusi rangkaian simen, papan siling dan blok berudara.

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

### Dalam Pasaran

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

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

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

### Tempat Kerja

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

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

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

- **Pencarian Bakat**

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

- **Pembangunan Bakat**

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

- **Membina Keupayaan**

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

- **Ganjaran dan Prestasi**

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

- **Kecemerlangan Operasi HR**

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

- **Penglibatan Pekerja**

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

- **Keselamatan dan Kesihatan di Tempat Kerja**

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

- **Kod Etika Pekerja**

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

**PROSPEK**

Tinjauan bagi tahun kewangan akan datang dijangka terus mencabar berikutan keadaan tidak menentu dalam persekitaran operasi. Di sebalik keadaan ini, kita akan sentiasa berhati-hati dan bertindakbalas secara proaktif kepada kedinamikan pasaran. Kita akan terus mengembangkan rangkaian perniagaan kita dan membangunkan rangkaian produk dengan pengurusan kos yang efektif dan melaksanakan inisiatif ke arah kecekapan operasi untuk mengekalkan keuntungan.

**LEMBAGA PENGARAH**

Lembaga Pengarah mengalu-alukan pelantikan Cik Cheng Hui Ya, Serena sebagai Pengarah Eksekutif Syarikat pada 24 Ogos 2015. Cik Cheng terbabit dalam perniagaan hartanah dan pembinaan, pengalaman beliau akan membantu Kumpulan dalam perniagaannya.

**PENGHARGAAN**

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

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

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

**TAN SRI WILLIAM H.J. CHENG**
Pengerusi

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad ("LFIB" or "the Group") for the financial year ended 30 June 2015.

## FINANCIAL PERFORMANCE

Financial year 2015 had been another challenging year for the Group as the business environment was affected by uncertainties prevailing in and outside the country. This was particularly in the second half of the financial year where the situation was further compounded by the decline in global fuel prices which had an adverse impact on the Malaysian economy and Ringgit; and weakening consumer sentiments in view of the rising cost of living following the implementation of the Goods and Services Tax ("GST") on 1 April.

For the financial year under review, the trading and distribution businesses remained the consistent core contributors to the financial performance of the Group. The Group registered a revenue of RM721.4 million as compared to RM817.9 million in the previous financial year. The decrease of 12% over the previous financial year was a result of lower sales of steel products despite an increase in sales of building materials and lubricants.

Our share in the losses of the associated companies was higher at RM47.2 million mainly attributable to losses recorded by Lion Asiapac Limited (36.68% owned) in relation to the provision for contractual obligations arising from its property development operations and an impairment loss on plant and equipment of its limestone processing operations.

The Group recognised a one-time loss of RM70.0 million on the full and final settlement amounting to RM85.0 million of the litigation claim against Sabah Forest Industries Sdn Bhd, a former subsidiary company.

The Group recorded a lower loss before tax of RM93.4 million compared with RM236.6 million in the previous financial year. As at 30 June 2015, the Group's net assets stood at RM887.5 million or RM3.83 per share.

## CORPORATE DEVELOPMENT

LFIB had on 26 August 2015 submitted a formal proposal to the Board of Lion AMB Resources Berhad ("Lion AMB"), a subsidiary of LFIB, in respect of the proposed acquisition by LFIB of all the remaining ordinary shares of RM1.00 each in Lion AMB ("Lion AMB Shares") not already held by LFIB at a cash consideration of RM0.40 for each Lion AMB Share ("Proposed Acquisition").

The Proposed Acquisition is proposed to be undertaken by way of a members' scheme of arrangement under Section 176 of the Companies Act, 1965 between Lion AMB and all the shareholders of Lion AMB other than LFIB ("Scheme Shareholders") ("Scheme").

On 7 September 2015, the Board of Lion AMB had deliberated on the Proposed Acquisition and agreed to present the Scheme to the Scheme Shareholders for approval.

The Proposed Acquisition is expected to be completed by the end of financial year 2016.

As at the date of this Annual Report, LFIB holds 304,801,451 Lion AMB Shares, representing approximately 89.64% of the issued and paid-up share capital of Lion AMB.

## REVIEW OF OPERATIONS

### Building Materials and Steel Products

During the financial year under review, particularly in the first nine months, construction activities continued to grow, mainly driven by the residential, non-residential and infrastructural sectors. As our business of trading and distribution of building materials is very much linked to construction activities, the Division registered healthy growth in the sales of building materials.

The implementation of GST had seen a substantial increase in sales in the months preceding the implementation with contractors and developers stocking up before 1 April. Business slowed down considerably post-GST as suppliers, contractors, developers and end-users had to deal with higher costs and cash flow issues under the new tax regime. The market is expected to remain slow and not pick up in the near term unless there is an increase in Government spending.

As for the Division's steel products trading business, this sector performed below expectations due to depressed prices for steel and steel related products during the financial year under review. The situation was caused by huge amounts of imports of cheap steel, particularly from China, which local steel millers could not match in terms of prices. Hence, our trading of raw materials for steel production had dropped substantially during the year. The prospect for this Division would depend largely on the successful implementation of effective measures by the Government to curb the dumping by foreign steel mills.

The mixed performance and lower interest income resulted in the Division recording lower revenue and segment profit of RM618.2 million and RM15.4 million compared with RM717.4 million and RM34.4 million respectively in the previous financial year.

Moving forward, the construction sector will continue to contribute positively to Malaysia's economic growth with the continuous roll-out of the Government's initiated projects under the Economic Transformation Programme. However, the residential and non-residential sectors are expected to slow down considerably due to stringent bank lending policies and with these sectors currently in an "over built" situation. As the Division's building materials trading business is mainly derived from these two sectors, we will have to widen our market coverage with the aim of maintaining sales revenue in a more competitive environment. Priorities will also be placed on cost and expenses control, extending more value-added services to customers and forging closer relationships with suppliers and trading partners to ensure the Division remains profitable in the challenging environment.

**Lubricants, Petroleum and Automotive Products**

Financial year 2015 was a year of unprecedented events. Global oil price movements, the strong US Dollar, implementation of GST in our country and shrinking numbers in vehicle registration have challenged us to review and seek ways to remain competitive in our businesses.

Although the effect of declining base oil price has generally reduced production cost of lubricants, there was simultaneous pressure to adjust downwards corresponding selling prices to meet market expectations. Concurrently, the unfavourable weakening of the Ringgit has impacted significantly on essential raw materials which are substantially import-based.

Amidst the stiff competition faced by the Division, the business units continued to engage ever closer with business partners and recognised their need to also compete and serve their end-users. In this regard, we placed importance on providing support and creating value to their businesses at all times. Our long term assistance in workshop equipment, technical support and product campaigns are all geared towards ensuring that their association with us remains beneficial to both parties.

With smart phones and tablets becoming essential tools in our lives, we are embracing innovative technology and mobile applications in our operations. These non-traditional approaches are effective tools to help us achieve our business objectives. Recently, we pre-launched our own '*Hi-Rev Partners*' Apps on Apple Store and Google Play, specially for our registered business partners. It is our intention that these initiatives bring value to their business operations as well as to ours.

Quality control is a priority in our production lines and we observe strict manufacturing processes and stringent tests to ensure that our finished goods are of the best quality at all times in compliance with the standards and procedures under ISO 9001-2008.

Our lubricant brands, *Hi-Rev, Energy* and *T-Trax* are widely recognised as products of high quality. We are proud that *Hi-Rev* products are currently recognised and certified as approved lubricants by renowned car-makers such as *PORSCHE*, *VOLVO* and *DAIMLER*. This recognition is confirmation that our products are formulated to the high specifications demanded for their vehicles operation.

With the continuing focus on quality, technical support and marketing initiatives to cope with the challenging operating environment, the Division registered a higher revenue of RM81.9 million, an increase of 10% over the RM74.6 million in the previous financial year. Correspondingly, the Division's profit increased to RM12.5 million from RM11.3 million in the previous financial year.

Moving forward, we are vigilant of market trends, both domestic and global, and barring unforeseen circumstances, the Division will continue to create value for its stakeholders.

**Others**

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

Our transportation operations registered 26% lower revenue and a marginal profit of RM0.2 million as compared with a year ago due to the decline in demand for transportation services by the local steel mills.

ACCA KAPPA, an Italian brand established in 1869 which offers a wide range of premium hair brushes, body care products and fragrances, had entered its third year of business under our exclusive distributorship. We will continue to expand our sales force through sales counters at Parkson department stores, professional hair salons and online retailers such as Parkson Online.

**DIVIDEND**

The Board does not recommend any dividend for the financial year ended 30 June 2015.

**SUSTAINABILITY**

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

**Community**

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

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

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

**Environment**

The Group continues to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimise the use of resources and promote energy efficiency. The Group's operations comply with the environmental laws and regulations governing the industries in which it operates. This includes wastes management and introduction of more efficient and energy-saving products and processes such as 5S management techniques by our manufacturing, trading and transportation operations. Our building materials division is promoting and selling a variety of Green Building Index products in its range of cement, ceiling boards and aerated blocks.

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

**Marketplace**

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

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

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

**Workplace**

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

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

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

- **Talent Acquisition**

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

- **Talent Development**

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

- **Capability Building**

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

- **Reward and Performance**

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

- **HR Operational Excellence**

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

- **Employee Engagement**

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

- **Safety & Health in the Workplace**

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

- **Employee Code of Conduct**

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

## PROSPECTS

The outlook for the next financial year will continue to be challenging due to prevailing uncertainties in the operating environment. Against this backdrop, we will remain vigilant and respond proactively to market dynamics. We will continue to grow our business network and develop our product range with effective cost management and operational efficiency initiatives to sustain profitability.

## BOARD OF DIRECTORS

The Board would like to extend its warm welcome to Ms Cheng Hui Ya, Serena, on her appointment as an Executive Director of the Company on 24 August 2015. Ms Cheng is involved in the property and construction business and her experience will assist the Group in its businesses.

## ACKNOWLEDGEMENT

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

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

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

**TAN SRI WILLIAM H.J. CHENG**
Chairman

# 主席报告

我谨代表董事部，欣然提呈截至2015年6月30日的会计年度，金狮森林工业有限公司（LION FOREST INDUSTRIES BERHAD）的常年报告及经审核财务报告。

**业绩**

2015会计年度是本集团另一个富挑战性的一年，主要是因为国内外当前的不确定因素，影响了经营环境。这种情况在会计年度下半年尤其明显恶化，全球燃油价格滑落，对马来西亚经济与马币产生不利影响；4月1日实施消费税后造成生活费提高，致使消费意欲转向疲弱。

检讨的会计年度内，贸易与分销业务继续成为本集团业绩表现的核心贡献来源。虽然建筑材料和润滑油的销售有所增长，但由于钢铁产品的销售下跌，造成集团的营业额从去年的8亿1千790万令吉下跌12%至7亿2千140万令吉。

本集团应佔联营公司的4千720万令吉亏损，主要是Lion Asiapac Limited（持有36.68%股权）对其产业发展业务提拨合约义务准备金及石灰加工业务的工厂与设备出现减值损失而蒙受亏损 。

本集团吸纳了7千万令吉的一次性亏损，作为前子公司沙巴森林工业私人有限公司面对总额8千500万令吉法律索偿的終結与最终解决方案。

本集团蒙受较低的税前亏损，从之前会计年度的2亿3千660万令吉减至9千340万令吉。截至2015年6月30日，本集团的净产值为8亿8千750万令吉或每股3令吉83仙。

**企业发展**

金狮森林工业有限公司已于2015年8月26日向子公司Lion AMB Resources Berhad (“Lion AMB”) 提呈正式的建议书，以每股0.40令吉的价格，收购金狮森林工业有限公司余下未持有的Lion AMB每股面值1令吉的所有普通股(“建议收购”) 。

这项建议收购将根据1965年公司法令，Lion AMB与所有除金狮森林工业有限公司以外的Lion AMB股东之间 (“计划股东”) 所做出的成員协议安排进行。

2015年9月7日，Lion AMB董事部商讨建议收购后，同意向计划股东提出这项计划，以寻求批准。

这项建议收购预计可在2016会计年度尾完成。

截至本常年报告的日期为止，金狮森林工业有限公司持有304,801,451的Lion AMB股票，相等于Lion AMB已发行及缴足股票资本的约89.64%。

**业务检讨**

**建筑材料及钢铁产品**

检讨会计年度期间，尤其是首9个月内，建筑业务在住宅、非住宅及基本建设领域的推动下持续取得增长。鉴于我们的建筑材料贸易与分销与建筑业活动息息相关，本组的业务在建筑材料销售亮丽的情况下健全成长。

消费税的实施也大大刺激销售额，因为承包商与发展商赶在4月1日落实前的月份抢着进货。不过，消费税实施后，整体业务明显缓慢下来，因为供应商、承包商、发展商与最终消费者必须面对新制度造成的更高成本和现金流动问题。除非政府开支有所增加，否则市场预料保持缓慢，近期料无起色。

由于钢铁及钢铁相关产品在检讨的会计年度内价格下滑，钢铁产品组的贸易业务表现不比预期好。这种情况是本地市场充斥着从海外，尤其是中国进口的大量廉价钢铁所造成。这种价格水平是本地钢铁厂商所无法竞争的。因此，我们供钢铁生产所需的原料贸易额在检讨年度内大跌。本组的业务展望主要取决于政府是否能够有效采取措施，以抑制外国钢铁厂商的倾销活动。

在这种忧喜参半的情况下和较低的利息收入，造成本组营业额从去年的7亿1千740万令吉利下跌至6亿1千820万令吉，收益从3千440万令吉利下跌至1千540万令吉。

随着政府在经济转型计划下，继续推出各项主导计划，建筑领域未来将继续对马来西亚的经济成长做出积极贡献。不过，鉴于更严格的银行贷款政策和目前处于“过剩”的状态，住宅与非住宅领域料会放缓成长。由于本组的建筑材料贸易业务主要来自这两个领域，因此我们将拓展市场覆盖范围，以便在更竞争的环境中维持营业额。我们将优先着重于成本与开销控制、扩大增值服务及与供应商和贸易伙伴维持更密切的合作关系，确保本组在充满挑战性的环境中仍然取得盈利。

**润滑油、石油与汽车产品**

2015会计年度可说是发生许多前所未有事件的一年。全球油价走势、强劲美元、我国实施消费税及新注册车辆数目大减，都在挑战我们寻求途径来保持业务的竞争力。

尽管原油价格下跌使到润滑油的生产成本下降，但润滑油的售价同样面对往下调整的压力，以应付市场预期。与此同时，马币的疲弱也对大部分进口的基本原料成本产生显著冲击。

虽然本组面对激烈竞争，但仍能持续与商业伙伴维持更密切的关系，了解他们面对竞争及服务消费者的需求。这种情况下，我们专注提供他们所需的支援，任何时候都能为他们的业务增值。我们长期为他们提供完善的工作配备、技术支援与产品促销，确保他们与我们的合作能够让双方受惠。

随着智慧型手机与平板装置成为我们日常生活中的基本配备，我们在运作中也采纳革新技术与手机应用程式。这些非传统的方式，成为协助我们达到商业目标的有效工具。为协助我们的注册商业伙伴，我们较早时也在Apple Store和Google Play推展本身的'*Hi-Rev Partners*'应用程式，为我们本身及商业伙伴的商业运作提供增值服务。

品质控制也是我们生产线的优先考量。我们遵守严格的制造程序和测试，确保我们的成品在任何时候都拥有最佳品质，符合ISO 9001-2008标准与程序的要求。

我们的润滑油品牌*Hi-Rev*、*Energy*和*T-Trax*广泛获得高品质的认可。我们也感到骄傲，*Hi-Rev*产品目前获得知名车厂，如*PORSCHE*、*VOLVO* 和 *DAIMLER*的认可及认证为受批准的润滑油。这项认证无疑证实我们的产品，符合他们车辆操作的高规格要求。

通过品质管理、技术的援助和市場推廣措施以应对冲满挑战的经营环境，本组的营业额从去年的7千460万令吉上调10%至8千190万令吉。相应的，收益从1千130万令吉利增至1千250万令吉。

不论本地与全球市场，我们都会谨慎关注其趋势。除非出现不可预算的情况，本组未来将继续为利益关系者创造最大的价值。

## 其他

本集团也涉及运输服务及优质美容护理产品分销。

鉴于本地钢铁厂的运输需求下跌，本集团运输业务的营业额比之前一年下跌26%，但仍取得20万令吉的微小盈利。

ACCA KAPPA是于1869年创立的意大利品牌，它供应一系列的优质发梳、护肤产品与香水。这个本集团取得独家分销权的品牌，今年已进入第三年的营业。我们通过百盛百货公司的销售柜台、专业美发沙龙和网上零售商如百盛网(Parkson Online)，扩大这个品牌的销售业务。

## 股息

董事部不建议在截至2015年6月30日止的会计年度内，派发任何股息。

## 可持续性

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

## 社区

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

金狮百盛基金(Lion-Parkson Foundation)拨款供作多项用途，诸如教育、慈善和科学研究的需求；每一年，基金提供奖学金给在本地大学深造的本科生。基金在2014年9月主办义跑，以便为设在雪兰莪的“残障和智障儿童之家”进行第二期和第三期的兴建工程筹款。金狮集团医药援助基金为迫切需要医药治疗的不幸人士提供财务援助，包括手术费、购买医药器材和药物。这项基金也赞助社区保健计划，诸如主办医药营，并且为那些向肾病患者提供津贴治疗的洗肾中心购买洗肾机等。

本集团内的所有成员公司，向来都支持所属的社区，包括举办与参与慈善计划和展开筹款活动，以协助弱势群体。

## 环境

本集团继续专注于采用全新技术与业界最具环保效益的准则来维护环境，充分利用资源与促进能源效益。本集团的业务运作业务运作完全严格遵守其所在领域的环境法律及条例管制。这包括在我们的制造、贸易与运输运作方面，采用更具效率与节能的产品与程序，如5S管理技巧。我们的建筑材料组也促销与售卖一系列符合绿色建筑指数的产品，包括洋灰、天花板及加气混凝土砌块。

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

## 市场

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

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

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

**工作场所**

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

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

以下是我们致力于创造健全和建设性工作场所的努力的重点：

- **招募人才**

  我们根据客观标准来评估到本集团属下各公司求职的申请者，不论种族、性别、年龄、宗教信仰，是否残障以及和工作要求没有关系的其他因素。金狮百盛奖学金计划，为我们的业务建立了健全的人才来源管道。

- **人才发展**

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

- **建立能力**

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

- **奖掖和表现**

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

- **人力资源营运优越**

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

- **雇员接触**

  我们支持与雇员接触和倾听他们的心声以及需要，以便创造具有建设性、愉快和生产性的工作场所。我们设立研讨会，和雇员进行有效接触，诸如通过全体会议，“午餐兼学习”，节日开放门户、体育、和休闲活动/娱乐。这类接触迎合了我们雇员的工作和社交需求。

- **工作场所的安全和健康**

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

- **雇员行为准则**

  我们根据本集团的行为准则和根据最高道德标准的要求，来评估我们的雇员。我们彻底杜绝贿赂和贪污，因为那些行为将破坏本集团或其雇员们的声誉。

**展望**

鉴于当前运作环境的不确定因素，下个会计年度的展望料持续保持充满挑战性。这种情况下，我们将保持谨慎并主动对市场动态做出积极反应。我们将继续扩大业务网络，开发产品系列及采取有效的成本管理和运作措施，以继续取得盈利。

**董事部**

我谨代表董事部，热诚欢迎Ms Cheng Hui Ya，Serena，于2015年8月24日受委为公司执行董事。Ms Cheng在产业与建筑业的经验，将协助拓展集团业务。

**鸣谢**

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

我也要至诚感谢董事部成员，感谢他们所给予的珍贵指导、支持与贡献。

最后，我要真诚地感谢管理层和全体职员对集团尽忠职守和为工作献身的精神。

**主席**
**丹斯里锺廷森**

# FINANCIAL STATEMENTS 2015

For The Financial Year Ended 30 June 2015

## DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2015.

### PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding, trading and distribution of building materials, and trading of steel products.

