LION DIVERSIFIED HOLDINGS

LION DIVERSIFIED HOLDINGS BERHAD

(9428-T)

Laporan Tahunan

2016

Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Sixth Annual General Meeting of Lion Diversified Holdings Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 22 November 2016 at 2.30 pm for the following purposes:

AGENDA

1. To receive the Directors' Report and Audited Financial Statements for the financial year ended 30 June 2016. **Note 1**

2. To approve the payment of Directors' fees amounting to RM220,600 (2015: RM203,800). **Resolution 1**

3. To re-elect Directors:

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

   In accordance with Article 99 of the Company's Articles of Association, Mr Tan Chee Chai who was appointed during the financial year retires and, being eligible, offer himself for re-election. **Resolution 3**

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

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

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

6. Special Business

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

6.1 Retention of Independent Non-Executive Director

"THAT subject to the passing of Resolution 2, Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat who would have served as an independent non-executive Director of the Company for nine (9) years by December 2016, be and is hereby retained as an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 6**

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 7**

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 the Circular to Shareholders of the Company dated 31 October 2016 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 8**

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

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

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

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

whichever is the earlier; and

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

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

By Order of the Board

LIM KWEE PENG
CHOO YOON MAY
Secretaries

Kuala Lumpur
31 October 2016

Notes:

1. *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.

2. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2016 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.*

3. *Circular to Shareholders dated 31 October 2016 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2016 Annual Report.

4. *Resolution 6*

   The Board assisted by the Nomination Committee, has assessed the independence of Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat who would have served on the Board as an independent non-executive Director of the Company for nine (9) years by December 2016 and has recommended that the approval of the shareholders be sought to retain Tan Sri Dato' Seri Dr Aseh 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) Fulfils the criteria of an independent Director as defined in the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

   (ii) Has served the Board for more than eight (8) years and therefore possesses greater insights and knowledge of the businesses, operations and growth strategies of the Group.

   (iii) Challenges Management in an effective and constructive manner, providing a check and balance, and bringing independent and objective judgement to the Board deliberation.

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

   (v) Participates in Board and Board Committees deliberations and provides an independent voice to the Board.

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

5. *Resolution 7*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 24 November 2015 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 8*

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Director standing for re-appointment at the Forty-Sixth Annual General Meeting of the Company are set out in the Directors' Profile on page 6 of the 2016 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat Y. Bhg. Dato' Mohamad Kamarudin bin Hassan Mr Tan Chee Chai Mr Ooi Kim Lai
Secretaries	:	Ms Lim Kwee Peng Ms Choo Yoon May
Company No	:	9428-T
Registered Office	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Website : www.lion.com.my/liondiv
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Ernst & Young Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur
Principal Bankers	:	The Bank of Nova Scotia Berhad Industrial and Commercial Bank of China (Malaysia) Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONDIV
Bursa Securities Stock No	:	2887
Reuters Code	:	LDIV.KL
ISIN Code	:	MYL2887OO007

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, male, aged 73, was appointed to the Board on 27 October 1989 and has been the Chairman of the Company since 17 December 1994. He is also a member of the Nomination Committee of the Company.

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

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

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

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

He is also the Chairman and Managing Director of Lion Corporation Berhad, the Chairman of ACB Resources Berhad and a Founding Trustee of The Community Chest, a company limited by guarantee established by the private sector for charity purposes.

Tan Sri William Cheng has a direct shareholding of 364,586,607 ordinary shares of RM0.50 each in the Company ("LDHB Shares") and an indirect interest in 318,694,862 LDHB Shares. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 166 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

Tan Sri William Cheng attended seven (7) of the eight (8) Board Meetings of the Company held during the financial year ended 30 June 2016.

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, male, aged 66, was appointed the Managing Director of the Company on 26 January 2007.

Tan Sri Cheng graduated with 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 industries. For a period of seven (7) years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President Director in P T Lion Metal Works Tbk, a public company listed on the Indonesia Stock Exchange, which is a manufacturer of steel furniture, building material and stamping products in Indonesia. He took on the position of Managing Director of Lion Industries Corporation Berhad in 1995 and in 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Tan Sri Cheng is a council member of the Federation of Malaysian Manufacturers ("FMM") and a First Director of Malaysia Steel Institute. He is also 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. In 2016, he was appointed a Director of NTUC Fairprice Co-Operative Limited, Singapore and also a Director of GS1 Malaysia Berhad, a wholly-owned subsidiary of FMM.

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

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

Tan Sri Cheng has a direct shareholding of 9,841,337 ordinary shares of RM0.50 each in the Company ("LDHB Shares") and an indirect interest in 341,157,070 LDHB Shares. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 166 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

Tan Sri Cheng attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2016.

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

Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat, a Malaysian, male, aged 65, was appointed to the Board on 1 December 2007. He is also the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

Tan Sri Dato' Seri Dr Aseh joined the Ministry of Finance, Malaysia in March 1974 and held various positions as Assistant Secretary, Secretary and Principal Assistant Secretary of the Education Services Commission in Kuala Lumpur, Sarawak and Sabah during his eight (8) years with the Commission. Since 1984, he served in the Ministry of Home Affairs, Malaysia in various positions including Principal Assistant Secretary of the Security and Police Affairs Division; Undersecretary of Security and Preventive Division, and Management Division; and Deputy Director General and Director General of the Department of Immigration, Malaysia. In February 2001, Tan Sri Dato' Seri Dr Aseh was appointed Secretary General of the Ministry of Home Affairs, Malaysia, a post he held until his retirement on 22 October 2007. He was the President of Putrajaya Corporation from August 2012 to July 2015. In September 2015, Tan Sri Dato' Seri Dr Aseh was appointed non-executive Chairman of Fujitsu (Malaysia) Sdn Bhd.

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

Tan Sri Dato' Seri Dr Aseh is the Chairman of MWE Holdings Berhad, a public listed company.

Tan Sri Dato' Seri Dr Aseh attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2016.

Dato' Mohamad Kamarudin bin Hassan
Independent Non-Executive Director

Y. Bhg. Dato' Mohamad Kamarudin bin Hassan, a Malaysian, male, aged 61, was appointed to the Board on 8 December 2014. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Dato' Mohamad Kamarudin graduated with a Bachelor of Economics (Honours) (Majoring in Business Administration) from the University of Malaya in 1978 and received his Diploma in Public Management from the National Institute of Public Administration (INTAN) in 1979 and Master of Business Administration (Majoring in Finance) from Oklahoma City University in the United States of America in 1988.

Dato' Mohamad Kamarudin began his career with the Administrative & Diplomatic Service in 1979 with his first posting to the Macro-economics Division of the Economic Planning Unit in the Prime Minister's Department. In 1988, Dato' Mohamad Kamarudin was transferred to the Ministry of International Trade and Industry ("MITI") where he had served in various divisions of the Ministry. From January 1992 to 1994, Dato' Mohamad Kamarudin was posted to the Malaysian Embassy in Washington DC, the United States of America as an Economic Counsellor. Thereafter, Dato' Mohamad Kamarudin was seconded to Malaysia External Trade Development Corporation (MATRADE) as the Deputy Chief Executive Officer, a post he held from January 2006 until his retirement on 31 August 2013. He was a member of the Board of Directors of Malaysian Handicraft Development Corporation from 2007 until August 2013.

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

- Director of CCM Duopharma Biotech Berhad, ManagePay Systems Berhad, Muhibbah Engineering (M) Bhd and Malaysian Pacific Industries Berhad, all public listed companies
- Director of Trustgate Berhad

Dato' Mohamad Kamarudin attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2016.

Tan Chee Chai *KMN*
Independent Non-Executive Director

Mr Tan Chee Chai, a Malaysian, male, aged 62, was appointed to the Board on 17 May 2016. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr Tan graduated with a Bachelor of Science (Honours) in Mechanical Engineering from Lancaster University in the United Kingdom. He started his career in 1978 as an Application Engineer specialising in hydraulic and pneumatic components, systems and designs. From 1979 to 1982, Mr Tan was an Assistant Manager cum Engineer of Perbadanan Kilang Felda, a palm oil mill.

