LION INDUSTRIES CORPORATION

# LION INDUSTRIES CORPORATION BERHAD

(415-D)

Laporan Tahunan

2015

Annual Report

# CONTENTS

# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the Eighty-Fifth Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 25 November 2015 at 9.00 am for the following purposes:

**AGENDA**

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

2. To approve the payment of Directors' fees amounting to RM210,800 (2014: RM243,500). **Resolution 1**

3. To re-elect Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin who retires by rotation in accordance with Article 98 of the Company's Articles of Association. **Resolution 2**

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

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 3**

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

6. Special Business

   To consider and, if thought fit, pass the following 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, Mr Chong Jee Min 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 5**

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 6**

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 3 November 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 7**

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 8**

(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' mandates for share buy-back which were obtained at the previous Annual General Meetings held on or before 4 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 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
3 November 2015

***Notes:***

1. *Proxy*

- *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 18 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 3 November 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 5*

   *The Board assisted by the Nomination Committee, has assessed the independence of Mr Chong Jee Min 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 Mr Chong as an independent non-executive Director as he possesses the following attributes necessary in discharging his 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) Understands the Group's activities and corporate history.*

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

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

   *(v) Vast experience in the legal profession and as such could provide the Board with relevant legal advice where necessary.*

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

5. *Resolution 6*

   *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 4 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 7*

   *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 8*

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

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Director standing for re-appointment at the Eighty-Fifth Annual General Meeting of the Company are set out in the Directors' Profile on page 7 of the 2015 Annual Report.

# CORPORATE INFORMATION

| | | |
|---|---|---|
| **Board of Directors** | : | Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin<br>*(Chairman)*<br>Y. Bhg. Tan Sri Cheng Yong Kim<br>*(Managing Director)*<br>Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin<br>Mr Chong Jee Min |
| **Secretaries** | : | Ms Wong Phooi Lin<br>Puan Yasmin Weili Tan binti Abdullah |
| **Company No** | : | 415-D |
| **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/lionind |
| **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** | : | Malayan Banking Berhad<br>RHB Investment Bank Berhad<br>Alliance Bank Berhad<br>Affin Investment Bank Berhad |
| **Stock Exchange Listing** | : | Bursa Malaysia Securities Berhad ("Bursa Securities") |
| **Stock Name** | : | LIONIND |
| **Bursa Securities Stock No** | : | 4235 |
| **Reuters Code** | : | LLBM.KL |
| **ISIN Code** | : | MYL4235OO007 |

# DIRECTORS' PROFILE

**Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin**
*Independent Non-Executive Chairman*

Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin, a Malaysian, aged 62, was appointed to the Board on 29 August 2013 and has been the Chairman of the Company since 19 December 2013. He is also a member of the Audit Committee of the Company.

Datuk Seri Raja Nong Chik received his Bachelor of Economics (Honours) from the University College of Wales, Aberystwyth. He is also a Fellow of the Chartered Institute of Management Accountants and an Associate member of the Institute of Chartered Secretaries and Administrators as well as a member of the Malaysian Institute of Accountants.

Datuk Seri Raja Nong Chik started his career as an accountant at FELCRA (Federal Land Consolidation and Rehabilitation Authority) in 1978 and thereafter as the Assistant Financial Controller and Manager, Corporate Planning at Kumpulan FIMA Bhd. He then joined the OYL Group as an Executive Director and was instrumental in setting a joint-venture company which pioneered a local brand of air conditioners and fridge under the brand name, ACSON, which is now exported throughout the world. In 1986, he was instrumental in getting OYL Industries Bhd listed on the Kuala Lumpur Stock Exchange (now Bursa Malaysia Securities Berhad). In 1991, he left the OYL Group after disposing a strategic stake to the Hong Leong Group to establish his own RASMA Group of Companies as an engineering based investment company which is actively involved in mechanical and electrical engineering, construction and property investment and previously involved in manufacturing. Until April 2009, he was also on the Board of Pharmaniaga Bhd and iCapital.biz Bhd.

Datuk Seri Raja Nong Chik also served as a committee member of the Selangor Federation of Malaysian Manufacturers for a number of years and before becoming a Minister, was a President of the Bumiputra Manufacturers and Services Industry Association, President of Persatuan Kontraktor Jentera Melayu Malaysia (PKJMM) and member of the National Innovation Council of Malaysia. In April 2009, he was appointed a Senator and the Minister of Federal Territories and Urban Well-Being by the Prime Minister. He resigned as a Minister and Senator in May 2013.

Datuk Seri Raja Nong Chik has 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 the subscription price of RM1.00 per share.

Datuk Seri Raja Nong Chik attended seven (7) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2015.

**Tan Sri Cheng Yong Kim**
*Managing Director*

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, aged 65, was appointed the Managing Director of the Company on 16 January 1995. He is also a member of the Remuneration Committee and Executive Share Option Scheme Committee of the Company.

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

In 2010, Tan Sri Cheng was appointed a council member of the Federation of Malaysian Manufacturers and in 2013, he was appointed the First Director of Malaysia Steel Institute. In 2014, Tan Sri Cheng was appointed the Chairman of the International Chamber of Commerce Malaysia, and a permanent member of the Steering Committee of the Construction Products of Construction Industry Development Board Malaysia.

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

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

Tan Sri Cheng has a direct shareholding of 9,253,289 ordinary shares of RM1.00 each and an indirect interest in 113,681,140 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 page 164 of this Annual Report. He also has interest in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

Tan Sri Cheng is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company.

Tan Sri Cheng attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2015.

**Dato' Kamaruddin @ Abas bin Nordin**
*Non-Independent Non-Executive Director*

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, aged 77, was appointed to the Board on 20 July 1994. He is also the Chairman of the Executive Share Option Scheme Committee, and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Dato' Kamaruddin graduated from the University of Canterbury, New Zealand in 1966 with a Master of Arts majoring in Economics. He joined the Malaysian civil service upon his graduation and served until his retirement in 1993. During his tenure in the civil service, he held various senior positions, among them as Director, Bumiputra Participation and Industries Divisions in the Ministry of International Trade and Industry (MITI), Deputy Secretary-General (Development) in the Ministry of Works and the Director-General, Registration Department, Ministry of Home Affairs.

He is also a Director of APM Automotive Holdings Berhad and Tan Chong Motor Holdings Berhad, both public listed companies.

Dato' Kamaruddin has a direct shareholding of 128,000 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 the subscription price of RM1.00 per share.

Dato' Kamaruddin attended seven (7) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2015.

**Chong Jee Min**
*Independent Non-Executive Director*

Mr Chong Jee Min, a Malaysian, aged 56, was appointed to the Board on 5 May 2004. He is also the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr Chong graduated from the University of Leeds, England in 1984 with an Honours degree in Law. He obtained his Certificate of Legal Practice, Malaya in 1985. He was admitted as an advocate and solicitor at the High Court of Malaya in 1986. He established the firm of J.M. Chong, Vincent Chee & Co in December 1986 and has been practising since, concentrating on banking, property and corporate matters.

Mr Chong is the Vice President for the Klang Chinese Chamber of Commerce & Industry ("KCCCI"), the Chairman of the Legal Affairs Committee for the KCCCI and The Associated Chinese Chamber of Commerce & Industry of Coastal Selangor, the Deputy Chairman of the Legal Affairs Committee for Kuala Lumpur & Selangor Chinese Chamber of Commerce & Industry, a member of the Legal Affairs Committee of The Associated Chinese Chamber of Commerce & Industry of Malaysia, and a legal advisor of Malaysia Used Vehicle Autoparts Traders' Association, The Kuala Lumpur & Selangor Furniture Entrepreneurs' Association and Sekolah Menengah Chung Hua (PSDN) Klang.

Mr Chong is also a Director of Jaks Resources Berhad, YKGI Holdings Berhad, Sunsuria Berhad and Weida (M) Berhad, all public listed companies.

Mr Chong has 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 the subscription price of RM1.00 per share.

Mr Chong attended all eight (8) 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 other interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past ten (10) years.

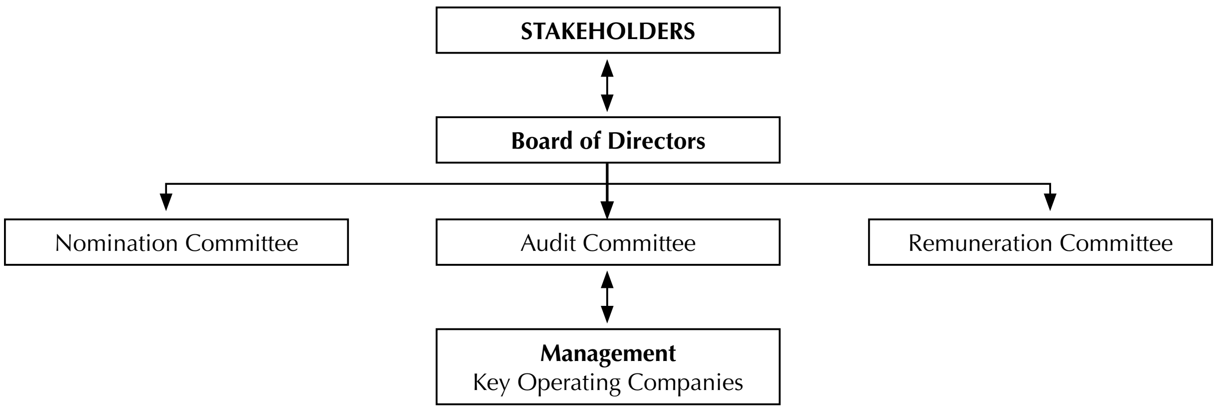
# CORPORATE GOVERNANCE STATEMENT

**Introduction**

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

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

**Corporate Governance Framework**




**Board Charter**

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

**ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

**Roles and Responsibilities of the Board**

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

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2015, eight (8) 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 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 four (4) Directors, three (3) of whom are non-executive. The current Board composition complies with the Listing Requirements. The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

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

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

**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/lionind.

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

**Sustainability**

The Board in discharging its governance role is guided by the Group's Sustainability Plans/Framework to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities carried out by the Group are set out in the Sustainability section of the Chairman's Statement on pages 30 to 38 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 two (2) members, both of whom are non-executive Directors with one (1) being an independent Director. The Nomination Committee is chaired by Mr Chong Jee Min, an independent Director, who is also the senior independent Director identified by the Board. The Nomination Committee and the Board acknowledge that the Nomination Committee should comprise a majority of independent Directors and will endeavour to fulfil the requirement.

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 6 to 8 of this Annual Report.

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

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

(i) Reviewed and assessed the effectiveness of the Board and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms approved by the Board, and made the 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 his attributes necessary in discharging his roles and functions as an independent Director.

(iv) Reviewed the training needs of the Directors.

(v) Reviewed and recommended for Board's consideration, the appointment of Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin as a member of the Audit Committee and Mr Chong Jee Min as the Chairman of the Nomination Committee.

(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 | 25 | 1,104 | 1,129 |
| Non-executive Directors | 186 | – | 186 |
| | 211 | 1,104 | 1,315 |

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

| Range of Remuneration (RM) | Number of Directors Executive | Number of Directors Non-executive* |
|---|---|---|
| 50,000 & below | – | 4 |
| 50,001 – 75,000 | – | 1 |
| 1,100,001 – 1,250,000 | 1 | – |

* Including two (2) Directors who had retired/resigned during the financial year.

**REINFORCE INDEPENDENCE**

**Assessment of Independent Directors and Board Performance Evaluation**

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

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

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

**The Role and Functions of Chairman and MD**

There is a clear division of responsibilities between the Chairman and the MD 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 MD is 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 acceptance of any new directorship in public listed companies. In any event the maximum number of appointments in public listed companies shall be limited to five (5) or any other number as set out in the Listing Requirements.

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

**Directors' Training**

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

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

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

| Name of Directors | Programmes |
|---|---|
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | • Bursa Malaysia in collaboration with FTSE – Education Seminar: Overview of Environmental, Social and Governance Index and Industry Classification Benchmark<br>• Bursa Malaysia & Iclif – Board Chairman Series: The Role of the Chairman<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 |
| Tan Sri Cheng Yong Kim | • Bursa Malaysia in collaboration with FTSE – Education Seminar: Overview of Environmental, Social and Governance Index and Industry Classification Benchmark<br>• Khazanah Megatrends Forum 2014 – Scaling the Efficiency Frontier: Institutions, Innovation, Inclusion<br>• The Boston Consulting Group Leaders' Forum 2014: Winning in ASEAN<br>• Khazanah Global Lectures 2014<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>• Invest Malaysia 2015 – ASEAN's Multinational Marketplace<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' Kamaruddin @ Abas bin Nordin | • Bursa Malaysia – Corporate Governance Statement Reporting Workshop<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>• Sunway University – Jeffrey Cheah's Distinguished Speakers Series: Global Economic Prospects – "What Should Keep Us Up at Night?"<br>• Sunway University – Jeffrey Cheah's Distinguished Speakers Series: "The Age of Sustainable Development"<br>• Bursa Malaysia & Iclif – Nominating Committee Programme Part 2: Effective Board Evaluations<br>• Bursa Malaysia – Risk Management & Internal Control Workshop for Audit Committee Members: Is Our Line of Defence Adequate and Effective?<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 |
| Chong Jee Min | • Bursa Malaysia – Post Workshop Discussion for Audit Committee: Risk Management & Internal Control |

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

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

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

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

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

## UPHOLD INTEGRITY IN FINANCIAL REPORTING

### Financial Reporting

The Board aims to present a balanced and clear assessment of the Group's position, financial performance and future prospects to the Company's stakeholders through the annual financial statements, quarterly financial reports and corporate announcements which are in accordance with the Listing Requirements. The Board discusses and reviews the recommendations proposed by the Audit 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 Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) members, with a majority of them being independent Directors. The terms of reference and the main activities undertaken by the Audit Committee during the financial year under review are set out in the Audit 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 Committee. The Audit 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 Committee at least twice a year and attend the annual general meeting of the Company.

The Audit 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 Committee. The Audit 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 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 Committee. The internal auditors attend all meetings of the Audit Committee and the detailed internal audit function is set out in the Audit Committee Report on pages 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 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/lionind 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/lionind 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 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 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 Committee on a half-yearly basis for review on the status of the performance objectives and management action plans implementation.

The Audit 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 Committee.

- Review of business processes and systems of internal control by the internal audit function which submits its reports to the Audit 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 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 COMMITTEE REPORT

## COMPOSITION

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

- **Members**

  Mr Chong Jee Min
  *(Chairman, Independent Non-Executive Director)*

  Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
  *(Independent Non-Executive Director)*

  Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin (appointed on 21 April 2015)
  *(Non-Independent Non-Executive Director)*

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

- **Secretaries**

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

- **Membership**

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

- **Meetings and Minutes**

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

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

## TERMS OF REFERENCE

The Terms of Reference of the Audit 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/lionind.

**ACTIVITIES DURING THE FINANCIAL YEAR**

During the financial year under review, nine (9) Audit Committee Meetings were held. Whilst Mr Chong Jee Min and Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin had full attendance for all the nine (9) Meetings held in the financial year, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin attended the two (2) Meetings held subsequent to his appointment as a member of the Audit Committee.

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

The main activities undertaken by the Audit Committee during the year 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 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 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 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 investigative reports tabled during the year and ensured appropriate remedial actions/measures were taken.

  (h) 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.

  (i) Approved the Audit 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 Committee.

  The Audit 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 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 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 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 which included the following, and recommended the same for approval of the Board:

  (i) Proposed establishment of a head office management company which involved the equity participation of the various public listed companies as well as the non-listed private group of companies within the Lion Group to centralise employees of all head office functions and to manage all employee-related expenses and benefits in one legal entity. This will also facilitate the process of managing the claims for Goods and Services Tax ("GST") input tax in an efficient manner, thus maximising the claims for GST input tax.

  (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 GST 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 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 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 Committee for the financial year.

The total cost incurred in managing the internal audit function of the Group for the financial year was RM367,180.

# NOMINATION COMMITTEE

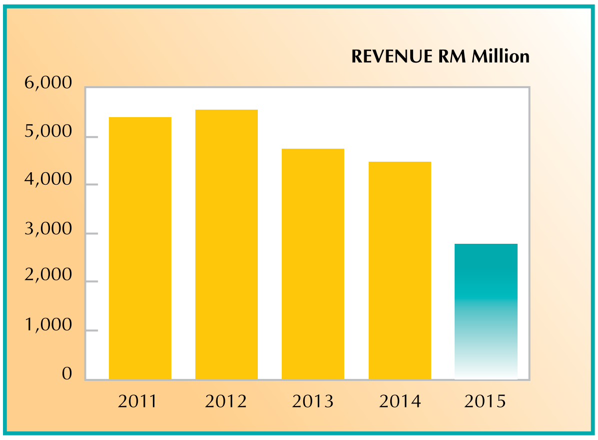
| | | |
|---|---|---|
| **Chairman** | : | Mr Chong Jee Min<br>*(Independent Non-Executive Director)* |
| **Members** | : | Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin<br>*(Non-Independent Non-Executive Director)* |
| **Terms of Reference** | : | • To recommend to the Board, candidates for directorships in Lion Industries Corporation Berhad<br>• 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<br>• To recommend to the Board, Directors to fill the seats on Board Committees<br>• 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<br>• To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board |

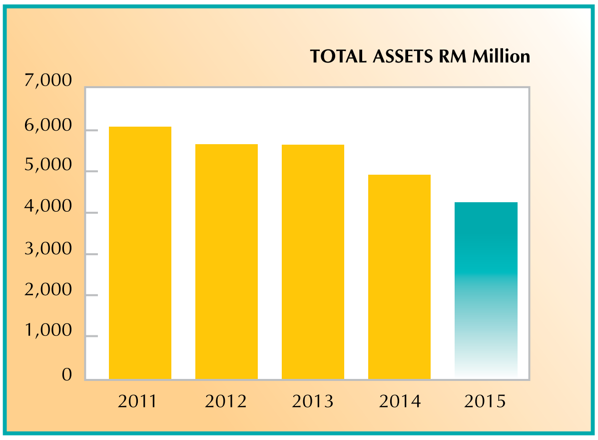
# REMUNERATION COMMITTEE

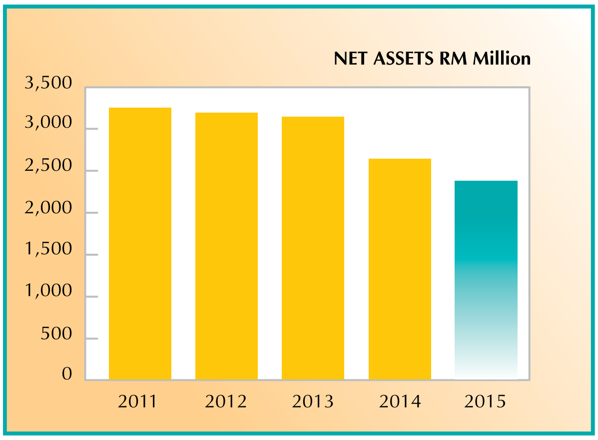
| | | |
|---|---|---|
| **Chairman** | : | Mr Chong Jee Min<br>*(Independent Non-Executive Director)* |
| **Members** | : | Y. Bhg. Tan Sri Cheng Yong Kim<br>*(Non-Independent Executive Director)*<br><br>Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin<br>*(Non-Independent Non-Executive Director)* |
| **Terms of Reference** | : | • To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary<br>• To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time |

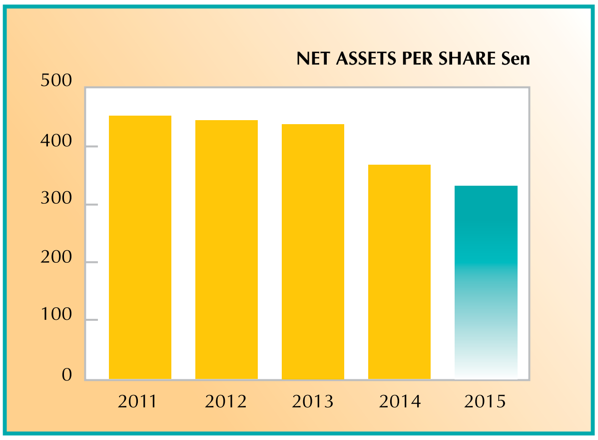
# 5 YEARS GROUP FINANCIAL HIGHLIGHTS

| **Financial years ended 30 June** | | **2011** | **2012** | **2013** | **2014** | **2015** |
|---|---|---|---|---|---|---|
| Revenue | (RM'000) | 5,393,001 | 5,544,080 | 4,748,470 | 4,482,351 | **2,782,413** |
| Profit/(Loss) before tax | (RM'000) | 283,605 | (12,832) | (30,377) | (580,786) | **(278,853)** |
| Profit/(Loss) after tax | (RM'000) | 282,072 | (30,113) | (31,604) | (578,386) | **(287,866)** |
| Net profit/(loss) attributable to owners of the Company | (RM'000) | 232,090 | (38,221) | (34,497) | (505,946) | **(254,821)** |
| Total assets | (RM'000) | 6,026,120 | 5,654,210 | 5,662,078 | 4,878,403 | **4,258,388** |
| Net assets | (RM'000) | 3,257,922 | 3,198,420 | 3,153,208 | 2,644,668 | **2,380,848** |
| Total borrowings | (RM'000) | 1,026,942 | 920,398 | 842,995 | 682,494 | **540,671** |
| Earnings/(Loss) per share | (Sen) | 32.4 | (5.3) | (4.8) | (70.6) | **(35.6)** |
| Net assets per share | (Sen) | 454 | 446 | 439 | 369 | **333** |
| Dividends: | | | | | | |
| Rate | (Sen) | 4.0 | 1.0 | 1.0 | – | **–** |
| Amount | (RM'000) | 23,326 | 7,179 | 7,177 | – | **–** |



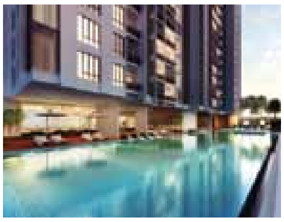



# THE GROUP'S BUSINESSES

- The Hot Briquetted Iron (HBI) plant operated by Antara Steel Mills Sdn Bhd in Labuan, produces HBI (inset) mainly for the export market.
- *Kilang besi briket panas (HBI) dikendalikan oleh Antara Steel Mills Sdn Bhd di Labuan, mengeluarkan HBI (gambar kecil) kebanyakannya untuk pasaran eksport.*



- Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd (Johor) produce long steel products namely billets, bars and wire rods for construction and manufacturing requirements.
- *Amsteel Mills Sdn Bhd dan Antara Steel Mills Sdn Bhd (Johor) menghasilkan produk besi panjang iaitu bilet, bar dan rod wayar untuk kegunaan sektor pembinaan dan pembuatan.*

- The Promenade at Bandar Bayan Baru, Penang, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza that was launched earlier, has recorded a take-up rate of over 90% and is expected to be completed by 2016.
- *The Promenade di Bandar Bayan Baru, Pulau Pinang terdiri daripada 336 unit suite perkhidmatan dengan 37 unit kedai butik gaya hidup dan plaza jalanan yang telah dilancarkan terlebih dahulu, mencatatkan kadar penerimaan lebih 90% dan dijangka siap sepenuhnya pada tahun 2016.*

- St Mary Residences CBD, a joint-venture with the Eastern & Oriental Group, which comprises 3 towers of 28-storey apartments, with retail, food and beverage theme outlets in the Kuala Lumpur Central Business District, has been well received with a take-up rate of over 90%.
- *St Mary Residences CBD, usahasama dengan Kumpulan Eastern & Oriental, terdiri daripada 3 menara pangsapuri 28-tingkat, dengan outlet runcit, makanan dan minuman bertema di Kuala Lumpur Central Business District, telah mendapat kadar penerimaan memuaskan, melebihi 90%.*

# PENYATA PENGERUSI

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

**PRESTASI KEWANGAN**

Bagi tahun kewangan dalam kajian, Kumpulan telah mencatatkan perolehan berjumlah RM2,782 juta, jatuh sebanyak 38% daripada RM4,482 juta yang dicatatkan pada tahun sebelumnya. Keadaan ini disebabkan terutamanya oleh sumbangan lebih rendah daripada perniagaan keluli kami. Industri keluli di Malaysia terus berdepan dengan persaingan sengit dan tekanan yang berpunca daripada lebihan bekalan keluli global. Lambakan yang dilakukan secara berleluasa terutamanya oleh kilang-kilang keluli China, menyebabkan harga keluli jatuh teruk, sekali gus mengecilkan margin keuntungan kilang-kilang keluli tempatan. Jualan berdasarkan jumlah berat dalam tan yang lebih rendah berserta margin keuntungan yang mengecil daripada bahagian operasi keluli menyebabkan Kumpulan mencatatkan kerugian operasi lebih tinggi sebanyak RM165.7 juta berbanding RM76.9 juta pada tahun lalu.

Syarikat-syarikat sekutu Kumpulan mencatatkan kerugian sebanyak RM37.8 juta terutamanya disebabkan kerugian rosot nilai dan peruntukan yang dibuat oleh syarikat-syarikat itu. Sebaliknya, entiti kawalan bersama kita dalam sektor pembangunan hartanah terus memberi sumbangan positif dengan catatan keuntungan sebanyak RM7.9 juta.

Kumpulan mengiktiraf kerugian yang berlaku sekali sebanyak RM70.0 juta bagi tujuan penyelesaian penuh dan terakhir berjumlah RM85.0 juta kerana tuntutan tindakan undang-undang terhadap bekas anak syarikatnya, Sabah Forest Industries Sdn Bhd.

Secara keseluruhan, Kumpulan telah mencatatkan kerugian sebelum cukai lebih rendah sebanyak RM278.9 juta bagi tahun kewangan ini berbanding RM580.8 juta setahun lalu. Pada 30 Jun 2015, aset bersih Kumpulan berjumlah RM2,381 juta atau RM3.33 sesaham manakala gearan bersih selepas ditolak tunai dan bersamaan tunai kekal rendah pada 0.09 kali.