The principal activities of the subsidiary companies are as disclosed in Note 13 to the financial statements.

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

### RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Loss before tax | (93,385) | (69,201) |
| Income tax expense | (11,167) | (1,739) |
| Loss for the year | (104,552) | (70,940) |
| **Loss attributable to:** | | |
| Owners of the Company | (99,968) | |
| Non-controlling interests | (4,584) | |
| | (104,552) | |

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend in respect of the current financial year.

### RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

## TREASURY SHARES

During the financial year, the Company repurchased a total of 62,500 of its ordinary shares from the open market at an average price of RM0.79 per share. The total consideration paid for the repurchase including transaction costs was RM49,585. The repurchase transactions were financed by internally generated funds.

The 62,500 shares repurchased during the financial year were held as treasury shares. Such treasury shares are held at carrying amount of RM49,585 and further relevant details are disclosed in Note 26 to the financial statements.

## EXECUTIVE SHARE OPTION SCHEME ("ESOS")

An ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group was implemented on 30 December 2010 for a period of 5 years. The main features of the ESOS are as disclosed in Note 25 to the financial statements.

The persons to whom the options have been granted have no right to participate, by virtue of the options, in any share issue of any other company.

During the financial year, the Company granted 3,418,000 options to eligible non-executive Directors of the Company and executive employees of the Group at a subscription price of RM1.00 per share.

The movements in the number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

| Grant date | Subscription price per share (RM) | Number of Options<br>As of 1.7.2014 | Granted | Exercised | Lapsed | As of 30.6.2015 |
|---|---|---|---|---|---|---|
| 2.12.2014 | 1.00 | – | 3,418,000 | – | (496,500) | 2,921,500 |

The exercise period for the above options will expire on 30 December 2015.

The Company has been granted an exemption by the Registrar of the Companies Commission of Malaysia from having to disclose the names of eligible employees who have been granted less than 50,000 options. The non-executive Directors and the eligible employees who were granted 50,000 options or more during the financial year are as follows:

| Name of non-executive Directors | Number of options granted at the subscription price of RM1.00 per share on 2 December 2014 |
|---|---|
| 1. Dato' Kalsom binti Abd. Rahman | 250,000 |
| 2. Dato' Eow Kwan Hoong | 250,000 |
| 3. Lin Chung Dien | 250,000 |
| **Name of executive employees** | |
| 1. Ngan Yow Chong | 150,000 |
| 2. Ng Chin Kwan | 100,000 |
| 3. Valerie Poon Sow Har | 100,000 |
| 4. Cheong Chee Kheong | 75,000 |
| 5. Lim Khim Suen | 75,000 |
| 6. Yeo Keng Leong | 75,000 |
| 7. Foo Chee Farn | 50,000 |
| 8. Ho Sau Ching | 50,000 |

**OTHER STATUTORY INFORMATION**

Before the statements of profit or loss, statements of comprehensive income and the statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

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

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

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

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

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due except as stated below.

As part of the disposal of Sabah Forest Industries Sdn Bhd (“SFI”), a former subsidiary company, the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI, as disclosed in Note 32 to the financial statements.

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

**DIRECTORS**

The following Directors served on the Board of the Company since the date of the last report:

Tan Sri William H.J. Cheng
Chan Ho Wai
Cheng Hui Ya, Serena (appointed on 24 August 2015)
Dato’ Kalsom binti Abd. Rahman
Dato’ Eow Kwan Hoong
Lin Chung Dien

**DIRECTORS** (continued)

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Dato' Eow Kwan Hoong retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 99 of the Company's Articles of Association, Ms Cheng Hui Ya, Serena who was appointed subsequent to the financial year retires and, being eligible, offers herself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Tan Sri William H.J. Cheng and Mr Lin Chung Dien retire and offer themselves for re-appointment as Directors of the Company to hold office until the next Annual General Meeting.

Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served on the Board as an independent non-executive Director for more than nine years, retires at the forthcoming Annual General Meeting, and the Company shall seek shareholders' approval for her retention as an independent non-executive Director.

**DIRECTORS' INTERESTS**

The shareholdings in the Company of those who were Directors at the end of the financial year are as follows:

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | **As of 1.7.2014** | **Additions** | **Disposals** | **As of 30.6.2015** |
| **Direct interest** | | | | |
| Tan Sri William H.J. Cheng | 400 | – | – | 400 |
| Lin Chung Dien | 7,060 | – | – | 7,060 |
| Dato' Eow Kwan Hoong | 8,026 | – | – | 8,026 |
| **Indirect interest** | | | | |
| Tan Sri William H.J. Cheng | 174,266,441 | – | (3,004,462) | 171,261,979 |

In addition, the following Directors are also deemed to have interest in shares in the Company by virtue of the options granted to them pursuant to the ESOS of the Company as follows:

| | | Number of options | | | |
|---|---|---|---|---|---|
| | **Exercise price** | **As of 1.7.2014** | **Granted** | **Exercised** | **As of 30.6.2015** |
| **Direct interest** | | | | | |
| Dato' Kalsom binti Abd. Rahman | RM1.00 | – | 250,000 | – | 250,000 |
| Dato' Eow Kwan Hoong | RM1.00 | – | 250,000 | – | 250,000 |
| Lin Chung Dien | RM1.00 | – | 250,000 | – | 250,000 |

The shareholdings in the related corporations of those who were Directors at the end of the financial year are as follows:

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | **As of 1.7.2014** | **Additions** | **Disposals** | **As of 30.6.2015** |
| **Tan Sri William H.J. Cheng** | | | | |
| **Direct interest** | | | | |
| Lion Industries Corporation Berhad | 216,865,498 | – | – | 216,865,498 |

**DIRECTORS' INTERESTS** (continued)

| | Nominal value per ordinary share | Number of shares | | | |
|---|---|---|---|---|---|
| | | As of 1.7.2014 | Additions | Disposals | As of 30.6.2015 |
| **Tan Sri William H.J. Cheng** | | | | | |
| **Indirect interest** | | | | | |
| Angkasa Amsteel Pte Ltd | * | 23,035,999 | – | – | 23,035,999 |
| Holdsworth Investment Pte Ltd | * | 4,500,000 | – | – | 4,500,000 |
| Inspirasi Elit Sdn Bhd | RM1.00 | 212,500 | – | – | 212,500 |
| Lion AMB Holdings Pte Ltd | * | 25,400,080 | – | – | 25,400,080 |
| Lion AMB Resources Berhad | RM1.00 | 300,789,489 | 4,001,382 | – | 304,790,871 |
| Lion Industries Corporation Berhad | RM1.00 | 46,871,111 | – | – | 46,871,111 |
| Lion Rubber Industries Pte Ltd | * | 10,000,000 | – | – | 10,000,000 |
| LLB Enterprise Sdn Bhd | RM1.00 | 690,000 | – | – | 690,000 |
| Marvenel Sdn Bhd | RM1.00 | 100 | – | – | 100 |
| Ototek Sdn Bhd | RM1.00 | 1,050,000 | – | – | 1,050,000 |
| P.T. Lion Intimung Malinau | USD1.00 | 4,750,000 | – | – | 4,750,000 |
| Posim EMS Sdn Bhd | RM1.00 | 800,000 | – | – | 800,000 |
| Soga Sdn Bhd | RM1.00 | 4,525,322 | – | – | 4,525,322 |
| Steelcorp Sdn Bhd | RM1.00 | 99,750 | – | – | 99,750 |
| Zhongsin Biotech Pte Ltd | * | 1,000,000 | – | – | 1,000,000 |

| Investment in the People's Republic of China | Currency | As of 1.7.2014 | Additions | Disposals | As of 30.6.2015 |
|---|---|---|---|---|---|
| **Indirect interest** | | | | | |
| Tianjin Baden Real Estate Development Co Ltd (In liquidation - voluntary) | USD | 5,000,000 | – | – | 5,000,000 |
| Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary) | USD | 10,878,944 | – | – | 10,878,944 |

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

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

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies or persons connected with such Directors have interests as disclosed in Note 19 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the exercise of the share options granted pursuant to the Company's ESOS as disclosed above.

**HOLDING COMPANIES**

The Company is a subsidiary company of Amsteel Mills Sdn Bhd, a private limited liability company incorporated in Malaysia. The Directors regard Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

**AUDITORS**

The auditors, Messrs Deloitte, have indicated their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

**TAN SRI WILLIAM H.J. CHENG**

**CHAN HO WAI**

Kuala Lumpur
21 September 2015

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

**Report on the Financial Statements**

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2015 and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 130.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 4(ii)(b) to the financial statements, which discloses that the Group has a significant concentration of credit risk in the form of debts due from related parties, namely Megasteel Sdn Bhd ("Megasteel"), Lion DRI Sdn Bhd ("Lion DRI") and Graimpi Sdn Bhd ("Graimpi"), constituting approximately 69% (RM314,269,000) of total receivables balance as of 30 June 2015, where the ability of Lion DRI and Graimpi to generate sufficient cash flows to repay their debts to the Group is highly dependent upon the performance of Megasteel. The Directors of the Company believe that Megasteel will make its best efforts to execute its action plans as disclosed in Note 4(ii)(b) so that it will be able to continue in operational existence for the foreseeable future and be able to generate the required cash flows to meet its obligations as and when they fall due. In the event that Megasteel is unable to continue in operational existence for the foreseeable future, there is an uncertainty that the debts due from these related parties will be recovered in full.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

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

(b) We have considered the accounts and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 13 to the financial statements, being accounts that have been included in the financial statements of the Group;

(c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and

(d) The auditors' reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

**Other Matter**

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

**Other Reporting Responsibilities**

The supplementary information set out in page 131 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Company are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**DELOITTE**
**AF 0080**
**Chartered Accountants**

**KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN**
**Partner - 2903/11/15 (J)**
**Chartered Accountant**

Kuala Lumpur
21 September 2015

# STATEMENTS OF PROFIT OR LOSS

## FOR THE YEAR ENDED 30 JUNE 2015

| | Note | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|---|
| Revenue | 5 | **721,449** | 817,922 | **82,536** | 91,333 |
| Other operating income | | **18,439** | 35,918 | **12,311** | 12,878 |
| Changes in inventories of finished goods and trading merchandise | | **(2,408)** | (11,578) | **–** | – |
| Raw materials and consumables used | | **(29,745)** | (28,855) | **–** | – |
| Purchase of trading merchandise | | **(620,091)** | (703,758) | **(79,214)** | (78,689) |
| Staff costs | 6 | **(23,603)** | (23,803) | **(1,922)** | (2,464) |
| Depreciation of: | | | | | |
| Property, plant and equipment | 11 | **(5,543)** | (5,461) | **(78)** | (78) |
| Investment properties | 12 | **(18)** | (18) | **(18)** | (18) |
| (Loss)/Gain on foreign exchange: | | | | | |
| Realised | | **(91)** | (164) | **–** | 232 |
| Unrealised | | **2,116** | 24 | **(3,406)** | (211) |
| Other operating expenses | | **(31,061)** | (36,217) | **(2,202)** | (1,482) |
| Profit from operations | 6 | **29,444** | 44,010 | **8,007** | 21,501 |
| Finance costs | 7 | **(783)** | (533) | **(6,649)** | (8,145) |
| Share in results of associated companies | | **(47,151)** | (970) | **–** | – |
| Settlement arising from litigation claim against a former subsidiary company | 29 | **(70,000)** | – | **(70,000)** | – |
| Net impairment losses on trade and other receivables | | **(3,620)** | (254,418) | **(559)** | – |
| Impairment losses on: | | | | | |
| Quoted investments | | **(1,211)** | (5,307) | **–** | – |
| Unquoted investments | | **(64)** | (9,138) | **–** | – |
| Inventories written down | | **–** | (10,264) | **–** | – |
| **(Loss)/Profit before tax** | | **(93,385)** | (236,620) | **(69,201)** | 13,356 |
| Income tax expense | 8 | **(11,167)** | (13,386) | **(1,739)** | (4,052) |
| **(Loss)/Profit for the year** | | **(104,552)** | (250,006) | **(70,940)** | 9,304 |
| **(Loss)/Profit attributable to:** | | | | | |
| Owners of the Company | | **(99,968)** | (249,339) | **(70,940)** | 9,304 |
| Non-controlling interests | | **(4,584)** | (667) | **–** | – |
| **(Loss)/Profit for the year** | | **(104,552)** | (250,006) | **(70,940)** | 9,304 |
| **Loss per ordinary share attributable to owners of the Company (sen)** | 9 | | | | |
| Basic | | **(43.17)** | (107.67) | | |

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2015

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| **(Loss)/Profit for the year** | **(104,552)** | (250,006) | **(70,940)** | 9,304 |
| **Other comprehensive income/(loss)** | | | | |
| Items that will not be reclassified subsequently to profit or loss | **–** | – | **–** | – |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Foreign currency translation differences arising from foreign operations | **25,343** | 3,442 | **–** | – |
| Net loss on available-for-sale financial assets: | | | | |
| Fair value changes | **(15)** | (269) | **–** | – |
| Transfer to profit or loss upon disposal | **(54)** | – | **–** | – |
| **Other comprehensive income for the year** | **25,274** | 3,173 | **–** | – |
| **Total comprehensive (loss)/income for the year** | **(79,278)** | (246,833) | **(70,940)** | 9,304 |
| **Total comprehensive (loss)/income attributable to:** | | | | |
| Owners of the Company | **(75,660)** | (246,517) | **(70,940)** | 9,304 |
| Non-controlling interests | **(3,618)** | (316) | **–** | – |
| **Total comprehensive (loss)/income for the year** | **(79,278)** | (246,833) | **(70,940)** | 9,304 |

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF FINANCIAL POSITION

## AS OF 30 JUNE 2015

| | Note | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 11 | **34,107** | 36,472 | **4,850** | 4,928 |
| Investment properties | 12 | **614** | 632 | **614** | 632 |
| Investment in subsidiary companies | 13 | **–** | – | **261,815** | 60,214 |
| Investment in associated companies | 14 | **39,435** | 77,223 | **–** | – |
| Other investments | 15 | **2,664** | 3,963 | **3** | 18 |
| Trade receivables | 22(a) | **166,245** | 135,125 | **–** | – |
| Other receivables | 22(b) | **148,024** | 139,519 | **–** | – |
| Intangible assets | 16 | **–** | – | **–** | – |
| Goodwill on consolidation | 17 | **–** | – | **–** | – |
| Deferred tax assets | 18 | **4,126** | 3,970 | **–** | – |
| **Total Non-Current Assets** | | **395,215** | 396,904 | **267,282** | 65,792 |
| **Current Assets** | | | | | |
| Inventories | 20 | **13,544** | 18,347 | **–** | – |
| Other investments | 21 | **–** | 1,710 | **–** | – |
| Trade receivables | 22(a) | **117,686** | 121,197 | **3,464** | 4,023 |
| Other receivables and prepayments | 22(b) | **126,275** | 126,134 | **4,794** | 12,092 |
| Amount owing by subsidiary companies | 13(a) | **–** | – | **479,995** | 747,171 |
| Amount owing by immediate holding company | 19 | **130,251** | 164,227 | **–** | – |
| Amount owing by other related companies | 19 | **136,262** | 128,550 | **135,974** | 127,820 |
| Tax recoverable | | **2,250** | 967 | **314** | 273 |
| Fixed deposits, cash and bank balances | 23 | **120,348** | 211,674 | **32,186** | 145,406 |
| **Total Current Assets** | | **646,616** | 772,806 | **656,727** | 1,036,785 |
| **Total Assets** | | **1,041,831** | 1,169,710 | **924,009** | 1,102,577 |

(Forward)

| | Note | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 25 | **231,572** | 231,572 | **231,572** | 231,572 |
| Reserves | 26 | **655,890** | 730,477 | **464,685** | 535,556 |
| Equity attributable to owners of the Company | | **887,462** | 962,049 | **696,257** | 767,128 |
| Non-controlling interests | | **24,375** | 30,897 | **–** | – |
| **Total Equity** | | **911,837** | 992,946 | **696,257** | 767,128 |
| **Non-Current and Deferred Liabilities** | | | | | |
| Hire-purchase payables | 27 | **384** | 520 | **98** | 142 |
| Deferred tax liabilities | 18 | **1,210** | 1,281 | **280** | 280 |
| Amount owing to a subsidiary company | 13(b) | **–** | – | **–** | 12,691 |
| **Total Non-Current and Deferred Liabilities** | | **1,594** | 1,801 | **378** | 13,113 |
| **Current Liabilities** | | | | | |
| Trade payables | 28(a) | **38,732** | 71,947 | **8,527** | 9,177 |
| Other payables and accrued expenses | 28(b) | **61,305** | 54,804 | **15,263** | 5,199 |
| Provision | 29 | **–** | 15,000 | **–** | 15,000 |
| Amount owing to ultimate holding company | 19 | **–** | 692 | **–** | – |
| Amount owing to other related companies | 19 | **5,408** | 7,593 | **58** | – |
| Amount owing to subsidiary companies | 13(b) | **–** | – | **203,468** | 292,905 |
| Hire-purchase payables | 27 | **195** | 231 | **58** | 55 |
| Bank borrowings | 30 | **22,313** | 23,023 | **–** | – |
| Tax liabilities | | **447** | 1,673 | **–** | – |
| **Total Current Liabilities** | | **128,400** | 174,963 | **227,374** | 322,336 |
| **Total Liabilities** | | **129,994** | 176,764 | **227,752** | 335,449 |
| **Total Equity and Liabilities** | | **1,041,831** | 1,169,710 | **924,009** | 1,102,577 |

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2015

| | | | Non-distributable reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| The Group | Note | Share capital RM'000 | Share premium RM'000 | Translation adjustment reserve RM'000 | Capital reserve RM'000 | Capital redemption reserve RM'000 | Fair value reserve RM'000 | Distributable reserve – Retained earnings RM'000 | Attributable to owners of the Company RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| **As of 1 July 2013** | | 231,572 | 689,330 | 10,510 | 264 | 280 | 427 | 279,640 | 1,212,023 | 32,024 | 1,244,047 |
| Loss for the year | | – | – | – | – | – | – | (249,339) | (249,339) | (667) | (250,006) |
| Other comprehensive income/(loss) for the year | | – | – | 3,091 | – | – | (269) | – | 2,822 | 351 | 3,173 |
| Total comprehensive income/(loss) | | – | – | 3,091 | – | – | (269) | (249,339) | (246,517) | (316) | (246,833) |
| Dividend paid | 10 | – | – | – | – | – | – | (3,474) | (3,474) | – | (3,474) |
| Dividend paid to non-controlling interests of a subsidiary company | | – | – | – | – | – | – | – | – | (786) | (786) |
| Acquisition of non-controlling interests | | – | – | – | – | – | – | 17 | 17 | (25) | (8) |
| **As of 30 June 2014** | | 231,572 | 689,330 | 13,601 | 264 | 280 | 158 | 26,844 | 962,049 | 30,897 | 992,946 |