Mr Tan joined the Malaysian Investment Development Authority ("MIDA") from June 1982 to October 2014 and held various positions including Deputy Director and Director in various divisions of MIDA: Machinery and Engineering Supporting Industries Division, Iron and Steel Industries Division, Non-metallic Minerals and Miscellaneous Products Industries Division, Industrial Promotion Division, Petrochemicals and Polymers Industries Division, Projects Implementation and Follow-up Division, Cross Border Investment Division, and Metals and Metal Alloys Industries Division.

During his tenure of service with MIDA, Mr Tan was posted to MIDA's office in Taipei from 1990 to 1992.

Mr Tan was also the Director of Metals and Fabrication Industries Division of MIDA, a post he held from June 2011 until his retirement in October 2014. Mr Tan was subsequently appointed a Special Adviser to the Metals and Metal Alloys Division, Petrochemical Division and other industries of MIDA from November 2014 to November 2015.

Eight (8) Board Meetings of the Company were held during the financial year ended 30 June 2016 and Mr Tan was appointed to the Board subsequent to the eighth Board Meeting.

Ooi Kim Lai
Non-Independent Non-Executive Director

Mr Ooi Kim Lai, a Malaysian, male, aged 49, was appointed to the Board on 27 February 2015. He is also a member of the Audit Committee and Remuneration Committee of the Company.

Mr Ooi graduated with a Diploma in Accountancy from Tunku Abdul Rahman College, and is a Fellow Member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Mr Ooi started his career in 1991 as an auditor in a public accounting firm and joined the Lion Group in 1993 as Group Accountant. Mr Ooi was the Group Chief Accountant before his appointment as Group Director of the Lion Group in January 2016 and is responsible for the accounting and financial management of certain listed companies in Malaysia and overseas within the Lion Group. He is also actively involved in the corporate exercises of the Lion Group including initial public offerings (IPOs), corporate restructuring, mergers and acquisitions, and undertakes investor relations by engaging with fund managers and analysts on various industries covering retail, branding, food and beverage, credit financing, property development, mining, steel and services.

Mr Ooi is also a Director of Parkson Holdings Berhad, a public listed company.

Mr Ooi has a direct shareholding of 116 ordinary shares of RM0.50 each in the Company.

Mr Ooi attended all eight (8) Board Meetings of the Company held during the financial year ended 30 June 2016.

Save as disclosed above, none of the Directors has (i) any 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 five (5) years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

Pang Fook Fah, Anthony
Malaysian, male, 58 years of age

Mr Pang Fook Fah, Anthony was appointed the General Manager - Direct Reduced Iron ("DRI") on 12 October 2012 and is in charge of and is responsible for the DRI operations of the Group. He is also a Director of Amsteel Mills Sdn Bhd, a company under the Lion Group Steel Division which principal activity is in the manufacturing and marketing of steel bars and wire rods, and represents the Lion Group as a Director of Steel Industries (Sabah) Sdn Bhd, a company which is also involved in the manufacturing and marketing of steel bars.

Mr Pang graduated with a Bachelor of Science (Honours) in Chemical Engineering from the University of Leeds, England in 1981.

Mr Pang joined the Lion Group in 1982 and is an experienced engineer in process plants.

Cheng Toek Waa
Malaysian, male, 64 years of age

Mr Cheng Toek Waa was appointed the General Manager for the Contract Manufacturing Services Division of the Likom Group on 1 January 2003. He is in charge of and is responsible for the businesses of the Likom Group which operates as an integrated one-stop original equipment manufacturer (OEM) providing contract manufacturing services for electronics and mechanical parts and assemblies.

Mr Cheng graduated with a Bachelor of Engineering (First Class Honours) in Mechanical from the University of Canterbury in Christchurch, New Zealand in 1975 followed by a Master in Business Administration from the Heriot-Watt University in Edinburgh, Scotland in 2002.

Mr Cheng first joined the Lion Group in 1982 as a Research and Development Manager of Lion Steelworks Sdn Bhd. He was subsequently appointed the Assistant General Manager of Lion Seatings Sdn Bhd in 1989 and Likom Caseworks Sdn Bhd in 1993 respectively. Prior to joining the Lion Group, he was a Research Officer with the Scientific and Industrial Research Institute of Malaysia (SIRIM) (now known as SIRIM Berhad) from 1978 to 1982.

Ng See Hin
Malaysian, male, 50 years of age

Mr Ng See Hin was appointed the Assistant General Manager for the Contract Manufacturing Services Division within the Likom Group, Malaysia on 1 January 2012. He is in charge of the printed circuit board assembly plant's operation and is responsible for the sales and marketing activities for the Likom Group.

Mr Ng graduated with a Bachelor of Business Administration in 1989 followed by a Master in Business Administration in 1991 from the Wichita State University in Wichita, Kansas of the United States of America ("USA").

Mr Ng first joined the Lion Group in 1994 as the Assistant Sales Manager of Likom Plastic Industries Sdn Bhd. Prior to joining the Lion Group, he was the Marketing Director of Prologic Computer Inc., a local personal computer chain stores in Wichita, Kansas of the USA, from 1991 to 1993.

Jiang Liuhua
Chinese, male, 50 years of age

Mr Jiang Liuhua was appointed the General Manager of Changshu Lion Enterprise Co., Ltd ("Changshu Lion"), the Group's Property Division in the People's Republic of China ("PRC"), on 1 July 2015. He is in charge of the property investment of Changshu Lion.

Mr Jiang graduated with a Bachelor in Engineering from the Dalian Jiaotong University, the PRC in 1988 followed by a Master in Business Management from the Tongji University, the PRC in 1994.

Mr Jiang first joined the Lion Group in February 2012 as the personal assistant to the Chief Executive Officer of the Property Division of the Lion Group in the PRC ("China Property Division") and the General Manager of the Investment and Development Division of the China Property Division. Prior to joining the Lion Group, he was the Assistant Director of Shanghai Baoshan Urban Industry Park involved in land administration from June 1994 to May 2000, the Assistant Chief Executive Officer and General Manager of Project Development of Asia Pacific Hi-tech Industry Co., Ltd involved in controlling high-tech industry investment, property investment and agricultural investment from 2001 to February 2005 and the General Manager of Shanghai Jinhai Investment Management Co., Ltd involved in investment management, project management and business administration from March 2005 to January 2012.

None of the Key Senior Management has (i) any directorship in public companies and listed issuers; (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 five (5) years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

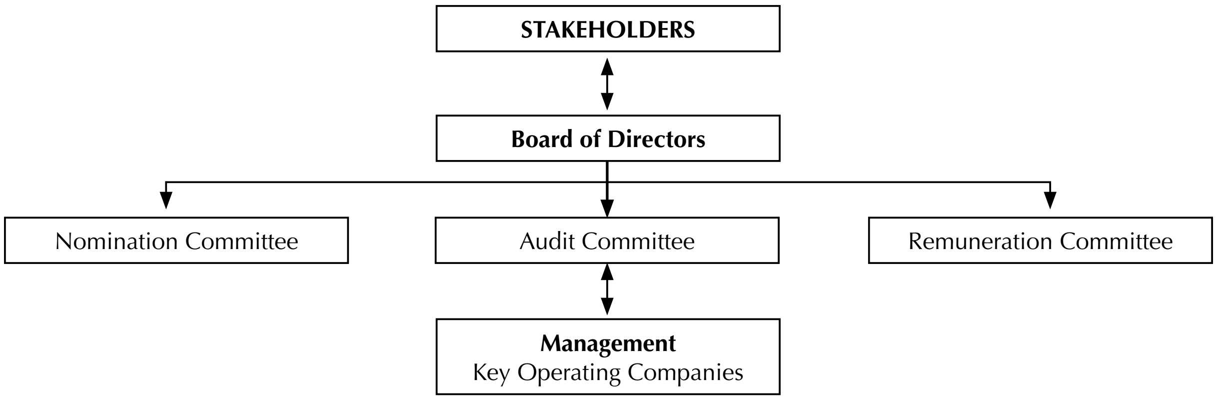
CORPORATE GOVERNANCE STATEMENT

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 2016 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/liondiv. 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. In May 2016, the Board reviewed and approved certain revisions to the Board Charter.