**KELESTARIAN**

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

**Komuniti**

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

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

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

**Alam Sekitar**

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

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

**Dalam Pasaran**

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

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

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

**Tempat Kerja**

Kakitangan adalah aset utama, oleh itu pengurusan bakat di semua peringkat menjadi keutamaan. Dasar dan garis panduan Sumber Manusia ("HR") kita mematuhi semua peraturan yang berkaitan dan bertujuan untuk memastikan tempat kerja merangkumi kepelbagaian, penyertaan, kesaksamaan dan inovasi. Paling penting, kita mengharapkan kejujuran, integriti dan sifat saling menghormati diterapkan dalam semua urusan dan interaksi kita, baik di dalam mahupun di luar Kumpulan. Usaha Kumpulan untuk menarik, mengekal dan memotivasikan pekerja dilakukan di bawah lima bidang tumpuan strategik atau tunggak HR iaitu Ganjaran, Pembangunan Bakat, Pembangunan Keupayaan atau Kapasiti, 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 untuk menerima 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 "town hall", "lunch & learn", pengajuran rumah terbuka ketika perayaan, aktiviti/kegiatan sukan dan rekreasi. Penglibatan seperti menangani 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 industri keluli tempatan pada tahun kewangan akan datang dijangka sukar berikutan keadaan tidak menentu dalam persekitaran operasi. Lebihan keupayaan pengeluaran dan juga bekalan di peringkat dunia akan terus menjejaskan pasaran keluli dengan lambakan berterusan produk keluli yang diimport dalam pasaran tempatan. Aktiviti lambakan akan terus memberi kesan yang teruk kepada keuntungan pengeluar keluli tempatan melainkan langkah-langkah yang efektif diperkenal dan dikuatkuasakan oleh Kerajaan untuk membendungnya.

Dalam keadaan itu, prestasi Kumpulan akan kekal mencabar pada tahun kewangan akan datang.

**LEMBAGA PENGARAH**

Bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk merakamkan setinggi-tinggi penghargaan dan terima kasih kepada Encik Cheng Yong Liang yang bersara pada Mesyuarat Agung tahunan yang lepas dan Encik Heah Sieu Lay yang meletakkan jawatan daripada Lembaga Pengarah kerana masalah kesihatan, atas sumbangan mereka sepanjang tempoh perkhidmatan sebagai Pengarah.

**PENGHARGAAN**

Bagi pihak Lembaga Pengarah, saya ingin menyampaikan ucapan terima kasih kepada semua pemegang saham yang dihargai, para pelanggan, pembiaya kewangan, sekutu perniagaan dan pihak berkuasa kerajaan dan pengawal elia atas sokongan dan keyakinan mereka terhadap Kumpulan sepanjang tempoh yang mencabar ini.

Saya juga ingin merakamkan setinggi-tinggi penghargaan ikhlas dan terima kasih kepada rakan-rakan Pengarah atas bimbingan, sokongan dan sumbangan mereka yang tidak ternilai sepanjang tahun kewangan.

Akhir sekali, saya ingin mengucapkan terima kasih dengan penuh keikhlasan kepada pihak pengurusan dan kakitangan atas dedikasi dan komitmen mereka kepada Kumpulan.

**DATUK SERI UTAMA RAJA NONG CHIK BIN DATO' RAJA ZAINAL ABIDIN**
Pengerusi

# CHAIRMAN'S STATEMENT

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

## FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a revenue of RM2,782 million which is 38% lower than the RM4,482 million recorded in the previous year. This was attributed primarily to the lower contribution from our steel business. The Malaysian steel industry continued to face intense competition and pressure due to the oversupply of steel globally. In particular, the rampant dumping activities by Chinese steel mills had led to depressed steel prices and squeezed profit margin of local steel mills. The lower sales tonnage together with deteriorated profit margins from our Steel Division had resulted in the Group posting a higher operating loss of RM165.7 million compared with RM76.9 million for last year.

The Group's associated companies recorded a loss of RM37.8 million mainly attributable to impairment losses and provisions made by these associates. On the other hand, our joint-venture in the property development sector continued to contribute positively with a profit of RM7.9 million.

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.

Overall, the Group posted a lower loss before tax of RM278.9 million for the year as compared with RM580.8 million a year ago. As at 30 June 2015, the Group's net assets stood at RM2,381 million or RM3.33 per share while net gearing after deducting cash and cash equivalents remained low at 0.09 times.

## 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. Our steel manufacturing plants are certified under ISO14001 Environmental Management System which is testament of our commitment to prevention of pollution, continual improvement in overall environmental performance, and compliance with all applicable statutory and regulatory requirements.

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

Initiatives by our property projects include landscaping with lush greenery and facilities to promote a green environment.

**Marketplace**

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

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

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

**Workplace**

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

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

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

- **Talent Acquisition**

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

- **Talent Development**

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

- **Capability Building**

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

- **Reward and Performance**

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

- **HR Operational Excellence**

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

- **Employee Engagement**

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

- **Safety & Health in the Workplace**

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

- **Employee Code of Conduct**

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

**PROSPECTS**

The outlook for the local steel industry in the next financial year is expected to be tough due to prevailing uncertainties in the operating environment. The global over-capacity and oversupply will continue to weigh on the steel market with the on-going rampant dumping of imported steel products in the local market. The dumping activities will continue to severely affect the profitability of the local steel producers unless effective measures by the Government to curb the dumping activities are introduced and strictly enforced.

Under such circumstances, the Group's performance would remain challenging in the next financial year.

**BOARD OF DIRECTORS**

On behalf of the Board, I would like to take this opportunity to express our deepest appreciation and thanks to Mr Cheng Yong Liang who retired at the last annual general meeting and Mr Heah Sieu Lay who resigned from Board due to medical reasons during the financial year under review, for their contribution during their tenure as Directors.

**ACKNOWLEDGEMENT**

On behalf of the Board, I would like to express our heartfelt and sincere appreciation to all our valued shareholders, customers, financiers, business associates and the various governmental and regulatory authorities for their continuing support and confidence in the Group throughout these challenging times.

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

Last but not least, I would like to place on record my sincere thanks to the Management and staff for their dedication and commitment to the Group.

**DATUK SERI UTAMA RAJA NONG CHIK BIN DATO' RAJA ZAINAL ABIDIN**
Chairman

# 主席报告

我仅代表董事部，提呈金狮工业机构有限公司 (Lion Industries Corporation Berhad) 截至2015年6月30日会计年度的常年报告及经审核财务报告。

## 业绩

检讨会计年度内，本集团取得27亿8千200万令吉的营业额，比之前一年的44亿8千200万令吉减少38%。这主要是因为钢铁业务的表现不佳。 马来西亚的钢铁业因为全球钢铁持续供应过剩而面对激烈无比的竞争和压力，尤其是来自中国钢铁厂商的倾销活动，经已造成钢铁价格大跌，严重冲击本地钢铁厂商的利润。我们钢铁组因而面对销售滑跌及利润恶化的情况，造成本集团蒙受高达1亿6千570万令吉的更高营运亏损，去年的亏损为7千690万令吉。

本集团联号公司蒙受3千780万令吉的亏损，主要是因为这些联号公司出现减值亏损及提拨准备金之故。另一方面，我们在产业发展领域联合控制的公司，表现正面，取得790万令吉的盈利。

本集团也接纳了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全面与最终解决方案。

整体而言，本集团在检讨年度内蒙受2亿7千890万令吉的较低税前亏损，比较一年前为5亿8千零80万令吉。截至2015年6月30日止，本集团的净产值为23亿8千100万令吉或每股3令吉33仙，而扣除现金与现金等值后的净负债，则维持0.09倍的低水平。

## 可持续性

本集团根据全球永续发展报告 (Global Reporting Initiative)，采取更全面的永续发展报告方式，以克服我们在职场、市场、社区和环境所面对的挑战与机遇。这反映我们朝向更完善的企业监管与永续商业运作模式的承诺。

## 社区

企业社会责任是我们的商业精神特质的组成部分，本集团深切明瞭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群，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，向来都支持所在的社区，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

本集团继续捍卫对环境的关注，强调采用对环境有利、最优化的使用资源和节用能源的全新技术和最佳的企业行为。我们的钢铁厂取得ISO14001环境管理系统的认证，验证我们在防止污染的承诺，持续改善整体环保表现，并且严格遵守所有环境法律与条例管制。

本集团有系统地通过定期培训和有效的监管，还有在我们的厂房制定紧急反应队伍，来落实安全、健康和环保条例，以确保员工的安全与福利获得照顾。

本集团的产业发展也大量进行园艺街景，以大片青葱绿意的环境与设施来推动绿色环境。

## 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。

本集团的业务运作也完成必要的冲击分析及做好准备，以确保完全符合在2015年4月1日实施的消费税条例的要求。

## 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。金狮一百盛奖学金计划，为我们的业务建立了健全的人才来源管道。

- **人才发展**

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

- **建立能力**

  我们为雇员们提供学习和发展的机会，包括技术、功能及行为能力，以符合他们的工作要求和职业生涯抱负，学习是通过正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。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

鉴于当前运作环境充满不确定因素，本地钢铁业在下个会计年度内料面对艰辛的运作情况。全球过剩的产量与供应将继续打击钢铁市场，进口的钢铁产品将不断往本地市场倾销。这些倾销活动将继续严重打击本地钢铁厂商的利润，除非政府采取有效措施及严厉执法来抑制这些倾销活动。

这种情况下，本集团的下个会计年度的表现，将继续充满挑战。

## 董事部

我谨代表董事部，向在上届会员大会宣布退休的 Mr Cheng Yong Liang 及在本会计年度期间因健康理由呈辞的 Mr Heah Sieu Lay 致以万二分的谢意，至诚感谢和感激他们在担任董事期间所做出的贡献。

## 鸣谢

我谨代表董事部，衷心感谢我们所有珍贵的股东、顾客、银行机构、商业伙伴及各政府与执法机构，在这些具挑战的时刻继续给予本集团支持与信心。

我也至诚感谢董事部成员，感谢他们全年所给予的珍贵指导、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**
**DATUK SERI UTAMA RAJA NONG CHIK BIN DATO’ RAJA ZAINAL ABIDIN**

# REVIEW OF OPERATIONS

*Note: "Profit or loss before interests, share of associates and taxation" is hereinafter referred to as "profit" or "loss".*

**Steel**

| | 2015 RM Million | 2014 RM Million |
|---|---|---|
| Revenue | **2,346** | 4,081 |
| Loss | **(51.4)** | (51.8) |

| Product | Annual Rated Capacity (Million Metric Tons) |
|---|---|
| HBI | 0.9 |
| Billets/Molten Steel | 3.1 |
| Steel Bars and Wire Rods | 2.4 |

Malaysia's apparent steel consumption stagnated at 10.1 million metric tons in 2014. The demand for steel bars and wire rods increased by 15% from 4.8 million metric tons in 2013 to 5.6 million metric tons in tandem with the growth in the construction sector. However, domestic steel producers did not benefit from the surge in demand for steel bars and wire rods but witnessed only a 4% moderate increase in the domestic output to 3.8 million metric tons versus a sharp rise of 59% in imports from 1.2 million metric tons to 1.9 million metric tons in 2014. Export of steel bars and wire rods remained low at 0.1 million metric tons.

The shrinking domestic demand in China, the largest steel producing country, had further burdened the global steel market already in oversupply situation, with its excessive exports of steel. This gave rise to rampant dumping of cheap steel products in our local market.

The Group's Steel Division, in particular the Long Products operations comprising billets, steel bars and wire rods, saw its performance continued to be severely affected by the rampant dumping by Chinese steel mills. As a result, the Division recorded a 43% lower revenue of RM2.3 billion compared to RM4.1 billion in the same period last year. On the other hand, the Division was able to maintain its operating loss at RM51 million due to the profit achieved by our HBI operations.

**Hot Briquetted Iron ("HBI")**

HBI is a steel scrap supplement produced from iron ore pellet which is mostly sourced from South America and is used in the production of high purity steel. Our HBI, produced by Antara Steel Mills Sdn Bhd at its plant located in the Federal Territory of Labuan is largely for the export market. HBI, being an intermediary raw material for steel making, had been under tremendous price pressure throughout the year due to the weak sentiments in the global steel market.

Our HBI operation saw its revenue declined to RM436.8 million this year from RM741.3 million a year ago due to low sales tonnage and selling price. However, it recorded an operating profit of RM54.1 million against a loss of RM14.3 million last year which was mainly contributed by the higher profit on sales of by-products and the interim payment of insurance claim on the shiploader system which had earlier been damaged.

**Long Products (Molten Steel, Billets, Steel Bars & Wire Rods)**

During the financial year under review, sales of steel bars and wire rods continued to be affected by cheap imports, leading to depressed steel prices and squeezed profit margin of local steel mills.

As a result, the long products operations recorded lower revenue of RM1.9 billion and higher operating loss of RM123.9 million (2014: Revenue of RM3.3 billion and loss of RM55.5 million).

The inland waterway transportation system ("IWTS") project undertaken by the Division to transport raw materials to our steel complex in Banting via Sungai Langat river posted a revenue and an operating profit of RM38.4 million and RM18.4 million respectively (2014: Revenue of RM37.5 million and profit of RM18.0 million).

| Property Development | | |
|---|---|---|
| | **2015 RM Million** | **2014 RM Million** |
| Revenue | **57.6** | 37.5 |
| Profit (included profit from joint venture) | **17.8** | 23.0 |

"The Promenade" project is the main contributor to the performance of the Division. The project at Bandar Bayan Baru, Penang, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza was launched in the previous financial years. To-date, it has recorded a take-up rate of over 90% due to its strategic location and competitive pricing. The whole development is expected to be completed by year 2016.

The St Mary Residences CBD is a joint-venture with the Eastern & Oriental Group. This joint-venture mixed integrated development project comprises 3 towers of 28-storey apartments each, with retail, food and beverage theme outlets, located at the site of the former St Mary's School in the Kuala Lumpur Central Business District. Since its launch in 2009, the project, offering 457 apartment units, has been well received with a take-up rate of over 90% due to its strategic location in the prime CBD-KLCC area, competitive pricing, developers' track record and attractive end-financing package. For the financial year, the joint venture project contributed a profit of RM7.9 million (2014: RM18.5 million) to the Group.

| Building Materials | | |
|---|---|---|
| | **2015 RM Million** | **2014 RM Million** |
| Revenue | **617.6** | 717.4 |
| Profit | **15.7** | 14.9 |

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.

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 | | |
|---|---|---|
| | **2015 RM Million** | **2014 RM Million** |
| Revenue | **81.9** | 74.6 |
| Profit | **12.5** | 11.3 |

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.

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.

**FINANCIAL STATEMENTS**

# 2015

**For The Financial Year Ended 30 June 2015**

## DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION 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's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 44 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 for the year | (287,866) | (24,671) |
| Loss attributable to: | | |
| Owners of the Company | (254,821) | |
| Non-controlling interests | (33,045) | |
| | (287,866) | |

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 also 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 1,572,400 of its issued ordinary shares from the open market at an average price of RM0.54 per share. The total consideration paid for the repurchase including transaction costs was RM849,769. 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.

As of 30 June 2015, the Company held 2,886,400 treasury shares at a carrying amount of RM2,071,000. Further relevant details are disclosed in Note 29 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 2 February 2011 for a period of five years. The main features of the ESOS are disclosed in Note 28 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 a total of 13,692,000 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 |
|---|---|---|---|---|---|---|
| 4.12.2014 | 1.00 | – | 13,667,000 | – | (1,447,500) | **12,219,500** |
| 2.1.2015 | 1.00 | – | 25,000 | – | – | **25,000** |
| | | – | 13,692,000 | – | (1,447,500) | **12,244,500** |

The exercise period for the above options will expire on 2 February 2016.

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 150,000 options. The non-executive Directors and the eligible employees who were granted 150,000 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 |
|---|---|---|
| 1. | Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | 250,000 |
| 2. | Dato' Kamaruddin @ Abas bin Nordin | 250,000 |
| 3. | Chong Jee Min | 250,000 |
| | **Name of executive employees** | |
| 1. | Pang Fook Fah | 175,000 |
| 2. | Chen Kwong Fatt | 150,000 |
| 3. | Lee Whay Keong | 150,000 |
| 4. | Liew Choon Yick | 150,000 |
| 5. | Lin Hon Kuen | 150,000 |
| 6. | Ooi Kim Lai | 150,000 |

**OTHER STATUTORY INFORMATION**

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

(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 disclosed in Note 40 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 financial year in which this report is made.

**DIRECTORS**

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

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
Tan Sri Cheng Yong Kim
Dato' Kamaruddin @ Abas bin Nordin
Chong Jee Min
Cheng Yong Liang (retired on 4.12.2014)
Heah Sieu Lay (resigned with effect from 27.1.2015)

In accordance with Article 98 of the Company's Articles of Association, Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin retires and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

Mr Chong Jee Min 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 his 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 Cheng Yong Kim | 9,253,289 | – | – | **9,253,289** |
| Dato' Kamaruddin @ Abas bin Nordin | 28,000 | 100,000 | – | **128,000** |
| **Indirect interest** | | | | |
| Tan Sri Cheng Yong Kim | 113,681,140 | – | – | **113,681,140** |

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

| | Number of options | | | |
|---|---|---|---|---|
| | **As of 1.7.2014** | **Granted** | **Exercised** | **As of 30.6.2015** |
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | – | 250,000 | – | **250,000** |
| Dato' Kamaruddin @ Abas bin Nordin | – | 250,000 | – | **250,000** |
| Chong Jee Min | – | 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:

| | **Nominal value per ordinary share** | Number of Shares | | | |
|---|---|---|---|---|---|
| | | **As of 1.7.2014** | **Additions** | **Disposals** | **As of 30.6.2015** |
| **Tan Sri Cheng Yong Kim** | | | | | |
| **Direct interest** | | | | | |
| Lion Forest Industries Berhad | RM1.00 | 130 | – | – | **130** |
| **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 | * | 31,750,100 | – | – | **31,750,100** |
| Lion AMB Resources Berhad | RM1.00 | 300,789,489 | 4,001,382 | – | **304,790,871** |
| Lion Forest Industries Berhad | RM1.00 | 171,965,416 | – | (3,004,462) | **168,960,954** |
| 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 | 70 | – | – | **70** |
| Ototek Sdn Bhd | RM1.00 | 1,050,000 | – | – | **1,050,000** |
| Posim EMS Sdn Bhd | RM1.00 | 800,000 | – | – | **800,000** |
| P.T. Lion Intimung Malinau | USD1.00 | 4,750,000 | – | – | **4,750,000** |
| 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** |

| Investments in the People's Republic of China | Currency | As of 1.7.2014 | Additions | Disposals | As of 30.6.2015 |
|---|---|---|---|---|---|
| **Tan Sri Cheng Yong Kim** | | | | | |
| **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 interests 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 balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies have interests as disclosed in Note 38 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 share options granted pursuant to the Company's ESOS as disclosed under Directors' Interests.

## 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 CHENG YONG KIM**

**DATO' KAMARUDDIN @ ABAS BIN NORDIN**

Kuala Lumpur
22 September 2015

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION INDUSTRIES CORPORATION BERHAD

**Report on the Financial Statements**

We have audited the financial statements of **LION INDUSTRIES CORPORATION 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 49 to 155.

*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 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 the 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 Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

*Emphasis of Matter*

Without qualifying our opinion:

(a) We draw attention to Note 4(ii)(d) 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 64% (RM532.02 million) 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 the action plans as disclosed in Note 4(ii)(d) 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.

(b) We draw attention to Note 4(ii)(f) to the financial statements, which discloses that as of 30 June 2015, the steel making plant of a subsidiary company located at Banting with a carrying amount of RM331,120,000, net of accumulated impairment loss of RM49,486,000, has temporarily stopped production during the financial year. Following this, the Directors of the Company make an assessment of impairment loss for the plant. In making this assessment, the Directors have taken into consideration the action plans currently being pursued is expected to benefit the said subsidiary in terms of cost reduction and operational efficiency. In the event that the action plans that currently being pursued are not effectively implemented, the carrying amount of the said plant may need to be further impaired.

**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 the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 44 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 Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations as required by us for those purposes; and

(d) the auditor's reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out on page 156 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures 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.

**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 towards any other person for the contents of this report.

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

**SITI HAJAR BINTI OSMAN**
**Partner - 3061/04/17 (J)**
**Chartered Accountant**

22 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 | **2,782,413** | 4,482,351 | **3,011** | 5,129 |
| Other income | | **51,468** | 32,769 | **3,129** | 451 |
| Net change in inventories | | **29,309** | (188,312) | **–** | – |
| Raw materials and consumables used | | **(1,939,719)** | (3,168,519) | **–** | – |
| Purchase of trading merchandise | | **(622,354)** | (703,758) | **–** | – |
| Land held for property development costs | 15(a) | **(92)** | – | **(92)** | – |
| Property development costs | 15(b) | **(34,046)** | (20,715) | **–** | – |
| Staff costs | 6 | **(148,304)** | (169,128) | **(7,131)** | (7,682) |
| Directors' remuneration | 7 | **(1,315)** | (1,225) | **(1,315)** | (1,225) |
| Depreciation of property, plant and equipment | 12 | **(114,351)** | (115,119) | **(492)** | (545) |
| Amortisation of prepaid land lease payments | 14 | **(1,836)** | (1,838) | **–** | – |
| Other expenses | | **(135,497)** | (195,817) | **(16,820)** | (2,722) |
| Investment income | 8 | **19,407** | 41,664 | **7,439** | 4,004 |
| Finance costs | 9 | **(50,754)** | (69,225) | **(12,222)** | (10,850) |
| Loss from operations | 6 | **(165,671)** | (76,872) | **(24,493)** | (13,440) |
| Share in results of: | | | | | |
| Associated companies | 17 | **(37,845)** | 26,037 | **–** | – |
| Joint venture | 18 | **7,921** | 18,524 | **–** | – |
| Impairment losses on: | | | | | |
| Property, plant and equipment | 12 | **–** | (33,891) | **–** | – |
| Quoted and unquoted investments | 19 | **(7,998)** | (69,941) | **(185)** | (4,616) |
| Amount owing by subsidiary companies | 25 | **–** | – | **–** | (32,685) |
| Trade and other receivables | 24 | **(5,260)** | (444,643) | **–** | – |
| Settlement arising from litigation claim against a former subsidiary company | 34 | **(70,000)** | – | **–** | – |
| **Loss before tax** | | **(278,853)** | (580,786) | **(24,678)** | (50,741) |
| Tax (expense)/credit | 10 | **(9,013)** | 2,400 | **7** | (540) |
| **Loss for the year** | | **(287,866)** | (578,386) | **(24,671)** | (51,281) |

(Forward)

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| Loss attributable to: | | |
| Owners of the Company | **(254,821)** | (505,946) |
| Non-controlling interests | **(33,045)** | (72,440) |
| | **(287,866)** | (578,386) |

| | Note | The Group 2015 | The Group 2014 |
|---|---|---|---|
| **Loss per ordinary share attributable to owners of the Company (sen):** | | | |
| Basic and diluted | 11 | **(35.61)** | (70.56) |

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2014

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| **Loss for the year** | **(287,866)** | (578,386) | **(24,671)** | (51,281) |
| **Other comprehensive income/(loss)** | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translation of foreign operations | **15,112** | 1,106 | **–** | – |
| Share of other comprehensive loss of an associated company | **(35,019)** | – | **–** | – |
| Net gain on fair value changes on available-for-sale financial assets | **18,073** | 4,543 | **196** | 5 |
| **Other comprehensive income/(loss) for the year, net of tax** | **(1,834)** | 5,649 | **196** | 5 |
| **Total comprehensive loss for the year** | **(289,700)** | (572,737) | **(24,475)** | (51,276) |

| | The Group | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Loss attributable to: | | |
| Owners of the Company | **(264,248)** | (500,660) |
| Non-controlling interests | **(25,452)** | (72,077) |
| | **(289,700)** | (572,737) |

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 | 12 | **1,079,980** | 1,169,134 | **2,079** | 2,079 |
| Investment properties | 13 | **2,165** | 4,244 | **–** | – |
| Prepaid land lease payments | 14 | **46,039** | 47,875 | **–** | – |
| Land held for property development | 15(a) | **33,121** | 34,306 | **26** | 113 |
| Investment in subsidiary companies | 16 | **–** | – | **190,545** | 190,545 |
| Investment in associated companies | 17 | **806,916** | 874,085 | **102,448** | 105,421 |
| Investment in joint venture | 18 | **9,575** | 56,974 | **–** | – |
| Long-term investments | 19 | **19,827** | 20,996 | **3,924** | 701 |
| Trade receivables | 24(a) | **341,800** | 304,845 | **–** | – |
| Other receivables | 24(b) | **190,219** | 181,427 | **–** | – |
| Deferred tax assets | 20 | **106,138** | 105,986 | **–** | – |
| Goodwill | 21 | **130,443** | 130,443 | **–** | – |
| **Total Non-Current Assets** | | **2,766,223** | 2,930,315 | **299,022** | 298,859 |
| **Current Assets** | | | | | |
| Property development costs | 15(b) | **54,515** | 58,893 | **–** | – |
| Inventories | 22 | **607,529** | 817,855 | **43** | 43 |
| Short-term investments | 23 | **–** | 3,795 | **–** | 2,087 |
| Trade receivables | 24(a) | **206,724** | 321,344 | **349** | – |
| Other receivables, deposits and prepayments | 24(b) | **269,965** | 271,044 | **14,108** | 18,944 |
| Accrued billings for property development projects | | **1,428** | 547 | **–** | – |
| Amount owing by associated companies | 25(b) | **22** | 10,751 | **–** | – |
| Amount owing by joint venture | 18 | **1,579** | 1,485 | **–** | – |
| Amount owing by subsidiary companies | 25(a) | **–** | – | **1,086,441** | 1,049,768 |
| Deposits, cash and bank balances | 26 | **347,015** | 462,374 | **7,389** | 10,166 |
| | | **1,488,777** | 1,948,088 | **1,108,330** | 1,081,008 |
| Assets classified as held for sale | 27 | **3,388** | – | **–** | – |
| **Total Current Assets** | | **1,492,165** | 1,948,088 | **1,108,330** | 1,081,008 |
| **Total Assets** | | **4,258,388** | 4,878,403 | **1,407,352** | 1,379,867 |