(Forward)

| The Group | Share capital RM'000 | Share premium RM'000 | Treasury Shares RM'000 | Translation adjustment reserve RM'000 | Equity compensation reserve RM'000 | Capital reserve RM'000 | Capital redemption reserve RM'000 | Fair value reserve RM'000 | Distributable retained earnings/ (Accumulated losses) RM'000 | Attributable to owners of the Company RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ← Non-distributable reserves → | | | | | | | | | | | |
| **As of 1 July 2014** | **231,572** | **689,330** | **–** | **13,601** | **–** | **264** | **280** | **158** | **26,844** | **962,049** | **30,897** | **992,946** |
| Loss for the year | – | – | – | – | – | – | – | – | (99,968) | (99,968) | (4,584) | (104,552) |
| Other comprehensive income/(loss) for the year | – | – | – | 24,377 | – | – | – | (69) | – | 24,308 | 966 | 25,274 |
| Total comprehensive income/(loss) | – | – | – | 24,377 | – | – | – | (69) | (99,968) | (75,660) | (3,618) | (79,278) |
| Purchase of treasury shares | – | – | (49) | – | – | – | – | – | – | (49) | – | (49) |
| Share-based payments | – | – | – | – | 118 | – | – | – | – | 118 | – | 118 |
| Acquisition of non-controlling interests | – | – | – | – | – | – | – | – | 1,004 | 1,004 | (2,904) | (1,900) |
| **As of 30 June 2015** | **231,572** | **689,330** | **(49)** | **37,978** | **118** | **264** | **280** | **89** | **(72,120)** | **887,462** | **24,375** | **911,837** |

| The Company | Note | Share capital RM'000 | Non-distributable reserves: Share premium RM'000 | Non-distributable reserves: Treasury shares RM'000 | Non-distributable reserves: Equity compensation reserve RM'000 | Non-distributable reserves: Capital reserve RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| **As of 1 July 2013** | | 231,572 | 689,330 | – | – | 264 | (159,868) | 761,298 |
| Total comprehensive income for the year | | – | – | – | – | – | 9,304 | 9,304 |
| Dividend paid | 10 | – | – | – | – | – | (3,474) | (3,474) |
| **As of 30 June 2014** | | 231,572 | 689,330 | – | – | 264 | (154,038) | 767,128 |
| **As of 1 July 2014** | | **231,572** | **689,330** | **–** | **–** | **264** | **(154,038)** | **767,128** |
| Total comprehensive loss for the year | | **–** | **–** | **–** | **–** | **–** | **(70,940)** | **(70,940)** |
| Purchase of treasury shares | | **–** | **–** | **(49)** | **–** | **–** | **–** | **(49)** |
| Share-based payments | | **–** | **–** | **–** | **118** | **–** | **–** | **118** |
| **As of 30 June 2015** | | **231,572** | **689,330** | **(49)** | **118** | **264** | **(224,978)** | **696,257** |

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2015

| The Group | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | |
| Loss for the year | **(104,552)** | (250,006) |
| Adjustments for: | | |
| Settlement arising from litigation claim against a former subsidiary | **70,000** | – |
| Share in results of associated companies | **47,151** | 970 |
| Income tax expense recognised in profit or loss | **11,167** | 13,386 |
| Depreciation of: | | |
| Property, plant and equipment | **5,543** | 5,461 |
| Investment properties | **18** | 18 |
| Net impairment losses on trade and other receivables | **3,620** | 254,418 |
| Impairment losses on: | | |
| Quoted investments | **1,211** | 5,307 |
| Unquoted investments | **64** | 9,138 |
| Finance costs | **783** | 533 |
| Allowance for slow-moving and obsolete inventories | **237** | 190 |
| Share-based payments expense | **118** | – |
| Interest income | **(15,229)** | (34,637) |
| Unrealised gain on foreign exchange | **(2,116)** | (24) |
| Gain on disposal of: | | |
| Property, plant and equipment | **(1,075)** | (533) |
| Quoted investments | **(56)** | – |
| Dividend income from: | | |
| Quoted investments | **(2)** | (2) |
| Unquoted investments | **(498)** | – |
| Impairment losses no longer required for unquoted investments | **(143)** | – |
| Inventories written down | **–** | 10,264 |
| Operating Profit Before Working Capital Changes | **16,241** | 14,483 |
| (Increase)/Decrease in: | | |
| Inventories | **4,566** | 731 |
| Trade receivables | **(39,282)** | (64,864) |
| Other receivables and prepayments | **17,234** | 2,295 |
| Amount owing by immediate holding company | **33,962** | (13,930) |
| Amount owing by other related companies | **437** | (236) |
| Increase/(Decrease) in: | | |
| Trade payables | **(33,215)** | 19,491 |
| Other payables and accrued expenses | **6,148** | 4,207 |
| Cash Generated From/(Used In) Operations | **6,091** | (37,823) |
| Interest received | **1,482** | 21,385 |
| Income tax paid | **(14,916)** | (16,154) |
| Income tax refunded | **1,013** | 345 |
| Net Cash Used In Operating Activities | **(6,330)** | (32,247) |

(Forward)

| The Group | Note | 2015 RM'000 | 2014 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Decrease/(Increase) in: | | | |
| Cash at banks held under Escrow Account and fixed deposits pledged | | **133,544** | (21,307) |
| Amount owing to ultimate holding company | | **(692)** | (25) |
| Amount owing by immediate holding company | | **14** | (4) |
| Amount owing by other related companies | | **(8,149)** | (7,554) |
| Interest received from: | | | |
| Fixed deposits with licensed banks | | **5,593** | 5,697 |
| Other related companies | | **8,154** | 7,555 |
| Proceeds from disposal of: | | | |
| Property, plant and equipment | | **5,246** | 730 |
| Assets classified as held for sale | | **–** | 470 |
| Quoted investments | | **75** | – |
| Dividend income received from: | | | |
| An associated company | | **384** | 382 |
| Quoted investments | | **2** | 2 |
| Unquoted investments | | **498** | – |
| Proceeds from redemption of other investments | | **143** | 1,026 |
| Settlement arising from litigation claim against a former subsidiary | | **(85,000)** | – |
| Purchase of property, plant and equipment | | **(5,465)** | (14,099) |
| Acquisition of non-controlling interests | | **(1,900)** | (8) |
| Net Cash From/(Used In) Investing Activities | | **52,447** | (27,135) |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| (Decrease)/Increase in: | | | |
| Bank borrowings | | **(710)** | 17,252 |
| Amount owing to other related companies | | **(2,185)** | 2,192 |
| Finance costs paid | | **(783)** | (533) |
| Payment of hire-purchase payables | | **(172)** | (919) |
| Purchase of treasury shares | | **(49)** | – |
| Dividends paid to: | | | |
| Owners of the Company | | **–** | (3,474) |
| Non-controlling shareholders of a subsidiary company | | **–** | (786) |
| Net Cash (Used In)/From Financing Activities | | **(3,899)** | 13,732 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **42,218** | (45,650) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **51,727** | 97,377 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 35 | **93,945** | 51,727 |

**The Company**

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | |
| (Loss)/Profit for the year | **(70,940)** | 9,304 |
| Adjustments for: | | |
| Finance costs | **6,649** | 8,145 |
| Unrealised loss on foreign exchange | **3,406** | 211 |
| Income tax expense recognised in profit or loss | **1,739** | 4,052 |
| Impairment loss on trade receivables | **559** | – |
| Share-based payments expense | **118** | – |
| Depreciation of: | | |
| Property, plant and equipment | **78** | 78 |
| Investment properties | **18** | 18 |
| Interest income | **(12,251)** | (12,860) |
| Dividend income | **(3,000)** | (12,656) |
| Gain on disposal of other investments | **(13)** | – |
| Operating Loss Before Working Capital Changes | **(73,637)** | (3,708) |
| (Increase)/Decrease in: | | |
| Trade receivables | **–** | 5 |
| Other receivables and prepayments | **7,298** | (767) |
| Increase/(Decrease) in: | | |
| Trade payables | **(650)** | 160 |
| Other payables and accrued expenses | **(4,936)** | (61) |
| Cash Used In Operations | **(71,925)** | (4,371) |
| Income tax refunded | **126** | – |
| Income tax paid | **(1,906)** | (1,707) |
| Net Cash Used In Operating Activities | **(73,705)** | (6,078) |

(Forward)

**The Company**

| | Note | 2015 RM'000 | 2014 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Decrease/(Increase) in: | | | |
| Cash at banks held under Escrow Account and fixed deposits pledged | | **130,757** | (3,893) |
| Amount owing by subsidiary companies | | **67,176** | (9,892) |
| Amount owing by other related companies | | **(8,154)** | (7,555) |
| Dividend received from subsidiary companies | | **3,000** | 10,996 |
| Interest received from: | | | |
| Fixed deposits with licensed banks | | **3,317** | 4,352 |
| Other related companies | | **8,154** | 7,555 |
| Subsidiary companies | | **224** | 345 |
| Other receivables | | **556** | 608 |
| Proceeds from disposal of: | | | |
| Other investments | | **28** | – |
| Assets classified as held for sale | | **–** | 470 |
| Additions to investment in a subsidiary company | | **(1,601)** | (8) |
| Net Cash From Investing Activities | | **203,457** | 2,978 |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| (Decrease)/Increase in: | | | |
| Amount owing to subsidiary companies | | **(105,534)** | 2,443 |
| Amount owing to other related companies | | **58** | – |
| Finance costs paid | | **(6,649)** | (7,791) |
| Purchase of treasury shares | | **(49)** | – |
| Payment of hire-purchase payables | | **(41)** | (54) |
| Dividends paid | | **–** | (3,474) |
| Net Cash Used In Financing Activities | | **(112,215)** | (8,876) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **17,537** | (11,976) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **13,036** | 25,012 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 35 | **30,573** | 13,036 |

The accompanying Notes form an integral part of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

1. **GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is principally involved in investment holding, trading and distribution of building materials, and trading of steel products.

The principal activities of the subsidiary companies are as disclosed in Note 13.

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

The Company's registered office is located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur.

The Company's principal place of business is located at Wisma Posim, Lot 72, Persiaran Jubli Perak, 40000 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 21 September 2015.

2. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

**Adoption of New Malaysian Financial Reporting Standards**

In the current financial year, the Group and the Company adopted all the new and revised MFRSs and Issues Committee Interpretations ("IC Interpretations") and amendments to MFRSs and IC Interpretations issued by MASB that are effective for annual financial periods beginning on or after 1 July 2014:

| | |
|---|---|
| Amendments to MFRS 10, MFRS 12 and MFRS 127 | Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements (Amendments relating to Investment Entities) |
| Amendments to MFRS 119 | Defined Benefit Plans (Amendments relating to Employee Contributions) |
| Amendments to MFRS 132 | Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities) |
| Amendments to MFRS 136 | Impairment of Assets (Amendments relating to Recoverable Amount Disclosures for Non-Financial Assets) |
| Amendments to MFRS 139 | Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting) |
| IC Interpretation 21 | Levies |
| Annual Improvements to MFRSs 2010 – 2012 cycle | |
| Annual Improvements to MFRSs 2011 – 2013 cycle | |

The adoption of these new and revised MFRSs and IC Interpretation did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS** (continued)

**Standards in issue but not yet effective**

At the date of authorisation for issue of these financial statements, the new and revised standards which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014)[2] |
| MFRS 14 | Regulatory Deferral Accounts[1] |
| MFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to MFRS 10, MFRS 12 and MFRS 128 | Investment Entities: Applying the Consolidation Exception[1] |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to MFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| Amendments to MFRS 101 | Disclosure Initiative[1] |
| Amendments to MFRS 116 and MFRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to MFRS 116 and MFRS 141 | Agriculture: Bearer Plants[1] |
| Amendments to MFRS 127 | Equity Method in Separate Financial Statements[1] |
| Annual Improvements to MFRSs 2012 - 2014 cycle[1] | |

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Directors anticipate that abovementioned standards will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as disclosed below.

**MFRS 9 Financial Instruments**

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) include requirements for the classification and measurement of financial liabilities and for derecognition, and in February 2014, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB – MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS** (continued)

**MFRS 9 Financial Instruments** (continued)

Key requirements of MFRS 9: (continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The application of MFRS 9 and MFRS 15 in the future may have an impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 and MFRS 15 until the Group completes a detailed review.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiary companies). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Basis of Consolidation** (continued)

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary companies is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies in line with those used by other members of the Group.

All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control 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 subsidiary companies. Any difference between the amount by which the non-controlling interests are adjusted at the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Where the Group loses control of a subsidiary company, a gain or loss is recognised and is 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 (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary company are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

**Business Combinations**

Acquisitions of subsidiary companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair values which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Business Combinations** (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRSs.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 139 or MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items of which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

**Investment in Subsidiary Companies**

Investment in subsidiary companies which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

**Investment in Associated Companies**

An associated company is an entity over 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.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Investment in Associated Companies** (continued)

The results and assets and liabilities of associated companies are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associated companies are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associated companies, less any impairment in the value of individual investments. When the Group's share of losses of an associated company exceeds the Group's interest in that associated company (which includes any long-term interests that, in substance), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

An investment in an associated company is accounted for using the equity method from the date on which the investee becomes an associated company. On acquisition of the investment in an associated company, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associated company. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 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 recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when investment ceases to be an associated company, or when the investment is classified as held for sale. When the Group retains an interest in the former associated company and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 139. The difference between the carrying amount of the associated company at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the associated company is included in the determination of the gain or loss on disposal of the associated company. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associated company on the same basis as would be required if that associated company had directly disposed of the related assets and liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associated company would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associated company but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associated company of the Group, profit or losses resulting from the transactions with the associated company are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associated company that are not related to the Group.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Revenue and Revenue Recognition**

Revenue is measured at the fair value of consideration received and receivable in the normal course of business.

Revenue of the Company consists of gross invoice value of sales, net of discounts and returns, and gross dividend income.

Revenue of the Group consists of gross invoice value of goods supplied to the customers, net of discounts and returns.

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership have passed. Sales of goods that result in award credits for customers, under the Group's customer loyalty programmes, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value - the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction - but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

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

**Employee Benefits**

**(i) Short-term employee benefits**

Wages, salaries, paid annual leaves, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(ii) Defined contribution plans**

The Company and certain subsidiary companies make statutory contributions to approved provident funds and the contributions are charged to profit or loss. The approved provident funds are defined contribution plans. The Group's foreign incorporated subsidiary companies and its eligible employees also made contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, there are no further payment obligations.

**(iii) Equity compensation benefits**

The Group's ESOS allows the employees to acquire shares in the Company. The total fair value of share options granted to eligible employees is recognised as an employee cost in profit or loss with a corresponding increase in the equity compensation reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of the share options is measured at grant date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Employee Benefits** (continued)

**(iii) Equity compensation benefits** (continued)

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

**Taxation**

Income tax expense for the year comprises current and deferred tax.

Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax

Deferred tax is accounted for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign Currency Conversion

The individual financial statements of each foreign subsidiary company are presented in the currency of the primary economic environment in which such entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation adjustment account. Such translation differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

### Impairment of Assets

At the end of each reporting period, the Group and the Company review the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised immediately in profit or loss.

### Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Property, Plant and Equipment** (continued)

Freehold land are not depreciated. Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Buildings | 2% - 18% |
| Plant and machinery | 3.70% - 25% |
| Office equipment | 18% - 20% |
| Furniture and fittings | 10% - 20% |
| Motor vehicles | 18% - 25% |
| Prime movers and trailers | 15% |
| Office renovation | 20% |
| Computer equipment | 18% - 20% |
| Chiller max equipment | 10% |

The estimated useful life, residual value and depreciation method of the assets are reviewed at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

**Assets Acquired Under Hire-Purchase Arrangements**

Assets acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to profit or loss to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

**Capitalisation of Borrowing Cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Investment Properties**

Investment properties, comprising certain freehold land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and any impairment losses.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statements of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Freehold land within investment properties is not depreciated. Freehold buildings are depreciated on the straight-line method at an annual rate of 2%.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Non-Current Assets Classified as Held for Sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

**Intangible Assets**

Intangible assets consist of the acquisition cost of technical know-how in the design of a subsidiary company's products and services and are stated at cost less accumulated amortisation and any impairment losses. The intangible assets are amortised on a straight-line basis over a period of ten years upon commencement of commercial production during which its economic benefits are expected to be consumed.

**Goodwill on Consolidation**

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in the subsequent period.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Inventories**

Trading merchandise, finished goods, work-in-progress, raw materials, fuel and lubricants, and other inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost represents the original purchase price plus the incidental cost incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress include cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

In arriving at net realisable value, due allowance is made for damaged, obsolete or slow-moving inventories.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Provisions**

Provisions are made when the Group or the Company have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at the Directors' best estimate of the amount required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

At the end of each reporting period, provisions are reviewed by the Directors and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that the Group will be required to settle the obligation.

**Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed by the chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**Contingent Liabilities**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

**Financial Instruments**

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Financial assets are classified into the following specified categories: financial asset 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial Instruments** (continued)

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial Instruments** (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investment or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy of financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial Instruments** (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial Instruments** (continued)

Financial Liabilities and Equity Instruments (continued)

Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial Instruments** (continued)

Financial Liabilities and Equity Instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

**Statements of Cash Flows**

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**(i) Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

**(ii) Key sources of estimation uncertainty**

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except as disclosed below:

**(a) Impairment of Non-Current Assets**

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2015, the Group and the Company recognised accumulated impairment losses in respect of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Property, plant and equipment | **3,216** | 3,216 | **–** | – |
| Investment in subsidiary companies | **–** | – | **800** | 800 |
| Other investments | **53,062** | 56,724 | **–** | – |
| Intangible assets | **304** | 304 | **–** | – |
| Goodwill on consolidation | **191** | 191 | **–** | – |

Management exercises its judgement in estimating the recoverable amounts of these assets.

When there is an indication that the carrying amount of an asset may be impaired, the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use ("VIU") will be assessed. The assessment of recoverable amounts involves various methodologies.

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

### (ii) Key sources of estimation uncertainty (continued)

#### (a) Impairment of Non-Current Assets (continued)

In determining the VIU of an asset, being the future economic benefits to be expected from its continued use and ultimate disposal, the Group makes estimates and assumptions that require significant judgements. While the Group believes these estimates and assumptions of VIU could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact on the Group's financial position and results.

#### (b) Impairment of Receivables

Impairment of receivables is made based on the evaluation of collectibility and aging analysis of accounts and on management's estimate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers with which the Group deals were to deteriorate, resulting in an impairment of their ability to make payments, allowance may be required.

As of 30 June 2015, the Group has trade and other receivables due from three related parties:

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| **Trade receivables** | | |
| Megasteel Sdn Bhd ("Megasteel") | **245,877** | 237,931 |
| Lion DRI Sdn Bhd ("Lion DRI") | **63,998** | 32,319 |
| | **309,875** | 270,250 |
| Less: Accumulated impairment losses | **(143,630)** | (135,125) |
| Net | **166,245** | 135,125 |
| **Other receivables** | | |
| Megasteel | **6,858** | 6,858 |
| Graimpi Sdn Bhd ("Graimpi") | **272,180** | 272,180 |
| | **279,038** | 279,038 |
| Less: Accumulated impairment losses | **(131,014)** | (139,519) |
| Net | **148,024** | 139,519 |
| Concentration of credit risk | **69%** | 63% |

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

**(ii) Key sources of estimation uncertainty** (continued)

**(b) Impairment of Receivables** (continued)

The ability of Lion DRI and Graimpi to generate sufficient cash flows to repay their debts to the Group is highly dependent on the performance of Megasteel. In previous financial years, Megasteel implemented a settlement scheme to settle its outstanding debts. Currently, Megasteel has engaged an independent consultant and the relevant authorities to conduct a study on turnaround action plans. Megasteel has carried out the following actions:

(i) the discussions with the relevant authorities to implement certain policies for the steel industry. These include the imposition of anti-dumping duties for products from certain countries in February 2015, and more recently in July 2015, a petition by Megasteel for further protection when the anti-dumping measures were found ineffective.