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, setting policies, 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 transactions, related party transactions, capital financing and succession planning, and for the implementation of stakeholders' 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 2016, eight (8) Board Meetings were held. Except for Mr Tan Chee Chai who was appointed subsequent to the eighth Board Meeting, 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 six (6) Directors, five (5) 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 three (3) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

The Board acknowledges that although the current Board composition complies with the Listing Requirements, the Company was not able to apply the recommendation of the MCCG which requires that the board must comprise a majority of independent directors where the chairman of the board is not an independent director and the Board will endeavour to fulfil the recommendation under the MCCG.

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, Sustainability Policy & Framework, Procurement Policy, Integrity & Fraud Risk Policy and Personal Data Protection Framework of the Group. Such codes and policies are made aware to all Directors and employees and accessible for reference within the Group. The key policies are available on the Company's website at www.lion.com.my/liondiv.

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 Statement on pages 40 and 41 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control on pages 22 to 24 of this Annual Report.

Supply of Information

The Board, as a whole and its members in their individual capacities, have 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 and its Committees on their 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 apprise the Directors on a continuing basis on new and revised requirements to the Listing Requirements.

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

STRENGTHEN COMPOSITION

Nomination Committee

The Nomination Committee comprises four (4) members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat, an independent Director, who is also the senior independent Director identified by the Board. The members and terms of reference of the Nomination Committee are presented on page 30 of this Annual Report and are available for reference on the Company's website at www.lion.com.my/liondiv.

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 and nominate candidates for appointment as a Director, and re-elect and re-appoint existing Directors 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 10 of this Annual Report.

Activities of the Nomination Committee for the Financial Year

The Nomination Committee met twice since the date of the last Annual Report whereat Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat, Y. Bhg. Tan Sri William H.J. Cheng and Y. Bhg. Dato' Mohamad Kamarudin bin Hassan attended whilst Mr Tan Chee Chai attended one (1) meeting held subsequent to his appointment. The Nomination Committee carried out the following duties in accordance with the terms of reference:

(i) Reviewed and recommended for Board's consideration, the appointment of Mr Tan Chee Chai as an independent non-executive Director and a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

(ii) Reviewed and assessed the performance and 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.

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

(iv) Reviewed the retention of Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat whose tenure of service as an independent Director will exceed nine (9) years by December 2016 for recommendation to shareholders for their approval based on the attributes necessary in discharging his roles and functions as an independent Director.

(v) Reviewed the training needs of the Directors.

(vi) Approved and recommended for Board's consideration the Nomination Committee Report incorporating the Nomination Committee's activities 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 the re-election of Directors, the 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 have 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 30 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 2016 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
The Group			
Executive Director	25	605	630
Non-executive Directors*	196	–	196
	221	605	826
The Company			
Executive Director	25	605	630
Non-executive Directors*	196	–	196
	221	605	826

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

	Number of Directors			
	The Group		The Company	
Range of Remuneration (RM)	**Executive**	**Non-executive***	**Executive**	**Non-executive***
50,000 & below	–	5	–	5
600,001 – 650,000	1	–	1	–

* Including a Director who was appointed 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 being re-designated 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 2016, 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 Roles 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 including Mr Tan Chee Chai who was appointed on 17 May 2016, 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, conference, breakfast series, workshops and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities and prospects in various industries and countries, risk management and internal controls, economic and regional issues, management, entrepreneurship and leadership, regulatory updates and requirements, finance, and sustainability covering community, environment, marketplace and workplace:

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom" • Parkson Retail Asia Limited In-house Directors' Training on "Continuing Listing Obligations of the Singapore Exchange Securities Trading Limited" • Parkson Retail Group Limited In-house Directors' Training on "Environmental, Social and Governance"
Tan Sri Cheng Yong Kim	• Business Roundtable with South Australian Government Defence and Manufacturing Companies • The Ministry of Home Affairs – Business Management Course for the Board Members and Shareholders of Security Companies • Khazanah Megatrends Forum 2015 • Deloitte – "New Auditor Reporting: Why it matters to you" • Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom" • Invest Malaysia 2016: The Capital Market Conversation

Name of Directors	Programmes
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	• The Maritime Silk Road China – Malaysia Forum cum Inauguration of the China - ASEAN Business Association Malaysia • Fujitsu Asia Conference 2015, Kuala Lumpur • Fujitsu Forum 2015, Munich • Fujitsu Forum 2016, Tokyo
Dato' Mohamad Kamarudin bin Hassan	• Bursa Malaysia in collaboration with the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants – Corporate Governance Breakfast Series with Directors: "Future of Auditor Reporting – The Game Changer for Boardroom" • MINDA Malaysian Directors Academy – Corporate Directors Advanced Programme (CDAP): 'Mergers & Acquisitions' • Bursatra Sdn Bhd: Corporate Financial Reporting – Are You Making the Right Decisions? • Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom" • Bursatra Sdn Bhd: Comprehending Financial Statements for Directors and Senior Management • Malaysian Pacific Industries Berhad In-house Directors' Training on: (i) The Most Innovative Companies – 4 factors that differentiate them (ii) Anti-Money Laundering & Counter-Financing of Terrorism • MINDA Malaysian Directors Academy – Corporate Directors Onboarding Programme (CDOP) 2016: "Updates on Companies Bill 2015 and its Implications for Directors"
Ooi Kim Lai	• Bursa Malaysia in collaboration with ICAEW – Directors Corporate Governance Series - Building Effective Finance Function: From Reporting to Analytics to Strategic Inputs • The Ministry of Home Affairs – Business Management Course for the Board Members and Shareholders of Security Companies • Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom"

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 apprised on a continuing basis by the Company Secretaries on new and revised requirements to the Listing Requirements ("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 four (4) members, with a majority of them being independent Directors. The terms of reference and the main works undertaken by the Audit Committee for the financial year under review are set out in the Audit Committee Report on pages 25 to 29 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 2016, 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 re-appointment of the external auditors and their remuneration to the Board. The re-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. For the financial year, the external auditors met with the Audit Committee twice to discuss matters in relation to their audit review of the Company's financial statements and will 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 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 22 to 24 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 22 to 24 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 25 to 29 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/liondiv 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/liondiv 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 senior independent non-executive Director.

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

The Group has in place an ongoing process to identify, evaluate, control and monitor strategic, business, financial and operational risks faced by the key operating companies ("KOCs") of the Group. In establishing a bottom-up reporting of the risk profile of the 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 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 formalised Group Personal Data Protection Framework providing guidelines on implementation of controls in business and operations processes in meeting the requirements of data protection principles of Personal Data Protection Act 2010.

- 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 for 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 performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scopes set out in Recommended Practice Guide ("RPG") 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 Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the financial year ended 30 June 2016, and reported to the Board that nothing has come to their attention that has caused them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report 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,* Corporate Disclosure Guide and Corporate Governance Guide (2nd Edition), nor is the Statement factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board in respect of any aspect of this Statement.

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

  Y. Bhg. Dato' Mohamad Kamarudin bin Hassan
  (Independent Non-Executive Director)

  Mr Ooi Kim Lai
  (Non-Independent Non-Executive Director)

  Mr Tan Chee Chai (appointed on 17 May 2016)
  (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 Diversified Holdings Berhad, Ms Lim Kwee Peng and Ms Choo Yoon May, 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 Accountant are 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 Audit Committee Meeting were recorded and tabled for confirmation and adoption at the next Audit Committee Meeting and subsequently presented to the Board for notation. 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/liondiv.

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, seven (7) Audit Committee Meetings were held. Except for Mr Tan Chee Chai who was appointed subsequent to the seventh Audit Committee Meeting, full attendance was recorded for all other members.