(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 | 28 | **717,909** | 717,909 | **717,909** | 717,909 |
| Reserves | 29 | **1,662,939** | 1,926,759 | **338,815** | 363,866 |
| Equity attributable to owners of the Company | | **2,380,848** | 2,644,668 | **1,056,724** | 1,081,775 |
| Non-controlling interests | 16 | **286,909** | 315,265 | **–** | – |
| **Total Equity** | | **2,667,757** | 2,959,933 | **1,056,724** | 1,081,775 |
| **Non-Current and Deferred Liabilities** | | | | | |
| Long-term borrowings | 30 | **121,870** | 183,275 | **–** | – |
| Finance lease payables | 31 | **28,335** | 89,782 | **–** | – |
| Hire-purchase obligations | 32 | **2,096** | 2,824 | **126** | 185 |
| Deferred tax liabilities | 20 | **22,991** | 25,127 | **–** | – |
| **Total Non-Current and Deferred Liabilities** | | **175,292** | 301,008 | **126** | 185 |
| **Current Liabilities** | | | | | |
| Trade payables | 33(a) | **649,652** | 604,271 | **166** | 166 |
| Other payables, deposits and accrued expenses | 33(b) | **342,842** | 534,559 | **1,176** | 1,593 |
| Provisions | 34 | **–** | 15,000 | **–** | – |
| Advance billings of property development projects | | **13,864** | 24,806 | **–** | – |
| Amount owing to subsidiary companies | 25(a) | **–** | – | **183,657** | 155,734 |
| Finance lease payables | 31 | **61,447** | 16,556 | **–** | – |
| Hire-purchase obligations | 32 | **857** | 896 | **81** | 99 |
| Short-term borrowings | 35 | **326,066** | 389,161 | **165,422** | 140,315 |
| Tax liabilities | | **20,611** | 32,213 | **–** | – |
| **Total Current Liabilities** | | **1,415,339** | 1,617,462 | **350,502** | 297,907 |
| **Total Liabilities** | | **1,590,631** | 1,918,470 | **350,628** | 298,092 |
| **Total Equity and Liabilities** | | **4,258,388** | 4,878,403 | **1,407,352** | 1,379,867 |

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2015

| The Group | Note | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Translation adjustment reserve RM'000 | Capital reserve RM'000 | Equity compensation 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Non-distributable reserves | | | | | | → | | | | |
| **As of 1 July 2013** | | 717,909 | 532,627 | (494) | 5,188 | 13,357 | – | (4,357) | 1,888,978 | 3,153,208 | 388,309 | 3,541,517 |
| Loss for the year | | – | – | – | – | – | – | – | (505,946) | (505,946) | (72,440) | (578,386) |
| Other comprehensive income | | – | – | – | 743 | – | – | 4,543 | – | 5,286 | 363 | 5,649 |
| Total comprehensive income/(loss) for the year | | – | – | – | 743 | – | – | 4,543 | (505,946) | (500,660) | (72,077) | (572,737) |
| Purchase of treasury shares | 29 | – | – | (727) | – | – | – | – | – | (727) | – | (727) |
| Acquisition of non-controlling interests | | – | – | – | – | – | – | – | 17 | 17 | (25) | (8) |
| Dividend paid | 36 | – | – | – | – | – | – | – | (7,170) | (7,170) | – | (7,170) |
| Dividend paid by subsidiary companies | 16 | – | – | – | – | – | – | – | – | – | (942) | (942) |
| **As of 30 June 2014** | | 717,909 | 532,627 | (1,221) | 5,931 | 13,357 | – | 186 | 1,375,879 | 2,644,668 | 315,265 | 2,959,933 |

**The Group**

| | Note | Share capital RM'000 | ◄── Share premium RM'000 | Treasury shares RM'000 | Non-distributable reserves Translation adjustment reserve RM'000 | Capital reserve RM'000 | Equity compensation 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 2014** | | **717,909** | **532,627** | **(1,221)** | **5,931** | **13,357** | **–** | **186** | **1,375,879** | **2,644,668** | **315,265** | **2,959,933** |
| Loss for the year | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(254,821)** | **(254,821)** | **(33,045)** | **(287,866)** |
| Other comprehensive income/(loss) | | **–** | **–** | **–** | **7,540** | **(35,019)** | **–** | **18,073** | **(21)** | **(9,427)** | **7,593** | **(1,834)** |
| Total comprehensive income/(loss) for the year | | **–** | **–** | **–** | **7,540** | **(35,019)** | **–** | **18,073** | **(254,842)** | **(264,248)** | **(25,452)** | **(289,700)** |
| Share-based payments | | **–** | **–** | **–** | **–** | **–** | **274** | **–** | **–** | **274** | **–** | **274** |
| Purchase of treasury shares | 29 | **–** | **–** | **(850)** | **–** | **–** | **–** | **–** | **–** | **(850)** | **–** | **(850)** |
| Acquisition of non-controlling interests | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **1,004** | **1,004** | **(2,904)** | **(1,900)** |
| **As of 30 June 2015** | | **717,909** | **532,627** | **(2,071)** | **13,471** | **(21,662)** | **274** | **18,259** | **1,122,041** | **2,380,848** | **286,909** | **2,667,757** |

**The Company**

| | Note | | ← Non-distributable reserves | | | | → | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Share capital RM'000 | Share premium RM'000 | Treasury shares RM'000 | Fair value reserve RM'000 | Equity compensation reserve RM'000 | Capital reserve RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
| **As of 1 July 2013** | | 717,909 | 532,627 | (494) | 18 | – | 5,145 | (114,257) | 1,140,948 |
| Loss for the year | | – | – | – | – | – | – | (51,281) | (51,281) |
| Other comprehensive income | | – | – | – | 5 | – | – | – | 5 |
| Total comprehensive income/(loss) for the year | | – | – | – | 5 | – | – | (51,281) | (51,276) |
| Purchase of treasury shares | 29 | – | – | (727) | – | – | – | – | (727) |
| Dividend paid | 36 | – | – | – | – | – | – | (7,170) | (7,170) |
| **As of 30 June 2014** | | 717,909 | 532,627 | (1,221) | 23 | – | 5,145 | (172,708) | 1,081,775 |
| **As of 1 July 2014** | | **717,909** | **532,627** | **(1,221)** | **23** | **–** | **5,145** | **(172,708)** | **1,081,775** |
| Loss for the year | | **–** | **–** | **–** | **–** | **–** | **–** | **(24,671)** | **(24,671)** |
| Other comprehensive income | | **–** | **–** | **–** | **196** | **–** | **–** | **–** | **196** |
| Total comprehensive income/(loss) for the year | | **–** | **–** | **–** | **196** | **–** | **–** | **(24,671)** | **(24,475)** |
| Purchase of treasury shares | 29 | **–** | **–** | **(850)** | **–** | **–** | **–** | **–** | **(850)** |
| Share-based payments | | **–** | **–** | **–** | **–** | **274** | **–** | **–** | **274** |
| **As of 30 June 2015** | | **717,909** | **532,627** | **(2,071)** | **219** | **274** | **5,145** | **(197,379)** | **1,056,724** |

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<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | |
| Loss for the year | **(287,866)** | (578,386) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **114,351** | 115,119 |
| Inventories written down | **75,371** | 10,264 |
| Settlements arising from litigation claim against a former subsidiary company | **70,000** | – |
| Finance costs | **50,754** | 69,225 |
| Allowance for obsolescence of inventories | **13,256** | 1,306 |
| Unrealised loss/(gain) on foreign exchange | **10,120** | (2,099) |
| Tax expense/(credit) recognised in profit or loss | **9,013** | (2,400) |
| Impairment loss on: | | |
| Associated companies | **12,655** | – |
| Long-term investments | **7,998** | 69,941 |
| Trade and other receivables | **5,260** | 444,643 |
| Property, plant and equipment | **–** | 33,891 |
| Amortisation of prepaid land lease payments | **1,836** | 1,838 |
| Property, plant and equipment written off | **382** | 116 |
| Share-based payments | **274** | – |
| Share in results of: | | |
| Associated companies | **37,845** | (26,037) |
| Joint venture | **(7,921)** | (18,524) |
| Interest income | **(19,910)** | (42,336) |
| Impairment losses no longer required for: | | |
| Trade and other receivables | **(5,005)** | (983) |
| Long-term investments | **(2,457)** | (39) |
| Allowance no longer required for obsolescence of inventories | **(2,758)** | (157) |
| (Gain)/Loss on disposal of: | | |
| Property, plant and equipment | **(1,241)** | (584) |
| Quoted investments | **(24)** | – |
| Unquoted investments | **837** | – |
| Fair value adjustments on investment properties | **(378)** | (472) |
| Operating Profit Before Working Capital Changes | **82,392** | 74,326 |
| Movements in working capital: | | |
| (Increase)/Decrease in: | | |
| Inventories | **124,457** | 214,307 |
| Trade and other receivables, deposits and prepayments | **126,593** | (97,505) |
| Amount owing by associated companies | **10,729** | (5,353) |
| Property development costs | **5,757** | 1,000 |
| Amount owing by joint venture | **(94)** | 66 |
| Decrease in trade and other payables, deposits and accrued expenses | **(201,880)** | (54,350) |
| Cash Generated From Operations | **147,954** | 132,491 |
| Tax paid | **(25,694)** | (15,086) |
| Net Cash From Operating Activities | **122,260** | 117,405 |

(Forward)

| The Group | Note | 2015 RM'000 | 2014 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Dividends received from: | | | |
| Associated companies | | **4,054** | 6,371 |
| Joint venture | | **55,320** | 49,788 |
| Interest received | | **14,928** | 15,786 |
| Proceeds from disposal/redemption of investments | | **3,043** | 4,622 |
| Proceeds from disposal of: | | | |
| Property, plant and equipment | | **5,583** | 3,998 |
| Assets classified as held for sale | | **–** | 470 |
| Additions to: | | | |
| Property, plant and equipment (Note) | | **(28,840)** | (66,415) |
| Quoted investments | | **(1,374)** | – |
| Associated companies | | **–** | (1,600) |
| Acquisition of non-controlling interests | | **(1,900)** | (8) |
| Increase in land held for property development | | **57** | (83) |
| Net Cash From Investing Activities | | **50,871** | 12,929 |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Decrease/(Increase) in cash and cash equivalents - restricted | | **140,400** | (3,885) |
| Proceeds from borrowings | | **75,956** | 182,128 |
| Repayment of: | | | |
| Long-term borrowings | | **(60,000)** | – |
| Short-term borrowings | | **(151,576)** | (328,654) |
| Finance lease liabilities | | **(16,556)** | (15,070) |
| Hire-purchase obligations | | **(895)** | (2,928) |
| Interest and profit element paid | | **(51,005)** | (69,225) |
| Settlement arising from litigation claim against a former subsidiary company | | **(85,000)** | – |
| Purchase of treasury shares | | **(850)** | (727) |
| Dividend paid to equity holders of the Company | | **–** | (7,170) |
| Dividend paid to non-controlling interests of the Group | | **–** | (942) |
| Net Cash Used In Financing Activities | | **(149,526)** | (246,473) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **23,605** | (116,139) |
| Effect of foreign exchange differences | | **529** | – |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **269,481** | 385,620 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 37 | **293,615** | 269,481 |

Note: Purchase of property, plant and equipment is financed through:

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Cash | **28,840** | 66,415 |
| Hire-purchase | **128** | 2,406 |
| | **28,968** | 68,821 |

(Forward)

| The Company | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | |
| Loss for the year | **(24,671)** | (51,281) |
| Adjustments for: | | |
| Finance costs | **12,222** | 10,850 |
| Unrealised loss/(gain) on foreign exchange | **11,131** | (17) |
| Loss on disposal of unquoted investment | **837** | – |
| Depreciation of property, plant and equipment | **492** | 545 |
| Share-based payments | **274** | – |
| Impairment losses on quoted and unquoted investments | **185** | 4,616 |
| Property, plant and equipment written off | **1** | 15 |
| Interest income | **(7,521)** | (4,079) |
| Dividend income | **(2,624)** | (5,129) |
| Impairment losses on amount owing by subsidiary companies no longer required | **(1,811)** | – |
| Gain on disposal of quoted investments | **(22)** | – |
| Tax (credit)/expense recognised in profit or loss | **(7)** | 540 |
| Impairment loss on amount owing by subsidiary companies | **–** | 32,685 |
| Gain on disposal of property, plant and equipment | **–** | (48) |
| Operating Loss Before Working Capital Changes | **(11,514)** | (11,303) |
| Movements in working capital: | | |
| Decrease in: | | |
| Trade and other receivables, deposits and prepayments | **7,768** | 4,110 |
| Land held for development | **87** | – |
| Decrease in trade and other payables, deposits and accrued expenses | **(417)** | (462) |
| Cash Used In Operations | **(4,076)** | (7,655) |
| Tax refunded | **90** | 3,086 |
| Net Cash Used In Operating Activities | **(3,986)** | (4,569) |

(Forward)

| The Company | Note | 2015 RM'000 | 2014 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Proceeds from disposal/redemption of investments | | **483** | 1,076 |
| Interest income received | | **322** | 283 |
| Dividends received | | **–** | 4,903 |
| Increase in amount owing by subsidiary companies | | **(848)** | (45,839) |
| Purchase of property, plant and equipment | | **(493)** | (476) |
| Proceeds from disposal of property, plant and equipment | | **–** | 135 |
| Net Cash Used In Investing Activities | | **(536)** | (39,918) |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | **75,956** | 18,496 |
| Repayment of: | | | |
| Borrowings | | **(61,430)** | – |
| Hire-purchase obligations | | **(77)** | (164) |
| Finance costs paid | | **(12,222)** | (10,850) |
| Purchase of treasury shares | | **(850)** | (727) |
| (Increase)/Decrease in cash and cash equivalents - restricted | | **(80)** | 43 |
| Increase in amount owing to subsidiary companies | | **–** | 37,660 |
| Dividend paid to owners of the Company | | **–** | (7,170) |
| Net Cash From Financing Activities | | **1,297** | 37,288 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(3,225)** | (7,199) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **3,271** | 10,470 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 37 | **46** | 3,271 |

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's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 44.

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 Registered Office of the Company is located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Level 2-5, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 22 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 Financial Reporting Standards ("FRS") and the provisions of the Companies Act, 1965 in Malaysia.

**Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities ("TEs").

Transitioning Entities, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB. On 2 September 2014, with the issuance of MFRS 15 *Revenue from Contracts with Customers* and Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, the MASB announced that Transitioning Entities which have chosen to continue with the FRS Framework is now required to adopt the MFRS Framework latest by 1 January 2017.

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15 will be deferred to annual periods beginning on or after 1 January 2018. However, early application of MFRS 15 is still permitted.

The Group falls within the scope of definition of TEs and has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group will be required to apply MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards* in its financial statements for the financial year ending 30 June 2019, being the first set of financial statements prepared in accordance with new MFRS Framework.

The Group is currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of authorisation for issue of these financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

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

**Adoption of New Financial Reporting Standards**

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

| | |
|---|---|
| Amendments to FRS 10, FRS 12 and FRS 127 | Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements – Investment Entities |
| Amendments to FRS 119 | Defined Benefits Plans (Amendments relating to Employee Contributions) |
| Amendments to FRS 132 | Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities |
| Amendments to FRS 136 | Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to FRS 139 | Financial Instruments - Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21 | Levies |

Annual Improvements to FRSs 2010 – 2012 Cycle
Annual Improvements to FRSs 2011 – 2013 Cycle

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

**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:

| | |
|---|---|
| FRS 9 | Financial Instruments (Hedge Accountting and amendments to FRS 9, FRS 7 and FRS 139)[2] |
| FRS 9 | Financial Instruments (IFRS 9 as issued by IASB in July 2014)[2] |
| FRS 14 | Regulatory Deferral Accounts[1] |
| Amendments to FRS 9 and FRS 7 | Mandatory Effective Date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures[3] |
| Amendments to FRS 10, FRS 12 and FRS 128 | Investment Entities: Applying the Consolidation Exception[1] |
| Amendments to FRS 10 and FRS 128 | Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to FRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| Amendments to FRS 101 | Disclosure Initiative[1] |
| Amendments to FRS 116 and FRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to FRS 127 | Equity Method in Separate Financial Statements[1] |

Annual Improvements to FRSs 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.
[3] Issued by MASB in March 2012 with an immediate effective date upon issuance. The amendments defer the mandatory effective date of FRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010) from 1 January 2013 to 1 January 2015 and modified the relief from restating comparative periods and the associated disclosures in FRS 7. The aforementioned date was removed with the issuance of FRS 9 Financial Instruments (Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139).

The Directors anticipate that the 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.

## 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 consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transactions that are within the scope of FRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 or value-in-use in FRS 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 statements of profit or loss 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 FRSs). 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 FRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associated company 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 FRS 112 *Income Taxes and* FRS 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 FRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 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 FRSs.

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 FRS 139 or FRS 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 and Joint Venture**

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.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment in Associated Companies and Joint Venture (continued)

The results and assets and liabilities of associated companies and joint venture 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 FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associated company or a joint venture are initially recognised in the statements 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 company or joint venture. When the Group's share of losses of an associated company or a joint venture exceeds the Group's interest in that associated company or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company or joint venture), 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 or joint venture.

An investment in an associated company or a joint venture is accounted for using the equity method from the date on which the investee becomes an associated company or a joint venture. On acquisition of the investment in an associated company or a joint venture, 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 FRS 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 or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 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 a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associated company or joint venture 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 FRS 139. The difference between the carrying amount of the associated company or joint venture 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 or joint venture is included in the determination of the gain or loss on disposal of the associated company or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associated company or joint venture on the same basis as would be required if that associated company or joint venture 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 or joint venture 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.

The Group continues to use the equity method when an investment in an associated company becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associated company. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associated company or a joint venture 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 an associated company or a joint venture of the Group, profit or losses resulting from the transactions with the associated company and joint venture are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associated company or joint venture 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 Group consists of the sales invoice value of goods and services supplied to third parties, net of discounts and returns, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed, sales value of land under development and completed property units, gross rental income and dividend income receivable from quoted and unquoted investments.

Revenue of the Company represents income recognised from the sales of land held under property development and gross dividend from the subsidiary companies and associated companies.

The revenue recognition policies of the Group and of the Company are as follows:

(i) **Steel Division**

Gross invoice value of goods sold - upon delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

(ii) **Property Development Division**

Property development projects - upon signing of the individual sale and purchase agreements, based on the percentage of completion method.

Sale of land under development and completed property units - when the significant risks and rewards of ownership have passed to the buyer.

Rental income - on accrual basis.

(iii) **Building Materials Division**

Gross invoice value of goods sold - upon delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

(iv) **Other Divisions**

Gross invoice value of goods sold and services rendered - upon performance of services and delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

Gross dividend income - where the shareholders' right to receive payment is established.

**Foreign Currency**

(i) **Functional and Presentation Currencies**

The individual financial statements of each entity in the Group are presented in Ringgit Malaysia, United States Dollar, Renminbi or Singapore Dollar, the currency of the primary economic environment in which the entities operate (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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Foreign Currency (continued)**

(ii) **Foreign Currency Transactions**

In preparing the financial statements of the individual entities, transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. 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.

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.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Ringgit Malaysia using exchange rate prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. 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.

**Employee Benefits**

(i) **Short-term Employee Benefits**

Salaries, wages, bonuses, social security contributions and annual leaves are accrued for in the year in which the associated services are rendered by the employees of the Group and of the Company.

(ii) **Defined Contribution Plans**

The Company, its subsidiary companies incorporated in Malaysia and their eligible employees are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a local statutory defined contribution plans, at certain prescribed rates based on the employees' salaries. The Group's foreign incorporated subsidiary companies and their eligible employees also make 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 equity amount is recognised in the equity compensation reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

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

**Income Tax**

Income tax expense on profit or loss for the year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted 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 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 sufficient 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 each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realised, based on the 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 and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of their 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, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

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.

The tax effects of the unutilised reinvestment allowances are recognised only upon actual realisation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of Assets Excluding Goodwill

At the end of each reporting period, the Group and the Company review the carrying amounts of their non-current 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.

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Property, Plant and Equipment

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

Freehold land has unlimited useful life and therefore is not depreciated. Construction work-in-progress is not depreciated as this asset is also not available for use. All other property, plant and equipment are depreciated on a straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

| | |
|---|---|
| Freehold buildings | 2% - 4% |
| Other buildings | 2% - 18% |
| Plant, machinery and equipment | 2% - 25% |
| Prime movers and trailers | 15% |
| Motor vehicles | 8% - 25% |
| Furniture and office equipment | 5% - 25% |
| Computer equipment | 10% - 20% |
| Floating cranes | 5% |
| Tug boats and barges | 10% |
| Infrastructure | 7% |
| Renovations | 2% - 20% |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

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

### Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 40 to 83 years (2014: 41 to 84 years).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Capitalisation of Borrowing Cost**

Borrowing cost incurred on the construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of borrowing cost will cease when the assets are ready for their intended use and is suspended during extended period in which active development is interrupted.

**Investment Properties**

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

Investment properties are stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

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 in the period of the retirement or disposal.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread evenly over the lease term.

**Property, Plant and Equipment under Finance Leases**

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included at the end of the reporting period as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

**Property, Plant and Equipment under Hire-Purchase Arrangement**

Property, plant and equipment acquired under hire-purchase arrangement 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 obligations.

**Land held for Property Development**

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Land held for Property Development (continued)**

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities are expected to be completed within the Group's normal operating cycle.

**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.

**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. 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. 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 a subsequent period.

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

**Property Development Activities**

Property development revenue is recognised for all units sold using the percentage of completion method, by reference to the stage of completion of the property development projects at the end of the reporting period as measured by the proportion that development costs incurred for work performed to-date bear to the estimated total property development costs on completion.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised to the extent of property development costs incurred that are probable of recovery.

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

Inventories of unsold completed development units are stated at the lower of cost and net realisable value.

Accrued billings represent the excess of property development revenue recognised in profit or loss over the billings to purchasers while advance billings represent the excess of billings to purchasers over property development revenue recognised in profit or loss.

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

**Inventories**

Trading merchandise, finished goods, work-in-progress, raw materials and other products are valued at the lower of cost and net realisable value. Cost is determined principally on the 'weighted average' method. The costs of raw materials comprise the original purchase price plus the incidental cost incurred in bringing the inventories to their present locations and conditions. The cost of work-in-progress and finished goods comprise the cost of raw materials, direct labour, direct charges and an appropriate proportion of production overheads.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

Goods-in-transit are valued at the lower of cost and net realisable value.

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.

**Islamic Securities Programme ("Sukuk")**

The Sukuk is bond issued in accordance with the Islamic finance concept of Bai' Bithaman Ajil. In accordance with such concept, the Group sold certain assets to a trustee, and repurchased them at the same price together with an agreed profit margin. The Group's payment of the purchase price is deferred in accordance with the maturities of this bond, whilst the profit element is paid half-yearly.

The bond is initially recognised at cost, being the fair value of the consideration received. After initial recognition, the profit element attributable to the bond in each period is recognised as an expense on a straight-line basis to the maturity of each series respectively.

**Provisions**

Provisions are recognised when the Group or the Company has 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 obligations.

**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.

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

**Financial Guarantee Contracts**

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

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

**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") investments 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.

<u>Effective interest method</u>

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 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 instructions other than those financial assets classified as at FVTPL.

<u>Financial assets at FVTPL</u>

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 and the Company manage 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.

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.

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

**Financial Assets (continued)**

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 and the Company have 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.

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.

AFS investments

AFS investments are those that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, AFS investments are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss.

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 and the Company's right to receive the dividends is established.

AFS investments are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

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.

(a) Loans and receivables

Receivables 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 and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

In respect of receivables 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.

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

(a) Loans and receivables (continued)

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

(b) AFS investments

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

When an AFS investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are classified 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 previous 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.

(c) Held-to-maturity investments

The Group assesses at the end of each reporting period whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial assets original effective interest rate.

<u>Derecognition of financial assets</u>

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 are recorded at the proceeds received, net of direct issue costs. Ordinary shares are equity instruments.

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

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 and the Company manage 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.

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

The Group's and the Company's other financial liabilities include trade payables, other payables and accrued expenses, amount owing to subsidiary companies and borrowings.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and 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 Liabilities and Equity Instruments (continued)**

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

**Statements of Cash Flows**

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

Cash and cash equivalents which comprise deposits, cash and bank balances, and bank overdrafts are short-term, highly liquid investments that are readily convertible to cash with insignificant risks of changes in value.

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

### (i) Critical judgements in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company'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 period except for the following:

#### (a) Impairment of 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** |
| Land held for property development | **4,535** | 9,478 | **–** | – |
| Property development costs | **13,388** | 8,445 | **–** | – |
| Long-term investments | **73,410** | 83,932 | **–** | 4,546 |
| Investment in associated companies | **12,655** | – | **–** | – |
| Investment in subsidiary companies | **–** | – | **174,811** | 174,811 |

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 the recoverable amounts involves a number of methodologies.

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

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

**(a) Impairment of 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 and the Company make estimates and assumptions that require significant judgements. While the Group and the Company believe these estimates and assumptions of VIU could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact the Group's and the Company's financial position and results.

**(b) Impairment of Goodwill**

Determining whether goodwill is impaired requires an estimation of the VIU of the cash-generating units to which goodwill has been allocated. The VIU calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2014: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 21.

**(c) Deferred Tax Assets**

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group amounted to RM106,138,000 (2014: RM105,986,000).

**(d) Impairment of Receivables**

Assessment of impairment for receivables is made based on the evaluation of collectability and aging analysis of accounts and on management's estimate of, amongst others, the quantum and timing of cash flows. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the judgement about the creditworthiness of the debtors and the past collection history of each customer. If the financial conditions of the customers were to deteriorate such that the ability of the customers to make repayments is affected, additional allowance for impairment loss may be required.