(ii) the discussions with various potential third party investors to provide technical and management support with the ultimate view of achieving cost reduction and improving operational efficiency, and the said discussions are currently on-going.

Megasteel is also currently undertaking a debt restructuring exercise involving the Corporate Debt Restructuring Committee.

At the end of the reporting period, the Group recognised impairment losses amounting to RM143,630,000 (2014: RM135,125,000) and RM131,014,000 (2014: RM139,519,000) on trade and other receivables due from these related parties respectively. Based on the assessment by the Directors of the Company, Megasteel may require a longer period to fully settle its outstanding amounts because its business continues to be affected by the rampant dumping of steel products by the foreign steel producers in the local market and its additional action plans have yet to be implemented successfully. The abovementioned impairment losses represent time value of money calculated based on the discounted future cash flows in relation to receivables due from these related parties. The discounted future cash flows are based on the following key assumptions:

(i) the successful petition by Megasteel for further protection of the local steel industry from the relevant authorities;

(ii) the successful and timely execution of measures by Megasteel to achieve cost reduction and to improve operational efficiency, and Megasteel is able to obtain the required sources of finance for this purpose;

(iii) the debts will be recovered by the Group within a period of 7 years; and

(iv) discount rate of 12% (2014: 12%) has been applied to the cash flow projections.

The Directors of the Company believe that Megasteel will make its best efforts to execute its action plans so that it will be able to continue in operational existence for the foreseeable future and able to generate the required cash flows to meet its obligations as and when they fall due. As such, the Directors are of the opinion that the debts outstanding from these related parties, net of allowance is recoverable.

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

**(ii) Key sources of estimation uncertainty** (continued)

**(c) Depreciation of Property, Plant and Equipment**

Except for freehold land, the costs of property, plant and equipment are depreciated on a straight-line basis over the assets' useful lives.

The Group reviews the remaining useful lives of property, plant and equipment at the end of each reporting period and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

**(d) Deferred Tax Assets**

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits.

**5. REVENUE**

An analysis of revenue is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Sales of goods | **700,937** | 793,002 | **79,536** | 78,677 |
| Services rendered | **20,512** | 24,920 | **–** | – |
| Gross dividend income from subsidiary companies | **–** | – | **3,000** | 12,656 |
| | **721,449** | 817,922 | **82,536** | 91,333 |

**6. PROFIT FROM OPERATIONS**

Profit from operations is arrived at after crediting/(charging) the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Interest income on: | | | | |
| Fixed deposits with licensed banks | **5,593** | 5,697 | **3,317** | 4,352 |
| Other receivables | **556** | 19,804 | **556** | 608 |
| Advances to: | | | | |
| Other related company | **8,154** | 7,555 | **8,154** | 7,555 |
| Subsidiary companies | **–** | – | **224** | 345 |
| Others | **926** | 1,581 | **–** | – |
| Gain on disposal of: | | | | |
| Property, plant and equipment | **1,075** | 533 | **–** | – |
| Quoted investments | **56** | – | **13** | – |
| Dividend income from: | | | | |
| Quoted investments | **2** | 2 | **–** | – |
| Unquoted investments | **498** | – | **–** | – |
| Impairment losses no longer required for unquoted investments | **143** | – | **–** | – |

## 6. PROFIT FROM OPERATIONS (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Rental income from: | | | | |
| Investment properties rented to: | | | | |
| Subsidiary companies | **–** | – | **7** | 7 |
| Third party | **–** | 2 | **–** | 2 |
| Others | **1,082** | 470 | **–** | – |
| Bad debts recovered | **45** | 17 | **40** | 9 |
| Hire of plant and machinery | **(4,703)** | (5,209) | **–** | – |
| Rental of premises payable to: | | | | |
| Third parties | **(664)** | (500) | **(30)** | (57) |
| Subsidiary company | **–** | – | **(19)** | (19) |
| Directors' remunerations | **(600)** | (575) | **(580)** | (555) |
| Auditors' remuneration: | | | | |
| Statutory audit: | | | | |
| Auditors of the Company: | | | | |
| Current year | **(171)** | (167) | **(60)** | (55) |
| Underprovision in prior year | **(10)** | (6) | **(5)** | (5) |
| Other auditors | **(67)** | (60) | **–** | – |
| Non-statutory audit | **(5)** | (5) | **(5)** | (5) |
| Allowance for slow-moving and obsolete inventories | **(237)** | (190) | **–** | – |

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM2,388,000 and RM121,000 (2014: RM2,447,000 and RM190,000), respectively.

Share-based payments relating to options granted to the staff excluding Directors and key management personnel under executive share option scheme of the Company during the financial year amounted to RM74,000 (2014: RMNil).

Directors' remuneration charged to profit or loss for the financial year are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| **Fees** | | | | |
| Executive Director | **20** | 20 | **20** | 20 |
| Non-executive Directors | **164** | 164 | **144** | 144 |
| | **184** | 184 | **164** | 164 |
| **Salaries and other emoluments** | | | | |
| Executive Director | **416** | 391 | **416** | 391 |
| | **600** | 575 | **580** | 555 |

Share-based payments relating to options granted to the Directors under executive share option scheme of the Company during the financial year amounted to RM30,000 (2014: RMNil).

## 7. FINANCE COSTS

Finance costs represent:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Interest expense on: | | | | |
| Hire-purchase | **49** | 55 | **23** | 9 |
| Other borrowings | **734** | 478 | **–** | – |
| Advances from subsidiary companies | **–** | – | **6,626** | 8,136 |
| | **783** | 533 | **6,649** | 8,145 |

## 8. INCOME TAX EXPENSE

Income tax expense consists of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Estimated tax payable: | | | | |
| Current | **10,606** | 14,330 | **1,487** | 2,539 |
| Under/(Over)provision in prior years | **788** | (388) | **252** | 1,513 |
| | **11,394** | 13,942 | **1,739** | 4,052 |
| Deferred tax (Note 18): | | | | |
| Current | **(237)** | (622) | **–** | – |
| Underprovision in prior years | **10** | 66 | **–** | – |
| | **(227)** | (556) | **–** | – |
| | **11,167** | 13,386 | **1,739** | 4,052 |

A numerical reconciliation of income tax expense applicable to (loss)/profit before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| (Loss)/Profit before tax | **(93,385)** | (236,620) | **(69,201)** | 13,356 |
| Tax at applicable tax rate of 25% (2014: 25%) | **(23,346)** | (59,155) | **(17,300)** | 3,339 |
| Tax effects of: | | | | |
| Non-deductible expenses | **37,113** | 14,122 | **19,537** | 709 |
| Non-taxable items | **(3,452)** | (3,693) | **(750)** | (1,509) |
| Deferred tax assets not recognised | **112** | 62,820 | **–** | – |
| Realisation of deferred tax assets previously not recognised | **(58)** | (386) | **–** | – |
| Under/(Over)provision in prior years: | | | | |
| Income tax | **788** | (388) | **252** | 1,513 |
| Deferred tax | **10** | 66 | **–** | – |
| | **11,167** | 13,386 | **1,739** | 4,052 |

**8. INCOME TAX EXPENSE** (continued)

The Finance (No. 2) Act 2014 has amended the Income Tax Act 1967 to reduce the Malaysian corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax for entities in Malaysia will be the expected rates.

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unutilised tax credits which would give rise to net deferred tax asset are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2015, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of its realisation, is as follows:

| | The Group | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| Temporary differences arising from: | | |
| Property, plant and equipment | **(12)** | (45) |
| Others | **274,643** | 274,643 |
| Unused tax losses and unabsorbed capital allowances | **3,113** | 2,931 |
| | **277,744** | 277,529 |

The availability of the unused tax losses and unabsorbed capital allowances for offsetting future taxable profits of the respective subsidiary companies is subject to the agreement with the tax authorities.

**9. LOSS PER SHARE**

**(a) Basic loss per share**

Basic loss per share of the Group has been calculated by dividing loss for the year attributable to owners of the Company by the adjusted weighted average number of ordinary shares in issue (net of treasury shares) during the year.

| | The Group | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| Loss attributable to owners of the Company | **(99,968)** | (249,339) |

| | **2015 '000** | **2014 '000** |
|---|---|---|
| Weighted average number of ordinary shares in issue | **231,572** | 231,572 |
| Effect of treasury shares | **(21)** | – |
| Adjusted weighted average number of ordinary shares | **231,551** | 231,572 |

| | **2015** | **2014** |
|---|---|---|
| Basic loss per share (sen) | **(43.17)** | (107.67) |

## 9. LOSS PER SHARE (continued)

### (b) Diluted loss per share

The diluted loss per share is the same as the basic loss per share as the options over unissued ordinary shares granted pursuant to the executive share option scheme at the end of the reporting period has anti-dilutive effect since the exercise price of the options was above the average market value of the Company's shares during the financial year.

## 10. DIVIDEND PAID

| | The Group and The Company | |
|---|---|---|
| | 2015 | 2014 |
| | RM'000 | RM'000 |
| **In respect of financial year ended 30 June 2013:** | | |
| First and final dividend of 2 sen, less 25% tax was paid on 31 December 2013 | – | 3,474 |

The Directors do not recommend any payment of dividend in respect of the current financial year.

## 11. PROPERTY, PLANT AND EQUIPMENT

| The Group | COST | | | | |
|---|---|---|---|---|---|
| | As of 1 July 2013 RM'000 | Additions RM'000 | Disposals RM'000 | Write-off RM'000 | As of 30 June 2014 RM'000 |
| Freehold land | 4,777 | – | – | – | 4,777 |
| Freehold buildings | 8,234 | 84 | – | – | 8,318 |
| Plant and machinery | 15,273 | 12,823 | (855) | – | 27,241 |
| Office equipment | 1,110 | 47 | (12) | – | 1,145 |
| Furniture and fittings | 11,628 | 635 | (5) | (4) | 12,254 |
| Motor vehicles | 2,576 | 377 | (76) | – | 2,877 |
| Prime movers and trailers | 28,452 | – | (247) | – | 28,205 |
| Office renovation | 699 | 11 | (24) | – | 686 |
| Computer equipment | 2,411 | 122 | (84) | – | 2,449 |
| Chiller max equipment | 105 | – | (56) | – | 49 |
| | 75,265 | 14,099 | (1,359) | (4) | 88,001 |

**11. PROPERTY, PLANT AND EQUIPMENT** (continued)

| The Group | As of 1 July 2014 RM'000 | Additions RM'000 | Disposals RM'000 | Write-off RM'000 | Currency translation RM'000 | As of 30 June 2015 RM'000 |
|---|---|---|---|---|---|---|
| | | | | **COST** | | |
| Freehold land | **4,777** | **–** | **–** | **–** | **–** | **4,777** |
| Freehold buildings | **8,318** | **104** | **–** | **–** | **–** | **8,422** |
| Plant and machinery | **27,241** | **5,063** | **(5,806)** | **–** | **2,028** | **28,526** |
| Office equipment | **1,145** | **36** | **(63)** | **(1)** | **–** | **1,117** |
| Furniture and fittings | **12,254** | **100** | **–** | **(9,952)** | **4** | **2,406** |
| Motor vehicles | **2,877** | **–** | **(4)** | **–** | **66** | **2,939** |
| Prime movers and trailers | **28,205** | **–** | **(1,790)** | **–** | **–** | **26,415** |
| Office renovation | **686** | **8** | **–** | **–** | **–** | **694** |
| Computer equipment | **2,449** | **154** | **(104)** | **–** | **3** | **2,502** |
| Chiller max equipment | **49** | **–** | **–** | **–** | **–** | **49** |
| | **88,001** | **5,465** | **(7,767)** | **(9,953)** | **2,101** | **77,847** |

| The Group | As of 1 July 2013 RM'000 | Charge for the year RM'000 | Disposals RM'000 | Write-off RM'000 | As of 30 June 2014 RM'000 |
|---|---|---|---|---|---|
| | | | **ACCUMULATED DEPRECIATION** | | |
| Freehold land | – | – | – | – | – |
| Freehold buildings | 2,077 | 164 | – | – | 2,241 |
| Plant and machinery | 10,700 | 2,573 | (661) | – | 12,612 |
| Office equipment | 1,025 | 35 | (12) | – | 1,048 |
| Furniture and fittings | 11,331 | 170 | (5) | (4) | 11,492 |
| Motor vehicles | 1,547 | 370 | (75) | – | 1,842 |
| Prime movers and trailers | 14,867 | 1,878 | (247) | – | 16,498 |
| Office renovation | 699 | 2 | (24) | – | 677 |
| Computer equipment | 1,684 | 254 | (82) | – | 1,856 |
| Chiller max equipment | 88 | 15 | (56) | – | 47 |
| | 44,018 | 5,461 | (1,162) | (4) | 48,313 |

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

| The Group | ACCUMULATED DEPRECIATION | | | | | | ACCUMULATED IMPAIRMENT LOSSES | NET BOOK VALUE | |
|---|---|---|---|---|---|---|---|---|---|
| | As of 1 July 2014 RM'000 | Charge for the year RM'000 | Disposals RM'000 | Write-off RM'000 | Currency Translation RM'000 | As of 30 June 2015 RM'000 | As of 1 July 2013/ 30 June 2014/ 1 July 2014/ 30 June 2015 RM'000 | As of 30 June 2015 RM'000 | As of 30 June 2014 RM'000 |
| Freehold land | – | – | – | – | – | – | – | 4,777 | 4,777 |
| Freehold buildings | 2,241 | 166 | – | – | – | 2,407 | – | 6,015 | 6,077 |
| Plant and machinery | 12,612 | 2,612 | (1,638) | – | 203 | 13,789 | – | 14,737 | 14,629 |
| Office equipment | 1,048 | 48 | (62) | (1) | – | 1,033 | – | 84 | 97 |
| Furniture and fittings | 11,492 | 212 | (4) | (9,952) | 1 | 1,749 | – | 657 | 762 |
| Motor vehicles | 1,842 | 383 | – | – | 13 | 2,238 | – | 701 | 1,035 |
| Prime movers and trailers | 16,498 | 1,867 | (1,790) | – | – | 16,575 | 3,216 | 6,624 | 8,491 |
| Office renovation | 677 | 3 | – | – | – | 680 | – | 14 | 9 |
| Computer equipment | 1,856 | 250 | (102) | – | – | 2,004 | – | 498 | 593 |
| Chiller max equipment | 47 | 2 | – | – | – | 49 | – | – | 2 |
| | 48,313 | 5,543 | (3,596) | (9,953) | 217 | 40,524 | 3,216 | 34,107 | 36,472 |

| The Company | COST | | | ACCUMULATED DEPRECIATION | | | | | | NET BOOK VALUE | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | As of 1 July 2013/30 June 2014/1 July 2014 RM'000 | Disposals RM'000 | As of 30 June 2015 RM'000 | As of 1 July 2013 RM'000 | Charge for the year RM'000 | As of 30 June 2014/ 1 July 2014 RM'000 | Charge for the year RM'000 | Disposals RM'000 | As of 30 June 2015 RM'000 | As of 30 June 2015 RM'000 | As of 30 June 2014 RM'000 |
| Freehold land | 4,777 | – | 4,777 | – | – | – | – | – | – | 4,777 | 4,777 |
| Office equipment | 261 | (39) | 222 | 261 | – | 261 | – | (39) | 222 | – | – |
| Furniture and fittings | 392 | – | 392 | 392 | – | 392 | – | – | 392 | – | – |
| Motor vehicles | 558 | – | 558 | 335 | 77 | 412 | 76 | – | 488 | 70 | 146 |
| Office renovation | 256 | – | 256 | 256 | – | 256 | – | – | 256 | – | – |
| Computer equipment | 245 | (21) | 224 | 239 | 1 | 240 | 2 | (21) | 221 | 3 | 5 |
| | 6,489 | (60) | 6,429 | 1,483 | 78 | 1,561 | 78 | (60) | 1,579 | 4,850 | 4,928 |

The net book values of property, plant and equipment acquired under hire-purchase as of the end of the financial year are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Motor vehicles | 428 | 701 | 70 | 146 |
| Prime movers and trailers | – | 5,438 | – | – |
| | 428 | 6,139 | 70 | 146 |

## 12. INVESTMENT PROPERTIES

| | The Group and The Company 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| **Cost:** | | |
| At beginning and end of year | **906** | 906 |
| **Accumulated depreciation:** | | |
| At beginning of year | **274** | 256 |
| Charge for the year | **18** | 18 |
| At end of year | **292** | 274 |
| **Net book value** | **614** | 632 |
| **Fair value** | **865** | 865 |

The income earned by the Group from the rental of investment properties to third party amounted to RMNil (2014: RM1,677).

The income earned by the Company from the rental of investment properties to subsidiary companies amounted to RM7,200 (2014: RM7,200).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM514 (2014: RM1,487). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM11,659 (2014: RM8,300).

The fair value of the investment properties is estimated by reference to market evidence of transaction prices for similar properties.

At the end of the reporting period, the fair value of the Group's and the Company's investment properties are measured using Level 2 valuation technique as disclosed in Note 3.

## 13. INVESTMENT IN SUBSIDIARY COMPANIES

| | The Company 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Unquoted shares - at cost | **262,615** | 61,014 |
| Less: Accumulated impairment losses | **(800)** | (800) |
| Net | **261,815** | 60,214 |

### (a) Amount owing by subsidiary companies

Amount owing by subsidiary companies (shown under current assets) arose mainly from trade transactions, expenses paid on behalf and unsecured advances which are interest-free and repayable on demand, except for amounts of RM3,539,000 (2014: RM22,575,000) which bear interest at rates ranging from 1.00% to 6.20% (2014: 1.00% to 6.20%) per annum.

## 13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

### (b) Amount owing to subsidiary companies

Amount owing to subsidiary companies consist of:

| | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|
| Advances | **203,468** | 291,660 |
| Long-term loan: | | |
| Gross amount | **–** | 19,445 |
| Less: Unamortised discount | **–** | (5,509) |
| | **–** | 13,936 |
| | **203,468** | 305,596 |
| Less : Amount due within 12 months (shown under current liabilities) | **(203,468)** | (292,905) |
| Non-current portion | **–** | 12,691 |

Amount owing to subsidiary companies arose mainly from expenses paid on behalf and unsecured advances which are interest-free and repayable on demand, except for amounts of RM160,149,000 (2014: RM166,955,000), which bear the following interest rates per annum:

| | The Company 2015 % | The Company 2014 % |
|---|---|---|
| Advances | **5.00** | 5.00 |
| Long-term loan | **–** | 1.00 |

In the previous financial year, the non-current portion of RM12,691,000 was the discounted long-term loan, based on principal sum of RM18,200,000, granted to the Company in 2006 by Intra Inspirasi Sdn Bhd, a wholly-owned subsidiary company, for on-lend to a former subsidiary company, LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd), for the proposed development of an oil palm plantation and construction of palm oil mills in the Malinau Regency, Kalimantan Timur, Republic of Indonesia. The said loan was unsecured with a repayment period of 10 years.