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

The main works undertaken by the Audit Committee for the financial 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 significant accounting policies and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB"), significant matters highlighted including financial reporting issues, significant and unusual events, significant judgements made by Management and other legal requirements, and the main factors contributing to the financial performance of the Group in terms of revenue and earnings.

  Discussed with Management and external auditors, and had obtained reasonable assurances that all changes in significant accounting policies had been implemented; applicable accounting standards approved by MASB, provisions of the Companies Act, 1965 and requirements under the Listing Requirements had been complied with; significant matters highlighted by the external auditors including financial reporting issues, significant and unusual events or transactions had been appropriately addressed; significant judgements made by Management had been assessed; and impact of any changes to the accounting policies and new accounting standards had been assessed and adopted, where relevant.

- **Internal Audit**

  (a) Reviewed and approved 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 and ensured that key and high risk areas were audited annually.

  (b) Reviewed the effectiveness of audit programmes, and the adequacy and suitability of the 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 had 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 had been addressed.

  (e) Reviewed the risk and control profile changes of 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 and ensured that the transactions were undertaken on an arm's length basis and on normal commercial terms which were 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 were not to the detriment of the minority shareholders.

(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 provided 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 22 to 24 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 and discussed 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 and discussed with external auditors the results of the audit and the audit report in particular, significant accounting issues arising from the external audit and their opinion on the financial statements of the Group and of the Company.

(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 and ensured where appropriate, that necessary corrective actions had been taken by Management.

(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 that they were not aware of any relationships or matters that, in their professional judgement, may reasonably be thought to bear on their independence and that they were, and had been, independent throughout the conduct of the audit engagement in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

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

(f) Reviewed and discussed the non-audit fees in respect of services rendered by the external auditors. The non-audit fees for the financial year ended 30 June 2016 amounted to RM28,000.

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

- **Corporate Governance**

(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 2016 ("2016 Compliance Program/Work Plan"). The 2016 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 formalisation of a Group Personal Data Protection Framework which formed part of the 2016 Compliance Program/Work Plan as part of the improvement initiative in meeting the requirements of the Personal Data Protection Act 2010.

(b) Ensured that processes or channels of identifying, reporting and addressing non-compliances/breaches of regulatory and/or statutory requirements, and internal policies and procedures were available and reported vide a half-yearly Compliance Risk Self-Assessment declaration by the Heads of Business, Finance Managers and Group Accountants, Company Secretaries and Group Tax. The Audit Committee monitored the completion of agreed management actions to rectify the incidents and where necessary, controls to minimise recurrence.

- **Risk Management**

  (a) The Audit Committee together with the Risk Management Committee:

  - monitored the year-to-date progress on the achievement of targets set for business objectives of Key Operating Companies ("KOCs") for the financial year via review of the Corporate Performance Scorecards updates on half-yearly basis. The Audit Committee sought explanation/understanding from the Risk Management Team ("RMT") of KOCs on non-performance.

  - reviewed the key risks as reported by the RMTs in their Corporate Risk Scorecards across the wide spectrum of risk facing the businesses and operations which included strategic risk, business risk, financial risk and operational risk. The Audit Committee provided comments on the adequacy and effectiveness of controls and/or management actions identified and/or implemented by the KOCs in addressing the identified risks.

  (b) The Audit Committee provided assurance to the Board on the risk reporting and review activities that took place during the financial year.

- **Related Party Transactions**

  (a) Reviewed related party transactions entered into by the Group and ensured that the transactions undertaken were in the best interest of the Group, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders, and recommended the same for approval of the Board.

  (b) Reviewed the annual Shareholders' Mandate in relation to recurrent related party transactions of a revenue or trading nature for shareholders' approval to undertake transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the Group with related parties ("RRPTs").

  The Audit Committee ensured that the review procedures were sufficient to ensure that the RRPTs were not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders and that the Group had in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes were reviewed on a yearly basis or whenever the need arose.

- **Material Transactions**

  Reviewed material transactions entered into by the Group and ensured that the transactions undertaken were in the best interest of the Group, and recommended the same for approval of the Board.

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 works had 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 RM192,770.

NOMINATION COMMITTEE

Chairman	:	Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri William H.J. Cheng *(Non-Independent Non-Executive Chairman)* Y. Bhg. Dato' Mohamad Kamarudin bin Hassan *(Independent Non-Executive Director)* Mr Tan Chee Chai *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Diversified Holdings Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder • To recommend to the Board, Directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board

REMUNERATION COMMITTEE

Chairman	:	Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Dato' Mohamad Kamarudin bin Hassan *(Independent Non-Executive Director)* Mr Tan Chee Chai *(Independent Non-Executive Director)* Mr Ooi Kim Lai *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary • To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

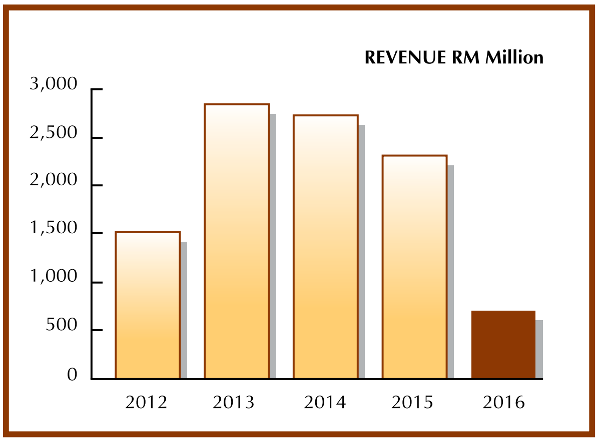
5 YEARS GROUP FINANCIAL HIGHLIGHTS

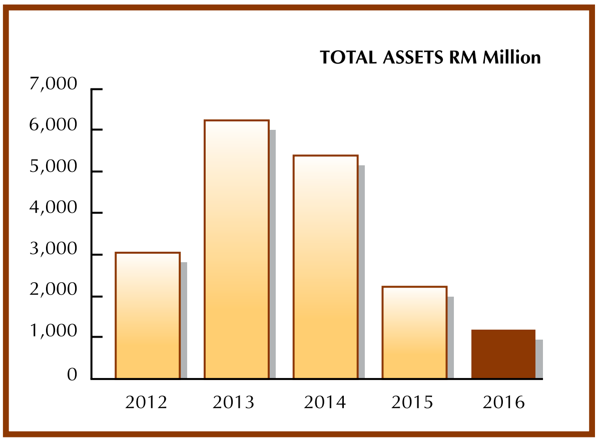
Financial years ended 30 June		**2012**	**2013**	**2014 ***	**2015 ***	**2016**
Revenue	(RM'000)	1,516,718	2,855,572	2,730,352	2,306,317	**693,748**
Loss before tax	(RM'000)	(231,288)	(233,840)	(864,870)	(418,606)	**(910,052)**
Loss after tax	(RM'000)	(249,329)	(222,616)	(852,911)	(438,258)	**(840,017)**
Net loss attributable to owners of the Company	(RM'000)	(249,329)	(158,533)	(696,203)	(183,000)	**(840,017)**
Total assets	(RM'000)	3,011,981	6,269,239	5,407,335	2,200,667	**1,180,383**
Net assets/(liabilities)	(RM'000)	1,501,753	1,236,418	529,070	447,955	**(402,027)**
Total borrowings	(RM'000)	507,955	2,245,285	2,289,760	470,321	**396,317**
Loss per share	(Sen)	(17.9)	(11.4)	(50.0)	(13.1)	**(60.3)**
Net assets/(liabilities) per share	(Sen)	165	89	38	32	**(29)**
Dividends:						
Rate	(Sen)	1.0	1.0	–	#	**–**
Amount	(RM'000)	7,372	13,922	–	#	**–**