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

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

#### (d) Impairment of Receivables (continued)

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") | **491,862** | 517,692 |
| Lion DRI Sdn Bhd ("Lion DRI") | **143,775** | 81,485 |
| | **635,637** | 599,177 |
| Less: Accumulated impairment losses | **(293,837)** | (294,332) |
| Net | **341,800** | 304,845 |
| **Other receivables** | | |
| Megasteel | **48,558** | 48,560 |
| Lion DRI | **49,781** | 42,115 |
| Graimpi Sdn Bhd ("Graimpi") | **272,180** | 272,180 |
| | **370,519** | 362,855 |
| Less: Accumulated impairment losses | **(180,300)** | (181,428) |
| | **190,219** | 181,427 |
| Concentration of credit risk | **64%** | 53% |

The ability of Lion DRI and Gaimpi to generate sufficient cash flows to repay their debts to the Group is highly dependent on the performance of Megasteel. In the 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 group 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 discussion are currently on-going.

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

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

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

**(d) Impairment of Receivables (continued)**

As of 30 June 2015, the Group recognised impairment losses amounting to RM293,837,000 and RM180,300,000 (2014: RM294,332,000 and RM182,948,000) in respect of the trade receivables and other receivables due from these related parties respectively. Based on the assessment by the Directors, 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 the 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 receivable 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 fully 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 believe that Megasteel will make its best efforts to execute the abovementioned action plans so that it will be able to continue in operational existence for the foreseeable future and be able to generate the required cashflows to meet its obligations as and when they fall due. As such, the Directors are of the opinion that the debts outstsanding from these related parties, net of allowance is recoverable.

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

The cost of property, plant and equipment except for freehold land and construction work-in-progress, is 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.

**(f) Impairment of Property, Plant and Equipment**

As of 30 June 2015, the steel making plant of a subsidiary company located at Banting ("the Banting plant") with a carrying amount of RM331,120,000, net of accumulated impairment loss of RM49,486,000 (2014: RM367,726,000, net of accumulated impairment loss of RM49,486,000) has temporarily stopped production during the financial year. Following this, the Directors of the Company make an assessment of impairment for the plant. In making this assessment, it is expected that the Banting plant will recommence its production in the near future. The recoverable amount of the plant is estimated based on value-in-use calculations. The value-in-use is determined by discounting the future cash flows generated from the continuing use of the unit and the projected cash flows were prepared based on the financial budgets and projections approved by management covering five years period and the following were the key assumptions:

(i) the sales tonnage and selling price of saleable products, purchase price of raw materials and the production of the Group in preparing the projected cash flows were determined based on past business performance and management's expectations on market development;

(ii) the successful petition by the Group for protection from the relevant authorities; and

(iii) a weighted average cost of capital of 12% has been applied to the cash flow projections.

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

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

#### (f) Impairment of Property, Plant and Equipment (continued)

The values assigned to the key assumptions represent management's assessment of future trends as well as historical data in the industry which are based on both external and internal sources. In particular, the assessment is sensitive towards the fluctuation in world steel prices which impact the selling prices of the saleable products.

The Directors have also taken into consideration the action plans currently being pursued by Megasteel. The successful and timely execution of cost reduction measures by Megasteel is also expected to benefit the said subsidiary in terms of cost reduction and operational efficiency.

Premised on the above, the carrying amount of the plant was determined to be lower than the recoverable amount and no further impairment loss was recognised during year.

The Directors believe that no reasonably foreseeable changes in any of the above key assumptions would cause the carrying amount of the plant to materially exceed their recoverable amount.

## 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** |
| Sale of goods | **2,670,628** | 4,384,042 | **–** | – |
| Revenue from: | | | | |
| Property development | **52,976** | 35,209 | **–** | – |
| Sale of land under development and completed property units | **3,268** | 944 | **387** | – |
| Gross rental income | **1,384** | 1,384 | **–** | – |
| Service rendered | **54,155** | 60,767 | **–** | – |
| Gross dividend income from: | | | | |
| Associated companies | **–** | – | **2,622** | 4,224 |
| Subsidiary companies | **–** | – | **–** | 902 |
| Other investments | **2** | 5 | **2** | 3 |
| | **2,782,413** | 4,482,351 | **3,011** | 5,129 |

## 6. LOSS FROM OPERATIONS

Loss from operations is arrived at after crediting/(charging) the following income/(expenses):

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Impairment losses no longer required for: | | | | |
| Long–term investments | **2,457** | 39 | **–** | – |
| Trade and other receivables (Note 24) | **5,005** | 983 | **–** | – |
| Allowance no longer required for obsolescence of inventories | **2,758** | 157 | **–** | – |
| Inventories written down | **(75,371)** | (10,264) | **–** | – |
| Allowance for obsolescence of inventories | **(13,256)** | (1,306) | **–** | – |
| Property, plant and equipment written off | **(382)** | (116) | **(1)** | (15) |
| Impairment loss on amount owing by subsidiary companies no longer required (Note 25(a)) | **–** | – | **1,811** | – |
| Impairment losses on investment in associated companies (Note 16) | **(12,655)** | – | **–** | – |
| Bad debts recovered | **45** | 17 | **–** | – |
| Fees paid/payable to external auditors: | | | | |
| Statutory audit: | | | | |
| Auditors of the Company: | | | | |
| Current year | **(864)** | (860) | **(120)** | (115) |
| Underprovision in prior years | **(6)** | (11) | **(5)** | (8) |
| Other auditors: | | | | |
| Current year | **(94)** | (72) | **–** | – |
| Rental income from premises | **2,044** | 10,319 | **–** | – |
| Rental expense of: | | | | |
| Jetties and leasehold land | **(4,817)** | (4,817) | **–** | – |
| Premises | **(902)** | (759) | **–** | – |
| Plant, machinery and equipment | **(9,715)** | (10,366) | **–** | – |
| Gain/(Loss) on disposal of: | | | | |
| Property, plant and equipment | **1,241** | 584 | **–** | 48 |
| Quoted investments | **24** | – | **22** | – |
| Unquoted investment | **(837)** | – | **(837)** | – |
| Gain/(Loss) on foreign exchange (net): | | | | |
| Realised | **2,464** | (3,280) | **(3,285)** | (49) |
| Unrealised | **(10,120)** | 2,099 | **(11,131)** | 17 |
| Fair value adjustments on investment properties (Note 13) | **378** | 472 | **–** | – |
| Interest income from Housing Development Accounts | **503** | 672 | **82** | 75 |

## 6. LOSS FROM OPERATIONS (continued)

Share-based payments relating to options granted under the Executive Share Option Scheme of the Company during the current financial year amounted to RM274,000 (2014: RMNil).

Analysis of staff costs is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Salaries, bonuses and allowances | **133,683** | 153,780 | **6,437** | 6,840 |
| Defined contribution plans | **14,621** | 15,348 | **694** | 842 |
| | **148,304** | 169,128 | **7,131** | 7,682 |

Included in staff costs are the remuneration of members of key management, other than the Directors of the Group and of the Company as disclosed in Note 7, as follows:

| | The Group | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Salaries, bonuses and allowances | **3,733** | 3,803 |
| Defined contribution plans | **388** | 384 |
| | **4,121** | 4,187 |

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group and of the Company as disclosed in Note 7, otherwise than in cash from the Group amounted to RM55,992 (2014: RM67,399).

## 7. DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company classified into executive and non-executive Directors are as follows:

| | The Group and The Company | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| **Executive Director:** | | |
| Fee | **25** | 25 |
| Salary and other emoluments | **986** | 865 |
| Defined contribution plans | **118** | 104 |
| | **1,129** | 994 |
| **Non-executive Directors:** | | |
| Fees | **186** | 219 |
| Salary and other emoluments | **–** | 12 |
| | **186** | 231 |
| **Total** | **1,315** | 1,225 |

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM99,796 (2014: RM97,127).

## 8. INVESTMENT INCOME

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest income from: | | | | |
| Fixed deposits | **10,947** | 12,382 | **240** | 208 |
| Related parties | **4,982** | 26,550 | **190** | 404 |
| Long-term investments | **188** | 1,098 | **–** | 539 |
| Subsidiary companies | **–** | – | **7,009** | 2,853 |
| Others | **3,290** | 1,634 | **–** | – |
| | **19,407** | 41,664 | **7,439** | 4,004 |

## 9. FINANCE COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Interest expense on: | | | | |
| Term loans | **14,875** | 22,658 | **11,834** | 10,560 |
| Security deposits received from customers | **1,246** | 2,190 | **–** | – |
| Bills payable | **4,532** | 5,169 | **–** | – |
| Bank overdrafts | **942** | 1,172 | **361** | 201 |
| Finance lease and hire-purchase | **9,534** | 11,040 | **12** | 23 |
| Product financing liabilities | **4,053** | 7,057 | **–** | – |
| Others | **5,024** | 6,979 | **15** | 66 |
| Profit element on Sukuk | **10,548** | 12,960 | **–** | – |
| | **50,754** | 69,225 | **12,222** | 10,850 |

## 10. TAX (EXPENSE)/CREDIT

Tax (expense)/credit for the Group and the Company consists of:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Estimated tax payable: | | | | |
| Current year | **(21,367)** | (18,882) | **–** | (185) |
| Over/(Under)provision in prior years | **10,066** | (11,289) | **7** | (355) |
| | **(11,301)** | (30,171) | **7** | (540) |
| Deferred taxation (Note 20): | | | | |
| Current year | **1,796** | 20,730 | **–** | – |
| Overprovision in prior years | **492** | 11,841 | **–** | – |
| | **2,288** | 32,571 | **–** | – |
| Total tax (expense)/credit | **(9,013)** | 2,400 | **7** | (540) |

The Budget 2015 announced on 25 October 2014 reduced the corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Following this, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the respective expected rates.

**10. TAX (EXPENSE)/CREDIT (continued)**

The tax (expense)/credit varied from the amount of tax (expense)/credit determined by applying the applicable income tax rate to loss before tax as a result of the following differences:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Loss before tax | **(278,853)** | (580,786) | **(24,678)** | (50,741) |
| Tax credit at statutory tax rate of 25% (2014: 25%) | **69,713** | 145,197 | **6,170** | 12,685 |
| Tax effects of: | | | | |
| Non-taxable income | **10,143** | 20,949 | **2,923** | 1,061 |
| Non-deductible expenses | **(102,127)** | (74,063) | **(7,185)** | (10,587) |
| Tax effect on share in results of associated companies and joint venture | **4,307** | 11,140 | **–** | – |
| Deferred tax assets not recognised | **(3,135)** | (101,768) | **(1,908)** | (3,344) |
| Realisation of deferred tax assets previously not recognised | **1,528** | 393 | **–** | – |
| Over/(Under)provision in prior years: | | | | |
| Income tax | **10,066** | (11,289) | **7** | (355) |
| Deferred taxation | **492** | 11,841 | **–** | – |
| | **(9,013)** | 2,400 | **7** | (540) |

## 11. LOSS PER ORDINARY SHARE

### (a) Basic loss per share

Basic loss per share of the Group is calculated by dividing loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Loss attributable to owners of the Company | **(254,821)** | (505,946) |

| | 2015<br>'000 | 2014<br>'000 |
|---|---|---|
| Weighted average number of ordinary shares in issue | **716,595** | 717,539 |
| Less: Effect of treasury shares | **(968)** | (526) |
| | **715,627** | 717,013 |

| | 2015 | 2014 |
|---|---|---|
| Basic loss per share (sen) | **(35.61)** | (70.56) |

### (b) Diluted loss per share

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Loss attributable to owners of the Company | **(254,821)** | (505,946) |

| | 2015<br>'000 | 2014<br>'000 |
|---|---|---|
| Adjusted weighted average number of ordinary shares in issue | **715,627** | 717,013 |

| | 2015 | 2014 |
|---|---|---|
| Diluted loss per share (sen) | **(35.61)** | (70.56) |

The basic and diluted loss per share are the same for 2015 and 2014 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

The main features of the ESOS are set out in Note 28.

## 12. PROPERTY, PLANT AND EQUIPMENT

**The Group**

| | COST | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | As of 1 July 2013 RM'000 | Additions RM'000 | Disposals RM'000 | Transfer from investment properties (Note 13) RM'000 | Write-offs RM'000 | Reclass-ification RM'000 | Transfer to assets held for sale (Note 27) RM'000 | Exchange Differences RM'000 | As of 30 June 2014 RM'000 |
| Freehold land | 77,101 | – | – | – | – | – | – | – | 77,101 |
| Freehold buildings | 304,967 | 84 | – | – | – | – | – | – | 305,051 |
| Buildings under long lease | 135,020 | 1,338 | – | 240 | – | – | – | – | 136,598 |
| Buildings under short lease | 466 | – | – | – | – | – | – | – | 466 |
| Plant, machinery and equipment | 1,515,457 | 22,675 | (76,483) | – | (22,307) | 22,484 | – | – | 1,461,826 |
| Prime movers and trailers | 28,452 | – | (247) | – | – | – | – | – | 28,205 |
| Motor vehicles | 17,133 | 1,660 | (1,182) | – | – | – | – | – | 17,611 |
| Furniture and office equipment | 75,829 | 5,018 | (4,467) | – | (1,594) | (8) | – | – | 74,778 |
| Computer equipment | 5,438 | 292 | (95) | – | (31) | – | – | – | 5,604 |
| Floating cranes | 87,616 | – | – | – | – | – | – | – | 87,616 |
| Tug boats and barges | 71,615 | – | – | – | – | – | – | – | 71,615 |
| Infrastructure | 107,100 | – | – | – | – | – | – | – | 107,100 |
| Renovations | 1,724 | 184 | (24) | – | – | – | – | – | 1,884 |
| Construction work-in-progress | 146,144 | 37,570 | – | – | – | (22,476) | – | – | 161,238 |
| Total | 2,574,062 | 68,821 | (82,498) | 240 | (23,932) | – | – | – | 2,536,693 |

(Forward)

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

**The Group**

| | COST | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **As of 1 July 2014 RM'000** | **Additions RM'000** | **Disposals RM'000** | **Transfer to investment properties (Note 13) RM'000** | **Write-offs RM'000** | **Reclass-ification RM'000** | **Transfer to assets held for sale (Note 27) RM'000** | **Exchange Differences RM'000** | **As of 30 June 2015 RM'000** |
| Freehold land | 77,101 | – | – | – | – | – | – | – | **77,101** |
| Freehold buildings | 305,051 | 104 | – | – | – | – | – | – | **305,155** |
| Buildings under long lease | 136,598 | 302 | – | (207) | – | 1,074 | (3,887) | – | **133,880** |
| Buildings under short lease | 466 | – | – | – | – | – | – | – | **466** |
| Plant, machinery and equipment | 1,461,826 | 12,843 | (5,875) | – | (1,218) | 26,888 | – | 2,028 | **1,496,492** |
| Prime movers and trailers | 28,205 | – | (1,790) | – | – | – | – | – | **26,415** |
| Motor vehicles | 17,611 | 154 | (417) | – | – | – | – | 66 | **17,414** |
| Furniture and office equipment | 74,778 | 2,542 | (84) | – | (10,214) | 2,041 | – | 4 | **69,067** |
| Computer equipment | 5,604 | 648 | (104) | – | (1) | – | – | 3 | **6,150** |
| Floating cranes | 87,616 | – | – | – | – | – | – | – | **87,616** |
| Tug boats and barges | 71,615 | 2,564 | – | – | – | – | – | – | **74,179** |
| Infrastructure | 107,100 | – | – | – | – | – | – | – | **107,100** |
| Renovations | 1,884 | 8 | – | – | – | – | – | – | **1,892** |
| Construction work-in-progress | 161,238 | 9,803 | (8) | – | – | (30,003) | – | – | **141,030** |
| Total | 2,536,693 | 28,968 | (8,278) | (207) | (11,433) | – | (3,887) | 2,101 | **2,543,957** |

(Forward)

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

**The Group**

| | ACCUMULATED DEPRECIATION | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | As of 1 July 2013 RM'000 | Change for the year RM'000 | Disposals RM'000 | Transfer from investment properties (Note 13) RM'000 | Write-offs RM'000 | Reclass-ification RM'000 | Transfer to assets held for sale (Note 27) RM'000 | Exchange Differences RM'000 | As of 30 June 2014 RM'000 |
| Freehold land | – | – | – | – | – | – | – | – | – |
| Freehold buildings | 144,574 | 14,913 | – | – | – | – | – | – | 159,487 |
| Buildings under long lease | 88,285 | 3,088 | – | – | – | – | – | – | 91,373 |
| Buildings under short lease | 466 | – | – | – | – | – | – | – | 466 |
| Plant, machinery and equipment | 908,078 | 71,529 | (73,218) | – | (22,228) | (1,546) | – | – | 882,615 |
| Prime movers and trailers | 14,867 | 1,878 | (247) | – | – | – | – | – | 16,498 |
| Motor vehicles | 8,288 | 1,854 | (1,094) | – | – | 1,546 | – | – | 10,594 |
| Furniture and office equipment | 60,791 | 3,173 | (4,409) | – | (1,572) | – | – | – | 57,983 |
| Computer equipment | 3,655 | 465 | (92) | – | (16) | – | – | – | 4,012 |
| Floating cranes | 14,271 | 4,162 | – | – | – | – | – | – | 18,433 |
| Tug boats and barges | 32,870 | 6,817 | – | – | – | – | – | – | 39,687 |
| Infrastructure | 28,560 | 7,140 | – | – | – | – | – | – | 35,700 |
| Renovations | 1,149 | 100 | (24) | – | – | – | – | – | 1,225 |
| Construction work-in-progress | – | – | – | – | – | – | – | – | – |
| Total | 1,305,854 | 115,119 | (79,084) | – | (23,816) | – | – | – | 1,318,073 |

(Forward)

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

**The Group**

**ACCUMULATED DEPRECIATION**

| | As of 1 July 2014 RM'000 | Change for the year RM'000 | Disposals RM'000 | Transfer to investment properties (Note 13) RM'000 | Write-offs RM'000 | Reclass-ification RM'000 | Transfer to assets held for sale (Note 27) RM'000 | Exchange Differences RM'000 | As of 30 June 2015 RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| Freehold land | – | – | – | – | – | – | – | – | **–** |
| Freehold buildings | 159,487 | 14,916 | – | – | – | – | – | – | **174,403** |
| Buildings under long lease | 91,373 | 2,746 | – | (203) | – | – | (2,960) | – | **90,956** |
| Buildings under short lease | 466 | – | – | – | – | – | – | – | **466** |
| Plant, machinery and equipment | 882,615 | 71,026 | (1,657) | – | (838) | – | – | 203 | **951,349** |
| Prime movers and trailers | 16,498 | 1,867 | (1,790) | – | – | – | – | – | **16,575** |
| Motor vehicles | 10,594 | 1,840 | (311) | – | – | – | – | 13 | **12,136** |
| Furniture and office equipment | 57,983 | 3,103 | (76) | – | (10,213) | – | – | 1 | **50,798** |
| Computer equipment | 4,012 | 477 | (102) | – | – | – | – | – | **4,387** |
| Floating cranes | 18,433 | 4,162 | – | – | – | – | – | – | **22,595** |
| Tug boats and barges | 39,687 | 6,970 | – | – | – | – | – | – | **46,657** |
| Infrastructure | 35,700 | 7,140 | – | – | – | – | – | – | **42,840** |
| Renovations | 1,225 | 104 | – | – | – | – | – | – | **1,329** |
| Construction work-in-progress | – | – | – | – | – | – | – | – | **–** |
| Total | 1,318,073 | 114,351 | (3,936) | (203) | (11,051) | – | (2,960) | 217 | **1,414,491** |

(Forward)

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

### The Group

| | ACCUMULATED IMPAIRMENT LOSSES | | | | | NET BOOK VALUE | |
|---|---|---|---|---|---|---|---|
| | As of 1 July 2013 RM'000 | Charge for the year RM'000 | As of 30 June 2014 RM'000 | Charge for the year 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 | 1,754 | – | 1,754 | – | **1,754** | **75,347** | 75,347 |
| Freehold buildings | – | – | – | – | **–** | **130,752** | 145,564 |
| Buildings under long lease | – | – | – | – | **–** | **42,924** | 45,225 |
| Buildings under short lease | – | – | – | – | **–** | **–** | – |
| Plant, machinery and equipment | 478 | – | 478 | – | **478** | **544,665** | 578,733 |
| Prime movers and trailers | 3,215 | – | 3,215 | – | **3,215** | **6,625** | 8,492 |
| Motor vehicles | – | – | – | – | **–** | **5,278** | 7,017 |
| Furniture and office equipment | – | – | – | – | **–** | **18,269** | 16,795 |
| Computer equipment | – | – | – | – | **–** | **1,763** | 1,592 |
| Floating cranes | – | – | – | – | **–** | **65,021** | 69,183 |
| Tug boats and barges | – | – | – | – | **–** | **27,522** | 31,928 |
| Infrastructure | – | – | – | – | **–** | **64,260** | 71,400 |
| Renovations | – | – | – | – | **–** | **563** | 659 |
| Construction work-in-progress | 10,148 | 33,891 | 44,039 | – | **44,039** | **96,991** | 117,199 |
| Total | 15,595 | 33,891 | 49,486 | – | **49,486** | **1,079,980** | 1,169,134 |

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

**The Company**

| | COST | | | | |
|---|---|---|---|---|---|
| | **As of 1 July 2013 RM'000** | **Additions RM'000** | **Disposal RM'000** | **Write-offs RM'000** | **As of 30 June 2014 RM'000** |
| Motor vehicles | 2,043 | – | (1,054) | – | 989 |
| Furniture and office equipment | 1,464 | 152 | – | – | 1,616 |
| Computer equipment | 2,825 | 151 | (11) | (31) | 2,934 |
| Renovations | 834 | 173 | – | – | 1,007 |
| Total | 7,166 | 476 | (1,065) | (31) | 6,546 |

| | COST | | | | |
|---|---|---|---|---|---|
| | **As of 1 July 2014 RM'000** | **Additions RM'000** | **Disposal RM'000** | **Write-offs RM'000** | **As of 30 June 2015 RM'000** |
| Motor vehicles | 989 | – | – | – | **989** |
| Furniture and office equipment | 1,616 | 4 | – | (1) | **1,619** |
| Computer equipment | 2,934 | 489 | – | – | **3,423** |
| Renovations | 1,007 | – | – | – | **1,007** |
| Total | 6,546 | 493 | – | (1) | **7,038** |

| | ACCUMULATED DEPRECIATION | | | | | NET BOOK VALUE |
|---|---|---|---|---|---|---|
| | **As of 1 July 2013 RM'000** | **Charge for the year RM'000** | **Disposal RM'000** | **Write-offs RM'000** | **As of 30 June 2014 RM'000** | **As of 30 June 2014 RM'000** |
| Motor vehicles | 1,513 | 205 | (968) | – | 750 | 239 |
| Furniture and office equipment | 1,323 | 37 | – | – | 1,360 | 256 |
| Computer equipment | 1,820 | 205 | (10) | (16) | 1,999 | 935 |
| Renovations | 260 | 98 | – | – | 358 | 649 |
| Total | 4,916 | 545 | (978) | (16) | 4,467 | 2,079 |

| | ACCUMULATED DEPRECIATION | | | | | NET BOOK VALUE |
|---|---|---|---|---|---|---|
| | **As of 1 July 2014 RM'000** | **Charge for the year RM'000** | **Disposal RM'000** | **Write-offs RM'000** | **As of 30 June 2015 RM'000** | **As of 30 June 2015 RM'000** |
| Motor vehicles | 750 | 134 | – | – | **884** | **105** |
| Furniture and office equipment | 1,360 | 37 | – | – | **1,397** | **222** |
| Computer equipment | 1,999 | 220 | – | – | **2,219** | **1,204** |
| Renovations | 358 | 101 | – | – | **459** | **548** |
| Total | 4,467 | 492 | – | – | **4,959** | **2,079** |

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

(a) As of 30 June 2015, the steel making plant of a subsidiary company located at Banting ("the Banting plant") with a carrying amount of RM331,120,000, net of accumulated impairment loss of RM49,486,000, (2014: RM367,726,000, net of accumulated impairment loss of RM49,486,000) has temporarily stopped production during the financial year. Following this, the Directors of the Company make an assessment of impairment for the plant as mentioned in Note 4(ii)(f).

In making this assessment, the Directors have also taken into consideration the action plans currently being pursued by Megasteel. The successful and timely execution of cost reduction measures by Megasteel is also expected to benefit the said subsidiary in terms of cost reduction and operational efficiency.

Premised on the above, the carrying amount of the plant was determined to be lower than the recoverable amount and no further impairment loss was recognised during year.

The Directors believe that no reasonably foreseeable changes in any of the above key assumptions would cause the carrying amount of the plant to materially exceed their recoverable amount.

(b) As of 30 June 2015, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM313.4 million (2014: RM1,023.2 million) have been charged as collaterals to certain financial institutions for the hire purchase obligations, finance lease payables and borrowings granted to the Group (Notes 30, 31 and 35).

(c) Included in property, plant and equipment of the Group and of the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM99,273,000 (2014: RM111,143,000) and RM105,000 (2014: RM239,000) respectively.

## 13. INVESTMENT PROPERTIES

| | The Group | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| At beginning of year | **4,244** | 4,012 |
| Fair value adjustments during the year (Note 6) | **378** | 472 |
| Transfer from/(to) property, plant and equipment (Note 12) | **4** | (240) |
| Transfer to assets classified as held for sale (Note 27) | **(2,461)** | – |
| At end of year | **2,165** | 4,244 |

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 investment properties are measured using Level 2 valuation technique as disclosed in Note 3. There were no transfer between Levels 2 and 3 during the financial year.

The rental income earned by the Group from its investment properties amounted to RM19,800 (2014: RM17,900). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the financial year amounted to RM1,033 (2014: RM1,800).

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM23,260 (2014: RM25,300).

As of 30 June 2015, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair values totalling RM1,551,000 (2014: RM3,612,000) have been charged as collaterals to certain local banks for the bank overdrafts and other credit facilities granted to the Group (Notes 30 and 35).