The currency exposure profile of amount owing to subsidiary companies is as follows:

| | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|
| Ringgit Malaysia | **180,723** | 286,250 |
| United States Dollar | **22,745** | 19,346 |
| | **203,468** | 305,596 |

## 13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

**Non-Controlling Interests in Subsidiary Companies**

The Group's subsidiary company that has material non-controlling interests ("NCI") is Lion AMB Resources Berhad ("Lion AMB").

| | Percentage of ownership held by NCI | Loss allocated to NCI RM'000 | Accumulated NCI RM'000 |
|---|---|---|---|
| **2015** | | | |
| Lion AMB | 10.37% | **(4,450)** | **23,564** |
| Other individually immaterial subsidiary companies | | **(134)** | **811** |
| | | **(4,584)** | **24,375** |
| **2014** | | | |
| Lion AMB | 11.54% | (525) | 29,729 |
| Other individually immaterial subsidiary companies | | (142) | 1,168 |
| | | (667) | 30,897 |

Summarised financial information in respect of the Group's subsidiary company that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | Lion AMB | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| Non-current assets | **85,804** | 123,797 |
| Current assets | **228,533** | 219,885 |
| Current liabilities | **(30,172)** | (29,119) |
| Total equity | **284,165** | 314,563 |
| Revenue | **7,713** | 9,958 |
| Loss for the year | **(43,105)** | (4,555) |
| Other comprehensive income | **12,707** | 181 |
| Total comprehensive loss | **(30,398)** | (4,374) |
| Dividend paid to NCI | **–** | 786 |
| Net cash outflow from operating activities | **(3,055)** | (2,213) |
| Net cash inflow from investing activities | **1,366** | 1,698 |
| Net cash inflow/(outflow) from financing activities | **1,815** | (17,706) |
| Net cash inflow/(outflow) | **126** | (18,221) |

**13. INVESTMENT IN SUBSIDIARY COMPANIES** (continued)

The subsidiary companies are as follows:

| Name of companies | Country of incorporation | Effective equity interest 2015 % | Effective equity interest 2014 % | Principal activities |
|---|---|---|---|---|
| Gama Harta Sdn Bhd | Malaysia | **100.00** | 100.00 | Investment holding |
| LFIB Agriculture (Cambodia) Sdn Bhd | Malaysia | **100.00** | 100.00 | Investment holding |
| Intra Inspirasi Sdn Bhd | Malaysia | **100.00** | 100.00 | Investment holding |
| Jadeford International Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Lion AMB # | Malaysia | **89.63** | 88.46 | Investment holding |
| Lion Petroleum Products Sdn Bhd | Malaysia | **100.00** | 100.00 | Manufacturing of petroleum products |
| Lion Rubber Industries Sdn Bhd | Malaysia | **100.00** | 100.00 | Investment holding |
| Ototek Sdn Bhd | Malaysia | **70.00** | 70.00 | Trading and distribution of spark plugs, lubricants and automotive components |
| Posim EMS Sdn Bhd | Malaysia | **80.00** | 80.00 | Provision of energy management and conservation services |
| Posim Marketing Sdn Bhd | Malaysia | **100.00** | 100.00 | Trading and distribution of building materials and consumer products |
| Posim Petroleum Marketing Sdn Bhd | Malaysia | **100.00** | 100.00 | Trading and distribution of petroleum products |
| Singa Logistics Sdn Bhd # | Malaysia | **100.00** | 100.00 | Provision of transportation services |
| **Subsidiary company of Gama Harta Sdn Bhd** | | | | |
| Brands Pro Management Sdn Bhd | Malaysia | **100.00** | 70.00 | Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands |

## 13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

| Name of companies | Country of incorporation | Effective equity interest 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary company of Intra Inspirasi Sdn Bhd** | | | | |
| Beijing Youshi Trading Co Ltd # | People's Republic of China | **100.00** | 100.00 | Dormant |
| **Subsidiary company of Lion Rubber Industries Sdn Bhd** | | | | |
| P.T. Lion Intimung Malinau # (Dissolved on 11 September 2015) | Republic of Indonesia | **95.00** | 95.00 | Dormant |
| **Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")** | | | | |
| Alpha Deal Group Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Bright Triumph Investments Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Brilliant Elite Investments Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Classy Elite Investments Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Distinct Harvest Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Double Merits Enterprise Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Dynamic Shine Holdings Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Elite Harvest Group Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Elite Image Investments Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Eminent Elite Investments Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Eminent Prosper Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |

## 13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

| Name of companies | Country of incorporation | Effective equity interest 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")** (continued) | | | | |
| Grand Ray Investments Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Great Zone Investments Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Green Choice Holdings Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Harvest Boom Investments Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Jade Harvest International Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Jade Power Holdings Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Mile Treasure Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Pinnacle Treasure Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Radiant Elite Holdings Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Sky Yield Group Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Superb Harvest Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Superb Reap Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Ultra Strategy Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |
| Up Reach Limited ^ | British Virgin Islands | **100.00** | 100.00 | Investment holding |

**13. INVESTMENT IN SUBSIDIARY COMPANIES** (continued)

| Name of companies | Country of incorporation | Effective equity interest 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of BVI Companies** | | | | |
| Bright Triumph (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Brilliant Elite (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Classy Elite (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Distinct Harvest (Cambodia) Co., Ltd ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Double Merits (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Dynamic Shine (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Elite Harvest (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Elite Image (Cambodia) Co., Ltd ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Eminent Elite (Cambodia) Co., Ltd ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Eminent Prosper (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Grand Ray (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Great Zone (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |

**13. INVESTMENT IN SUBSIDIARY COMPANIES** (continued)

| Name of companies | Country of incorporation | Effective equity interest 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of BVI Companies** (continued) | | | | |
| Green Choice (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Harvest Boom (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Jade Harvest (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Jade Power (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Mile Treasure (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Radiant Elite (Cambodia) Co., Ltd ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Sky Yield (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Superb Harvest (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Superb Reap (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Ultra Strategy (Cambodia) Co., Ltd ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |
| Up Reach (Cambodia) Co., Limited ^ | Cambodia | **100.00** | 100.00 | Investment and development in agriculture |

## 13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

| Name of companies | Country of incorporation | Effective equity interest 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of Lion AMB** | | | | |
| AMB Aerovest Limited ^ | British Virgin Islands | **89.63** | 88.46 | Investment holding |
| AMB Harta (L) Limited | Malaysia | **89.63** | 88.46 | Treasury business |
| AMB Harta (M) Sdn Bhd # | Malaysia | **89.63** | 88.46 | Managing of debts novated from Lion AMB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB and certain of its subsidiary companies |
| AMB Venture Sdn Bhd # | Malaysia | **89.63** | 88.46 | Investment holding |
| Chrome Marketing Sdn Bhd # | Malaysia | **89.63** | 88.46 | Investment holding |
| Innovasi Istimewa Sdn Bhd # (In liquidation-voluntary, dissolved on 27 August 2014) | Malaysia | **–** | 88.46 | Investment holding |
| Innovasi Selaras Sdn Bhd # (In liquidation-voluntary, dissolved on 28 August 2015) | Malaysia | **89.63** | 88.46 | Investment holding |
| Lion Rubber Industries Pte Ltd # | Singapore | **55.57** | 54.85 | Investment holding |
| Lion Tyre Venture Sdn Bhd # | Malaysia | **89.63** | 88.45 | Investment holding |
| Range Grove Sdn Bhd # | Malaysia | **89.63** | 88.46 | Investment holding |
| Seintasi Sdn Bhd # | Malaysia | **89.63** | 88.46 | Investment holding |
| Shanghai AMB Management Consulting Co Ltd # | People's Republic of China | **89.63** | 88.46 | Provision of management services |
| Lion AMB Holdings Pte Ltd # | Singapore | **71.70** | 70.77 | Investment holding |

## 13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

| Name of companies | Country of incorporation | Effective equity interest 2015 % | 2014 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of Lion AMB** (continued) | | | | |
| CeDR Corporate Consulting Sdn Bhd # | Malaysia | **89.63** | 88.46 | Provision of training services |
| Willet Investment Pte Ltd # | Singapore | **89.63** | 88.46 | Investment holding |

\# The financial statements of these companies are audited by auditors other than the auditors of the Company.

^ The financial statements of these companies are examined for the purpose of consolidation.

During the financial year, the Company capitalised the intercompany balances of RM200,000,000 due from Posim Marketing Sdn Bhd ("PMSB"), a wholly-owned subsidiary company of the Company by way of a subscription in 200,000,000 non-cumulative redeemable preference shares of RM0.01 each at a premium of RM0.99 in PMSB.

During the financial year, Gama Harta Sdn Bhd, a wholly-owned subsidiary company of the Company, completed the acquisition of the remaining 30% equity interest in Brands Pro Management Sdn Bhd ("Brands Pro") for a cash consideration of RM300,000. Consequently, Brands Pro became a wholly-owned subsidiary company of the Group.

## 14. INVESTMENT IN ASSOCIATED COMPANIES

| | The Group 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| At cost: | | |
| Quoted investment outside Malaysia | **83,486** | 83,486 |
| Unquoted investments | **15,289** | 15,289 |
| | **98,775** | 98,775 |
| Share of post-acquisition results and reserves less dividends received | **(59,340)** | (21,552) |
| | **39,435** | 77,223 |
| Market value of quoted investment outside Malaysia | **51,670** | 60,756 |

## 14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The associated companies are as follows:

| Name of companies | Country of incorporation | Effective equity interest 2015 % | Effective equity interest 2014 % | Principal activities |
|---|---|---|---|---|
| **Associated companies of Lion AMB** | | | | |
| Lion Asiapac Limited # | Singapore | **32.88** | 32.45 | Investment holding |
| Renor Pte Ltd # | Singapore | **17.93** | 17.69 | Investment holding |
| Suzuki Motorcycle Malaysia Sdn Bhd # | Malaysia | **17.93** | 17.69 | Investment holding |

\# The financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

Summarised financial information in respect of the Group's material associated company, Lion Asiapac Limited ("LAP") and reconciliation of the information to the carrying amount of the Group's interest in the associated companies, are set out below:

| **2015** | **LAP RM'000** | **Other individually immaterial associated companies RM'000** | **Total RM'000** |
|---|---|---|---|
| **Summarised of financial information** | | | |
| Proportion of the Group's effective ownership interest | **32.88%** | | |
| **Assets and liabilities** | | | |
| Non-current assets | **139,711** | **17,856** | **157,567** |
| Current assets | **188,647** | **129,916** | **318,563** |
| Non-current liabilities | **(2,878)** | **(1,007)** | **(3,885)** |
| Current liabilities | **(117,683)** | **(169,884)** | **(287,567)** |
| Non-controlling interests | **(2,010)** | **(3,837)** | **(5,847)** |
| Net assets/(liabilities) | **205,787** | **(26,956)** | **178,831** |
| **Results** | | | |
| Revenue | **83,596** | **61,300** | **144,896** |
| Loss for the year | **(128,007)** | **(4,327)** | **(132,334)** |
| Group's share of loss of associated companies | **(46,496)** | **(655)** | **(47,151)** |
| Dividend received from associated companies | **384** | **–** | **384** |
| **Reconciliation of net assets to carrying amount** | | | |
| Group's share of net assets | **67,662** | **(4,833)** | **62,829** |
| Other adjustments on equity | **(37,380)** | **13,986** | **(23,394)** |
| Carrying amount in the statement of financial position | **30,282** | **9,153** | **39,435** |

## 14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

| 2014 | LAP RM'000 | Other individually immaterial associated companies RM'000 | Total RM'000 |
|---|---|---|---|
| **Summarised of financial information** | | | |
| Proportion of the Group's effective ownership interest | 32.45% | | |
| **Assets and liabilities** | | | |
| Non-current assets | 153,671 | 17,410 | 171,081 |
| Current assets | 174,203 | 102,750 | 276,953 |
| Non-current liabilities | (8,629) | (1,098) | (9,727) |
| Current liabilities | (10,406) | (133,139) | (143,545) |
| Non-controlling interests | (1,826) | 3,442 | 1,616 |
| Net assets/(liabilities) | 307,013 | (10,635) | 296,378 |
| **Results** | | | |
| Revenue | 84,453 | 90,929 | 175,382 |
| Profit/(Loss) for the year | 4,693 | (13,209) | (8,516) |
| Group's share of profit/(loss) of associated companies | 1,639 | (2,609) | (970) |
| Dividend received from associated companies | 382 | – | 382 |
| **Reconciliation of net assets to carrying amount** | | | |
| Group's share of net assets | 99,626 | (1,882) | 97,744 |
| Other adjustments on equity | (32,211) | 11,690 | (20,521) |
| Carrying amount in the statement of financial position | 67,415 | 9,808 | 77,223 |

**14. INVESTMENT IN ASSOCIATED COMPANIES** (continued)

The Group's share of losses of the associated companies has been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses are as follows:

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| At beginning of year | **25,156** | 45,950 |
| Dissolved during the year | **–** | (20,990) |
| Unrecognised share of losses during the year | **195,599** | 196 |
| At end of year | **220,755** | 25,156 |

Amount owing by an associated company is as follows:

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Amount owing by an associated company | **1,606** | 1,606 |
| Less: Accumulated impairment losses | **(1,606)** | (1,606) |
| Net | **–** | – |

Amount owing by an associated company is unsecured, interest-free and repayable on demand.

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Movement in the accumulated impairment losses | | |
| At beginning and end of year | **1,606** | 1,606 |

## 15. OTHER INVESTMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Available-for-sale investments** | | | | |
| At fair value: | | | | |
| Quoted investments in Malaysia: | | | | |
| Ordinary shares | **1,587** | 2,720 | **–** | 15 |
| Warrants | **17** | 170 | **–** | – |
| Quoted investments outside Malaysia | **179** | 192 | **–** | – |
| | **1,783** | 3,082 | **–** | 15 |
| At cost: | | | | |
| Unquoted investments | **881** | 881 | **3** | 3 |
| | **2,664** | 3,963 | **3** | 18 |
| **Held-to-maturity investments** | | | | |
| At amortised cost: | | | | |
| Unquoted bonds (at cost, adjusted for accretion of interest) | **53,062** | 53,205 | **–** | – |
| Less: Accumulated impairment losses | **(53,062)** | (53,205) | **–** | – |
| | **–** | – | **–** | – |
| **Loans and receivables** | | | | |
| At amortised cost: | | | | |
| Unquoted redeemable convertible secured loan stocks ("RCSLS") | **–** | 5,229 | **–** | – |
| Less: Accumulated impairment losses | **–** | (3,519) | **–** | – |
| | **–** | 1,710 | **–** | – |
| Redeemable within one year (Note 21) | **–** | (1,710) | **–** | – |
| | **–** | – | **–** | – |
| Total | **2,664** | 3,963 | **3** | 18 |
| **Market value of quoted investments:** | | | | |
| In Malaysia | **1,604** | 2,890 | **–** | 15 |
| Outside Malaysia | **179** | 192 | **–** | – |

During the previous financial year ended 30 June 2014, the Group made an impairment loss of RM14,445,000 on investments in quoted investments, unquoted bonds and unquoted RCSLS, as the amounts were in excess of their recoverable amounts.

Investments in unquoted bonds and RCSLS of the Group bear yield-to-maturity at 4.75% (2014: 4.75%) per annum and coupon rate of 7.00% (2014: 7.00%) per annum respectively.

## 16. INTANGIBLE ASSETS

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Cost: | | |
| At beginning and end of year | **500** | 500 |
| Accumulated amortisation: | | |
| At beginning and end of year | **(196)** | (196) |
| Accumulated impairment losses: | | |
| At beginning and end of year | **(304)** | (304) |
| | **–** | – |

## 17. GOODWILL ON CONSOLIDATION

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Goodwill on consolidation: | | |
| At beginning and end of year | **191** | 191 |
| Accumulated impairment losses: | | |
| At beginning and end of year | **(191)** | (191) |
| | **–** | – |

## 18. DEFERRED TAX ASSETS/(LIABILITIES)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At beginning of year | **2,689** | 2,133 | **(280)** | (280) |
| Transfer from/(to) profit or loss (Note 8): | | | | |
| Property, plant and equipment | **306** | (23) | **–** | – |
| Inventories | **28** | 49 | **–** | – |
| Other payables and accrued expenses | **(107)** | 530 | **–** | – |
| | **227** | 556 | **–** | – |
| At end of year | **2,916** | 2,689 | **(280)** | (280) |

**18. DEFERRED TAX ASSETS/(LIABILITIES)** (continued)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's and the Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statements of financial position purposes:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Deferred tax assets | **4,126** | 3,970 | **–** | – |
| Deferred tax liabilities | **(1,210)** | (1,281) | **(280)** | (280) |
| | **2,916** | 2,689 | **(280)** | (280) |

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Deferred tax assets** | | | | |
| Temporary differences arising from: | | | | |
| Inventories | **284** | 256 | **–** | – |
| Other payables and accrued expenses | **3,886** | 3,993 | **–** | – |
| | **4,170** | 4,249 | **–** | – |
| Offsetting | **(44)** | (279) | **–** | – |
| **Deferred tax assets (after offsetting)** | **4,126** | 3,970 | **–** | – |
| **Deferred tax liabilities** | | | | |
| Temporary differences arising from: | | | | |
| Property, plant and equipment | **1,236** | 1,542 | **262** | 262 |
| Other payables and accrued expenses | **18** | 18 | **18** | 18 |
| | **1,254** | 1,560 | **280** | 280 |
| Offsetting | **(44)** | (279) | **–** | – |
| **Deferred tax liabilities (after offsetting)** | **1,210** | 1,281 | **280** | 280 |

## 19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary company of Amsteel Mills Sdn Bhd, a private limited liability company incorporated in Malaysia. The Directors regard Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

a) Amount owing by immediate holding company, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, is interest-free and repayable on demand except for trade amounts which have a credit period of 60 days (2014: 60 days).

b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (2014: 60 days). The entire amount owing by other related companies of the Group and of the Company are interest-free except for an amount of RM135,974,000 (2014: RM127,820,000) which bears interest at 6.20% (2014: 6.20%) per annum.

   As of 30 June 2015, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group, RM135,974,000 (2014: RM127,820,000) is due from a related company, LLB Harta (M) Sdn Bhd, which constitutes approximately 99% (2014: 99%) of the Group's amount owing by other related companies.

c) Amount owing to ultimate holding company, which arose mainly from expenses paid on behalf and unsecured advances, is interest-free and repayable on demand.

d) Amounts owing to other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2014: 60 days).