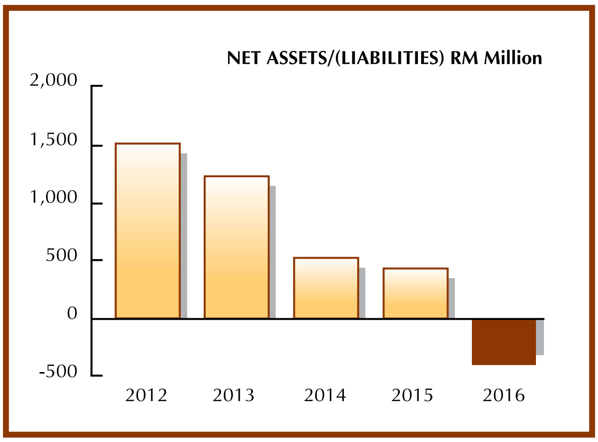
Notes:

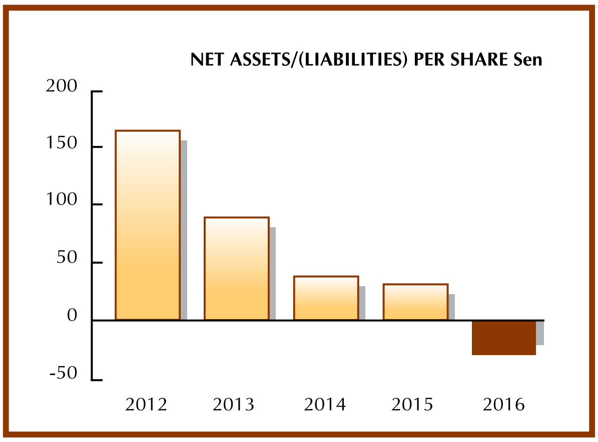
* *2014 and 2015 figures include financial results of both continuing and discontinued operations.*

\# *During the financial year ended 30 June 2015, a total of 198,873,071 ordinary shares of RM1.00 each in Lion Corporation Berhad ("LCB Shares") were distributed by way of dividend-in-specie to the shareholders of the Company, on basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded.*









THE GROUP'S BUSINESSES

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

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

- Four blocks of *Turin Garden* high-rise residential apartments by D' Venice Residence in Changshu, China.
- *Empat blok pangsapuri bertingkat tinggi, Turin Garden oleh D' Venice Residence di Changshu, China.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan ini membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Diversified Holdings Berhad ("LDHB" atau "Syarikat") bagi tahun kewangan berakhir 30 Jun 2016.

PRESTASI KEWANGAN

Tahun kewangan dalam kajian merupakan satu lagi tempoh yang sukar bagi Kumpulan apabila ekonomi global kekal tidak menentu. Di dalam negara pula, keadaan pasaran yang sememangnya sukar diburukkan lagi oleh kejatuhan nilai mata wang Ringgit Malaysia berbanding mata wang asing utama, kenaikan kos domestik dan harga komoditi yang tidak menentu, termasuk harga minyak mentah dan keluli.

Lebihan pengeluaran keluli di peringkat dunia kekal menjadi isu paling utama menjejaskan prestasi Kumpulan yang berdepan dengan kegiatan lambakan oleh kilang-kilang keluli asing ke dalam negara kerana ketiadaan langkah-langkah efektif dilaksanakan Kerajaan untuk melindungi industri keluli tempatan. Keadaan ini telah menyebabkan jualan 'direct reduced iron' kita kepada pengeluar keluli rata tempatan terjejas teruk kerana mereka berdepan dengan persaingan sengit dan tekanan harga daripada lebihan bekalan keluli rata di pasaran domestik.

Sementara itu, Bahagian Perkhidmatan Pengilangan Kontrak ("CMS") dan Bahagian Hartanah terus memberi sumbangan positif kepada keputusan Kumpulan.

Secara keseluruhan, Kumpulan mencatatkan perolehan sebanyak 43% lebih rendah berjumlah RM694 juta berbanding RM1.2 bilion pada tahun kewangan yang lalu. Kumpulan melaporkan kerugian bersih lebih tinggi sebanyak RM840 juta bagi tahun kewangan ini berbanding RM438 juta pada tahun kewangan sebelumnya selepas mengambil kira kerugian rosot nilai bayaran belum terima sebanyak RM392 juta dan kerugian rosot nilai loji dan peralatan RM364 juta yang timbul daripada kegiatan operasi keluli.

PERKEMBANGAN KORPORAT

Peristiwa penting dan berikutannya adalah seperti berikut:

- Pada 13 Jun 2016, LDH Trading Sdn Bhd, sebuah anak syarikat milik penuh, telah memuktamadkan pelupusan sebidang tanah pertanian pegangan bebas di Mukim Tanjong Duabelas, Daerah Kuala Langat, Negeri Selangor berukuran 63.4 hektar kepada KLC Agro Sdn Bhd untuk pertimbangan tunai sebanyak RM36.5 juta.

- Pada 24 Ogos 2016, Syarikat telah mengumumkan bahawa ia telah mencetuskan kriteria yang ditetapkan perenggan 8.04 dan mengikut Nota Amalan 17 ("PN17") di bawah Keperluan Penyenaraian Pasaran Utama Bursa Malaysia Securities Berhad ("Bursa Securities"). Selaras dengan keperluan penyenaraian PN17, Syarikat dikehendaki menyerahkan sebuah pelan regularisasi dalam tempoh 12 bulan kepada Suruhanjaya Sekuriti atau Bursa Securities.

  Syarikat sedang meneliti untuk merumuskan sebuah pelan bertujuan menyelaraskan kedudukan kewangannya dan pengumuman berkaitan akan dibuat dalam masa terdekat.

- Pada 4 Oktober 2016, CPB Enterprise Sdn Bhd, anak syarikat milik penuh Syarikat telah memeterai perjanjian jual beli dengan Sritama Jetty Sdn Bhd ("Pembeli") bagi penjualan sebidang tanah pegangan pajakan di Mukim Cheng , Daerah Melaka Tengah, Melaka berukuran 4.013 hektar bersama-sama dengan sebuah bangunan 2 tingkat dan sebuah bangunan 1 tingkat yang didirikan di atasnya ("Hartanah") untuk pertimbangan tunai sebanyak RM30.5 juta; dan

  Likom Caseworks Sdn Bhd, anak syarikat milik penuh Syarikat akan menyewa Hartanah itu daripada Pembeli.

KAJIAN OPERASI

Kumpulan pada dasarnya terbabit dalam aktiviti berikut:

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

(Tahun Kewangan Berakhir 30 Jun)	**Perolehan**		**Keuntungan/(Kerugian) Mengikut Segmen**	
	2016 RM Juta	**2015 RM Juta**	**2016 RM Juta**	**2015 RM Juta**
Keluli	**278**	949	**(98)**	53
CMS	**178**	148	**21**	10
Hartanah	**238**	111	**20**	22
Lain-lain *	**–**	1	**16**	(6)
	694	1,209	**(41)**	79

* Keuntungan lebih tinggi pada tahun 2016 adalah disebabkan oleh pendapatan daripada pelupusan tanah pegangan bebas berjumlah RM19.8 juta.

Bahagian Keluli

Operasi keluli Kumpulan terletak di Banting, Malaysia dikendalikan oleh Lion DRI Sdn Bhd ("Lion DRI") yang terbabit dalam pembuatan 'direct reduced iron' ("DRI"), bahan caj ferus berkualiti tinggi dan pengganti kepada sekerap yang digunakan dalam proses pembuatan keluli. Lion DRI adalah salah satu daripada dua pengeluar DRI di negara ini dan kebanyakan produknya digunakan dalam operasi pengeluaran Megasteel Sdn Bhd ("Megasteel"). Megasteel, adalah sebuah syarikat sekutu yang terbabit dalam kegiatan hiliran pembuatan keluli iaitu pembuatan gegelung gelekan panas ("HRC") dan gegelung gelekan sejuk, dan merupakan salah satu daripada dua pengeluar HRC di Malaysia, untuk pasaran domestik dan antarabangsa.