Investment properties amounting to RM1,551,000 (2014: RM3,612,000) for the Group are held under leasehold interest.

## 14. PREPAID LAND LEASE PAYMENTS

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Cost: | | |
| At beginning and end of year | **83,749** | 83,749 |
| Cumulative amortisation: | | |
| At beginning of year | **35,874** | 34,036 |
| Amortisation for the year | **1,836** | 1,838 |
| At end of year | **37,710** | 35,874 |
| Net book value | **46,039** | 47,875 |

Prepaid land lease payments relate to lease of land for the Group's factory buildings, office complexes and warehouses located in the Mukim of Bukit Raja, Klang, Selangor and Pasir Gudang Industrial Estate, Johor and the leases will expire between the years 2025 and 2097. The Group does not have an option to purchase the leased land upon the expiry of the lease period.

Prepaid land lease payments are amortised over the lease terms of the land/rights.

As of 30 June 2015, certain parcels of leasehold land of the Group with carrying values totalling RM18.5 million (2014: RM47.9 million) have been charged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 30 and 35).

## 15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land Held for Property Development

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| At beginning of year: | | | | |
| Land costs | **37,409** | 37,409 | **53** | 53 |
| Development costs | **6,375** | 6,292 | **60** | 60 |
| | **43,784** | 43,701 | **113** | 113 |
| Costs incurred: | | | | |
| Development costs | **35** | 83 | **5** | – |
| Costs transferred to property development costs (Note 15(b)) | | | | |
| Land costs | **(5,565)** | – | **–** | – |
| Development costs | **(506)** | – | **–** | – |
| | **(6,071)** | – | **–** | – |
| Costs recognised as expenses in profit or loss during the financial year: | | | | |
| Land costs | **(40)** | – | **(40)** | – |
| Development costs | **(52)** | – | **(52)** | – |
| | **(92)** | – | **(92)** | – |
| At end of year: | | | | |
| Land costs | **31,804** | 37,409 | **13** | 53 |
| Development costs | **5,852** | 6,375 | **13** | 60 |
| | **37,656** | 43,784 | **26** | 113 |
| Accumulated impairment losses: | | | | |
| At beginning of year | **(9,478)** | (9,478) | **–** | – |
| Transferred to property development costs (Note 15(b)) | **4,943** | – | **–** | – |
| At end of year | **(4,535)** | (9,478) | **–** | – |
| Net | **33,121** | 34,306 | **26** | 113 |

## 15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (continued)

### (b) Property Development Costs

| | The Group 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| At beginning of year: | | |
| Land costs | **55,068** | 55,068 |
| Development costs | **90,191** | 70,476 |
| | **145,259** | 125,544 |
| Costs incurred: | | |
| Land costs | **–** | – |
| Development costs | **28,540** | 19,715 |
| | **28,540** | 19,715 |
| Transferred from land held for property development (Note 15(a)) | | |
| Land costs | **5,565** | – |
| Development costs | **506** | – |
| | **6,071** | – |
| At end of year: | | |
| Land costs | **60,633** | 55,068 |
| Development costs | **119,237** | 90,191 |
| | **179,870** | 145,259 |
| Costs recognised as expenses in profit or loss: | | |
| Previous years | **(77,921)** | (57,206) |
| Current year | **(34,046)** | (20,715) |
| | **(111,967)** | (77,921) |
| Accumulated impairment losses: | | |
| At beginning of year | **(8,445)** | (8,445) |
| Transferred from land held for property development (Note 15(a)) | **(4,943)** | – |
| At end of year | **(13,388)** | (8,445) |
| Net | **54,515** | 58,893 |

Included in the current additions to property development costs are the following:

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Interest expense on term loan | **251** | 457 |

## 16. INVESTMENT IN SUBSIDIARY COMPANIES

| | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|
| Shares quoted in Malaysia: | | |
| At beginning and end of year | **42,232** | 42,232 |
| Unquoted shares in Malaysia: | | |
| At cost | **309,495** | 309,495 |
| Deemed capital contribution | **13,629** | 13,629 |
| | **323,124** | 323,124 |
| Accumulated impairment losses | **(174,811)** | (174,811) |
| | **148,313** | 148,313 |
| Total | **190,545** | 190,545 |
| Market value of quoted shares | **30,461** | 46,932 |

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that no additional impairment loss is required.

**Acquisition of subsidiary company**

During the financial year, Sucorp Enterprise Sdn Bhd, a wholly-owned subsidiary of the Company, acquired the entire issued and paid-up capital of Lion Group Management Services Sdn Bhd ("LGMS") (formerly known as Sebayu Ekuiti Sdn Bhd) for a cash consideration of RM2.00. LGMS is a company incorporated under the Companies Act, 1965 on 27 February 2015. As at the financial year end, LGMS has an authorised share capital of RM400,000 comprising 400,000 ordinary shares of RM1.00 each of which two ordinary shares have been issued and fully paid-up and has not commenced operations.

During the financial year, Gama Harta Sdn Bhd, a wholly-owned subsidiary company of Lion Forest Industries Berhad ("LFIB"), completed the acquisition of the remaining 30% equity interest in Brands Pro Management Sdn Bhd ("Brands Pro") for a cash consideration of RM0.3 million. Consequently, Brands Pro became a wholly-owned subsidiary company of LFIB.

The fair values of the assets acquired and the liabilities assumed, and the post acquisition results of the above subsidiary companies are not material to the Group.

As of 30 June 2015, the investment in quoted subsidiary company of the Company with carrying value of RM41,973,000 (2014: RM41,973,000) has been pledged as collaterals to certain financial institutions for the borrowings granted to the Company (Notes 30 and 35).

## 16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

**Composition of the Group**

Information about the composition of the Group at the end of the reporting period is as follows:

| Principal activity | Place of incorporation and operation | Number of wholly-owned subsidary companies | | Number of non wholly-owned subsidary companies | |
|---|---|---|---|---|---|
| | | **2015** | **2014** | **2015** | **2014** |
| Property development | Malaysia | **8** | 8 | **2** | 2 |
| Manufacture and sale and distribution of steel products | Malaysia | **–** | – | **3** | 3 |
| Manufacture and sale and distribution of other products | Malaysia | **–** | – | **6** | 6 |
| Investment and development in agriculture | Cambodia | **–** | – | **23** | 23 |
| Investment holding | British Virgin Islands | **–** | – | **27** | 27 |
| Others | Malaysia | **25** | 24 | **24** | 24 |
| Others | Other countries | **–** | – | **10** | 10 |
| | | **33** | 32 | **95** | 95 |

**Non-Controlling Interests in Subsidiary Companies**

The Group's subsidiary company that has material non-controlling interests ("NCI") is LFIB.

| | Percentage of ownership interests held by NCI | Loss allocated to NCI RM'000 | Accumulated NCI RM'000 |
|---|---|---|---|
| **2015** | | | |
| LFIB | **27%** | **(27,115)** | **240,715** |
| Other individually immaterial subsidiary companies with NCI | | **(5,930)** | **46,194** |
| | | **(33,045)** | **286,909** |
| **2014** | | | |
| LFIB | 27% | (67,631) | 260,947 |
| Other individually immaterial subsidiary companies with NCI | | (4,809) | 54,318 |
| | | (72,440) | 315,265 |

## 16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

### Non-Controlling Interest in Subsidiary Companies (continued)

Summarised financial information in respect of each 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.

| | LFIB | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| Non-current assets | **395,215** | 122,260 |
| Current assets | **646,616** | 1,047,450 |
| Non-current liabilities | **(1,594)** | (1,801) |
| Current liabilities | **(128,400)** | (174,963) |
| Total equity | **911,837** | 992,946 |
| Equity attributable to owners of the Company | **887,462** | 962,049 |
| Non-controlling interests | **24,375** | 30,897 |
| | **911,837** | 992,946 |
| Revenue | **721,449** | 817,922 |
| Loss for the year | **(104,552)** | (250,006) |
| Loss attributable to: | | |
| Owners of the Company | **(99,968)** | (249,339) |
| Non-controlling interests | **(4,584)** | (667) |
| | **(104,552)** | (250,006) |
| Other comprehensive income attributable to: | | |
| Owners of the Company | **24,308** | 2,822 |
| Non-controlling interests | **966** | 351 |
| | **25,274** | 3,173 |
| Total comprehensive loss attributable to: | | |
| Owners of the Company | **(75,660)** | (246,517) |
| Non-controlling interests | **(3,618)** | (316) |
| | **(79,278)** | (246,833) |
| Dividends paid to non-controlling interests | **–** | 942 |
| Net cash (outflow)/inflow from: | | |
| Operating activities | **(6,330)** | (32,247) |
| Investing activities | **52,447** | (27,135) |
| Financing activities | **(3,899)** | 13,732 |
| Net cash inflow/(outflow) | **42,218** | (45,650) |

## 17. INVESTMENT IN ASSOCIATED COMPANIES

| | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|
| At cost: | | | | |
| Quoted investments | **191,760** | 389,885 | **64,394** | 67,367 |
| Unquoted investments | **139,641** | 139,641 | **38,054** | 38,054 |
| | **331,401** | 529,526 | **102,448** | 105,421 |
| Share in post-acquisition results and reserves less dividends received | **488,170** | 344,559 | **–** | – |
| Accumulated impairment losses (Note 6) | **(12,655)** | – | **–** | – |
| | **806,916** | 874,085 | **102,448** | 105,421 |
| Market value of quoted investments | **389,881** | 598,575 | **98,345** | 152,892 |

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

| **2015** | **Parkson RM'000** | **Other individually immaterial associated companies RM'000** | **Total RM'000** |
|---|---|---|---|
| **Summarised financial information** | | | |
| Proportion of the Group's effective ownership interest | **21%** | | |
| **Assets and Liabilities** | | | |
| Current assets | **3,853,769** | **562,591** | **4,416,360** |
| Non-current assets | **5,994,083** | **224,295** | **6,218,378** |
| Current liabilities | **(3,008,762)** | **(502,440)** | **(3,511,202)** |
| Non-current liabilities | **(2,550,344)** | **(9,247)** | **(2,559,591)** |
| Non-controlling interests | **(1,635,484)** | **(2,010)** | **(1,637,494)** |
| Net assets | **2,653,262** | **273,189** | **2,926,451** |
| **Results** | | | |
| Revenue | **3,738,216** | **523,565** | **4,261,781** |
| Profit/(Loss) for the year | **43,516** | **(119,480)** | **(75,964)** |
| Other comprehensive loss for the year | **(165,417)** | **–** | **(165,417)** |
| Total comprehensive loss for the year | **(121,901)** | **(119,480)** | **(241,381)** |
| Group's share of profit/(loss) of associated companies | **7,319** | **(45,164)** | **(37,845)** |
| Dividend received from associated companies | **–** | **4,054** | **4,054** |
| **Reconciliation of net assets to carrying amount** | | | |
| Group's share of net assets | **557,185** | **113,272** | **670,457** |
| Other adjustments | **136,459** | **–** | **136,459** |
| Carrying amount in the statements of financial position | **693,644** | **113,272** | **806,916** |

## 17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

| 2014 | Parkson RM'000 | Other individually immaterial associated companies RM'000 | Total RM'000 |
|---|---|---|---|
| **Summarised financial information** | | | |
| Proportion of the Group's effective ownership interest | 19% | | |
| **Assets and Liabilities** | | | |
| Current assets | 3,993,828 | 2,310,903 | 6,304,731 |
| Non-current assets | 4,474,975 | 3,922,951 | 8,397,926 |
| Current liabilities | (2,236,445) | (4,200,227) | (6,436,672) |
| Non-current liabilities | (2,038,849) | (1,302,716) | (3,341,565) |
| Non-controlling interests | (1,604,685) | 1,616 | (1,603,069) |
| Net assets | 2,588,824 | 732,527 | 3,321,351 |
| **Results** | | | |
| Revenue | 3,553,882 | 3,926,836 | 7,480,718 |
| Profit/(Loss) for the year | 240,388 | (805,700) | (565,312) |
| Other comprehensive (loss)/income for the year | (2,680) | 5,306 | 2,626 |
| Total comprehensive income/(loss) for the year | 237,708 | (800,394) | (562,686) |
| Group's share of profit of associated companies | 25,476 | 561 | 26,037 |
| Dividend received from associated companies | – | 6,371 | 6,371 |
| **Reconciliation of net assets to carrying amount** | | | |
| Group's share of net assets | 490,582 | 152,743 | 643,325 |
| Other adjustments | 230,760 | – | 230,760 |
| Carrying amount in the statements of financial position | 721,342 | 152,743 | 874,085 |

The carrying value of the Group's investment in associated companies is represented by:

| | The Group 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Share of net assets (excluding goodwill) | **476,311** | 620,879 |
| Share of goodwill of associated companies | **330,605** | 253,206 |
| | **806,916** | 874,085 |

## 17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The Group's share in losses of certain 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 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| At beginning of year | **(316,450)** | (225,499) |
| Diluted | **265,152** | – |
| Current year | **(201,945)** | (90,951) |
| At end of year | **(253,243)** | (316,450) |

As of 30 June 2015, the investment in quoted associated companies of the Group and of the Company with carrying value of RM113,169,000 and RM64,394,000 (2014: RM116,142,000 and RM67,326,000) respectively has been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 30 and 35).

## 18. INVESTMENT IN JOINT VENTURE

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| Unquoted shares: | | |
| At cost | **125** | 125 |
| Share in post-acquisition results less dividend received | **9,450** | 56,849 |
| | **9,575** | 56,974 |

Details of the joint venture are as follows:

| Name of Joint Venture | Financial Year End | Country of Incorporation | Effective Percentage Ownership 2015 % | Effective Percentage Ownership 2014 % | Principal Activity |
|---|---|---|---|---|---|
| Mergexcel Property Development Sdn Bhd | 31 March | Malaysia | **49** | 49 | Property development |

The joint venture is audited by a firm of auditors other than the auditors of the Company.

## 18. INVESTMENT IN JOINT VENTURE (continued)

The summarised unaudited financial information in respect of the Group's joint venture is set out below:

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| **Assets and Liabilities** | | |
| Current assets | **52,481** | 139,220 |
| Non-current assets | **146** | 2,752 |
| Current liabilities | **(20,679)** | (40,536) |
| Net assets | **31,948** | 101,436 |
| **Results** | | |
| Revenue | **79,636** | 49,868 |
| Profit for the year | **30,513** | 33,485 |
| Group's share of profit of joint venture | **7,921** | 18,524 |
| Dividend received from joint venture | **55,320** | 49,788 |

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| **Reconciliation of net assets to carrying amount** | | |
| Group's share of net assets | **16,814** | 56,974 |
| Other adjustments | **(7,239)** | – |
| Carrying amount in the statements of financial position | **9,575** | 56,974 |

The above profit for the year including the following:

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| Depreciation of property, plant and equipment | **2** | 2 |
| Interest income | **2,666** | 3,567 |
| Finance cost | **–** | 838 |

Amount owing by joint venture arose mainly from advances granted and payments made on behalf of the joint venture. The said amount is interest-free (2014: interest-free) and repayable on demand.

## 19. LONG-TERM INVESTMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| **Available-for-sale investments** | | | | |
| Quoted investments in Malaysia: | | | | |
| At fair value | | | | |
| Shares | **18,167** | 18,904 | **3,446** | 48 |
| Warrants | **46** | 460 | **19** | 194 |
| | **18,213** | 19,364 | **3,465** | 242 |
| Quoted investments outside Malaysia: | | | | |
| Shares - at fair value | **239** | 257 | **59** | 59 |
| Unquoted investments: | | | | |
| Shares - at cost | **1,375** | 1,375 | **400** | 400 |
| | **19,827** | 20,996 | **3,924** | 701 |
| **Held-to-maturity investments** | | | | |
| At amortised cost | | | | |
| Unquoted bonds, adjusted for accretion of interest | **73,410** | 75,867 | **–** | – |
| Less: Accumulated impairment losses | **(73,410)** | (75,867) | **–** | – |
| | **–** | – | **–** | – |
| **Loans and receivables** | | | | |
| At amortised cost: | | | | |
| Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS")* | **–** | 11,860 | **–** | 6,633 |
| Less: Accumulated impairment losses | **–** | (8,065) | **–** | (4,546) |
| | **–** | 3,795 | **–** | 2,087 |
| Redeemable within one year (Note 23) | **–** | (3,795) | **–** | (2,087) |
| | **–** | – | **–** | – |
| Total | **19,827** | 20,996 | **3,924** | 701 |

* Represents RCSLS issued by Lion Corporation Berhad.

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have made an impairment loss amounting to RM7,998,000 (2014: RM69,941,000) and RM185,000 (2014: RM4,616,000) in profit or loss of the Group and of the Company respectively.

The investment of the Company and of certain subsidiary companies in unquoted bonds and RCSLS bore a yield-to-maturity at rates ranging from 4.00% to 7.00% per annum respectively.

**20. DEFERRED TAX ASSETS/(LIABILITIES)**

Deferred tax assets/(liabilities) of the Group and of the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| At beginning of year | **80,859** | 48,288 | **–** | – |
| Transfer to/(from) profit or loss (Note 10): | | | | |
| Property, plant and equipment | **8,078** | 9,300 | **66** | (27) |
| Others | **(4,687)** | 9,208 | **–** | – |
| Unused tax losses and unabsorbed capital allowances | **(1,103)** | 14,063 | **(66)** | 27 |
| | **2,288** | 32,571 | **–** | – |
| At end of year | **83,147** | 80,859 | **–** | – |

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 offsetting) for the statements of financial position purposes:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Deferred tax assets | **106,138** | 105,986 | **–** | – |
| Deferred tax liabilities | **(22,991)** | (25,127) | **–** | – |
| | **83,147** | 80,859 | **–** | – |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| **Deferred tax assets** | | | | |
| Temporary differences arising from: | | | | |
| Others | **22,496** | 26,475 | **–** | – |
| Unused tax losses and unabsorbed capital allowances | **191,039** | 192,142 | **400** | 334 |
| | **213,535** | 218,617 | **400** | 334 |
| Offsetting | **(107,397)** | (112,631) | **(400)** | (334) |
| Deferred tax assets (after offsetting) | **106,138** | 105,986 | **–** | – |

## 20. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

| | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|
| **Deferred tax liabilities** | | | | |
| Temporary differences arising from: | | | | |
| Property, plant and equipment | **124,556** | 132,634 | **400** | 334 |
| Others | **5,832** | 5,124 | **–** | – |
| | **130,388** | 137,758 | **400** | 334 |
| Offsetting | **(107,397)** | (112,631) | **(400)** | (334) |
| Deferred tax liabilities (after offsetting) | **22,991** | 25,127 | **–** | – |

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets 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 temporary differences, unused tax losses and unabsorbed capital allowances, for which the tax effects are not recognised in the financial statements due to uncertainty of its realisation, is as follows:

| | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|
| Temporary differences arising from: | | | | |
| Property, plant and equipment | **(16)** | 14 | **–** | – |
| Trade and other receivables | **423,870** | 419,221 | **–** | – |
| Property development activities | **2,765** | 6,159 | **–** | – |
| Others | **8,180** | 9,598 | **–** | – |
| Unused tax losses and unabsorbed capital allowances | **111,770** | 105,149 | **57,757** | 50,125 |
| | **546,569** | 540,141 | **57,757** | 50,125 |

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

## 21. GOODWILL

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| Goodwill on consolidation: | | |
| At beginning and end of year | **131,644** | 131,644 |
| Cumulative impairment loss: | | |
| At beginning and end of year | **(1,201)** | (1,201) |
| Net | **130,443** | 130,443 |

## 21. GOODWILL (continued)

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 4% (2014: 4%) per annum. The discount rate used is 12% (2014: 12%) per annum.

The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregrate recoverable amount of the CGU.

## 22. INVENTORIES

Inventories consist of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Property: | | | | |
| Completed units for sale | **38,250** | 9,697 | **43** | 43 |
| Products at cost: | | | | |
| Raw materials | **149,343** | 218,844 | **–** | – |
| Finished goods | **284,857** | 284,101 | **–** | – |
| General and consumable stores | **152,609** | 172,878 | **–** | – |
| Trading merchandise | **9,802** | 12,026 | **–** | – |
| Goods-in-transit | **–** | 137,254 | **–** | – |
| | **596,611** | 825,103 | **–** | – |
| Less: Allowance for obsolescence of inventories | **(27,332)** | (16,945) | **–** | – |
| | **569,279** | 808,158 | **–** | – |
| Net | **607,529** | 817,855 | **43** | 43 |

Certain of the Group's inventories with carrying values totalling RM338.23 million (2014: RM789.81 million) have been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 30 and 35) and for trade financing arrangement with a third party (Note 33(a)).

During the current financial year, the Group's inventories amounting to RM111,000 (2014: RM612,000) were written off against allowance for inventories obsolescence.

## 23. SHORT-TERM INVESTMENTS

| | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|
| **Loans and receivables** | | | | |
| At amortised cost | | | | |
| RCSLS, redeemable within one year (Note 19) | – | 3,795 | – | 2,087 |
| | – | 3,795 | – | 2,087 |

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### (a) Trade receivables

| | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|
| **Non-Current** | | | | |
| Trade receivables | **635,637** | 599,177 | **–** | – |
| Less: Accumulated impairment losses | **(293,837)** | (294,332) | **–** | – |
| | **341,800** | 304,845 | **–** | – |
| **Current** | | | | |
| Trade receivables | **229,151** | 344,514 | **349** | – |
| Less: Accumulated impairment losses | **(22,427)** | (23,170) | **–** | – |
| | **206,724** | 321,344 | **349** | – |
| Net | **548,524** | 626,189 | **349** | – |

Trade receivables of the Group comprise amounts receivable for the sale of goods and services rendered. Trade receivable of the Company comprises amounts receivable for the sale of land held for development. Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The credit period granted to customers 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 has trade receivables amounting to RM371.14 million (2014: RM329.35 million) that are past due at the end of the reporting period but against which the Group has 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: RMNil) during the current financial year.

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

### (a) Trade receivables (continued)

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 | **177,387** | 296,838 | **349** | – |
| 31 – 60 days past due but not impaired | **63,094** | 98,222 | **–** | – |
| 61 – 90 days past due but not impaired | **48,282** | 70,773 | **–** | – |
| 91 – 120 days past due but not impaired | **6,262** | 59,057 | **–** | – |
| More than 120 days past due but not impaired | **253,499** | 101,299 | **–** | – |
| | **548,524** | 626,189 | **349** | – |
| Past due and impaired | **316,264** | 317,502 | **–** | – |
| Total trade receivables | **864,788** | 943,691 | **349** | – |

Movements in the accumulated impairment losses are as follows:

| | The Group | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| At beginning of year | **317,502** | 61,632 |
| Impairment loss recognised during the year | **4,769** | 256,951 |
| Amount recovered during the year | **(3,687)** | (582) |
| Amount written off during the year | **(2,320)** | (499) |
| At end of year | **316,264** | 317,502 |

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.

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

### (a) Trade receivables (continued)

As of 30 June 2015, the Group has trade receivables due from the following two related parties, Megasteel and Lion DRI, where the ability of Lion DRI to generate sufficient cash flows to repay its debt to the Group is highly dependent upon the performance of Megasteel:

| | The Group | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Megasteel | **491,862** | 517,692 |
| Lion DRI | **143,775** | 81,485 |
| | **635,637** | 599,177 |
| Less: Accumulated impairment losses | **(293,837)** | (294,332) |
| Net | **341,800** | 304,845 |
| Concentration of credit risk | **62%** | 49% |
| <u>Past due but not impaired:</u> | | |
| Megasteel | **248,568** | 253,124 |
| Lion DRI | **39,541** | 40,532 |
| | **288,109** | 293,656 |

In considering the amount of allowance for impairment loss on the debts due from these related parties, the Directors have assumed that Megasteel will successfully implement its turnaround plans as disclosed in Note 4(ii)(d). As at the date of this report, the proposed plans are still ongoing. However, the Directors have a reasonable expectation that Megasteel will make its best efforts to execute the action plans 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. As such, the Directors are of the opinion that the debts outstanding from these related parties, net of allowance is recoverable.

The currency profile of trade receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Ringgit Malaysia | **547,277** | 567,968 | **349** | – |
| United States Dollar | **1,247** | 55,181 | **–** | – |
| Singapore Dollar | **–** | 3,040 | **–** | – |
| | **548,524** | 626,189 | **349** | – |

As of 30 June 2015, the trade receivables of the Group amounting to RM49.2 million (2014: RM259.43 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Notes 30 and 35).

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

### (b) Other receivables, deposits 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 | **370,519** | 362,855 | **–** | – |
| Less: Accumulated impairment losses | **(180,300)** | (181,428) | **–** | – |
| | **190,219** | 181,427 | **–** | – |
| **Current** | | | | |
| Other receivables | **115,745** | 145,431 | **11,203** | 14,645 |
| Less: Accumulated impairment losses | **(24,513)** | (26,992) | **(940)** | (940) |
| | **91,232** | 118,439 | **10,263** | 13,705 |
| Tax recoverable | **6,281** | 3,490 | **143** | 226 |
| Refundable deposits | **102,912** | 86,223 | **693** | 679 |
| Prepayments | **69,540** | 62,892 | **3,009** | 4,334 |
| | **269,965** | 271,044 | **14,108** | 18,944 |
| | **460,184** | 452,471 | **14,108** | 18,944 |

Movements in the accumulated impairment losses are as follows:

| | The Group 2015 RM'000 | The Group 2014 RM'000 | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|---|---|
| At beginning of year | **208,420** | 24,564 | **940** | 940 |
| Impairment losses recognised during the year | **491** | 187,692 | **–** | – |
| Amount recovered during the year | **(1,318)** | (401) | **–** | – |
| Amount written off during the year | **(2,780)** | (3,435) | **–** | – |
| At end of year | **204,813** | 208,420 | **940** | 940 |

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

### (b) Other receivables, deposits and prepayments (continued)

In determining the recoverability of other receivables, the Group considers any change in the credit quality of the other receivables from the date credit was initially granted up to the end of the reporting period.