The Group and the Company have the following transactions with related parties during the financial year, which were determined on terms not more favourable to the related parties than to third parties:

| | | **The Company** | |
|---|---|---|---|
| **Name of Companies** | **Nature** | **2015 RM'000** | **2014 RM'000** |
| **With subsidiary companies:** | | | |
| Posim Marketing Sdn Bhd | Trade sales | **79,536** | 78,677 |
| | Interest income on advances | **–** | 8 |
| | Rental income | **4** | 4 |
| Posim Petroleum Marketing Sdn Bhd | Rental income | **3** | 3 |
| Posim EMS Sdn Bhd | Interest income on advances | **224** | 216 |
| Lion Petroleum Products Sdn Bhd | Rental expenses | **19** | 19 |
| Singa Logistics Sdn Bhd | Interest income on advances | **–** | 121 |
| Intra Inspirasi Sdn Bhd | Interest expense on advances | **135** | 532 |
| Lion AMB Resources Berhad | Interest expense on advances | **6,491** | 7,604 |

## 19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| **Name of Companies** | **Nature** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **With immediate holding company:** | | | | | |
| Amsteel Mills Sdn Bhd | Trade sales | **223,393** | 353,199 | **–** | – |
| | Provision of transportation services | **2,017** | 3,118 | **–** | – |
| | Provision of training services | **8** | 135 | **–** | – |
| **With other related companies:** | | | | | |
| LLB Harta (M) Sdn Bhd | Interest income on advances | **8,154** | 7,555 | **8,154** | 7,555 |
| Antara Steel Mills Sdn Bhd | Trade sales | **376** | 494 | **–** | – |
| | Provision of transportation services | **91** | 1,105 | **–** | – |
| Amsteel Mills Marketing Sdn Bhd | Trade purchases | **126,683** | 121,938 | **–** | – |
| Angkasa Amsteel Pte Ltd | Trade purchases | **–** | 1,068 | **–** | – |
| **With related parties** | | | | | |
| Megasteel Sdn Bhd | Trade sales | **2,532** | 8,457 | **–** | – |
| | Provision of transportation services | **13,844** | 16,904 | **–** | – |
| | Provision of training services | **2** | 48 | **–** | – |

**19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS** (continued)

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2015 | 2014 | 2015 | 2014 |
| **Name of Companies** | **Nature** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **With related parties** (continued) | | | | | |
| Lion DRI Sdn Bhd | Trade sales | **39,467** | 32,326 | **–** | – |
| | Provision of transportation services | **20** | – | **–** | – |
| | Trade purchases | **–** | 5,972 | **–** | – |
| Parkson Corporation Sdn Bhd | Trade sales | **6,596** | 4,126 | **–** | – |
| | Provision of training services | **24** | 60 | **–** | – |
| Lion Plate Mills Sdn Bhd | Provision of transportation services | **–** | 30 | **–** | – |
| Lion Titco Resources Sdn Bhd | Trade sales | **76** | 24 | **–** | – |
| Graimpi Sdn Bhd | Interest income | **–** | 19,196 | **–** | – |
| Akurjaya Sdn Bhd | Interest income | **556** | 608 | **556** | 608 |

Other related companies refer to subsidiary companies of Lion Industries Corporation Berhad, the ultimate holding company.

Related parties refer to entities in which certain Directors and/or substantial shareholders of the Company or ultimate holding company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders, have interests.

The outstanding balances arising from the transactions with related parties are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Receivables: | | | | |
| Included in trade receivables | **313,146** | 271,844 | **–** | – |
| Included in other receivables | **295,333** | 299,350 | **4,416** | 8,686 |
| Payables: | | | | |
| Included in trade payables | **690** | 690 | **–** | – |

## 19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

**Compensation of key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes a Director of the Company, and certain members of management of the Group.

The remuneration of key management personnel during the financial year are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Salaries and other remuneration | **1,497** | 1,565 | **1,227** | 1,162 |
| Defined contribution plans | **130** | 138 | **97** | 90 |
| Benefits-in-kind | **29** | 38 | **29** | 30 |
| | **1,656** | 1,741 | **1,353** | 1,282 |

Share-based payments relating to options granted to the key management personnel under executive share option scheme of the Company during the financial year amounted to RM14,000 (2014: RMNil).

## 20. INVENTORIES

| | The Group | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| Finished goods | **327** | 511 |
| Raw materials | **4,353** | 6,450 |
| Trading merchandise | **9,802** | 12,026 |
| Others | **206** | 378 |
| | **14,688** | 19,365 |
| Less: Allowance for slow-moving and obsolete inventories | **(1,144)** | (1,018) |
| Net | **13,544** | 18,347 |

During the financial year, inventories amounting to RM111,000 (2014: RMNil) were written off against allowance for slow-moving and obsolete inventories.

## 21. OTHER INVESTMENTS

| | The Group | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| **Loans and receivables** | | |
| At amortised cost: | | |
| RCSLS, redeemable within one year (Note 15) | – | 1,710 |
| | – | 1,710 |

## 22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

### (a) Trade receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| **Non-Current** | | | | |
| Trade receivables | **309,875** | 270,250 | **–** | – |
| Less: Accumulated impairment losses | **(143,630)** | (135,125) | **–** | – |
| | **166,245** | 135,125 | **–** | – |
| **Current** | | | | |
| Trade receivables | **130,796** | 132,618 | **4,370** | 4,370 |
| Less: Accumulated impairment losses | **(13,110)** | (11,421) | **(906)** | (347) |
| | **117,686** | 121,197 | **3,464** | 4,023 |
| Net | **283,931** | 256,322 | **3,464** | 4,023 |

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The credit period granted for sale of goods ranges from 30 to 90 days (2014: 30 to 90 days). Impairment losses are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group and the Company have trade receivables totalling RM145,283,000 and RM3,464,000 (2014: RM175,729,000 and RM4,023,000) respectively that are past due at the end of the reporting period but against which the Group and the Company have not recognised impairment losses as the amounts are still considered recoverable. The Group does not have any collateral over these balances except for a collateral obtained as security for the trade receivables due from Lion DRI Sdn Bhd of RM40,000,000 (2014: RM Nil) during the financial year.

The table below is an analysis of trade receivables at the end of the reporting period:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Neither past due nor impaired | **138,648** | 80,593 | **–** | – |
| Past due but not impaired | **145,283** | 175,729 | **3,464** | 4,023 |
| Past due and impaired | **156,740** | 146,546 | **906** | 347 |
| | **440,671** | 402,868 | **4,370** | 4,370 |
| Aging of past due but not impaired | | | | |
| 1 to 30 days | **19,780** | 29,595 | **–** | – |
| 31 to 60 days | **4,502** | 30,448 | **–** | – |
| 61 to 90 days | **3,664** | 6,502 | **–** | – |
| More than 90 days | **117,337** | 109,184 | **3,464** | 4,023 |
| | **145,283** | 175,729 | **3,464** | 4,023 |

## 22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

### (a) Trade receivables (continued)

Movement in the accumulated impairment losses

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| At beginning of year | **146,546** | 33,354 | **347** | 347 |
| Addition | **13,053** | 114,081 | **559** | – |
| No longer required | **(1,380)** | (582) | **–** | – |
| Written off | **(1,479)** | (307) | **–** | – |
| At end of year | **156,740** | 146,546 | **906** | 347 |

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

As of 30 June 2015, the Group has trade receivables due from two related parties, Megasteel Sdn Bhd ("Megasteel") and Lion DRI Sdn Bhd ("Lion DRI") as follows:

| | The Group | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Megasteel | **245,877** | 237,931 |
| Lion DRI | **63,998** | 32,319 |
| | **309,875** | 270,250 |
| Less: Accumulated impairment losses | **(143,630)** | (135,125) |
| Net | **166,245** | 135,125 |
| Concentration of credit risk | **59%** | 53% |
| Past due but not impaired: | | |
| Megasteel | **129,586** | 115,118 |
| Lion DRI | **–** | 16,115 |
| | **129,586** | 131,233 |

At the end of the reporting period, the Group recognised impairment losses amounting to RM143,630,000 (2014: RM135,125,000) on trade receivables due from Megasteel and Lion DRI. Based on the assessment by the Directors of the Company, Megasteel may require a longer period to fully settle its outstanding amounts because its business continues to be affected by the rampant dumping of steel products by the foreign steel producers in the local market and its additional action plans have yet to be implemented successfully. The abovementioned impairment losses represent time value of money calculated based on the discounted future cash flows in relation to receivables due from these related parties. The key assumptions of the discounted future cash flows are disclosed in Note 4(ii)(b).

## 22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (continued)

### (b) Other receivables and prepayments

| | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|
| **Non-Current** | | | | |
| Other receivables | **279,038** | 279,038 | **–** | – |
| Less: Accumulated impairment losses | **(131,014)** | (139,519) | **–** | – |
| | **148,024** | 139,519 | **–** | – |
| **Current** | | | | |
| Other receivables | **27,003** | 44,610 | **4,453** | 11,519 |
| Less: Accumulated impairment losses | **(1,811)** | (4,139) | **–** | – |
| | **25,192** | 40,471 | **4,453** | 11,519 |
| Deposits | **98,058** | 81,668 | **65** | 65 |
| Prepaid expenses | **3,025** | 3,995 | **276** | 508 |
| | **126,275** | 126,134 | **4,794** | 12,092 |
| | **274,299** | 265,653 | **4,794** | 12,092 |

Movement in the accumulated impairment losses

| | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|
| At beginning of year | **143,658** | 5,628 | **–** | – |
| Addition | **452** | 140,919 | **–** | – |
| No longer required | **(8,505)** | – | **–** | – |
| Written off | **(2,780)** | (2,889) | **–** | – |
| At end of year* | **132,825** | 143,658 | **–** | – |

* Included in this amount is an impairment loss of RM131,014,000 (2014: RM139,519,000) on the amounts due from Graimpi and Megasteel, both are related parties. Based on the assessment by the Directors of the Company, Megasteel may require a longer period to fully settle its outstanding amounts because its business continues to be affected by the rampant dumping of steel products by the foreign steel producers in the local market and its additional action plans have yet to be implemented successfully. The abovementioned impairment losses represent time value of money calculated based on the discounted future cash flows in relation to receivables due from these related parties. The key assumptions of the discounted future cash flows are disclosed in Note 4(ii)(b).

(i) Included in other receivables of the Group are amounts of:

- RM272,180,000 (2014: RM272,180,000) due from Graimpi represents debts novated from Lion DRI, which bears interest at 8.85% per annum.

  At the end of the reporting period, the Group recognised an impairment loss amounting to RM127,794,000 (2014: RM136,090,000) on the said outstanding receivables due from Graimpi.

**22. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS** (continued)

**(b) Other receivables and prepayments** (continued)

(i) Included in other receivables of the Group are amounts of: (continued)

- RM4,402,000 (2014: RM8,671,000) due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, represents a reimbursement for amounts incurred by the Group pursuant to the share sale agreement entered into between Akurjaya and the Company for the disposal of the entire equity interest in LFIB Plantations Sdn Bhd (now known as Lion Agriculture (Indonesia) Sdn Bhd) together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% (2014: 1%) above base lending rate per annum.

  During the financial year, a total repayment of RM4.8 million was made by Akurjaya to the Group.

  The said amount was rescheduled to be settled by 31 October 2015.

- RM6,858,000 (2014: RM6,858,000) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years. At the end of the reporting period, the Group recognised an impairment loss amounting to RM3,220,000 (2014: RM3,429,000) on the said outstanding receivables due from Megasteel.

(ii) Included in deposits of the Group are deposits denominated in United States Dollar totalling RM97,118,000 (2014: RM79,886,000) paid by the Group for the agriculture project in Cambodia, which are mainly for the land clearing, purchase of plant and machinery and the procurement of economic land concession.

The currency exposure profile of other receivables and prepayments is as follows:

| | The Group | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| Ringgit Malaysia | **306,502** | 323,455 |
| United States Dollar | **100,224** | 85,491 |
| Others | **398** | 365 |
| | **407,124** | 409,311 |

**23. FIXED DEPOSITS, CASH AND BANK BALANCES**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Fixed deposits with licensed banks: | | | | |
| Restricted | **24,790** | 155,900 | **–** | 130,757 |
| Unrestricted | **69,706** | 34,851 | **28,556** | 11,899 |
| | **94,496** | 190,751 | **28,556** | 142,656 |
| Cash and bank balances: | | | | |
| Restricted | **1,613** | 4,047 | **1,613** | 1,613 |
| Unrestricted | **24,239** | 16,876 | **2,017** | 1,137 |
| | **25,852** | 20,923 | **3,630** | 2,750 |
| | **120,348** | 211,674 | **32,186** | 145,406 |

## 23. FIXED DEPOSITS, CASH AND BANK BALANCES (continued)

The above restricted fixed deposits with licensed banks, cash and bank balances of the Group and of the Company are held for the following purposes:

(i) Repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as disclosed in Note 30.

(ii) Procurement of economic land concession in Cambodia.

In the previous financial year, the above restricted fixed deposits with licensed banks, cash and bank balances of the Group and of the Company were held for the following purpose other than (i) and (ii) above:

(iii) Indemnity to SFI and the purchasers of SFI for the litigation claims as disclosed in Note 32.

(iv) Held in trust for registered holders of redeemable cumulative convertible preference shares.

Fixed deposits with licensed banks earn interest at rates ranging from 1.03% to 3.30% (2014: 1.03% to 3.10%) per annum and have maturity periods ranging from 1 to 365 days (2014: 3 to 365 days).

The currency exposure profile of fixed deposits, cash and bank balances is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Ringgit Malaysia | **93,123** | 185,324 | **32,177** | 145,397 |
| United States Dollar | **1,827** | 4,947 | **9** | 9 |
| Chinese Renminbi | **25,262** | 21,290 | **–** | – |
| Indonesia Rupiah | **34** | 32 | **–** | – |
| Others | **102** | 81 | **–** | – |
| | **120,348** | 211,674 | **32,186** | 145,406 |

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company in the People's Republic of China ("PRC") amounting to RM25,262,000 (2014: RM21,290,000) are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

Included in the fixed deposits with licensed banks of the said subsidiary company in PRC is an amount of RM22,000,000 (2014: RM18,900,000) secured for banking facilities as disclosed in Note 30.

## 24. ASSETS CLASSIFIED AS HELD FOR SALE

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| At beginning of year | **–** | 470 | **–** | 470 |
| Disposal | **–** | (470) | **–** | (470) |
| At end of year | **–** | – | **–** | – |

**Investment properties, at fair value**

On 21 March 2013, the Company entered into a Sale and Purchase Agreement with a third party for the disposal of a leasehold land and building for a cash consideration of RM470,000. The said disposal was completed on 27 August 2013.

## 25. SHARE CAPITAL

| | The Group and The Company 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| **Authorised:** | | |
| Ordinary shares of RM1.00 each 500,000,000 at beginning and end of year | **500,000** | 500,000 |
| **Issued and fully paid:** | | |
| Ordinary shares of RM1.00 each 231,571,732 at beginning and end of year | **231,572** | 231,572 |

The Company had on 30 December 2010 implemented an executive share option scheme for the benefit of executive and non-executive Directors of the Company and executive employees of the Group ("ESOS").

The main features of the ESOS are as follows:

(a) Executive and non-executive Directors of the Company who had held office for at least six months, and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.

(b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 7.5% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS subject to the following being complied with:

    (i) not more than 50% of the shares available under the ESOS shall be allocated, in aggregate, to executive and non-executive Directors, and senior management; and

    (ii) not more than 10% of the shares available under the ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share capital of the Company.

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment.

(d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the five market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(e) The ESOS shall continue to be in force for a period of five years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further five years, without further approval of the relevant authorities.

The persons to whom the options have been granted have no right to participate, by virtue of the options, in any share issue of any other company.

The movements in the number of options granted, exercised and lapsed pursuant to the ESOS during the financial year are as follows:

| Grant date | Subscription price per share (RM) | Number of Options As of 1.7.2014 | Granted | Exercised | Lapsed | As of 30.6.2015 |
|---|---|---|---|---|---|---|
| 2.12.2014 | 1.00 | – | 3,418,000 | – | (496,500) | 2,921,500 |

**25. SHARE CAPITAL** (continued)

The exercise period for the above options will expire on 30 December 2015.

The fair value of share options granted was estimated by using a Binomial Option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

| | **Grant date 2.12.2014** |
|---|---|
| Estimated average fair value of share options (RM) | 0.0782 |
| Weighted average share price (RM) | 0.84 |
| Expected life (years) | 1.17 |
| Expected dividend yield (%) | 1.56 |
| Risk-free interest rate (%) | 4.00 |
| Expected volatility (%) | 34.99 |

**26. RESERVES**

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| **Non-distributable reserves:** | | | | |
| Share premium | **689,330** | 689,330 | **689,330** | 689,330 |
| Treasury shares | **(49)** | – | **(49)** | – |
| Translation adjustment reserve | **37,978** | 13,601 | **–** | – |
| Equity compensation reserve | **118** | – | **118** | – |
| Capital reserve | **264** | 264 | **264** | 264 |
| Capital redemption reserve | **280** | 280 | **–** | – |
| Fair value reserve | **89** | 158 | **–** | – |
| Accumulated losses | **(72,120)** | – | **(224,978)** | (154,038) |
| | **655,890** | 703,633 | **464,685** | 535,556 |
| **Distributable reserve** | | | | |
| Retained earnings | **–** | 26,844 | **–** | – |
| | **655,890** | 730,477 | **464,685** | 535,556 |

**Share premium**

Share premium arose from the premium on the issuance of new ordinary shares in prior financial years and share-based payment transactions for options already exercised by employees.

**Treasury shares**

This amount relates to the acquisition cost of treasury shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and of its shareholders.

During the financial year, the Company repurchased a total of 62,500 of its ordinary shares from the open market at an average price of RM0.79 per share. The total consideration paid for the repurchase including transaction costs was RM49,585. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

**26. RESERVES** (continued)

**Translation adjustment reserve**

Exchange differences arising from the translation of foreign subsidiary and associated companies are taken to the translation adjustment reserve as described in the accounting policies.

**Equity compensation reserve**

Equity compensation reserve relates to the equity-settled share options granted to eligible employees by the Company, is made up of the cumulative value of services received from employees recorded on grant of share options.

**Capital reserve**

The capital reserve, which is not available for the payment of dividends, arose from share options lapsed, reclassified from equity compensation reserve in prior years.

**Capital redemption reserve**

The capital redemption reserve, which is not available for the payment of dividends, arose from the redemption of redeemable preference shares by subsidiary companies.

**Fair value reserve**

Fair value reserve comprises fair value gain on revaluation of available-for-sale financial assets.

**27. HIRE-PURCHASE PAYABLES**

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Total outstanding | **624** | 844 | **166** | 229 |
| Less: Interest-in-suspense | **(45)** | (93) | **(10)** | (32) |
| Principal portion | **579** | 751 | **156** | 197 |
| Payable as follows: | | | | |
| Within the next 12 months (shown under current liabilities) | **195** | 231 | **58** | 55 |
| After the next 12 months | **384** | 520 | **98** | 142 |
| | **579** | 751 | **156** | 197 |

The interest rates implicit in these hire-purchase obligations range from 2.47% to 4.68% (2014: 2.47% to 5.55%) per annum.

## 28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

### (a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (2014: 30 to 90 days).

The currency exposure profile of trade payables of the Group and the Company is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Ringgit Malaysia | **36,018** | 71,325 | **8,527** | 9,177 |
| United States Dollar | **2,714** | 622 | **–** | – |
| | **38,732** | 71,947 | **8,527** | 9,177 |

### (b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Other payables | **28,633** | 23,355 | **10,106** | 24 |
| Accrued expenses | **21,487** | 20,961 | **5,157** | 5,175 |
| Deferred revenue | **11,185** | 10,488 | **–** | – |
| | **61,305** | 54,804 | **15,263** | 5,199 |

In the previous financial year, other payables of the Group included redemption money of RM2,400,000 payable to registered holders of the redeemable cumulative convertible preference shares ("RCCPS") who had not surrendered their certificates for the redemption of RCCPS. The amount was retained and held by the Group in trust for such registered holders but without interest or further obligation whatsoever as disclosed in Note 23. During the financial year, the said amount was transferred to the Registrar of Unclaimed Moneys.

Deferred Revenue

A subsidiary company of the Group, accounts for the customer loyalty award credits as a separate component of the sales transactions in which they are granted. The consideration received in sales transactions is allocated between the loyalty award credits and the other component of the sales. The amount allocated to the loyalty award credits is determined by reference to its fair value and is deferred until the awards are redeemed or liability is extinguished.