Tahun ini kekal menjadi satu lagi tempoh yang sukar bagi industri keluli dengan Megasteel terus mengalami kerugian akibat kegiatan lambakan produk keluli secara berleluasa oleh pengeluar-pengeluar keluli asing dan kilang terpaksa beroperasi secara bersela mengikut keadaan pasaran. Pengumuman Kementerian Perdagangan Antarabangsa dan Industri pada bulan Januari 2016 bahawa Kerajaan telah menamatkan penyiasatan bagi Petisyen Perlindungan ke atas HRC yang diimport menjejaskan lagi operasi Megasteel sehingga mengakibatkan berlakunya pemberhentian kakitangan dan penutupan sementara operasinya.

Lion DRI juga turut terjejas kerana ia membekalkan DRI panas kepada Megasteel sebagai bahan mentah untuk pengeluaran HRC. Oleh itu, operasi loji DRI juga ditutup sementara.

Bagi tahun kewangan yang dikaji, perolehan Bahagian Keluli merosot teruk kepada RM278 juta daripada RM949 juta pada tahun sebelumnya dan mengalami kerugian segmen sebanyak RM98 juta berbanding keuntungan segmen sebanyak RM53 juta setahun yang lalu.

Bahagian CMS

Bahagian CMS kita beroperasi sebagai pusat sehenti bersepadu pengilang perkakasan asal yang menyediakan perkhidmatan pembuatan elektronik dan mekanikal secara kontrak yang mengkhusus dalam pembuatan teraan lembaran logam, acuan suntikan plastik, pemasangan pencetak papan litar ("PCBA") dan pembuatan kekotak siap bina (turnkey box built manufacturing). Bidang tumpuan ialah IT dan komponen berkaitan elektronik, 'enclosure' bagi sistem penyimpanan data cakera dan pita, konsol ceper paparan cecair kristal bagi pusat data, alat muzik dan papan PCBA yang digunakan dalam peralatan pengendali ujian untuk industri semi-konduktor, barangan dan peralatan rumah termasuk pendiri TV, ketuhar gelombang mikro, 'enclosure' penggera keselamatan rumah dan komponen untuk sistem 'washlet'. Kemudahan pengeluaran kita terletak di Melaka, Malaysia dan di Juarez, Mexico manakala sebuah pejabat di Amerika Syarikat menyediakan perkhidmatan sokongan pelanggan.

Bagi tahun kewangan yang dikaji, Bahagian CMS mencatat prestasi yang membanggakan dengan perolehan dan keuntungan operasi lebih tinggi, masing-masing sebanyak RM178 juta dan RM21 juta berbanding perolehan RM148 juta dan keuntungan operasi RM10 juta pada tahun sebelumnya.

Dalam melangkaui tahun kewangan ini, persekitaran ekonomi mikro dunia untuk perkhidmatan pengilangan elektronik akan terus mencabar apabila pertumbuhan ekonomi sejagat kekal sederhana berikutan keadaan sedia ada tidak menentu dan persaingan yang sengit. Meskipun begitu, Bahagian CMS kita akan terus mengawasi perubahan arah aliran atau trend yang berlaku secara pantas dan akan menumpukan kepada kawalan kos serta menjalin hubungan erat dengan para pelanggan untuk memastikan Bahagian ini kekal menguntungkan dalam persekitaran yang mencabar.

Bahagian Hartanah

"D' Venice Residence" merupakan projek pembangunan bercampur utama yang dimajukan oleh Kumpulan di atas empat bidang tanah yang terletak bersebelahan dengan jumlah keluasan 20.1 hektar di Bandar Changshu dalam Wilayah Jiangsu di China. Kelonggaran dasar kewangan dan percukaian yang dilakukan oleh Kerajaan China untuk merangsang permintaan pasaran terhadap sektor hartanah yang berkuat kuasa pada setengah pertama tahun 2016, telah melonjakkan jualan projek hartanah kita. Dalam tahun kewangan ini, kita berjaya menjual kesemua pegangan 420 unit kediaman yang dilancarkan sejak dua tahun kewangan yang lalu. Selain itu, 248 buah apartmen kediaman bertingkat tinggi dalam projek pembangunan Fasa 4 yang dilancarkan pada bulan Oktober 2015, turut mencatatkan jualan yang menggalakkan dengan kadar penerimaan pelanggan sekitar 78%.

Bagi tahun kewangan dalam kajian, Bahagian ini menyaksikan perolehannya melonjak 114% kepada RM238 juta. Walau bagaimanapun, keuntungan segmen adalah lebih rendah iaitu RM20 juta berbanding RM22 juta pada tahun lepas, terutamanya disebabkan oleh margin keuntungan yang lebih rendah dan kos promosi yang lebih tinggi.

Walaupun dasar-dasar yang mentadbir pasaran hartanah dilonggarkan, sebahagian besar penduduk dalam persekitaran projek berkenaan sudahpun menjadi pelanggan kita. Oleh itu, strategi untuk menarik lebih ramai pembeli serta pembeli baharu dan mengekalkan kadar penerimaan bagi projek kita adalah sangat penting. Pemantauan secara berkala terhadap penyelarasan dasar makro dan tindakan kerajaan di kawasan projek-projek lain yang menjadi saingan sekitar kita adalah penting untuk membolehkan Bahagian Hartanah memberikan tindak balas sewajarnya dan mengekalkan prestasinya pada tahun-tahun yang mendatang.

PROSPEK

Persekitaran operasi Bahagian Keluli Kumpulan dijangka kekal sukar dan mencabar pada tahun kewangan yang akan datang. Sejauh mana operasi pengeluaran keluli kita dapat beroperasi semula amat bergantung kepada permintaan pasaran dan harga produk keluli.

Bahagian CMS dan Hartanah kita dijangka mengekalkan prestasi yang memuaskan pada tahun akan datang.

LEMBAGA PENGARAH

Lembaga Pengarah mengalu-alukan pelantikan Encik Tan Chee Chai ke Lembaga Pengarah pada tahun kewangan ini. Lembaga Pengarah yakin bahawa Syarikat akan beroleh manfaat daripada kepakaran dan pengalaman beliau yang tidak ternilai.

PENGHARGAAN

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

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

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of Lion Diversified Holdings Berhad ("LDHB" or the "Company") for the financial year ended 30 June 2016.

FINANCIAL PERFORMANCE

The financial year under review had been another difficult year for the Group with the global economy continuing to be fraught with uncertainties. Whilst, on the domestic front, the already challenging market conditions were further compounded by the weakened Ringgit Malaysia against major foreign currencies, rising domestic costs and volatile commodity prices, including prices of oil and steel.

The prevailing global steel glut remains the most significant issue affecting the Group with dumping by foreign steel mills into the country in the absence of effective measures by the Government to protect the local steel industry. This had adversely affected our sales of direct reduced iron to the local flat steel manufacturer who faced intense competition and pricing pressure from the oversupply of flat steel in the domestic market.

Meanwhile, both our Contract Manufacturing Services ("CMS") and Property Divisions continued to contribute positively to the Group's results.

Overall, the Group registered a 43% lower revenue of RM694 million compared with RM1.2 billion in the last financial year. The Group recorded a higher net loss of RM840 million for this financial year compared to RM438 million in the previous financial year after including impairment losses on receivables of RM392 million and impairment losses on plant and equipment of RM364 million that arose from the steel operations.

CORPORATE DEVELOPMENT

Significant and subsequent events are as follows:

- On 13 June 2016, LDH Trading Sdn Bhd, a wholly-owned subsidiary of the Company, completed the disposal of a piece of freehold agricultural land in Mukim Tanjong Duabelas, Daerah Kuala Langat, Negeri Selangor measuring 63.4 hectares to KLC Agro Sdn Bhd for a cash consideration of RM36.5 million.

- On 24 August 2016, the Company announced that it had triggered the prescribed criteria pursuant to Paragraph 8.04 and Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("LR"). Pursuant to PN17 of the LR, the Company is required to submit a regularisation plan within 12 months to the Securities Commission or Bursa Securities.

  The Company is looking into formulating a plan to regularise its financial condition and the announcement on the same will be made in due course.