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

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| **Other receivables** | | |
| Megasteel | **48,558** | 48,560 |
| Lion DRI | **49,781** | 42,115 |
| Graimpi Sdn Bhd ("Graimpi") | **272,180** | 272,180 |
| | **370,519** | 362,855 |
| Less: Accumulated impairment losses | **(180,300)** | (181,428) |
| | **190,219** | 181,427 |
| Concentration of credit risk | **68%** | 61% |

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. Hence, the collectability of the debts outstanding from these related parties are subject to the successful implementation of turnaround plans by Megasteel based on the assumptions as disclosed in Note 4(ii)(d).

(i) As of 30 June 2015, other receivables, deposits and prepayments of the Group with carrying values of RM56.30 million (2014: RM142.61 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Notes 30 and 35).

(ii) Included in other receivables of the Group is an amount of:

(a) RM272.18 million (2014: RM272.18 million) due from Graimpi, represents debts novated from Lion DRI, which bear interest at 8.85% per annum.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM136.09 million (2014: RM136.09 million) on the said outstanding receivables due from Graimpi.

**24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)**

**(b) Other receivables, deposits and prepayments (continued)**

(ii) Included in other receivables of the Group is an amount of: (continued)

(b) RM4.40 million (2014: RM8.67 million) due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, represents a reimbursement for amounts incurred by the Group in the proposed acquisition of PT Varita Majutama pursuant to the share sale agreement entered into between Akurjaya and LFIB 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 current 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.

(c) RM48.56 million (2014: RM48.56 million) 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 RM23.15 million (2014: RM24.28 million) on the said outstanding receivables due from Megasteel.

(d) RM49.78 million (2014: RM42.12 million) due from Lion DRI, are unsecured, interest-free and repayable on demand.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM21.06 million (2014: RM21.06 million) on the said outstanding receivables due from Lion DRI.

(iii) Included in refundable deposits of the Group are refundable deposits totalling RM97.12 million (2014: RM79.89 million) 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.

(iv) The currency profile of other receivables, tax recoverable, refundable deposits and prepayments is as follows:

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Ringgit Malaysia | **323,847** | 315,253 | **14,108** | 18,944 |
| United States Dollar | **129,962** | 123,328 | **–** | – |
| Chinese Renminbi | **3,873** | 5,802 | **–** | – |
| Singapore Dollar | **40** | 4,937 | **–** | – |
| Others | **2,462** | 3,151 | **–** | – |
| | **460,184** | 452,471 | **14,108** | 18,944 |

## 25. RELATED COMPANY TRANSACTIONS

### (a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| Amount owing by subsidiary companies | **1,259,096** | 1,224,234 |
| Less: Accumulated impairment losses | **(172,655)** | (174,466) |
| Net | **1,086,441** | 1,049,768 |
| Amount owing to subsidiary companies | **183,657** | 155,734 |

Movement in the accumulated impairment losses is as follows:

| | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|
| At beginning of year | **174,466** | 141,781 |
| Impairment losses recognised during the year | **–** | 32,685 |
| Allowance for amount owing by subsidiary companies no longer required (Note 6) | **(1,811)** | – |
| At end of year | **172,655** | 174,466 |

Amount owing by subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is either interest-free or bears interest at 8% (2014: 8%) per annum and repayable on demand.

Amount owing to subsidiary companies which arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is interest-free (2014: interest-free) and repayable on demand.

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

| | The Company 2015 RM'000 | The Company 2014 RM'000 |
|---|---|---|
| Ringgit Malaysia | **1,084,906** | 1,049,768 |
| Singapore Dollar | **1,529** | – |
| United States Dollar | **6** | – |
| | **1,086,441** | 1,049,768 |

## 25. RELATED COMPANY TRANSACTIONS (continued)

### (a) Amount owing by/to subsidiary companies (continued)

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

| | The Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Ringgit Malaysia | **163,753** | 136,747 |
| Singapore Dollar | **11,068** | 10,150 |
| Chinese Renminbi | **8,836** | 8,836 |
| United States Dollar | **–** | 1 |
| | **183,657** | 155,734 |

### (b) Amount owing by associated companies

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Amount owing by associated companies | **24,487** | 35,216 |
| Less: Accumulated impairment losses | **(24,465)** | (24,465) |
| Net | **22** | 10,751 |

Movement in the accumulated impairment losses is as follows:

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| At beginning and end of year | **24,465** | 24,465 |

Amount owing by associated companies, which arose from trade and advances, is interest-free (2014: bore interest at 8% per annum) and repayable on demand.

The currency profile of amount owing by associated companies is as follows:

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Singapore Dollar | **22** | 10,751 |

## 26. DEPOSITS, CASH AND BANK BALANCES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Deposits with licensed banks and financial institutions: | | | | |
| Restricted | **36,190** | 174,156 | **2,708** | 2,628 |
| Unrestricted (Note 37) | **142,390** | 93,589 | **300** | 3,200 |
| | **178,580** | 267,745 | **3,008** | 5,828 |
| Housing Development Accounts (Note 37) | **29,229** | 26,857 | **3,877** | 3,795 |
| Cash and bank balances: | | | | |
| Restricted | **1,716** | 4,150 | **103** | 103 |
| Unrestricted (Note 37) | **137,490** | 163,622 | **401** | 440 |
| | **347,015** | 462,374 | **7,389** | 10,166 |

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the Company and certain subsidiary companies upon the completion of the property development projects and after all property development expenditure have been fully settled.

Included in deposits with licensed banks and financial institutions, and cash and bank balances are the following:

(a) amount totalling RM37.91 million (2014: RM47.55 million) and RM2.81 million (2014: RM2.73 million) of the Group and of the Company, respectively, which have been earmarked for the purposes of repayment of the borrowings (Notes 30 and 35) and pledged as collaterals for bank guarantees granted.

(b) an amount of RMNil (2014: RM130.76 million) of the Group held under Escrow Account for the purpose of indemnifying Sabah Forest Industries Sdn Bhd ("SFI") and the purchasers of SFI for the legal claims (Note 40(b)).

The average effective interest rates during the financial year are ranged as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Deposits with licensed banks and financial institutions | **1.03% to 6.15%** | 1.03% to 4.00% | **2.20% to 3.24%** | 2.20% to 3.09% |

Deposits of the Group and of the Company have an average maturity of 182 days (2014: 183 days) and 365 days (2014: 365 days) respectively.

## 26. DEPOSITS, CASH AND BANK BALANCES (continued)

The currency profile of deposits, cash and bank balances is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Ringgit Malaysia | **319,771** | 436,000 | **7,389** | 10,166 |
| Chinese Renminbi | **25,265** | 21,293 | **–** | – |
| United States Dollar | **1,827** | 4,947 | **–** | – |
| Singapore Dollar | **18** | 21 | **–** | – |
| Others | **134** | 113 | **–** | – |
| | **347,015** | 462,374 | **7,389** | 10,166 |

The deposits, cash and bank balances denominated in Renminbi of the subsidiary companies in the People's Republic of China ("PRC") are subject to the exchange control restrictions of that country. The said deposits, cash and bank balances are available for use by the subsidiary companies in the PRC and the exchange control restrictions are applicable only if the monies are to be remitted to countries outside the PRC.

## 27. ASSETS CLASSIFIED AS HELD FOR SALE

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At beginning of year | **–** | 470 | **–** | – |
| Transfer from property, plant and equipment (Note 12) | **927** | – | **–** | – |
| Transfer from investment properties (Note 13) | **2,461** | | | |
| Disposals | **–** | (470) | **–** | – |
| | **3,388** | – | **–** | – |

During the financial year, Antara Steel Mills Sdn Bhd, a subsidiary company, entered into a Sale and Purchase Agreement with a third party purchaser for the disposal of the investment properties and property, plant and equipment for a cash consideration of RM6,845,000. The said disposal is expected to be completed within one year from the date of the Sale and Purchase Agreement. Accordingly, the said investment properties and property, plant and equipment have been reclassified as held for sale as of 30 June 2015.

## 28. SHARE CAPITAL

Share capital of the Group and of the Company is presented by:

| | The Group and The Company 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| **Ordinary shares of RM1.00 each** | | |
| **Authorised:** | | |
| 1,000,000,000 at beginning and end of year | **1,000,000** | 1,000,000 |
| **Issued and fully paid:** | | |
| 717,909,365 at beginning and end of year | **717,909** | 717,909 |

The Company had on 2 February 2011 implemented an Executive Share Option Scheme for the benefit of the executive and non-executive Directors of the Company and executive employees of the Group for a period of five years ("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 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.

During the financial year, the Company granted a total of 13,692,000 options to eligible non-executive Directors of the Company and executive employees of the Group at a subscription price of RM1.00 per share.

## 28. SHARE CAPITAL (continued)

Details of the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year are as follows:

| | Number of options over ordinary shares of RM1 each | | | | | |
|---|---|---|---|---|---|---|
| **Grant Date** | **As of 1.7.2014** | **Granted** | **Exercised** | **Lapsed** | **As of 30.6.2015** | **Exercisable as of 30.06.2015** |
| 4.12.2014 | – | 13,667,000 | – | (1,447,500) | **12,219,500** | **12,219,500** |
| 2.1.2015 | – | 25,000 | – | – | **25,000** | **25,000** |
| | – | 13,692,000 | – | (1,447,500) | **12,244,500** | **12,244,500** |

The exercise period for the above options will expire on 2 February 2016.

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 1.17 year.

The fair value of share options granted during the financial year was estimated by the Directors 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:

| | **2015** |
|---|---|
| Estimated average fair value of share options (RM) | **0.02** |
| Weighted average share price (RM) | **0.37** |
| Expected life (years) | **1.17** |
| Expected volatility (%) | **33.73** |
| Risk-free interest rate (%) | **3.00** |
| Expected dividend yield (%) | **1.00** |

The expected validity was determined by calculating the historical volatility of the Company's share price over the previous five years. The expected life used in the model is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of the options granted were incorporated into the measurement of the fair value.

## 29. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| **Non-distributable reserves:** | | | | |
| Share premium | **532,627** | 532,627 | **532,627** | 532,627 |
| Treasury shares | **(2,071)** | (1,221) | **(2,071)** | (1,221) |
| Capital reserve | **(21,662)** | 13,357 | **5,145** | 5,145 |
| Equity compensation reserve | **274** | – | **274** | – |
| Fair value reserve | **18,259** | 186 | **219** | 23 |
| Translation adjustment reserve | **13,471** | 5,931 | **–** | – |
| | **540,898** | 550,880 | **536,194** | 536,574 |
| Retained earnings/ (Accumulated losses) | **1,122,041** | 1,375,879 | **(197,379)** | (172,708) |
| | **1,662,939** | 1,926,759 | **338,815** | 363,866 |

**29. RESERVES (continued)**

**Share premium**

Share premium arose from the premium on the issuance of new ordinary shares in prior financial years and also share-based payment transactions for options already exercised by employees being reclassified from the equity compensation reserve.

**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 current financial year, the Company repurchased a total of 1,572,400 (2014: 944,100) of its issued ordinary shares from the open market at an average price of RM0.54 (2014: RM0.77) per share. The total consideration paid for the repurchase including transaction costs was RM849,769 (2014: RM727,364). 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.

**Equity compensation reserve**

Equity compensation reserve, which 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, net of the amount reclassified to share premium and capital reserve for options exercised and lapsed.

**Capital reserve**

Capital reserve, which is not available for the payment of dividends, arose from share options lapsed, reclassified from equity compensation reserve and share of other reserves in Lion Forest Industries Berhad, a public listed subsidiary company, and associated companies.

**Fair value reserve**

Fair value reserve comprises fair value changes on revaluation of available-for-sale investments.

**Translation adjustment reserve**

Exchange differences arising from the translation of foreign controlled subsidiary and associated companies are taken to the translation adjustment reserve as described in the accounting policies.

## 30. LONG-TERM BORROWINGS

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| **Long-term borrowings** | | |
| Outstanding loans (secured) | **5,558** | 5,870 |
| Less : Portion due within one year (Note 35) | **(2,935)** | (1,468) |
| Non-current portion | **2,623** | 4,402 |
| **Islamic Securities ("Sukuk")** | | |
| Outstanding principal | **180,000** | 240,000 |
| Debts issuance cost | **(1,129)** | (1,503) |
| | **178,871** | 238,497 |
| Less : Portion due within one year (Note 35) | **(59,624)** | (59,624) |
| Non-current portion | **119,247** | 178,873 |
| Total non-current portion | **121,870** | 183,275 |

The non-current portion is repayable as follows:

| | The Group 2015 RM'000 | The Group 2014 RM'000 |
|---|---|---|
| Financial years ending 30 June: | | |
| 2016 | **–** | 61,092 |
| 2017 | **62,247** | 61,092 |
| 2018 and thereafter | **59,623** | 61,091 |
| | **121,870** | 183,275 |

### (a) Long-term borrowings

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 12), investment properties (Note 13), prepaid land lease payments (Note 14), investment in subsidiary companies (Note 16), investment in quoted associated companies (Note 17), fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bear interest at 5.35% (2014: 5.35%) per annum.

Long-term borrowings are denominated in Ringgit Malaysia.

## 30. LONG-TERM BORROWINGS (continued)

### (b) Islamic Securities ("Sukuk")

The Sukuk is denominated in Ringgit Malaysia and bears profit at rates ranging from 4.02% to 4.62% (2014: 4.02% to 4.62%) per annum.

On 28 and 29 June 2011, Antara Steel Mills Sdn Bhd ("Antara"), a subsidiary company of the Company, issued RM300 million 7-year Islamic securities ("Sukuk"):

i. to redeem the outstanding notes under Antara's existing RM500 million Bai' Bithaman Ajil Islamic Debt Securities;
ii. to finance the purchase of machinery and equipment as replacement parts;
iii. to pre-fund the Finance Service Reserve Account; and
iv. to finance the purchase of raw materials.

The payment of profit which is assumed to be paid semi-annually commencing six months from the date of issue and the payment of redemption sum under the Sukuk are as follows:

| Series | Redemption sum due (RM) | Tenure | Profit rates |
|---|---|---|---|
| A | 60,000,000 | 3 | 4.02% |
| B | 60,000,000 | 4 | 4.17% |
| C | 60,000,000 | 5 | 4.32% |
| D | 60,000,000 | 6 | 4.47% |
| E | 60,000,000 | 7 | 4.62% |
| | 300,000,000 | | |

The Sukuk is secured by the following:

(i) National Land Code charges over three parcels of land and the lease of the land all located at Mukim Plentong, Daerah Johor Bahru, Negeri Johor ("Charges") where Antara's existing fully-integrated steel plant is located ("Antara Steel Plant");

(ii) A debenture creating a fixed and floating charge over all existing and future assets of Antara;

(iii) Assignment and first charge over the designated accounts opened and maintained by Antara;

(iv) Assignment of all insurance policies and contracts of insurance and reinsurance and all the benefits thereof received or receivable by Antara in relation to the Antara Steel Plant and the hot briquetted iron operations; and

(v) Corporate guarantee from the Company.

## 31. FINANCE LEASE PAYABLES

| | The Group | | | |
|---|---|---|---|---|
| | Minimum lease payment | | Present value of Minimum lease payment | |
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Amounts payable under finance lease: | | | | |
| Within one year | **67,899** | 25,949 | **61,447** | 16,556 |
| In the second to third year inclusive | **29,467** | 97,337 | **28,335** | 89,782 |
| | **97,366** | 123,286 | **89,782** | 106,338 |
| Less: Future finance charges | **(7,584)** | (16,948) | **NA** | NA |
| Present value of lease payables | **89,782** | 106,338 | **89,782** | 106,338 |
| Less: Amount due within the next 12 months (shown under current liabilities) | | | **(61,447)** | (16,556) |
| Non-current portion | | | **28,335** | 89,782 |

The non-current portions of the finance lease obligations are repayable as follows:

| | The Group Minimum lease payment | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Financial years ending 30 June: | | |
| 2016 | **–** | 61,447 |
| 2017 and thereafter | **28,335** | 28,335 |
| | **28,335** | 89,782 |

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 9.75% (2014: 9.25% to 9.75%) per annum.

The finance lease obligations above are secured by charges on certain of the property, plant and equipment (Note 12).

## 32. HIRE-PURCHASE OBLIGATIONS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Total outstanding | **3,291** | 4,228 | **219** | 308 |
| Less: Interest-in-suspense | **(338)** | (508) | **(12)** | (24) |
| Principal outstanding | **2,953** | 3,720 | **207** | 284 |
| Less: Portion payable within one year (shown under current liabilities) | **(857)** | (896) | **(81)** | (99) |
| Non-current portion | **2,096** | 2,824 | **126** | 185 |

The non-current portion of the hire-purchase obligations are payable as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Financial years ending 30 June: | | | | |
| 2016 | **–** | 857 | **–** | 81 |
| 2017 | **879** | 933 | **85** | 74 |
| 2018 and thereafter | **1,217** | 1,034 | **41** | 30 |
| | **2,096** | 2,824 | **126** | 185 |

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.46% to 5.57% (2014: 2.46% to 5.57%) and 2.47% to 2.50% (2014: 2.47% to 2.50%) per annum, respectively.

## 33. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

### (a) Trade payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Trade payables | **643,644** | 597,601 | **139** | 139 |
| Retention monies | **6,008** | 6,670 | **27** | 27 |
| | **649,652** | 604,271 | **166** | 166 |

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2014: 30 to 60 days).

## 33. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES (continued)

### (a) Trade payables (continued)

The currency profile of trade payables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Ringgit Malaysia | **591,746** | 462,791 | **166** | 166 |
| United States Dollar | **43,973** | 126,168 | **–** | – |
| Singapore Dollar | **13,068** | 14,205 | **–** | – |
| Chinese Renminbi | **441** | 33 | **–** | – |
| Others | **424** | 1,074 | **–** | – |
| | **649,652** | 604,271 | **166** | 166 |

Included in trade payables of the Group is an amount of RM23.21 million (2014: RM74.43 million) representing product financing liabilities which arose from trade financing arrangement with a third party where titles to the inventories pertaining to this arrangement are legally with the third party, and of which the subsidiary companies have obligation to purchase. The obligation to purchase ranges from 30 to 90 days (2014: 30 to 90 days) at rates ranging from 5.75% to 7.50% (2014: 4.0%) per annum.

### (b) Other payables, deposits and accrued expenses

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Other payables and deposits | **217,593** | 244,215 | **505** | 970 |
| Accrued expenses | **125,249** | 290,344 | **671** | 623 |
| | **342,842** | 534,559 | **1,176** | 1,593 |

Included in other payables of the Group, is an amount of RM12.10 million (2014: RM12.14 million) representing security deposits received from customers, which bear interest at 9.75% (2014: 9.50% to 9.75%) per annum and have a repayment period ranging from 1 to 120 days (2014: 90 days).

The currency profile of other payables, deposits and accrued expenses is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Ringgit Malaysia | **336,805** | 474,510 | **1,176** | 1,593 |
| United States Dollar | **2** | 51,414 | **–** | – |
| Chinese Renminbi | **4,455** | 6,542 | **–** | – |
| Others | **1,580** | 2,093 | **–** | – |
| | **342,842** | 534,559 | **1,176** | 1,593 |

## 34. PROVISIONS

| | The Group | |
|---|---|---|
| | 2015 RM'000 | 2014 RM'000 |
| Provision for indemnity 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"), a former subsidiary company of Lion Forest Industries Berhad ("LFIB") ("the Disposal"), in 2007, LFIB 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 as disclosed in Note 40.

On 15 September 2014, SFI has 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 Group 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 had entered into a settlement agreement with UNP ("Settlement Agreement"). Pursuant to the Settlement Agreement, LFIB had on 9 February 2015 paid UNP the settlement sum of RM85.0 million as full and final settlement. The settlement had resulted in a one-time loss of RM70.0 million after a provision of RM15.0 million made in the previous financial years.

## 35. SHORT-TERM BORROWINGS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| Short-term loans from financial institutions - Secured | **160,890** | 226,003 | **160,890** | 136,151 |
| Bank overdrafts - Secured (Note 37) | **15,494** | 14,587 | **4,532** | 4,164 |
| Bills payable | **87,123** | 87,479 | **–** | – |
| Portion of long-term loans due within one year – Secured (Note 30) | **2,935** | 1,468 | **–** | – |
| Portion of Sukuk due within one year - Secured (Note 30) | **59,624** | 59,624 | **–** | – |
| | **326,066** | 389,161 | **165,422** | 140,315 |

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 12), investment properties (Note 13), prepaid land lease payments (Note 14) and floating charges over the other assets of the subsidiary companies.

The short-term borrowings of the Company are secured by charges on the investment in associated companies (Note 17) and investment in subsidiary companies (Note 16).

The short-term borrowings bear interest at rates ranging from 3.18% to 9.85% (2014: 2.85% to 12.00%) per annum.

## 35. SHORT-TERM BORROWINGS (continued)

The currency profile of short-term borrowings is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Ringgit Malaysia | **235,626** | 233,717 | **96,886** | 74,723 |
| United States Dollar | **90,440** | 155,444 | **68,536** | 65,592 |
| | **326,066** | 389,161 | **165,422** | 140,315 |

## 36. DIVIDENDS

| | The Group and The Company | |
|---|---|---|
| | **2015 RM'000** | **2014 RM'000** |
| **In respect of financial year ended 30 June 2013:** | | |
| A first and final single-tier dividend of 1% | – | 7,170 |
| | – | 7,170 |

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

## 37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| Cash and bank balances (unrestricted) (Note 26) | **137,490** | 163,622 | **401** | 440 |
| Deposits with licensed banks and financial institutions (unrestricted) (Note 26) | **142,390** | 93,589 | **300** | 3,200 |
| Housing Development Accounts (Note 26) | **29,229** | 26,857 | **3,877** | 3,795 |
| Bank overdrafts (Note 35) | **(15,494)** | (14,587) | **(4,532)** | (4,164) |
| | **293,615** | 269,481 | **46** | 3,271 |

## 38. RELATED COMPANIES AND PARTY TRANSACTIONS

Related parties are entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders have interest, excluding those parties disclosed in Notes 16, 17, 18, and 25.

The Group and the Company have the following significant 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 | |
|---|---|---|---|
| | | 2015 | 2014 |
| **Name of Company** | **Nature** | **RM'000** | **RM'000** |
| **Subsidiary companies** | | | |
| Inspirasi Elit Sdn Bhd | Sales commission | **1,109** | 214 |
| | Administrative fee income | **54** | 72 |
| Amsteel Mills Sdn Bhd | Interest income | **7,009** | 2,853 |

**Sales and purchase of goods and services and interest**

| | | The Group | |
|---|---|---|---|
| | | 2015 | 2014 |
| **Name of Company** | **Nature** | **RM'000** | **RM'000** |
| Megasteel Sdn Bhd | Sale of goods | **27,956** | 642,257 |
| | Purchase of goods, raw materials and consumables | **16,523** | 436,654 |
| | Provision of transportation services | **20,976** | 23,749 |
| | Rental income | **653** | 928 |
| | Interest income | **4,982** | 6,342 |
| Angkasa Amsteel Pte Ltd | Sale of goods | **47,636** | 48,281 |
| Angkasa Amsteel (M) Sdn Bhd | Sale of goods | **3,203** | – |
| Lion DRI Sdn Bhd | Sale of goods | **62,811** | 59,672 |
| | Purchase of raw materials | **–** | 5,792 |
| | Rental income | **145** | 253 |
| Graimpi Sdn Bhd | Interest income | **–** | 19,196 |
| Akurjaya Sdn Bhd | Interest income | **556** | 608 |
| Secomex Manufacturing (M) Sdn Bhd | Purchase of gas | **281** | 5,183 |
| LAP Trading & Marketing Pte Ltd | Purchase of raw materials | **22,191** | 19,523 |
| | Late payment interest | **360** | 228 |
| Lion Blast Furnace Sdn Bhd | Rental income | **291** | 146 |
| Bright Steel Sdn Bhd | Sale of goods | **5,343** | 8,404 |
| Lion Tooling Sdn Bhd | Purchase of toolings | **1,901** | 4,165 |
| Parkson Corporation Sdn Bhd | Sale of goods | **6,596** | 4,126 |
| Compact Energy Sdn Bhd | Purchase of consumables | **16,029** | 21,503 |
| | Rental income | **366** | 366 |

## 38. RELATED COMPANIES AND PARTY TRANSACTIONS (continued)

The outstanding balances arising from the above 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 | **641,255** | 694,658 | **–** | – |
| Included in other receivables | **402,948** | 412,264 | **3,765** | 5,380 |
| Payables: | | | | |
| Included in trade payables | **15,141** | 3,206 | **–** | – |
| Included in other payables | **35,143** | 58,156 | **87** | 561 |

The outstanding balances with related parties are either interest-free or bear interest at 8.00% (2014: either interest-free or bore interest at 8.00%) per annum and repayable on demand.

## 39. SEGMENTAL INFORMATION

Segment reporting is presented in respect of the Group's business segments in a manner consistent with the internal reporting provided to and regularly reviewed by the chief operating decision makers in order to allocate resources to a segment and to assess its performance.

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transaction are within the Group.

### (a) Business Segments:

The Group's activities are classified into four major business segments:

- Steel - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, and provision of chartering services;
- Property development - property development and management;
- Building materials - trading and distribution of building materials and other steel products; and
- Others - investment holding, treasury business, manufacture and trading of lubricants, spark plugs and provision of transportation services, agriculture, distributing and retailing of customer products, none of which is of a sufficient size to be reported separately.

Inter-segment revenue comprises sales of goods and income from other business segments. These transactions are conducted on an arm's length basis under terms, conditions and prices not materially different from transactions with non-related parties.

Capital additions comprise additions to property, plant and equipment, investment properties and prepaid land lease payments.