The currency exposure profile of other payables and accrued expenses is as follows:

| | The Group | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| Ringgit Malaysia | **55,842** | 50,088 |
| Chinese Renminbi | **4,013** | 3,440 |
| Singapore Dollar | **1,441** | 1,237 |
| Others | **9** | 39 |
| | **61,305** | 54,804 |

## 29. PROVISION

| | The Group and The Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Provision for indemnity for damages arising from litigation claim: | | |
| At beginning of year | **15,000** | 15,000 |
| Settlement | **(15,000)** | – |
| At end of year | **–** | 15,000 |

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("SFI") ("the Disposal") in 2007, the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from litigation claims where the cause of action arose prior to the completion of the Disposal.

On 27 February 2008, the Court of Appeal decided in favour of UNP Plywood Sdn Bhd ("UNP") in relation to the cancellation of Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993 and ordered damages to be assessed. On 11 September 2014, the Kota Kinabalu High Court Deputy Registrar assessed damages payable by SFI to be in the amount as disclosed in Note 32.

On 15 September 2014, SFI filed an appeal against the whole decision of the Deputy Registrar. On 25 September 2014, UNP filed a cross appeal against decision of the Deputy Registrar.

For the above claim, the Company had made a provision of RM15,000,000 and the balance of the Assessed Damages has been included as contingent liability as at 30 June 2014.

On 6 February 2015, SFI entered into a settlement agreement with UNP ("Settlement Agreement"). Pursuant to the Settlement Agreement, the Company had on 9 February 2015 paid UNP the settlement sum of RM85,000,000 as full and final settlement. The settlement resulted in a one-time loss of RM70,000,000 after a provision of RM15,000,000 made in the previous financial years.

## 30. BANK BORROWINGS

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| **Secured** | | |
| Revolving credit | **21,904** | 18,673 |
| **Unsecured** | | |
| Bankers acceptances | **409** | 4,350 |
| | **22,313** | 23,023 |

The Company has given corporate guarantees of RM409,000 (2014: RM4,350,000) to financial institutions for the granting of credit facilities to certain subsidiary companies. The credit facilities bear interest at rates ranging from 3.76% to 5.21% (2014: 2.85% to 5.91%) per annum.

The revolving credit facility pertaining to a subsidiary company is denominated in United States Dollar and secured by a charge on another subsidiary company's fixed deposits with a licensed bank as disclosed in Note 23. The facility bears an average interest rate of 2.50% plus 6 months LIBOR per annum and is repayable on demand or at a rollover option of 6 months.

## 31. FINANCIAL INSTRUMENTS

**Capital Risk Management**

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2014.

The capital structure of the Group and of the Company consists of debts and equity of the Group and of the Company (comprising issued capital, reserves and non-controlling interests).

The Group's management reviews the capital structure of the Group on regular basis. As part of this review, the management considers the cost of capital and risk associated with each class of capital.

**Gearing Ratio**

The gearing ratio at end of the reporting period was as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Debt (i) | **22,892** | 23,774 | **156** | 197 |
| Equity (ii) | **911,837** | 992,946 | **696,257** | 767,128 |
| Debt to equity ratio | **2.51%** | 2.39% | **0.02%** | 0.03% |

(i) Debt is defined as hire-purchase payables and bank borrowings as disclosed in Notes 27 and 30 respectively.

(ii) Equity includes share capital, reserves and non-controlling interests.

**Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

**Categories of financial instruments**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| **Financial assets** | | | | |
| Available-for-sale investments | **2,664** | 3,963 | **3** | 18 |
| Loans and receivables: | | | | |
| Unquoted redeemable convertible secured loan stocks | **–** | 1,710 | **–** | – |
| Trade receivables | **283,931** | 256,322 | **3,464** | 4,023 |
| Other receivables and refundable deposits | **174,156** | 181,772 | **4,518** | 11,584 |
| Amount owing by subsidiary companies | **–** | – | **479,995** | 747,171 |
| Amount owing by immediate holding company | **130,251** | 164,227 | **–** | – |
| Amount owing by other related companies | **136,262** | 128,550 | **135,974** | 127,820 |
| Fixed deposits, cash and bank balances | **120,348** | 211,674 | **32,186** | 145,406 |

**31. FINANCIAL INSTRUMENTS** (continued)

**Categories of financial instruments** (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Financial liabilities** | | | | |
| Other financial liabilities: | | | | |
| Trade payables | **38,732** | 71,947 | **8,527** | 9,177 |
| Other payables and accrued expenses | **61,305** | 54,804 | **15,263** | 5,199 |
| Amount owing to ultimate holding company | **–** | 692 | **–** | – |
| Amount owing to subsidiary companies | **–** | – | **203,468** | 305,596 |
| Amount owing to other related companies | **5,408** | 7,593 | **58** | – |
| Hire-purchase payables | **579** | 751 | **156** | 197 |
| Bank borrowings | **22,313** | 23,023 | **–** | – |

**Financial Risk Management Objectives and Policies**

The operations of the Group are subject to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, cash flow risk and liquidity risk. The Group's financial risk management principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are formulated and approved by the Board of Directors for observation in the day-to-day operations for controlling and managing the risks associated with financial instruments.

**Foreign exchange risk**

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's and of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in the respective notes.

<u>Foreign currency sensitivity analysis</u>

The Group and the Company are mainly exposed to the foreign currency of United States Dollar.

The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates a gain in the profit or loss where the Ringgit Malaysia strengthens 10% against the relevant currency. For a 10% weakening of the Ringgit Malaysia against the relevant currency, there would be a comparable impact on the profit or loss, the balances below would be negative.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| United States Dollar | **(1,523)** | 467 | **(2,275)** | (1,937) |

**31. FINANCIAL INSTRUMENTS** (continued)

**Foreign exchange risk** (continued)

Foreign currency sensitivity analysis (continued)

The Group's and the Company's sensitivity to foreign currency is mainly attributable to the exposure of fixed deposits, cash and bank balances and outstanding payables, which are denominated in USD at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the financial year.

**Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 30. The interest rates of hire-purchase payables, which are fixed at the inception of the financing arrangements, are disclosed in Note 27.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's loss/profit net of tax and equity arising from the effect of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

**Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk from trade and other receivables. The Group extends credit to its customers based upon careful evaluation on the customers' financial condition and credit history.

The Group and the Company are also exposed to credit risk from amount owing by subsidiary companies, immediate holding company and other related companies. The Group and the Company monitor on an on going basis the results of the subsidiary companies, immediate holding company and other related companies, and repayments made by the subsidiary companies, immediate holding company and other related companies.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all its customers fail to perform their obligations as of 30 June 2015, is the carrying amount of these receivables as disclosed in the statements of financial position.

The Board of Directors of the Company reviews regularly the significant amounts owing by immediate holding company and related parties which arose from sales transactions that have exceeded the credit period granted and actions have been carried out to recover the long outstanding amounts owing by immediate holding company and related parties.

**Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-term, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

**31. FINANCIAL INSTRUMENTS** (continued)

**Liquidity risk** (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The tables include both interest and principal cash flows.

| **The Group 2015** | **Less than 1 year RM'000** | **1 to 2 years RM'000** | **2 to 5 years RM'000** | **More than 5 years RM'000** | **Total RM'000** | **Contractual interest rate %** |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Non-interest bearing: | | | | | | |
| Trade payables | **38,732** | **–** | **–** | **–** | **38,732** | **–** |
| Other payables and accrued expenses | **61,305** | **–** | **–** | **–** | **61,305** | **–** |
| Amount owing to other related companies | **5,408** | **–** | **–** | **–** | **5,408** | **–** |
| | **105,445** | **–** | **–** | **–** | **105,445** | **–** |
| Interest bearing: | | | | | | |
| Hire-purchase payables | **221** | **223** | **180** | **–** | **624** | **2.47 – 4.68** |
| Bank borrowings | **22,313** | **–** | **–** | **–** | **22,313** | **3.76 – 5.21** |
| | **22,534** | **223** | **180** | **–** | **22,937** | |
| | **127,979** | **223** | **180** | **–** | **128,382** | |
| **2014** | | | | | | |
| **Financial liabilities** | | | | | | |
| Non-interest bearing: | | | | | | |
| Trade payables | 71,947 | – | – | – | 71,947 | – |
| Other payables and accrued expenses | 54,804 | – | – | – | 54,804 | – |
| Amount owing to ultimate holding company | 692 | – | – | – | 692 | – |
| Amount owing to other related companies | 7,593 | – | – | – | 7,593 | – |
| | 135,036 | – | – | – | 135,036 | |
| Interest bearing: | | | | | | |
| Hire-purchase payables | 272 | 196 | 376 | – | 844 | 2.47 - 5.55 |
| Bank borrowings | 23,023 | – | – | – | 23,023 | 2.85 - 5.91 |
| | 23,295 | 196 | 376 | – | 23,867 | |
| | 158,331 | 196 | 376 | – | 158,903 | |

**31. FINANCIAL INSTRUMENTS** (continued)

**Liquidity risk** (continued)

| **The Company 2015** | **Less than 1 year RM'000** | **1 to 2 years RM'000** | **2 to 5 years RM'000** | **More than 5 years RM'000** | **Total RM'000** | **Contractual interest rate %** |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Non-interest bearing: | | | | | | |
| Trade payables | **8,527** | – | – | – | **8,527** | – |
| Other payables and accrued expenses | **15,263** | – | – | – | **15,263** | – |
| Amount owing to subsidiary companies | **43,319** | – | – | – | **43,319** | – |
| Amount owing to other related companies | **58** | – | – | – | **58** | – |
| | **67,167** | – | – | – | **67,167** | |
| Interest bearing: | | | | | | |
| Amount owing to subsidiary companies | **160,149** | – | – | – | **160,149** | **5.00** |
| Hire-purchase payables | **64** | **64** | **38** | – | **166** | **2.47 – 4.68** |
| | **160,213** | **64** | **38** | – | **160,315** | |
| | **227,380** | **64** | **38** | – | **227,482** | |
| **2014** | | | | | | |
| **Financial liabilities** | | | | | | |
| Non-interest bearing: | | | | | | |
| Trade payables | 9,177 | – | – | – | 9,177 | – |
| Other payables and accrued expenses | 5,199 | – | – | – | 5,199 | – |
| Amount owing to subsidiary companies | 138,641 | – | – | – | 138,641 | – |
| | 153,017 | – | – | – | 153,017 | |
| Interest bearing: | | | | | | |
| Amount owing to subsidiary companies | 154,264 | 18,200 | – | – | 172,464 | 1.00 - 5.00 |
| Hire-purchase payables | 64 | 64 | 101 | – | 229 | 2.47 - 5.55 |
| | 154,328 | 18,264 | 101 | – | 172,693 | |
| | 307,345 | 18,264 | 101 | – | 325,710 | |

## 31. FINANCIAL INSTRUMENTS (continued)

**Fair values of financial instruments**

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities carried at amortised cost in the financial statements approximate their fair values.

| | The Group | | The Company | |
|---|---|---|---|---|
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **2015** | | | | |
| **Financial assets** | | | | |
| Available-for-sale investments: | | | | |
| Quoted investments | **1,783** | **1,783 ^** | **–** | **– ^** |
| Unquoted investments | **881** | **– #** | **3** | **– #** |
| Trade and other receivables | **314,271** | **312,407 +** | **–** | **–** |
| **Financial liabilities** | | | | |
| Hire-purchase payables | **579** | **606 *** | **156** | **162 *** |
| **2014** | | | | |
| **Financial assets** | | | | |
| Available-for-sale investments: | | | | |
| Quoted investments | 3,082 | 3,082 ^ | 15 | 15 ^ |
| Unquoted investments | 881 | – # | 3 | – # |
| Trade and other receivables | 274,644 | 291,387 + | – | – |
| **Financial liabilities** | | | | |
| Hire-purchase payables | 751 | 738 * | 197 | 222 * |
| Amount owing to a subsidiary company | – | – | 12,691 | 17,105 * |

^ The quoted market prices of quoted investments as at the end of the reporting period are used to determine the fair values of these financial assets.

# It is not practical to determine the fair value of these unquoted investments and unquoted bonds due to the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

* The fair values of these financial instruments are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

\+ The fair values of these financial instruments are estimated using discounted cash flow analysis based on the average cost of funds of the Group.

**31. FINANCIAL INSTRUMENTS** (continued)

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*Fair value of financial instruments that are measured at fair value in the statements of financial position at the end of the reporting period are as follows:*

| | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **2015** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | **1,783** | **–** | **–** | **1,783** |
| **2014** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | 3,082 | – | – | 3,082 |
| **The Company** | | | | |
| **2014** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | 15 | – | – | 15 |

## 31. FINANCIAL INSTRUMENTS (continued)

**Fair value hierarchy** (continued)

*Fair value of financial instruments that are not measured at fair value in the statements of financial position at the end of the reporting period (but fair value disclosures are required) are as follows:*

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **2015** | | | | |
| **Financial Assets** | | | | |
| Trade and other receivables | **–** | **–** | **312,407** | **312,407** |
| **Financial Liabilities** | | | | |
| Hire-purchase payables | **–** | **–** | **606** | **606** |
| **2014** | | | | |
| **Financial Assets** | | | | |
| Trade and other receivables | – | – | 291,387 | 291,387 |
| **Financial Liabilities** | | | | |
| Hire-purchase payables | – | – | 738 | 738 |
| **The Company** | | | | |
| **2015** | | | | |
| **Financial Liabilities** | | | | |
| Hire-purchase payables | **–** | **–** | **162** | **162** |
| **2014** | | | | |
| **Financial Liabilities** | | | | |
| Hire-purchase payables | – | – | 222 | 222 |
| Amount owing to a subsidiary company | – | – | 17,105 | 17,105 |

## 32. CONTINGENT LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Indemnity for: | | | | |
| Litigation claims in respect of the termination of contracts for the extraction and sale of timber | **–** | 138,855 | **–** | 138,855 |
| Less : Provision (Note 29) | **–** | (15,000) | **–** | (15,000) |
| | **–** | 123,855 | **–** | 123,855 |
| Back pay labour claims from SFI's employees | **23,427** | 23,427 | **23,427** | 23,427 |
| Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies | **–** | – | **409** | 4,350 |
| | **23,427** | 147,282 | **23,836** | 151,632 |

**32. CONTINGENT LIABILITIES** (continued)

As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI") (the "Disposal"), a former subsidiary company, the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI.

Indemnity for litigation claims in respect of the termination of contracts for the extraction and sale of timber

Included in the litigation claims in the prior financial year was the claim by UNP Plywood Sdn Bhd ("UNP") for an amount of RM128,874,435 (as per statement of claim dated 6 May 1997) or damages to be assessed against SFI for alleged wrongful termination of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993.

On 27 February 2008, the Court of Appeal decided in favour of UNP and ordered damages to be assessed. On 11 September 2014, the Kota Kinabalu High Court Deputy Registrar assessed damages payable by SFI to be as follows ("Assessed Damages"):

(1) Damages in the sum of RM59,590,106.60 for cancellation of the Extraction and Purchasing Agreement dated 28 June 1993 and 13 August 1993;
(2) Damages in the sum of RM1,430,831.30 being the additional costs for Parcel A logs;
(3) The sum of RM201,165.96 being refund of the excess royalties;
(4) Interest on the said sums at the rate of 8% per annum calculated from the date of service of the writ of summons to the date of the Court of Appeal judgment;
(5) Statutory interest at the rate of 8% per annum from the date of the Court of Appeal judgment to 28 February 2011;
(6) Statutory interest at the rate of 4% per annum from 1 March 2011 to 31 July 2012;
(7) Statutory interest at the rate of 5% per annum from 1 August 2012 until full realisation; and
(8) Costs of the assessment hearing.

On 15 September 2014, SFI filed an appeal against the whole decision of the Deputy Registrar. On 25 September 2014, UNP filed notice of appeal against the decision of the Deputy Registrar assessing damages for cancellation of the Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993 at RM59,590,106.60 only.

For the above claim, the Company made a provision of RM15,000,000 and the balance of the Assessed Damages was included as contingent liability as of 30 June 2014.

On 6 February 2015, SFI entered into a settlement agreement with UNP to settle the Assessed Damages ("Settlement Agreement"). Pursuant to the Settlement Agreement, the Company had on 9 February 2015 paid UNP the settlement sum of RM85,000,000 as full and final settlement of the Assessed Damages. The Settlement Agreement shall be deemed completed and both parties shall have no further claim against each other in respect of the claim.

Though indemnity contracts were signed between the Company and Avenel Sdn Bhd ("Avenel"), the immediate holding company then, whereby Avenel agreed to indemnify the Company in full for all losses which the Company may incur arising from the litigation brought by third parties against SFI wherein the cause of action arose prior to the completion of the corporate exercise, Avenel was however unable to discharge its obligation under the said indemnity and was wound-up on 28 August 2014.

Indemnity for back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments.

**32. CONTINGENT LIABILITIES** (continued)

Indemnity for back pay labour claims from SFI's employees (continued)

On 15 April 2009, the Labour Court upheld SFI's preliminary objections and had dismissed the Complainants' claims. Upon appeal by the Complainants, the High Court had on 17 July 2009 allowed the appeal with costs to be taxed and ordered the Labour Court to proceed with the inquiry of the Complainants' claims.

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. On 15 May 2013, the Court of Appeal dismissed SFI's appeal with costs. Thereafter, SFI had filed an application to the Federal Court on 13 June 2013 for leave to appeal against the decision of the Court of Appeal. On 27 March 2014, the application for leave to appeal was withdrawn in view of certain recent legal authorities which rules that the Federal Court does not have jurisdiction to hear cases which originated from the Labour Court.

The Labour Court is currently in the process of hearing the Complainants' claims.

The Directors of the Company, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

**33. CAPITAL COMMITMENTS**

As of 30 June 2015, the Group has the following capital commitments in respect of purchase of property, plant and equipment:

| | The Group | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| Approved and contracted for | **–** | 1,625 |
| Approved but not contracted for | **891** | – |
| | **891** | 1,625 |

**34. SEGMENT INFORMATION**

**Business Segments**

The Group's activities are classified into three (3) major business segments:

- trading and distribution of building materials and steel products
- manufacture and trading of lubricants, petroleum and automotive products
- others

Others include mainly investment holding, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products and agriculture, none of which is of sufficient size to be reported separately.

The inter-segment transactions are conducted at arm's length basis under terms, conditions, and prices not materially different from transactions with non-related parties.