- On 4 October 2016, CPB Enterprise Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Sritama Jetty Sdn Bhd ("Purchaser") for the sale of a piece of leasehold land in Mukim Cheng, Daerah Melaka Tengah, Melaka measuring 4.013 hectares together with a 2-storey building and a 1-storey building erected thereon ("Property") for a cash consideration of RM30.5 million; and

  Likom Caseworks Sdn Bhd, a wholly-owned subsidiary of the Company, shall rent the Property from the Purchaser.

REVIEW OF OPERATIONS

The Group is principally engaged in the following activities:

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

	Revenue		Segment Profit/(Loss)	
(Financial Year Ended 30 June)	**2016 RM Million**	**2015 RM Million**	**2016 RM Million**	**2015 RM Million**
Steel	**278**	949	**(98)**	53
CMS	**178**	148	**21**	10
Property	**238**	111	**20**	22
Others *	**–**	1	**16**	(6)
	694	1,209	**(41)**	79

* Higher profit in 2016 mainly due to the gain on disposal of a freehold land of RM19.8 million.

Steel Division

The Group's steel operation, located in Banting, Malaysia is undertaken by Lion DRI Sdn Bhd ("Lion DRI") which is involved in the manufacturing of direct reduced iron ("DRI"), a high quality ferrous charge material and a substitute for scrap used in the steelmaking process. Lion DRI is one of the two producers of DRI in the country and its products are mostly used in Megasteel Sdn Bhd's ("Megasteel") production. Megasteel, an associated company, is involved in downstream steel processing through its manufacturing of hot rolled coils ("HRC") and cold rolled coils, and is one of the two producers of HRC in Malaysia, servicing the domestic and international markets.

It was another difficult year for the steel industry with Megasteel continuing to suffer losses due to excessive dumping of steel products by foreign steel millers and had thus, been operating intermittently depending on market conditions. The announcement in January 2016 by the Ministry of International Trade and Industry that the Government had terminated the investigation for the Safeguard Petition on imported HRC had further impacted Megasteel's operations which resulted in the retrenchment of its staff and temporary cessation of its operations.

Lion DRI had also been similarly affected as it is supplying its hot DRI to Megasteel as feedstock for the production of HRC. Hence, the DRI plant had also temporarily shutdown its operations.

For the financial year under review, the Steel Division's revenue declined substantially to RM278 million from RM949 million in the previous year and incurred a segment loss of RM98 million as against a segment profit of RM53 million a year ago.

CMS Division

Our CMS Division operates as an integrated one-stop original equipment manufacturer which provides electronic and mechanical contract manufacturing services specialising in sheet metal stamping, plastic injection moulding, printer circuit board assembly ("PCBA") and turnkey box built manufacturing. The areas of focus are IT and electronic related components, enclosures for disk and tape data storage system, liquid crystal display tray console for data centers, musical instruments and PCBA boards used in tester handler equipment for semi-conductor industry, household related products and appliances including TV stand, microwave oven, home security alarm enclosure and components for washlet system. Our production facilities are located in Melaka, Malaysia and in Juarez, Mexico supported by an office in the USA to provide customer support services.

For the financial year under review, CMS Division achieved a commendable performance with higher revenue and operating profit of RM178 million and RM21 million respectively as compared with RM148 million of revenue and RM10 million of operating profit registered last year.

Moving beyond financial year 2016, the global macro-economic environment for electronic manufacturing services will be challenging, as global economic growth remains modest in the midst of prevailing uncertainties and stiff competition. Nevertheless, our CMS Division remains vigilant to the fast changing trends in the industry, and will focus on cost containment and forging close relationships with customers to ensure the Division remains profitable in the challenging environment.

Property Division

"D' Venice Residence" represents our Group's main mixed development project on four pieces of contiguous land totalling 20.1 hectares located at Changshu City in Jiangsu Province in China. The relaxing of financial and taxation policies by the Chinese Government to stimulate market demand for the property sector which took effect in the first half of year 2016 had pushed the sales of our property project up. During the financial year, we managed to sell all the 420 units stock which were launched in the past two financial years. In addition, the 248 units high-rise residential apartments in Phase 4 which were launched in October 2015 had also chalked up an encouraging take-up rate of approximately 78%.

For the financial year under review, the Division's revenue surged 114% to RM238 million. However, the segment profit was lower at RM20 million as compared to RM22 million last year, mainly due to lower profit margin and higher promotion costs.

Even though the policies governing the property market are being relaxed, a significant portion of the residents from within the vicinity of our project are already our customers. Therefore, strategies to attract new and more customers and maintain a high take-up rate are especially important. Regular monitoring of Government macro policy adjustments and actions by surrounding competing projects is essential for our Property Division to respond accordingly and to sustain its performance in the coming years.

PROSPECTS

The operating environment for the Group's Steel Division is anticipated to remain tough and challenging in the next financial year. The resumption of our steel operations will very much depend on the underlying market demand and prices of steel products.

Our CMS and Property Divisions are expected to maintain their satisfactory performance in the coming year.

BOARD OF DIRECTORS

The Board would like to extend its warm welcome to Mr Tan Chee Chai who joined the Board during the financial year. The Board is confident that the Company will benefit from his invaluable experience and expertise.

ACKNOWLEDGEMENT

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

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事会，提呈金狮多元控股有限公司（“金狮多元控”）股截至2016年6月30日会计年度报告和经审核财务报告。

财务表现

在本会计年度，由于全球经济仍然充满不稳定性，本集团面对另一个困难的年头。国内方面，原本已经充满挑战的市场情况，由于令吉对各种主要外国货币的汇率疲弱、国内成本上升、以及商品的价格（包括石油和钢铁的价格）变幻不定而加剧。

现有的全球性钢铁供过於求的现象，仍然是影响本集团的最大问题，因为外国钢铁厂在我国倾销钢铁产品，而政府却没有采取有效措施保护本地的钢铁工业。这严重的影响了我们的直接还原铁对本地平板钢制造商的销售；由于国内市场的平板钢供应过剩，这些制造商面对激烈竞争和价格压力。

另一方面，我们的合同生产服务组以及产业组，继续对本集团的业绩作出积极贡献。

总体而言，本集团在本会计年度的营业额减少43%，只有6亿9,400万令吉，上一个会计年度是12亿令吉。在本会计年度，本集团的净亏损更多，达到8亿4,000万令吉，上一个会计年度是亏损4亿3,800万令吉。亏损之中，包括对应收未收账项提供3亿9,200万令吉的损耗损失，以及钢铁业务引起的厂房和配备的损耗损失3亿6,400万令吉。

公司发展

重大和后续的事件如下：

- 在2016年6月13日，本公司的独资子公司LDH Trading Sdn Bhd完成出售 雪兰莪州瓜拉冷岳縣Mukim Tanjong Duabelas的一片永久地契农业地给KLC Agro Sdn Bhd，土地面积共63.4公顷，售价是现金3,650万令吉。

- 在2016年8月24日，本公司宣布，本公司已触及了马来西亚证券交易所（“证券交易所”） PN17的指定准则。根据PN17第8.04段的规定，本公司必须在12个月之内，向证券交易所提呈重组计划。

  本公司正在研究制订一项计划，以重组财务情况，並将在适当的时候宣布。

- 2016年10月4日，本公司之全资子公司CPB Enterprise Sdn Bhd与Sritama Jetty Sdn Bhd（“买方”）签署买卖协议，以现金3,050万令吉出售位于马六甲Mukim Cheng，Daerah Melaka Tengah的租赁土地和双层建筑物以及建在其上一层楼高的建筑物（“物业”），占地共4.013公顷。

  Likom Caseworks Sdn Bhd为本公司的全资子公司，将从买方租赁该物业。

业务检讨

本集团主要从事以下业务：

- 制造和销售直接还原铁与其他钢铁相关的产品（“钢铁”）；
- 电子和机械合同生产服务（“合同生产服务”）；
- 产业发展和管理（“产业”）；以及
- 投资控股、贸易及其他（“其他”）。