## 39. SEGMENTAL INFORMATION (continued)

### (a) Business Segments: (continued)

**The Group**
**2015**

| | Steel RM'000 | Property development RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External revenue | 2,229,222 | 57,628 | 394,200 | 101,363 | – | 2,782,413 |
| Inter–segment revenue | 116,456 | – | 223,393 | 2,492 | (342,341) | – |
| Total revenue | 2,345,678 | 57,628 | 617,593 | 103,855 | (342,341) | 2,782,413 |
| **Results** | | | | | | |
| Segment results | (51,427) | 9,864 | 15,670 | (13,783) | – | (39,676) |
| Unallocated costs | | | | | | (6,622) |
| Finance costs | (37,745) | (392) | (783) | (11,834) | – | (50,754) |
| Share in results of: | | | | | | |
| Associated companies | 1,312 | – | – | (39,157) | – | (37,845) |
| Joint venture | – | 7,921 | – | – | – | 7,921 |
| Investment income | 8,119 | 4,212 | 1,134 | 5,942 | – | 19,407 |
| Impairment losses on: | | | | | | |
| Quoted and unquoted investments | (6,538) | (185) | (222) | (1,053) | – | (7,998) |
| Associated companies | (12,655) | – | – | – | – | (12,655) |
| Trade and other receivables | (221) | (39) | (4,413) | (587) | – | (5,260) |
| Settlement arising from litigation claim against a former subsidiary company | – | – | – | (70,000) | – | (70,000) |
| Inventories written down | (75,371) | – | – | – | – | (75,371) |
| Loss before tax | | | | | | (278,853) |
| Tax expense | | | | | | (9,013) |
| Loss for the year | | | | | | (287,866) |

## 39. SEGMENTAL INFORMATION (continued)

### (a) Business Segments: (continued)

**The Group**
**2015**

| | Steel RM'000 | Property development RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Consolidated Statement of Financial Position** | | | | | | |
| Segment assets | 2,319,355 | 293,195 | 437,490 | 277,651 | – | 3,327,691 |
| Investment in associated companies and joint venture | 73,092 | 9,575 | – | 733,824 | – | 816,491 |
| Unallocated corporate assets | | | | | | 114,206 |
| **Consolidated Total Assets** | | | | | | 4,258,388 |
| Segment liabilities | 1,140,885 | 65,082 | 48,200 | 292,862 | – | 1,547,029 |
| Unallocated liabilities | | | | | | 43,602 |
| **Consolidated Total Liabilities** | | | | | | 1,590,631 |
| **Other Information** | | | | | | |
| Capital expenditure | 23,001 | 501 | 41 | 5,425 | – | 28,968 |
| Depreciation and amortisation | 109,860 | 784 | 178 | 5,365 | – | 116,187 |
| Other non-cash expenses | 88,842 | 11,116 | 236 | 1,167 | – | 101,361 |

## 39. SEGMENTAL INFORMATION (continued)

### (a) Business Segments: (continued)

**The Group**
**2014**

| | Steel RM'000 | Property development RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External revenue | 3,977,281 | 37,537 | 367,032 | 100,501 | – | 4,482,351 |
| Inter-segment revenue | 103,736 | – | 350,394 | – | (454,130) | – |
| Total revenue | 4,081,017 | 37,537 | 717,426 | 100,501 | (454,130) | 4,482,351 |
| **Results** | | | | | | |
| Segment results | (51,769) | 4,451 | 14,912 | 763 | – | (31,643) |
| Unallocated costs | | | | | | (7,404) |
| Finance costs | (57,835) | (10,857) | (533) | – | – | (69,225) |
| Share in results of: | | | | | | |
| Associated companies | 851 | – | – | 25,186 | – | 26,037 |
| Joint venture | – | 18,524 | – | – | – | 18,524 |
| Investment income | 11,928 | 2,654 | 20,089 | 6,993 | – | 41,664 |
| Impairment losses on: | | | | | | |
| Property, plant and equipment | (33,891) | – | – | – | – | (33,891) |
| Quoted and unquoted investments | (50,879) | (4,617) | (1,110) | (13,335) | – | (69,941) |
| Trade and other receivables | (179,792) | (4,222) | (231,786) | (28,843) | – | (444,643) |
| Inventories written down | – | – | – | (10,264) | – | (10,264) |
| Loss before tax | | | | | | (580,786) |
| Tax credit | | | | | | 2,400 |
| Loss for the year | | | | | | (578,386) |

## 39. SEGMENTAL INFORMATION (continued)

### (a) Business Segments: (continued)

**The Group**
**2014**

| | Steel RM'000 | Property development RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|
| **Consolidated Statement of Financial Position** | | | | | | |
| Segment assets | 2,785,592 | 257,424 | 397,418 | 391,697 | – | 3,832,131 |
| Investment in associated companies and joint venture | 74,161 | 56,974 | – | 799,924 | – | 931,059 |
| Unallocated corporate assets | | | | | | 115,213 |
| **Consolidated Total Assets** | | | | | | 4,878,403 |
| Segment liabilities | 1,449,732 | 207,429 | 91,337 | 112,632 | – | 1,861,130 |
| Unallocated liabilities | | | | | | 57,340 |
| **Consolidated Total Liabilities** | | | | | | 1,918,470 |
| **Other Information** | | | | | | |
| Capital expenditure | 54,223 | 449 | 41 | 14,108 | – | 68,821 |
| Depreciation and amortisation | 110,358 | 1,139 | 178 | 5,282 | – | 116,957 |
| Other non-cash expenses | 262,540 | 8,873 | 232,314 | 53,863 | – | 557,590 |

## 39. SEGMENTAL INFORMATION (continued)

### (b) Geographical Segments:

The Group operates in two main geographical areas:

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, provision of chartering services, property development and management, trading and distribution of building materials and consumables, manufacture and trading of lubricants, spark plugs and provision of transportation services, distributing and retailing of consumer products; and
- Others countries which are not sizable to be reported separately.

| | Revenue | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Malaysia | **2,236,914** | 3,698,834 |
| Other countries | **545,499** | 783,517 |
| | **2,782,413** | 4,482,351 |

| | Total assets | | Capital expenditure | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Malaysia | **4,092,065** | 4,690,932 | **25,371** | 56,882 |
| Other countries | **166,323** | 187,471 | **3,597** | 11,939 |
| | **4,258,388** | 4,878,403 | **28,968** | 68,821 |

In determining the geographical segments of the Group, revenue is based on the country in which the customer is located. Total assets and capital additions are determined based on where the assets are located.

**Information about major customers**

Revenue of the Group for the current financial year amounting to RM111.74 million (2014: RM725.68 million) from the steel division and building materials division are derived from two related parties.

## 40. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of guarantees given by the Company for borrowings and other credit facilities obtained and utilised by a subsidiary company are as follows:

| | The Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Unsecured: | | |
| Subsidiary company | **180,000** | 240,000 |

**40. CONTINGENT LIABILITIES (continued)**

(b) As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of Lion Forest Industries Berhad ("LFIB"), LFIB 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. In this connection, the following are contingent liabilities of SFI:

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Indemnity for: | | |
| Litigation claims in respect of the termination of contracts for the extraction and sale of timber | – | 138,855 |
| Less: Provision (Note 34) | – | (15,000) |
| | – | 123,855 |
| Back pay labour claims from SFI's employees | **23,427** | 23,427 |
| | **23,427** | 147,282 |

Indemnity for litigation claims in respect of the termination of contracts for the extraction and sale of timber

In previous financial years, UNP Plywood Sdn Bhd ("UNP") filed a litigation claim 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. Pursuant to the judgment of the Court of Appeal on 11 September 2014, the Kota Kinabalu High Court 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 Febuary 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 has filed an appeal against the whole decision of the Deputy Registrar and applied for stay of execution. 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 RM59,590,107 only.

For the above claim, LFIB made a provision of RM15.00 million 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 RM85.00 million 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.

## 40. CONTINGENT LIABILITIES (continued)

Indemnity for litigation claims in respect of the termination of contracts for the extraction and sale of timber (continued)

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 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.

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.

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 2014, the Court of Appeal dismissed SFI's appeal with costs. Thereafter, SFI had filed an application to the Federal Court on 13 June 2014 for leave to appeal against the decision of the Court of Appeal. On 27 March 2015, the application for leave to appeal was withdrawn in view of certain recent legal authorities which ruled 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 LFIB, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

## 41. CAPITAL COMMITMENTS

At the end of the reporting period, the Group has the following capital commitments:

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Purchase of property, plant and equipment: | | |
| Approved and contracted for | **41,563** | 33,238 |
| Approved but not contracted for | **29,964** | 40,106 |
| | **71,527** | 73,344 |

## 42. LEASE COMMITMENTS

As of 30 June 2015, lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

| | The Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RM'000** | **RM'000** |
| Within one year | **11,130** | 11,130 |
| Within two to five years | **35,930** | 40,765 |
| After five years | **10,101** | 16,834 |
| | **57,161** | 68,729 |

## 43. 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 net debts (borrowings offset by cash and cash equivalents) 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, management considers the cost of capital and risk associated with each class of capital.

**Gearing Ratio**

The gearing ratio at the end of the reporting period was as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Debt (i) | **540,671** | 682,494 | **165,629** | 140,599 |
| Cash and cash equivalents (excluding bank overdrafts) | **(309,109)** | (284,068) | **(4,578)** | (7,435) |
| Net debt | **231,562** | 398,426 | **161,051** | 133,164 |
| Equity (ii) | **2,667,757** | 2,959,933 | **1,056,724** | 1,081,775 |
| Debt to equity ratio | **8.68%** | 13.46% | **15.24%** | 12.31% |

(i) Debt is defined as finance lease, hire-purchase obligations, long-term and short-term borrowings as disclosed in Notes 30, 31, 32, and 35 respectively.

(ii) Equity includes issued 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.

## 43. FINANCIAL INSTRUMENTS (continued)

### 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 | **19,827** | 20,996 | **3,924** | 701 |
| Loans and receivables: | | | | |
| Investments | **–** | 3,795 | **–** | 2,087 |
| Trade receivables | **548,524** | 626,189 | **349** | – |
| Other receivables and refundable deposits | **384,363** | 386,089 | **10,956** | 14,384 |
| Amount owing by subsidiary companies | **–** | – | **1,086,441** | 1,049,768 |
| Amount owing by associated companies | **22** | 10,751 | **–** | – |
| Amount owing by joint venture | **1,579** | 1,485 | **–** | – |
| Deposits, cash and bank balances | **347,015** | 462,374 | **7,389** | 10,166 |
| **Financial liabilities** | | | | |
| Other financial liabilities: | | | | |
| Finance lease payables | **89,782** | 106,338 | **–** | – |
| Hire-purchase obligations | **2,953** | 3,720 | **207** | 284 |
| Trade payables | **649,652** | 604,271 | **166** | 166 |
| Other payables, deposits and accrued expenses | **342,842** | 534,559 | **1,176** | 1,593 |
| Amount owing to subsidiary companies | **–** | – | **183,657** | 155,734 |
| Borrowings | **447,936** | 572,436 | **165,422** | 140,315 |

### Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group and the Company have formulated a financial risk management framework the principal objective of which is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

Various risk management policies are made and approved by the Board of Directors for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

### Foreign currency risk

The Group and the Company undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

## 43. FINANCIAL INSTRUMENTS (continued)

**Foreign currency risk (continued)**

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 as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Assets 2015 RM'000 | Liabilities 2015 RM'000 | Assets 2015 RM'000 | Liabilities 2015 RM'000 |
| United States Dollar | **133,036** | **134,415** | **6** | **68,536** |
| Chinese Renminbi | **29,138** | **4,896** | **-** | **8,836** |
| Singapore Dollar | **80** | **13,068** | **1,529** | **11,068** |
| Others | **2,596** | **2,004** | **–** | **–** |
| | **164,850** | **154,383** | **1,535** | **88,440** |

| | The Group | | The Company | |
|---|---|---|---|---|
| | Assets 2014 RM'000 | Liabilities 2014 RM'000 | Assets 2014 RM'000 | Liabilities 2014 RM'000 |
| United States Dollar | 183,456 | 333,026 | – | 65,593 |
| Chinese Renminbi | 27,095 | 6,575 | – | 8,836 |
| Singapore Dollar | 18,749 | 14,205 | – | 10,150 |
| Others | 3,264 | 3,167 | – | – |
| | 232,564 | 356,973 | – | 84,579 |

Foreign currency sensitivity analysis

The Group and the Company are exposed to the foreign currencies of United States Dollar, Singapore Dollar and Chinese Renminbi.

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 currencies. 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 rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a profit 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 profit or loss, the balances below would be negative.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| United States Dollar | **138** | 14,957 | **6,853** | 6,559 |
| Chinese Renminbi | **(2,424)** | (2,052) | **884** | 884 |
| Singapore Dollar | **1,299** | (454) | **954** | 1,015 |
| | **(987)** | 12,451 | **8,691** | 8,458 |

## 43. FINANCIAL INSTRUMENTS (continued)

**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 35.

The interest rates for the term loans, Sukuk, finance lease payables and hire-purchase obligations, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 30, 31 and 32 respectively.

Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analysis below has been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended 30 June 2015 would increase or decrease by as follows:

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2015 RM'000** | **2014 RM'000** | **2015 RM'000** | **2014 RM'000** |
| **Floating rate liabilities** | | | | |
| Bank overdrafts | **77** | 73 | **23** | 21 |
| Bills payable | **436** | 437 | **–** | – |
| Borrowings | **832** | 1,159 | **804** | 681 |
| | **1,345** | 1,669 | **827** | 702 |

**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 mainly 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 Company is exposed to credit risk mainly from subsidiary companies and related parties. The Company monitors on an ongoing basis the results of the subsidiary companies and related parties, and repayments made by the subsidiary companies and related parties.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their 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.

**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 and of the Company's short-term, medium and long-term funding and liquidity management requirements. The Group and the Company manage 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 and the Company practise 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.

**43. FINANCIAL INSTRUMENTS (continued)**

**Liquidity risk (continued)**

The tables below summarise 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 | **626,445** | **–** | **–** | **–** | **626,445** | |
| Other payables, deposits and accrued expenses | **330,739** | **–** | **–** | **–** | **330,739** | |
| Interest bearing: | | | | | | |
| Trade payables | **23,207** | **–** | **–** | **–** | **23,207** | **5.75 – 7.50** |
| Other payables, deposits and accrued expenses | **12,103** | **–** | **–** | **–** | **12,103** | **9.75** |
| Hire-purchase obligations | **965** | **1,241** | **927** | **158** | **3,291** | **2.46 – 5.57** |
| Finance lease payables | **67,899** | **29,467** | **–** | **–** | **97,366** | **9.25 – 9.75** |
| Bank borrowings: | | | | | | |
| Bank overdrafts | **15,494** | **–** | **–** | **–** | **15,494** | **3.18 – 8.35** |
| Bills payable | **96,051** | **–** | **–** | **–** | **96,051** | **3.18 – 8.30** |
| Borrowings | **236,027** | **67,151** | **62,946** | **–** | **366,124** | **4.02 – 9.85** |
| | **1,408,930** | **97,859** | **63,873** | **158** | **1,570,820** | |

| The Group 2014 | 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 | 529,840 | – | – | – | 529,840 | – |
| Other payables, deposits and accrued expenses | 522,422 | – | – | – | 522,422 | – |
| Interest bearing: | | | | | | |
| Trade payables | 74,431 | – | – | – | 74,431 | 4.00 |
| Other payables, deposits and accrued expenses | 12,137 | – | – | – | 12,137 | 9.50 – 9.75 |
| Hire-purchase obligations | 1,014 | 1,014 | 2,156 | 44 | 4,228 | 2.46 – 5.57 |
| Finance lease payables | 25,949 | 25,949 | 71,388 | – | 123,286 | 9.25 – 9.75 |
| Bank borrowings: | | | | | | |
| Bank overdrafts | 14,587 | – | – | – | 14,587 | 2.85 – 8.25 |
| Bills payable | 87,479 | – | – | – | 87,479 | 2.85 – 6.60 |
| Borrowings | 501,354 | – | – | – | 501,354 | 4.33 – 12.00 |
| | 1,769,213 | 26,963 | 73,544 | 44 | 1,869,764 | |

## 43. 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 | **166** | **–** | **–** | **–** | **166** | **–** |
| Other payables, deposits and accrued expenses | **1,176** | **–** | **–** | **–** | **1,176** | **–** |
| Amount owing to subsidiary companies | **183,657** | **–** | **–** | **–** | **183,657** | **–** |
| Interest bearing: | | | | | | |
| Hire-purchase obligations | **88** | **88** | **43** | **–** | **219** | **2.47 – 2.50** |
| Bank overdrafts | **4,532** | **–** | **–** | **–** | **4,532** | **8.36** |
| Borrowings | **160,890** | **–** | **–** | **–** | **160,890** | **4.33 – 8.86** |
| | **350,509** | **88** | **43** | **–** | **350,640** | |

| **The Company 2014** | **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 | 166 | – | – | – | 166 | – |
| Other payables, deposits and accrued expenses | 1,593 | – | – | – | 1,593 | – |
| Amount owing to subsidiary companies | 155,734 | – | – | – | 155,734 | – |
| Interest bearing: | | | | | | |
| Hire-purchase obligations | 88 | 88 | 132 | – | 308 | 2.47 – 2.50 |
| Bank overdrafts | 4,164 | – | – | – | 4,164 | 8.10 |
| Borrowings | 136,151 | – | – | – | 136,151 | 4.33 – 8.60 |
| | 297,896 | 88 | 132 | – | 298,116 | |

At the end of the reporting period, it was not probable that the counter parties to the financial guarantee contracts will claim under the contracts. Consequently, the amount of financial guarantee is estimated at Nil.

## 43. FINANCIAL INSTRUMENTS (continued)

**Fair values of financial instruments**

Except as detailed in the following table, the carrying amounts of the financial assets and the financial liabilities carried at amortised cost in the financial statements approximate their fair values.

| 2015 | The Group Carrying amount RM'000 | The Group Fair value RM'000 | | The Company Carrying amount RM'000 | The Company Fair value RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Loan and receivables: | | | | | |
| Trade and other receivables | **829,975** | **829,975** | ^ | **10,612** | **10,612** |
| **Financial liabilities** | | | | | |
| Finance lease payables | **89,782** | **86,584** | * | **–** | **–** |
| Hire-purchase obligations | **2,953** | **3,034** | * | **207** | **207** * |
| Borrowings | **447,936** | **436,407** | * | **165,422** | **165,422** * |

| 2014 | The Group Carrying amount RM'000 | The Group Fair value RM'000 | | The Company Carrying amount RM'000 | The Company Fair value RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Loan and receivables: | | | | | |
| Unquoted Redeemable Convertible Secured Loan Stocks ("RCSLS") | 3,795 | 3,795 | + | 2,087 | 2,087 + |
| Trade and other receivables | 926,055 | 926,055 | ^ | 13,705 | 13,705 |
| **Financial liabilities** | | | | | |
| Finance lease payables | 106,338 | 99,712 | * | – | – |
| Hire-purchase obligations | 3,720 | 3,866 | * | 284 | 284 * |
| Borrowings | 572,436 | 560,861 | * | 140,315 | 140,315 * |

# It is not practical to determine the fair value of these unquoted investments due to the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

+ The fair values of the RCSLS are estimated using discounted cash flow analysis based on current base lending rate.

* 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 weighted average cost of capital of the Group.

No disclosure is made for balances with related companies and related parties as it is impractical to determine their fair values with sufficient reliability given these balances are repayable on demand.

## 43. 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 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **2015** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | **18,452** | **–** | **–** | **18,452** |
| **2014** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | 19,621 | – | – | 19,621 |
| **The Company** | | | | |
| **2015** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | **3,524** | **–** | **–** | **3,524** |
| **2014** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | 301 | – | – | 301 |

*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 | **–** | **–** | **829,975** | **829,975** |
| **Financial Liabilities** | | | | |
| Finance lease payables | **–** | **–** | **89,782** | **89,782** |
| Hire-purchase obligations | **–** | **–** | **2,953** | **2,953** |
| Borrowings | **–** | **–** | **447,936** | **447,936** |

## 43. FINANCIAL INSTRUMENTS (continued)

**Fair value hierarchy (continued)**

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **2014** | | | | |
| **Financial Assets** | | | | |
| Unquoted RCSLS | – | – | 3,795 | 3,795 |
| Trade and other receivables | – | – | 926,055 | 926,055 |
| **Financial Liabilities** | | | | |
| Finance lease payables | – | – | 106,338 | 106,338 |
| Hire-purchase obligations | – | – | 3,720 | 3,720 |
| Borrowings | – | – | 572,436 | 572,436 |
| **The Company** | | | | |
| **2015** | | | | |
| **Financial Liabilities** | | | | |
| Hire-purchase obligations | **–** | **–** | **207** | **207** |
| Borrowings | **–** | **–** | **165,422** | **165,422** |
| **2014** | | | | |
| **Financial Assets** | | | | |
| Unquoted RCSLS | – | – | 2,087 | 2,087 |
| **Financial Liabilities** | | | | |
| Hire-purchase obligations | – | – | 284 | 284 |
| Borrowings | – | – | 140,315 | 140,315 |

## 44. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | Effective Percentage Ownership 2014 % | Principal Activities |
|---|---|---|---|---|
| **Property Division** | | | | |
| * Amble Legacy Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Batu Pahat Enterprise Sdn Berhad | Malaysia | **98** | 98 | Dormant |
| Berkat Timor Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| Citibaru Sendirian Berhad | Malaysia | **100** | 100 | Dormant |
| * Crest Wonder Sdn Bhd | Malaysia | **100** | 100 | Investment holding |

## 44. SUBSIDIARY COMPANIES (continued)

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | 2014 % | Principal Activities |
|---|---|---|---|---|
| **Property Division** | | | | |
| Inspirasi Elit Sdn Bhd | Malaysia | **85** | 85 | Property development |
| JOPP Builders Sdn Bhd | Malaysia | **100** | 100 | Contractor for construction and civil engineering works, and property development |
| Kisan Agency Sdn Bhd | Malaysia | **100** | 100 | Property development |
| Lion Courts Sdn Bhd | Malaysia | **100** | 100 | Property development and investment holding |
| * Lion Metal Industries Sdn Bhd | Malaysia | **100** | 100 | Provision of storage facilities |
| LLB Bina Sdn Bhd | Malaysia | **100** | 100 | Ceased operations |
| LLB Damai Holdings Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| LLB Indah Permai Sdn Bhd | Malaysia | **100** | 100 | Property development |
| Malim Courts Property Development Sdn Bhd | Malaysia | **100** | 100 | Property development and investment holding |
| Malim Jaya (Melaka) Sdn Bhd | Malaysia | **100** | 100 | Property development |
| * Matrix Control Sdn Bhd | Malaysia | **100** | 100 | Ceased operations |
| Mcken Sdn Bhd | Malaysia | **100** | 100 | Ceased operations |
| PM Holdings Sdn Bhd | Malaysia | **100** | 100 | Investment holding and property development |
| Projek Jaya Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Seri Lalang Development Sdn Bhd | Malaysia | **100** | 100 | Ceased operations |
| Sharikat Pengangkutan East West Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| Soga Sdn Bhd | Malaysia | **98** | 98 | Property development |
| Sucorp Enterprise Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Sumber Realty Sdn Bhd | Malaysia | **100** | 100 | Investment holding and property development |
| Syarikat Pekan Baru Kemajuan Berhad | Malaysia | **100** | 100 | Dormant |
| * Tianjin Baden Real Estate Development Co Ltd (In liquidation - voluntary) | People's Republic of China | **95** | 95 | Property development |

## 44. SUBSIDIARY COMPANIES (continued)

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | 2014 % | Principal Activities |
|---|---|---|---|---|
| **Steel Division** | | | | |
| @ Amsteel Mills Sdn Bhd | Malaysia | **99** | 99 | Manufacture and marketing of steel bars and wire rods |
| Amsteel Mills Marketing Sdn Bhd | Malaysia | **99** | 99 | Sale and distribution of steel products |
| * Amsteel Mills Realty Sdn Bhd | Malaysia | **99** | 99 | Ceased operations |
| + Antara Steel Mills Sdn Bhd | Malaysia | **99** | 99 | Manufacture and sale of steel and related products |
| + Lion Waterway Logistics Sdn Bhd | Malaysia | **99** | 99 | Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties |
| Lion-Kimtrans Logistics Sdn Bhd | Malaysia | **99** | 99 | Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2015) |
| * LLB Steel Industries Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| * + Steelcorp Sdn Bhd | Malaysia | **99** | 99 | Investment holding |
| **Others** | | | | |
| * Holdsworth Investment Pte Ltd | Singapore | **80** | 80 | Investment holding |
| + Lion Forest Industries Berhad | Malaysia | **72** | 72 | Investment holding, trading and distribution of building materials, and trading of steel products |
| Lion Group Management Services Sdn Bhd | Malaysia | **100** | – | Provision of management services |
| * Lion Motor Venture Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| LLB Enterprise Sdn Bhd | Malaysia | **69** | 69 | Dormant |
| LLB Harta (L) Limited | Malaysia | **100** | 100 | Treasury business |
| # LLB Harta (M) Sdn Bhd | Malaysia | **100** | 100 | Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies |

## 44. SUBSIDIARY COMPANIES (continued)

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | 2014 % | Principal Activities |
|---|---|---|---|---|
| **Others** | | | | |
| LLB Nominees Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| LLB Strategic Holdings Berhad | Malaysia | **100** | 100 | Dormant |
| # LLB Suria Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| * LLB Venture Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| Marvenel Sdn Bhd | Malaysia | **70** | 70 | Dormant |
| * Slag Aggregate Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| * Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary) | People's Republic of China | **56** | 56 | Manufacture of meters for motor vehicles and after sales services (ceased operations) |
| Worldwide Unilink Education and Consultancy Sdn Bhd (In liquidation - voluntary) | Malaysia | **100** | 100 | Ceased operations |
| * Zhongsin Biotech Pte Ltd | Singapore | **67** | 67 | Investment holding |
| **Subsidiary Companies of Lion Forest Industries Berhad** | | | | |
| **Building Materials Division** | | | | |
| + Posim Marketing Sdn Bhd | Malaysia | **72** | 72 | Trading and distribution of building materials and consumer products |
| **Others** | | | | |
| ^ Alpha Deal Group Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Brilliant Elite Investments Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Brilliant Elite (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Bright Triumph (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Bright Triumph Investments Limited | British Virgin Islands | **72** | 72 | Investment holding |
| Brands Pro Management Sdn Bhd | Malaysia | **72** | 51 | Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands |

**44. SUBSIDIARY COMPANIES (continued)**

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | 2014 % | Principal Activities |
|---|---|---|---|---|
| **Subsidiary Companies of Lion Forest Industries Berhad** | | | | |
| **Others** | | | | |
| * Beijing Youshi Trading Co Ltd | People's Republic of China | **72** | 72 | Dormant |
| ^ Classy Elite Investments Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Classy Elite (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Distinct Harvest (Cambodia) Co., Ltd | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Distinct Harvest Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Double Merits (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Double Merits Enterprise Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Dynamic Shine (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Dynamic Shine Holdings Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Elite Harvest (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Elite Harvest Group Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Elite Image (Cambodia) Co., Ltd | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Elite Image Investments Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Eminent Elite (Cambodia) Co., Ltd | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Eminent Elite Investments Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Eminent Prosper (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Eminent Prosper Limited | British Virgin Islands | **72** | 72 | Investment holding |

## 44. SUBSIDIARY COMPANIES (continued)

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | 2014 % | Principal Activities |
|---|---|---|---|---|
| **Subsidiary Companies of Lion Forest Industries Berhad** | | | | |
| **Others** | | | | |
| Gama Harta Sdn Bhd | Malaysia | **72** | 72 | Investment holding |
| ^ Grand Ray (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Grand Ray Investments Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Great Zone (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Great Zone Investments Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Green Choice (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Green Choice Holdings Limited | British Virgin Islands | **72** | 72 | Investment holding |
| LFIB Agriculture (Cambodia) Sdn Bhd | Malaysia | **72** | 72 | Investment holding |
| ^ Harvest Boom (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Harvest Boom Investments Limited | British Virgin Islands | **72** | 72 | Investment holding |
| Intra Inspirasi Sdn Bhd | Malaysia | **72** | 72 | Investment holding |
| ^ Jadeford International Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Jade Harvest (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Jade Harvest International Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Jade Power (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Jade Power Holdings Limited | British Virgin Islands | **72** | 72 | Investment holding |
| * Lion AMB Resources Berhad | Malaysia | **65** | 64 | Investment holding |
| Lion Rubber Industries Sdn Bhd | Malaysia | **72** | 72 | Investment holding |

## 44. SUBSIDIARY COMPANIES (continued)

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | 2014 % | Principal Activities |
|---|---|---|---|---|
| **Subsidiary Companies of Lion Forest Industries Berhad** | | | | |
| **Others** | | | | |
| Lion Petroleum Products Sdn Bhd | Malaysia | **72** | 72 | Manufacturing of petroleum products |
| ^ Mile Treasure (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Mile Treasure Limited | British Virgin Islands | **72** | 72 | Investment holding |
| Ototek Sdn Bhd | Malaysia | **51** | 51 | Trading and distribution of spark plugs, lubricants and automotive components |
| ^ Pinnacle Treasure Limited | British Virgin Islands | **72** | 72 | Investment holding |
| Posim EMS Sdn Bhd | Malaysia | **58** | 58 | Provision of energy management and conservation services |
| + Posim Petroleum Marketing Sdn Bhd | Malaysia | **72** | 72 | Trading and distribution of petroleum products |
| * P.T. Lion Intimung Malinau (Dissolved on 11 September 2015) | Republic of Indonesia | **69** | 69 | Dormant |
| ^ Radiant Elite (Cambodia) Co., Ltd | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Radiant Elite Holdings Limited | British Virgin Islands | **72** | 72 | Investment holding |
| * + Singa Logistics Sdn Bhd | Malaysia | **72** | 72 | Provision of transportation services |
| ^ Sky Yield (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Sky Yield Group Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Superb Harvest (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Superb Harvest Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Superb Reap (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Superb Reap Limited | British Virgin Islands | **72** | 72 | Investment holding |

**44. SUBSIDIARY COMPANIES (continued)**

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | 2014 % | Principal Activities |
|---|---|---|---|---|
| **Subsidiary Companies of Lion Forest Industries Berhad** | | | | |
| **Others** | | | | |
| ^ Ultra Strategy (Cambodia) Co., Ltd | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Ultra Strategy Limited | British Virgin Islands | **72** | 72 | Investment holding |
| ^ Up Reach (Cambodia) Co., Limited | Cambodia | **72** | 72 | Investment and development in agriculture |
| ^ Up Reach Limited | British Virgin Islands | **72** | 72 | Investment holding |
| **Subsidiary Companies of Lion AMB Resources Berhad** | | | | |
| **Others** | | | | |
| ^ AMB Aerovest Limited | British Virgin Islands | **65** | 64 | Investment holding |
| AMB Harta (L) Limited | Malaysia | **65** | 64 | Treasury business |
| * # AMB Harta (M) Sdn Bhd | Malaysia | **65** | 64 | Managing of debts novated from Lion AMB Resources Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Berhad and certain of its subsidiary companies |
| * # AMB Venture Sdn Bhd | Malaysia | **65** | 64 | Investment holding |
| * # CeDR Corporate Consulting Sdn Bhd | Malaysia | **65** | 64 | Provision of training services |
| * # Chrome Marketing Sdn Bhd | Malaysia | **65** | 64 | Investment holding |
| * Innovasi Istimewa Sdn Bhd (In liquidation - voluntary, dissolved on 27 August 2014) | Malaysia | **–** | 64 | Investment holding |
| * Innovasi Selaras Sdn Bhd (In liquidation – voluntary, dissolved on 28 August 2015) | Malaysia | **65** | 64 | Investment holding |
| * # Lion AMB Holdings Pte Ltd | Singapore | **52** | 51 | Investment holding |

## 44. SUBSIDIARY COMPANIES (continued)

| Name of Company | Country of Incorporation | Effective Percentage Ownership 2015 % | Effective Percentage Ownership 2014 % | Principal Activities |
|---|---|---|---|---|
| **Subsidiary Companies of Lion AMB Resources Berhad** | | | | |
| **Others** | | | | |
| * # Lion Rubber Industries Pte Ltd | Singapore | **46** | 46 | Investment holding |
| * # Lion Tyre Venture Sdn Bhd | Malaysia | **65** | 64 | Investment holding |
| * # Range Grove Sdn Bhd | Malaysia | **65** | 64 | Investment holding |
| * # Seintasi Sdn Bhd | Malaysia | **65** | 64 | Investment holding |
| * Shanghai AMB Management Consulting Co. Ltd. | People's Republic of China | **65** | 64 | Provision of management services |
| * Willet Investment Pte Ltd | Singapore | **65** | 64 | 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.

\# The auditors' reports on the financial statements of these subsidiary companies include an emphasis of matter regarding the ability of these subsidiary companies to continue as a going-concern in view of their capital deficiency positions at the end of the reporting period. The financial statements of these subsidiary companies have been prepared on a going-concern basis as its holding company has undertaken to continue to provide financial support to these subsidiary companies.

+ The auditors' reports on the financial statements of these subsidiary companies include an emphasis of matter regarding the credit risk with related parties.

@ The auditors' reports on the financial statements of this subsidiary company include an emphasis of matter regarding the credit risk with related parties and impairment assessment on Banting plant.

## 45. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

| Name of Company | Financial Year-end | Country of Incorporation | Effective Equity Interest 2015 % | Effective Equity Interest 2014 % | Principal Activities |
|---|---|---|---|---|---|
| Angkasa Amsteel Pte Ltd | 30 June | Singapore | **50** | 50 | Manufacturing and distribution of fabricated steel reinforcement bars |
| Renor Pte Ltd | 30 June | Singapore | **33** | 33 | Investment holding |
| Lion Insurance Company Limited | 30 June | Malaysia | **37** | 37 | Captive insurance business |
| Parkson Holdings Berhad | 30 June | Malaysia | **21** | 19 | Investment holding |
| Wuhan Wushang & Parkson Enterprise Development Co Ltd | 31 December | People's Republic of China | **50** | 50 | Mixed commercial property development cum cash and carry retail business |
| Lion Titco Resources Sdn Bhd | 30 June | Malaysia | **40** | 40 | Processing of steel slag and metal extraction |
| Lion Corporation Berhad | 30 June | Malaysia | **20** | – | Investment holding |
| Lion Diversified Holdings Berhad | 30 June | Malaysia | **–** | 15 | Investment holding |
| **Associated companies of Lion AMB Resources Berhad** | | | | | |
| Lion Asiapac Limited | 30 June | Singapore | **24** | 23 | Investment holding |
| Suzuki Motorcycle Malaysia Sdn Bhd | 31 December | Malaysia | **13** | 13 | Investment holding |

Except for Lion Insurance Company Limited, the financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

**SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES**

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings/(accumulated losses) 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 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** | **2014** | **2015** | **2014** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Total retained earnings/(accumulated losses) of the Company and its subsidiary companies** | | | | |
| Realised | **568,731** | 797,014 | **(186,248)** | (172,725) |
| Unrealised | **57,109** | 52,740 | **(11,131)** | 17 |
| | **625,840** | 849,754 | **(197,379)** | (172,708) |
| **Total retained earnings from associated companies and joint venture** | | | | |
| Realised | **483,357** | 519,833 | **–** | – |
| Unrealised | **8,529** | 1,977 | **–** | – |
| | **491,886** | 521,810 | **–** | – |
| Consolidation adjustments | **4,315** | 4,315 | **–** | – |
| **Total retained earnings/(accumulated losses)** | **1,122,041** | 1,375,879 | **(197,379)** | (172,708) |

# STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with 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 on page 156, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

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

**TAN SRI CHENG YONG KIM**

**DATO' KAMARUDDIN @
ABAS BIN NORDIN**

Kuala Lumpur
22 September 2015

# DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

**I, TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements 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.

**TAN SRI CHENG YONG KIM**

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 22nd day of September, 2015.

Before me,

**W530**
**TAN SEOK KETT**
COMMISSIONER FOR OATHS
Kuala Lumpur

# INFORMATION ON LEVEL 1 SPONSORED AMERICAN DEPOSITARY RECEIPT PROGRAMME

The Company has registered with the Securities and Exchange Commission of the United States of America, a Level 1 Sponsored American Depositary Receipt ("ADR") Programme on 30 December 1992.

Under the ADR Programme, a maximum of 5% of the total issued and paid-up share capital of the Company will be traded in the US OTC Market in the United States of America in the ratio of one ADR for every one ordinary share of RM1.00 each fully paid in the Company. The Company's trading symbol on the US OTC Market is LICUY and its CUSIP number is 53620V100.

The depositary bank for the ADR Programme is The Bank of New York and the sole custodian of the Company's shares for the ADR Programme is Malayan Banking Berhad ("MBB"), Kuala Lumpur.

As at 30 September 2015, none of the ordinary shares of the Company was deposited with MBB for the ADR Programme.

# 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/ Last Revaluation |
|---|---|---|---|---|---|---|---|
| 1. | Taman Supreme<br>Mukim of Cheras<br>Kuala Lumpur | Freehold | 12.1 hectares | Land | For future development | 13.4 | June 1991 |
| 2. | PT 862-3348<br>Mukim of Bacang<br>Melaka | Leasehold<br>12.4.2081 (residential)<br>22.8.2077 (industrial) | 1.1 hectares | Land | Property under development | 3.2 | June 1991 |
| 3. | Lot 4534<br>Mukim of Simpang Kanan<br>Batu Pahat, Johor | Freehold | 4.8 hectares | Land | Property under development | 0.2 | June 1991 |
| 4. | Lot 11233 HS(D) 54584<br>Taman Tayton, Cheras<br>Kuala Lumpur | Freehold | 620 sq metres | Land | For future development | 0.1 | June 1991 |
| 5. | Mukim 17<br>North East District<br>Baru Ferringhi<br>Pulau Pinang | Freehold | 28.7 hectares | Land | For future development | 32.3 | June 1991 |
| 6. | PT 3494<br>Mukim of Bukit Raja<br>Klang, Selangor | Leasehold<br>9.11.2085 | 24.0 hectares | Industrial land and buildings | Office and factory (38) | 24.0 | 22 October 1994 |
| 7. | PT 17631<br>Mukim of Bukit Raja<br>Klang, Selangor | Leasehold<br>29.10.2091 | 2,880 sq metres | Industrial land and buildings | Office and factory (38) | 0.6 | 22 October 1994 |
| 8. | PT 3510, HS(D) 24284<br>Mukim of Bukit Raja<br>Klang, Selangor | Leasehold<br>21.10.2088 | 2.9 hectares | Industrial land and buildings | Office and factory (20) | 6.4 | 22 October 1994 |
| 9. | Lot 71422, Mukim 12<br>Barat Daya<br>Pulau Pinang | Leasehold<br>11.01.2112 | 1.2 hectares | Condominium | Property under development | 43.1 | August 2011 |
| 10. | Lot 2320, 2323B, 2582 & 2584<br>Mukim of Tanjung Dua Belas<br>District of Kuala Langat<br>Selangor | Freehold | 69.4 hectares | Industrial land and buildings | Office and factory (10-15) | 201.4 | 1996 |

| | Address | Tenure/ Expiry Date for Leasehold | Area | Description | Existing Use/ Age of Building (Year) | Net Book Value (RM Million) | Date of Acquisition/ Last Revaluation |
|---|---|---|---|---|---|---|---|
| 11. | Pasir Gudang Industrial Estate<br>81707 Pasir Gudang, Johor<br>- PLO 417, Jalan Gangsa Satu<br>- PLO 218, Jalan Gangsa Satu<br>- PLO 277, Jalan Gangsa Satu | Leasehold<br><br>17.6.2052<br>26.12.2056<br>29.9.2038 | <br><br>6.3 )<br>4.4 )<br>6.5 )<br>hectares | Industrial land and buildings | Office and factory<br>(24)<br>(20)<br>(37) | 8.1 )<br>10.8 )<br>7.7 ) | June 2014 |
| 12. | PLO 495, Jalan Keluli<br>Pasir Gudang Industrial Estate<br>81707 Pasir Gudang, Johor | Leasehold<br>6.2.2025 | 11.1 hectares | Industrial land and buildings | Warehouse (20) | 4.5 | June 2014 |
| 13. | Jalan Perjiranan 10<br>81707 Pasir Gudang, Johor | Leasehold<br>5.6.2082 | 1,001.5 sq metres | Single and double storey houses | Rental (29) | 0.8 | June 2015 |
| 14. | Blok 6, Taman Mawar<br>81700 Pasir Gudang, Johor | Leasehold<br>22.2.2087 | 336.9 sq metres | Apartments/ flats | Rental (23) | 0.5 | June 2015 |
| 15. | Blok 17 & 18<br>Taman Cendana<br>81700 Pasir Gudang, Johor | Leasehold<br>28.4.2093 | 8,281 sq metres | Apartments/ flats | Rental (18-20) | 1.6 | June 2015 |
| 16. | Blok 86 & 87<br>Jalan Tembusu<br>Taman Air Biru<br>81700 Pasir Gudang, Johor | Leasehold<br>2.11.2085 | 3,080.8 sq metres | Apartments/ flats | Rental (21) | 1.9 | June 2015 |
| 17. | PT3501, HS(D) 24277<br>Mukim of Kapar<br>Klang, Selangor | Leasehold<br>22.10.2088 | 3.2 hectares | Industrial land and building | Office and factory (26) | 23.0 | January 2013 |
| 18. | Lot 72<br>Persiaran Jubli Perak<br>40000 Shah Alam<br>Selangor Darul Ehsan | Freehold | 2.02 hectares | Industrial land and building | Factory (21) | 10.9 | March 2003 |
| 19. | 12 & 12/1<br>Jalan Nangka Tiga<br>Taman Rumpun Bahagia<br>75300 Bacang<br>Melaka | Leasehold<br>21.7.2084 | 153.3 sq metres | Land and building | 2-storey shop office (30) | 0.1 | March 2003 |
| 20. | 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 | March 2003 |

| | Address | Tenure/ Expiry Date for Leasehold | Area | Description | Existing Use/ Age of Building (Year) | Net Book Value (RM Million) | Date of Acquisition/ Last Revaluation |
|---|---|---|---|---|---|---|---|
| 21. | 50-2 & 50-3<br>Jalan Wangsa 2/5<br>Taman Wangsa Permai<br>52200 Kuala Lumpur | Leasehold<br>21.10.2087 | 130.1<br>sq metres | Land and building | 2-storey shop office<br>(17) | 0.2 | March 2003 |
| 22. | B2-2-39B<br>Jalan Pinggiran 1/3<br>Taman Pinggiran Putra<br>Seksyen 1<br>43300 Seri Kembangan<br>Selangor Darul Ehsan | Leasehold<br>13.12.2097 | 63.0<br>sq metres | Building | Office<br>(13) | 0.1 | 16 July 2004 |

# ANALYSIS OF SHAREHOLDINGS

**Share Capital as at 30 September 2015**

| | | |
|---|---|---|
| Authorised Capital | : | RM1,000,000,000 |
| Issued and Paid-up Capital | : | RM717,909,365 |
| 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 | 2,900 | 16.79 | 123,444 | 0.02 |
| 100 to 1,000 | 5,481 | 31.73 | 3,175,848 | 0.45 |
| 1,001 to 10,000 | 6,640 | 38.44 | 26,182,578 | 3.71 |
| 10,001 to 100,000 | 1,903 | 11.02 | 59,787,089 | 8.48 |
| 100,001 to less than 5% of issued shares | 344 | 1.99 | 393,889,333 | 55.87 |
| 5% and above of issued shares | 4 | 0.03 | 221,884,473 | 31.47 |
| | 17,272 | 100.00 | 705,042,765 | 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 Cheng Heng Jem | 216,865,498 | 30.78 | 46,828,093 | 6.65 |
| 2. Tan Sri Cheng Yong Kim | 9,253,289 | 1.31 | 113,408,118 | 16.10 |
| 3. Lion Diversified Holdings Berhad | 20,820,000 | 2.95 | 16,701,500 | 2.37 |
| 4. Dynamic Horizon Holdings Limited | 74,472,627 | 10.57 | 37,521,500 | 5.33 |
| 5. Lembaga Tabung Haji | 45,280,800 | 6.43 | – | – |

***Notes:***

* *Based on the issued and paid-up capital of the Company excluding a total of 12,866,600 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 13,321,600 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 30 September 2015.*

**Thirty Largest Registered Shareholders as at 30 September 2015**

| Registered Shareholders | | No. of Shares | % of Shares* |
|---|---|---|---|
| 1. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Cheng Heng Jem | 86,650,000 | 12.29 |
| 2. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Cheng Heng Jem (M09) | 47,000,000 | 6.67 |
| 3. | Lembaga Tabung Haji | 45,280,800 | 6.42 |
| 4. | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Cheng Heng Jem | 42,953,673 | 6.09 |
| 5. | RHB Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Dynamic Horizon Holdings Limited | 29,789,051 | 4.23 |
| 6. | AMSEC Nominees (Tempatan) Sdn Bhd<br>Amtrustee Berhad for Cheng Heng Jem | 25,000,000 | 3.55 |
| 7. | Kenanga Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Dynamic Horizon Holdings Limited (001) | 23,000,000 | 3.26 |
| 8. | ABB Nominee (Asing) Sdn Bhd<br>Pledged Securities Account for Dynamic Horizon Holdings Limited | 21,667,400 | 3.07 |
| 9. | Maybank Nominees (Tempatan) Sdn Bhd<br>Kuwait Finance House (Malaysia) Berhad<br>for Lion Diversified Holdings Berhad (Graimpi S/B) | 20,800,000 | 2.95 |
| 10. | Amanahraya Trustees Berhad<br>Public Islamic Select Treasures Fund | 16,197,300 | 2.30 |
| 11. | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients) | 15,921,978 | 2.26 |
| 12. | Lion DRI Sdn Bhd | 15,900,000 | 2.26 |
| 13. | ABB Nominee (Tempatan) Sdn Bhd<br>Pledged Securities Account for Cheng Heng Jem | 11,816,000 | 1.68 |
| 14. | HLIB Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Neo Say Wei (CCTS) | 11,303,800 | 1.60 |
| 15. | Cheng Yong Kim | 9,234,539 | 1.31 |
| 16. | Mayang Jati (M) Sdn Bhd | 6,723,472 | 0.95 |
| 17. | Amanahraya Trustees Berhad<br>Public Islamic Opportunities Fund | 4,791,000 | 0.68 |
| 18. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Dimensional Emerging Markets Value Fund | 4,136,881 | 0.59 |
| 19. | Toh Ean Hai | 4,100,000 | 0.58 |
| 20. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ong Kok Thye | 4,009,900 | 0.57 |
| 21. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for Emerging Market Core Equity Portfolio DFA Investment<br>Dimensions Group INC | 4,007,100 | 0.57 |
| 22. | Maybank Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Limited (Client A/C) | 3,658,800 | 0.52 |
| 23. | HSBC Nominees (Asing) Sdn Bhd<br>TNTC for LSV Emerging Markets Equity Fund L.P. | 3,595,900 | 0.51 |
| 24. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for JPMorgan Chase Bank, National Association (Australia) | 3,494,300 | 0.50 |
| 25. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Cheng Heng Jem (8119566) | 3,400,000 | 0.48 |
| 26. | Amanvest (M) Sdn Bhd | 3,292,226 | 0.47 |
| 27. | Citigroup Nominees (Asing) Sdn Bhd<br>CBNY for DFA Emerging Markets Small Cap Series | 3,189,100 | 0.45 |
| 28. | Mayang Jati (M) Sdn Bhd | 3,100,000 | 0.44 |
| 29. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Sin Huan Kwang (E-TWU) | 2,995,800 | 0.42 |
| 30. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.) | 2,855,937 | 0.41 |

***Note:***

* *Based on the issued and paid-up capital of the Company excluding a total of 12,866,600 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 Options@ |
|---|---|---|---|---|---|---|
| **The Company** | RM1.00 | | | | | |
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | | – | – | – | – | 250,000 |
| Tan Sri Cheng Yong Kim | | 9,253,289 | 1.31 | 113,681,140 | 16.13 | – |
| Dato' Kamaruddin @ Abas bin Nordin | | 128,000 | 0.02 | – | – | 250,000 |
| Chong Jee Min | | – | – | – | – | 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 Cheng Yong Kim** | | | | | |
| Angkasa Amsteel Pte Ltd | * | – | – | 23,035,999 | 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 | * | – | – | 31,750,100 | 100.00 |
| Lion AMB Resources Berhad | RM1.00 | – | – | 304,804,151 | 89.63 |
| Lion Forest Industries Berhad | RM1.00 | 130 | # | 168,960,954 | 73.43 |
| Lion Group Management Services Sdn Bhd | RM1.00 | – | – | 4,950,000 | 99.00 |
| 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 | – | – | 70 | 70.00 |
| 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 % of 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 | 56.00 |

***Notes:***

^ *Based on the issued and paid-up capital of the Company excluding a total of 13,321,600 ordinary shares of RM1.00 each in the Company bought back by the Company and retained as treasury shares as at 30 September 2015.*

@ *Options granted pursuant to the Company's Executive Share Option Scheme to subscribe for ordinary shares in the Company.*

# *Negligible.*

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 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 or payable to external auditors by the Company for the financial year was RM8,000.

**(III) RECURRENT RELATED PARTY TRANSACTIONS**

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

| Nature of Recurrent Transactions | Related Parties | Amount RM'000 |
|---|---|---|
| **Steel related** | | |
| (i) Sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services | Lion Corporation Berhad Group ("LCB Group") | 33,299 |
| | Lion Diversified Holdings Berhad Group ("LDHB Group") | 62,811 |
| | LTC Corporation Limited Group | 50,839 |
| | | 146,949 |
| (ii) Purchase of scrap iron, gases and other related products and services | LCB Group | 16,804 |
| | Lion Asiapac Limited Group ("LAP Group") | 38,220 |
| | | 55,024 |
| (iii) Purchase of tools, dies and spare parts | ACB Resources Berhad Group | 1,901 |
| (iv) Provision of storage, leasing and rental of properties, management and support, and other related services | LCB Group | 653 |
| | LAP Group | 366 |
| | LDHB Group | 436 |
| | | 1,455 |
| (v) Provision of transportation and other related services | LDHB Group | 27,844 |
| | LCB Group | 20,976 |
| | | 48,820 |

**Notes:**

- "Group" includes subsidiary and associated companies.
- 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

| Monthly Breakdown | No. of Shares Purchased and Retained as Treasury Share | Purchase Price per Share (RM) Lowest | Purchase Price per Share (RM) Highest | Average Price per Share* RM | Total Consideration RM |
|---|---|---|---|---|---|
| August 2014 | 500,000 | 0.645 | 0.65 | 0.659 | 325,520.03 |
| December 2014 | 872,400 | 0.48 | 0.52 | 0.490 | 428,745.32 |
| February 2015 | 200,000 | 0.47 | 0.48 | 0.474 | 95,504.32 |
| Purchased during the financial year | 1,572,400 | | | 0.54 | 849,769.67 |

* Including transaction cost.

All the shares purchased by the Company were retained as treasury shares. As at 30 June 2015, the Company held 2,886,400 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 2 February 2011, the actual percentage granted to the non-executive Directors of the Company and senior management of the Group was 14.43% 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 INDUSTRIES CORPORATION BERHAD, hereby appoint ....................................................

..................................................................................................................................................

I.C. No. ......................................................................................................................................

of: ............................................................................................................................................

or failing whom, ......................................................................................................................

I.C. No. ......................................................................................................................................

of ..............................................................................................................................................

as my/our proxy to vote for me/us and on my/our behalf at the Eighty-Fifth 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 25 November 2015 at 9.00 am and at any adjournment thereof.

| RESOLUTIONS | FOR | AGAINST |
|---|---|---|
| 1. To approve Directors' fees | | |
| 2. To re-elect as Director, Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | | |
| 3. To re-appoint as Director, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin | | |
| 4. To re-appoint Auditors | | |
| 5. Retention of Mr Chong Jee Min as an Independent Non-Executive Director | | |
| 6. Authority to Directors to Issue Shares | | |
| 7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions | | |
| 8. 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 18 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.