## 34. SEGMENT INFORMATION (continued)

| The Group 2015 | Building materials and steel products RM'000 | Lubricants, petroleum and automotive products RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External customers | 618,203 | 81,858 | 21,388 | – | 721,449 |
| Inter-segment sales | 11 | 4 | 5 | (20) | – |
| Total revenue | 618,214 | 81,862 | 21,393 | (20) | 721,449 |
| **Results** | | | | | |
| Segment results | 15,424 | 12,525 | (5,036) | – | 22,913 |
| Unallocated expenses | | | | | (1,623) |
| Unallocated income | | | | | 8,154 |
| Profit from operations | | | | | 29,444 |
| Finance costs | (34) | (96) | (653) | – | (783) |
| Share in results of associated companies | – | – | (47,151) | – | (47,151) |
| Settlement arising from litigation claim against a former subsidiary company | – | – | (70,000) | – | (70,000) |
| Net impairment losses on trade and other receivables | (14) | (1,404) | (2,202) | – | (3,620) |
| Impairment losses on: | | | | | |
| Quoted investments | (222) | (306) | (683) | – | (1,211) |
| Unquoted investments | – | – | (64) | – | (64) |
| Loss before tax | | | | | (93,385) |
| Income tax expense | | | | | (11,167) |
| Loss for the year | | | | | (104,552) |
| **Consolidated Statement of Financial Position** | | | | | |
| Segment assets | 576,483 | 85,732 | 196,044 | – | 858,259 |
| Investment in associated companies | | | | | 39,435 |
| Unallocated corporate assets | | | | | 144,137 |
| **Consolidated Total Assets** | | | | | 1,041,831 |
| Segment liabilities | 48,200 | 28,337 | 46,392 | – | 122,929 |
| Unallocated corporate liabilities | | | | | 7,065 |
| **Consolidated Total Liabilities** | | | | | 129,994 |
| **Other Information** | | | | | |
| Capital expenditure | 36 | 1,736 | 3,693 | – | 5,465 |
| Depreciation | 186 | 2,052 | 3,323 | – | 5,561 |
| Other non-cash items | 236 | 1,734 | 903 | – | 2,873 |

## 34. SEGMENT INFORMATION (continued)

| The Group 2014 | Building materials and steel products RM'000 | Lubricants, petroleum and automotive products RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External customers | 717,426 | 74,634 | 25,862 | – | 817,922 |
| Inter-segment sales | 3 | 4 | 18 | (25) | – |
| Total revenue | 717,429 | 74,638 | 25,880 | (25) | 817,922 |
| **Results** | | | | | |
| Segment results | 34,419 | 11,323 | (7,729) | – | 38,013 |
| Unallocated expenses | | | | | (1,558) |
| Unallocated income | | | | | 7,555 |
| Profit from operations | | | | | 44,010 |
| Finance costs | (34) | (146) | (353) | – | (533) |
| Share in results of associated companies | – | – | (970) | – | (970) |
| Net impairment losses on trade and other receivables | (231,204) | (4,174) | (19,040) | – | (254,418) |
| Impairment losses on: | | | | | |
| Quoted investments | (1,110) | (1,528) | (2,669) | – | (5,307) |
| Unquoted investments | – | – | (9,138) | – | (9,138) |
| Inventories written down | – | – | (10,264) | – | (10,264) |
| Loss before tax | | | | | (236,620) |
| Income tax expense | | | | | (13,386) |
| Loss for the year | | | | | (250,006) |
| **Consolidated Statement of Financial Position** | | | | | |
| Segment assets | 558,648 | 80,825 | 184,894 | – | 824,367 |
| Investment in associated companies | – | – | 77,223 | – | 77,223 |
| Unallocated corporate assets | | | | | 268,120 |
| **Consolidated Total Assets** | | | | | 1,169,710 |
| Segment liabilities | 91,337 | 28,575 | 45,613 | – | 165,525 |
| Unallocated corporate liabilities | | | | | 11,239 |
| **Consolidated Total Liabilities** | | | | | 176,764 |
| **Other Information** | | | | | |
| Capital expenditure | 41 | 1,490 | 12,568 | – | 14,099 |
| Depreciation | 178 | 1,980 | 3,321 | – | 5,479 |
| Other non-cash items | 232,314 | 5,868 | 41,111 | – | 279,293 |

## 34. SEGMENT INFORMATION (continued)

**Geographical Segments**

The Group's operations are mainly in Malaysia for the current financial year:

(i) Malaysia - trading and distribution of building materials and steel products, manufacture and trading of lubricants, petroleum and automotive products, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products and investment holding

(ii) Others - countries which are not sizable to be reported separately

The following is an analysis of the Group's revenue, carrying amount of total assets and capital expenditures by geographical areas:

| | Revenue | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Malaysia | **721,449** | 817,922 |

| | Total assets | | Capital expenditures | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Malaysia | **875,529** | 982,263 | **1,868** | 2,160 |
| Singapore | **30,358** | 67,864 | **–** | – |
| Other countries | **135,944** | 119,583 | **3,597** | 11,939 |
| | **1,041,831** | 1,169,710 | **5,465** | 14,099 |

In determining the geographical segments of the Group, revenue is determined based on the country in which customers are located. Total assets and capital expenditures are determined based on where the assets are located.

**Information about major customers**

Revenue of the Group of approximately RM281,273,000 (2014: RM414,004,000) from the building materials, steel products and lubricants, petroleum and automotive products divisions and transportation services are derived from two related parties and immediate holding company.

## 35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Fixed deposits with licensed banks (unrestricted) (Note 23) | **69,706** | 34,851 | **28,556** | 11,899 |
| Cash and bank balances (unrestricted) (Note 23) | **24,239** | 16,876 | **2,017** | 1,137 |
| | **93,945** | 51,727 | **30,573** | 13,036 |

## SUPPLEMENTARY INFORMATION

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as of 30 June 2015 and 30 June 2014, into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements", as issued by the Malaysian Institute of Accountants, and the directive of Bursa Securities.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| **Total accumulated losses of the Company and its subsidiary companies** | | | | |
| Realised | **(95,431)** | (28,136) | **(224,698)** | (138,758) |
| Unrealised | **(11,663)** | (27,529) | **(280)** | (15,280) |
| | **(107,094)** | (55,665) | **(224,978)** | (154,038) |
| **Total (accumulated losses)/retained earnings from associated companies** | | | | |
| Realised | **(16,431)** | 29,258 | **–** | – |
| Unrealised | **786** | 2,632 | **–** | – |
| | **(15,645)** | 31,890 | **–** | – |
| Add: Consolidation adjustments | **50,619** | 50,619 | **–** | – |
| **Total (accumulated losses)/retained earnings** | **(72,120)** | 26,844 | **(224,978)** | (154,038) |

# STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying statements of financial position as of 30 June 2015 and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 130, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2015 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out in page 131, which is not part of the financial statements, is prepared in all material respects, in accordance to Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

**TAN SRI WILLIAM H.J. CHENG**

**CHAN HO WAI**

Kuala Lumpur
21 September 2015

# DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **CHAN HO WAI**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 50 to 131 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.

**CHAN HO WAI**

Subscribed and solemnly declared by the
abovenamed **CHAN HO WAI**
at **KUALA LUMPUR** in the **FEDERAL TERRITORY**
on this 21st day of September, 2015.

Before me,

**W 530**
**TAN SEOK KETT**
COMMISSIONER FOR OATHS

Kuala Lumpur

# LIST OF GROUP PROPERTIES

## AS OF 30 JUNE 2015

| Address | Tenure/ Expiry Date for Leasehold | Area | Description | Existing Use/ Age of Building (Year) | Net Book Value (RM million) | Date of Acquisition |
|---|---|---|---|---|---|---|
| Lot 72<br>Persiaran Jubli Perak<br>40000 Shah Alam<br>Selangor Darul Ehsan | Freehold | 2.02 hectares | Industrial land and building | Factory (21) | 10.8 | 30.12.1991 |
| 12 & 12/1<br>Jalan Nangka Tiga<br>Taman Rumpun Bahagia<br>75300 Bacang<br>Melaka | Leasehold 21.7.2084 | 153.3 sq metres | Land and building | 2-storey shop office (30) | 0.1 | 13.4.1998 |
| Centre Point Business Park<br>Unit No. B-8-1 & B-8-2<br>5, Jalan Tanjung<br>Karamat 26/35, Seksyen 26<br>40400 Shah Alam<br>Selangor Darul Ehsan | Freehold | 252.3 sq metres | Building | Office (17) | 0.3 | 18.3.1999 |
| 50-2 & 50-3<br>Jalan Wangsa 2/5<br>Taman Wangsa Permai<br>52200 Kuala Lumpur | Leasehold 21.10.2087 | 130.1 sq metres | Land and building | 2-storey shop office (17) | 0.1 | 17.3.1999 |
| B2-2-39B<br>Jalan Pinggiran 1/3<br>Taman Pinggiran Putra<br>Seksyen 1<br>43300 Seri Kembangan<br>Selangor Darul Ehsan | Leasehold 13.12.2097 | 63.0 sq metres | Building | Office (13) | 0.1 | 16.7.2004 |

# ANALYSIS OF SHAREHOLDINGS

**Share Capital as at 30 September 2015**

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

**Distribution of Shareholdings as at 30 September 2015**

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of# Shares |
|---|---|---|---|---|
| Less than 100 | 916 | 18.84 | 26,093 | 0.01 |
| 100 to 1,000 | 1,282 | 26.37 | 878,261 | 0.38 |
| 1,001 to 10,000 | 1,919 | 39.48 | 8,485,482 | 3.69 |
| 10,001 to 100,000 | 639 | 13.15 | 18,931,157 | 8.22 |
| 100,001 to less than 5% issued shares | 100 | 2.06 | 48,643,199 | 21.13 |
| 5% and above of issued shares | 5 | 0.10 | 153,209,940 | 66.57 |
| | 4,861 | 100.00 | 230,174,132 | 100.00 |

**Substantial Shareholders as at 30 September 2015**

| Substantial Shareholders | Direct Interest No. of Shares | Direct Interest % of Shares ^ | Indirect Interest No. of Shares | Indirect Interest % of Shares ^ |
|---|---|---|---|---|
| 1. Tan Sri William H.J. Cheng | 400 | * | 171,258,918 | 74.43 |
| 2. Tan Sri Cheng Yong Kim | 130 | * | 168,960,759 | 73.43 |
| 3. Lion Industries Corporation Berhad | 45,127,236 | 19.61 | 123,676,884 | 53.75 |
| 4. Amsteel Mills Sdn Bhd | 123,632,704 | 53.73 | 44,180 | 0.02 |
| 5. LLB Steel Industries Sdn Bhd | – | – | 168,804,120 | 73.36 |
| 6. Steelcorp Sdn Bhd | – | – | 168,804,120 | 73.36 |
| 7. Dynamic Horizon Holdings Limited | – | – | 168,804,120 | 73.36 |

***Notes:***

\# *Based on the issued and paid-up capital of the Company excluding a total of 1,397,600 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 25 September 2015.*

^ *Based on the issued and paid-up capital of the Company excluding a total of 1,468,900 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 30 September 2015.*

* *Negligible*

**Thirty Largest Registered Shareholders as at 30 September 2015**

| Registered Shareholders | No. of Shares | % of Shares # |
|---|---|---|
| 1. RHB Nominees (Tempatan) Sdn Bhd<br>Bank of China (Malaysia) Berhad<br>Pledged Securites Account for Amsteel Mills Sdn Bhd-3 | 58,632,704 | 25.32 |
| 2. RHB Nominees (Tempatan) Sdn Bhd<br>Bank of China (Malaysia) Berhad<br>Pledged Securites Account for Amsteel Mills Sdn Bhd-1 | 30,150,000 | 13.02 |
| 3. RHB Nominees (Tempatan) Sdn Bhd<br>Bank of China (Malaysia) Berhad<br>Pledged Securites Account for Amsteel Mills Sdn Bhd-2 | 30,150,000 | 13.02 |
| 4. RHB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lion Industries Corporation Berhad | 18,000,000 | 7.77 |
| 5. Affin Hwang Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lion Industries Corporation Berhad (LI00157M) | 16,277,236 | 7.03 |
| 6. Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lion Industries Corporation Berhad (8106442) | 10,850,000 | 4.69 |
| 7. RHB Nominees (Tempatan) Sdn Bhd<br>Bank of China (Malaysia) Berhad<br>Pledged Securities Account for Amsteel Mills Sdn Bhd-4 | 4,700,000 | 2.03 |
| 8. Maybank Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Limited (Client A/C) | 3,287,400 | 1.42 |
| 9. HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for the Bank of New York Mellon (Mellon ACCT) | 1,944,740 | 0.84 |
| 10. Ng Teng Song | 1,787,000 | 0.77 |
| 11. Lim Boon Liat | 1,700,000 | 0.73 |
| 12. CIMSEC Nominees (Tempatan) Sdn Bhd<br>Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients) | 1,543,764 | 0.67 |
| 13. Lion Development (Penang) Sdn Bhd | 1,334,745 | 0.58 |
| 14. Wu Teng Siong | 1,062,000 | 0.46 |
| 15. CIMSEC Nominees (Asing) Sdn Bhd<br>Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients) | 792,388 | 0.34 |
| 16. UOB Kay Hian Nominees (Asing) Sdn Bhd<br>Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients) | 650,633 | 0.28 |
| 17. Teoh Hooi Bin | 631,752 | 0.27 |
| 18. Pacific & Orient Insurance Co Berhad | 504,700 | 0.22 |
| 19. Tirta Enterprise Sdn Bhd | 494,868 | 0.21 |
| 20. HLB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Mah Siew Seong | 488,000 | 0.21 |
| 21. DB (Malaysia) Nominee (Asing) Sdn Bhd<br>SSBT Fund NJ3F for Discerene Fund LP | 455,520 | 0.20 |
| 22. Lee Yu Yong @ Lee Yuen Ying | 441,106 | 0.19 |
| 23. Ong Sai Hoon | 415,000 | 0.18 |
| 24. Kenanga Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Wu Teng Siong | 394,000 | 0.17 |
| 25. Happyvest (M) Sdn Bhd | 391,241 | 0.17 |
| 26. Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chin Kiam Hsung | 384,100 | 0.17 |
| 27. Quah Say Beng | 339,413 | 0.15 |
| 28. Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Yap Pak Leong | 322,800 | 0.14 |
| 29. Wilfred Koh Seng Han | 315,800 | 0.14 |
| 30. Chin Kian Fong | 303,200 | 0.13 |

***Note:***

\# *Based on the issued and paid-up capital of the Company excluding a total of 1,397,600 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 25 September 2015.*

**Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2015**

The Directors' interests in shares in the Company and its related corporations as at 30 September 2015 are as follows:

| | Nominal Value Per Ordinary Share | Direct Interest No. of Shares | Direct Interest % of Shares ^ | Indirect Interest No. of Shares | Indirect Interest % of Shares ^ | No. of Option # |
|---|---|---|---|---|---|---|
| **The Company** | RM1.00 | | | | | |
| Tan Sri William H.J. Cheng | | 400 | * | 171,261,979 | 73.96 | – |
| Dato' Kalsom binti Abd. Rahman | | – | – | – | – | 250,000 |
| Dato' Eow Kwan Hoong | | 8,026 | * | – | – | 250,000 |
| Lin Chung Dien | | 7,060 | * | – | – | 250,000 |

| | Nominal Value Per Ordinary Share | Direct Interest No. of Shares | Direct Interest % of Shares ^ | Indirect Interest No. of Shares | Indirect Interest % of Shares ^ |
|---|---|---|---|---|---|
| **Related Corporations** | | | | | |
| **Tan Sri William H.J. Cheng** | | | | | |
| Angkasa Amsteel Pte Ltd | ** | – | – | 11,517,999 | 50.00 |
| Holdsworth Investment Pte Ltd | ** | – | – | 4,500,000 | 100.00 |
| Inspirasi Elit Sdn Bhd | RM1.00 | – | – | 212,500 | 85.00 |
| Lion AMB Holdings Pte Ltd | ** | – | – | 25,400,080 | 80.00 |
| Lion AMB Resources Berhad | RM1.00 | | | 304,804,151 | 89.64 |
| Lion Industries Corporation Berhad | RM1.00 | 216,865,498 | 30.78 | 46,828,093 | 6.65 |
| Lion Rubber Industries Pte Ltd | ** | – | – | 10,000,000 | 100.00 |
| LLB Enterprise Sdn Bhd | RM1.00 | – | – | 690,000 | 69.00 |
| Marvenel Sdn Bhd | RM1.00 | – | – | 100 | 100.00 |
| Ototek Sdn Bhd | RM1.00 | – | – | 1,050,000 | 70.00 |
| Posim EMS Sdn Bhd | RM1.00 | – | – | 800,000 | 80.00 |
| Soga Sdn Bhd | RM1.00 | – | – | 4,525,322 | 98.12 |
| Steelcorp Sdn Bhd | RM1.00 | – | – | 99,750 | 99.75 |
| Zhongsin Biotech Pte Ltd | ** | – | – | 1,000,000 | 100.00 |

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

***Notes:***

* *Negligible.*

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

^ *Based on the issued and paid-up capital of the Company excluding a total of 1,468,900 ordinary shares of RM1.00 each in the company bought back by the Company and retained as treasury shares as at 30 September 2015.*

# *Option granted pursuant to the Company's Executive Share Option Scheme to subscribe for ordinary shares in the Company.*

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2015.

# OTHER INFORMATION

## (I) MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

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 to external auditors for the financial year was RM5,000 (RM5,000 in 2014).

## (III) RECURRENT RELATED PARTY TRANSACTIONS

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

| Nature of Recurrent Transactions | Related parties | Amount RM'000 |
|---|---|---|
| **(a) Trading and distribution** | | |
| (i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials | Lion Industries Corporation Berhad Group ("LICB Group") | 126,683 |
| (ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials | LICB Group | 221,732 |
| | Lion Diversified Holdings Berhad Group ("LDHB Group") | 39,347 |
| | Parkson Holdings Berhad Group ("Parkson Group") | 2,434 |
| | Lion Corporation Berhad Group ("LCB Group") | 137 |
| | | 263,650 |
| (iii) Sale of lubricants, spark plugs and other automotive and petroleum products | LICB Group | 2,125 |
| | LCB Group | 2,588 |
| | LDHB Group | 140 |
| | Lion Asiapac Limited Group | 12 |
| | | 4,865 |
| **(b) Others** | | |
| (i) Provision of transportation and forwarding services | LCB Group | 13,956 |
| | LICB Group | 2,110 |
| | LDHB Group | 35 |
| | | 16,101 |
| (ii) Sale of consumer products | Parkson Group | 4,188 |

**Notes:**

(i) "Group" includes subsidiary and associated companies.

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

## (IV) SCHEDULE OF SHARE BUY-BACK FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

| | No. of Shares Purchased and Retained as Treasury Share | Purchase Price per Share (RM) | | Average Price per Share* RM | Total Consideration RM |
|---|---|---|---|---|---|
| | | Lowest | Highest | | |
| February 2015 | 62,500 | 0.77 | 0.80 | 0.79 | 49,585.12 |

* Including transaction cost.

All the shares purchased by the Company were retained as treasury shares. As at 30 June 2015, the Company held 62,500 treasury shares. None of the treasury shares were resold or cancelled during the financial year.

## (V) OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT AS AT 30 JUNE 2015

Since the commencement of the Executive Share Option Scheme of the Company ("ESOS") on 30 December 2010, the actual percentage granted to the non-executive Directors of the Company and senior management of the Group was 7.63% of the total number of shares available under the ESOS.

# FORM OF PROXY

CDS ACCOUNT NUMBER

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | – | | | | – | | | | | | | | | |

I/We ..........................................................................................................................................................

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

of ..............................................................................................................................................................

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

..................................................................................................................................................................

I.C. No. ......................................................................................................................................................

of ..............................................................................................................................................................

or failing whom, ..........................................................................................................................................

I.C. No. ......................................................................................................................................................

of ..............................................................................................................................................................

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Third Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 23 November 2015 at 3.00 pm and at any adjournment thereof.

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| 1. To approve Directors' fees | | |
| 2. To re-elect as Director, Y. Bhg. Dato' Eow Kwan Hoong | | |
| 3. To re-elect as Director, Ms Cheng Hui Ya, Serena | | |
| 4. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng | | |
| 5. To re-appoint as Director, Mr Lin Chung Dien | | |
| 6. To re-appoint Auditors | | |
| 7. Retention of Y. Bhg. Dato' Kalsom binti Abd. Rahman as an Independent Non-Executive Director | | |
| 8. Authority to Directors to Issue Shares | | |
| 9. Proposed Shareholders' Mandate for Recurrent Related Party Transactions | | |
| 10. 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 .................................................... 2015

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

**Representation at Meeting:**

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

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