	营业额		组别利润/ (亏损)	
(6月30日的会计年度)	2016 (百万令吉)	2015 (百万令吉)	2016 (百万令吉)	2015 (百万令吉)
钢铁	**278**	949	**(98)**	53
合同生产服务	**178**	148	**21**	10
产业	**238**	111	**20**	22
其他 *	**–**	1	**16**	(6)
	694	1,209	**(41)**	79

* 2016年较高利润主因是出售一片永久土地，盈利为1,980万令吉。

钢铁组

本集团的钢铁业务是坐落在马来西亚的万津，由金狮直接还原铁私人有限公司（“金狮直接还原铁”）涉及制造直接还原铁，这是一种高品质的铁质原料，在制钢过程中作为废铁的代替品。金狮直接还原铁是马来西亚的两家直接还原铁制造厂之一，其产品主要供应给美佳钢铁私人有限公司（“美佳钢铁”）用来制钢。美佳钢铁是本集团的联号，从事钢铁的下游生产，制造热轧钢卷和冷轧钢卷。是马来西亚热轧钢卷的两个生产商之一，产品供应国内市场及国际市场。

钢铁组面对另一个困难的年头。由于外国钢铁厂在本地过度倾销钢铁产品，美佳钢铁厂继续蒙受亏损，而且只能根据市场情况间歇性的营业。国际贸易与工业部在2016年1月宣布，政府已经终止对入口热轧钢卷的课题的保障请愿书的调查。这进一步影响到美佳钢铁厂的营运，导致它解雇职员和暂时停止营业。

金狮的直接还原铁也同样受到影响，因为本公司供应热直接还原铁给美佳钢铁厂作为给料，以生产热轧钢卷。因此，直接还原铁的厂房也暂时关闭。

在本会计年度，钢铁组的营业额大减，从上一年度的9亿4,900万令吉减少到本年度的2亿7,800万令吉。本会计年度亏损9,800万令吉，上一年度是盈利5,300万令吉。

合同生产服务组

我们的合同生产服务组是综合一站式代工生产商，提供电子和机械合约生产服务，包括金属片压印、塑料注射铸造、印表机电路板组装(“PCBA”)和交钥匙盒建制造。重点领域是资讯工艺与电子相关元件、存储模组的磁片与磁带资料存储系统、液晶显示托盘主控台为资料中心、乐器以及 PCBA 板测试仪处理设备用于半导体行业；家庭相关的产品和电器包括电视站、微波烤箱、家庭安全报警外壳和马桶系统的元件。生产设备坐落在马来西亚的马六甲和墨西哥的Juarez。另外在美国设有销售办事处，以支援客户。

在本会计年度，合同生产服务组取得值得称赞的表现，营业额和营业利润都增加，分别是1亿7,800万令吉和2,100万令吉；上一个会计年度的营业额是1亿4,800万令吉，营业利润是1,000万令吉。

在2016会计年度之后，对电子制造服务业而言，全球性宏观经济环境将会具挑战性，因为在情况不肯定和 激烈竞争之下，全球经济只能取得适度增长。无论如何，我们的合同生产服务组继续对这个行业迅速转变的趋势保持警觉，並集中在抑制成本和与客户保持密切关系，以确保这个组在充满挑战的环境中仍然保持盈利。

产业组

“D’Venice Residence”是本集团的主要混合发展计划，坐落在中国江苏省常熟市，由4片毗邻的土地组成，总面积20.1公顷。中国政府在2016年上半年放宽财务和税务政策，以刺激市场对产业的需求，推高了我们的产业计划的销售。在本会计年度，本集团设法出售了在过去两个会计年度中推出的全部420个单位。此外，在第四期兴建的248个高层公寓单位在2015年10月推展，也取得令人鼓舞的出售率，即已出售了约78%。

在本会计年度，产业组的营业额激增114%，达到2亿3,800万令吉。不过，这个组的利润减少，只有2,000万令吉（上一个会计年度的利润是2,200万令吉），主要是由于利润率降低，以及促销费用更高。

尽管中国管制产业市场的政策已经放宽，唯在我们的产业计划周围的居民很大部分是我们的客户。因此，采取吸引新的和更多的客户的策略，以及维持高出售率变得特别重要。我们的产业组有系统的监督政府的宏观政策调整，以及有系统的监督与我们竞争的周边的产业发展计划是重要的，以便作出适当的反应，以及在未来的年头持续有良好表现。

展望

在下一个会计年度，预料本集团钢铁组的营业环境将仍然会严峻。我们的钢铁组是否恢复营业，在很大程度上有赖于市场对钢铁产品的需求以及钢铁产品的价格而定。

在未来的一年，我们的合同生产服务组和产业组，预料会保持令人满意的表现。

董事会

董事会热烈欢迎陈志才先生在本会计年度加入董事会。董事会深信，本公司将会从陈先生的丰富经验与专门知识中受惠。

鸣谢

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

我也要深切赞扬和感谢董事们，在过去一年来给予可贵的指导、支持和所作出的贡献。我同时感谢各级雇员不懈献身精神及对本集团的贡献。

主席
丹斯里锺廷森

SUSTAINABILITY STATEMENT

The Group is working 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. It also participates in the yearly Educare programme whereby school necessities such as school bags, uniforms and shoes are collected and distributed to 5,000 students nationwide. The Foundation had organised a charity run in November 2015 to raise funds for the construction of phases 2 and 3 of the Home for Handicapped and Mentally Disabled Children in Selangor.

The Lion Group Medical Assistance Fund provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery, purchase of medical equipment and medication. The Fund also sponsors community health programmes such as medical camps, and the purchase of dialysis machines for Dialysis Centres providing subsidised treatment to those suffering from kidney failure.

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

Environment

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

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

Marketplace

The Group is committed to continuously improve the attributes of efficiency, governance and integrity in all its business conduct. We have reinforced corporate values and good business ethics through the formalisation of policies and frameworks namely Integrity & Fraud Risk, Group Procurement, Code of Business Practices, Competition, Whistleblower and Group Personal Data Protection which also seek to reach out to stakeholders in the marketplace via increased transparency with the policies published on our corporate website.

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 workplace:

- **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 Foundation's scholarship programme builds a healthy pipeline of talent for our businesses.

- **Talent Management**

  We take stock of talent requirements for our businesses to allow high-potential employees the opportunities to be developed and progressed to senior and challenging roles at the Company and Group level. This will also serve to retain and cross-pollinate key talents within the 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 class training and continuing education.

- **Rewards 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. We trust that with our recently implemented LionPeople Global HR Information System (HRIS), it will take our people management agenda to the next level.

- **Employee Engagement**

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

- **Safety and 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 equipments are in place to prevent accidents and injuries at all times. Workplace 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.

Moving Forward

We are committed to promote good corporate governance and sustainability in our business operations. Our corporate website provides more information on our initiatives and efforts to this end.

FINANCIAL STATEMENTS

2016

For The Financial Year Ended 30 June 2016

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year, net of tax	(840,017)	(473,321)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the matters as disclosed in Note 2.1 to the financial statements and the consequential effects thereon which resulted in:

(i) impairment loss on plant and equipment of RM364.4 million in respect of the Group;

(ii) impairment loss on trade and other receivables of RM392.2 million in respect of the Group; and

(iii) impairment loss on receivables from subsidiaries of RM512.4 million in respect of the Company.

DIVIDEND

In respect of the previous financial year ended 30 June 2015, a total of 198,873,071 ordinary shares of RM1.00 each in Lion Corporation Berhad ("LCB Shares") were distributed by way of dividend-in-specie to the shareholders of the Company on 30 June 2015, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded.

The Directors do not recommend any payment of dividend in respect of the financial year ended 30 June 2016.

DIRECTORS

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

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
Dato' Mohamad Kamarudin bin Hassan
Ooi Kim Lai
Tan Chee Chai (Appointed on 17 May 2016)

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

In accordance with Article 99 of the Company's Articles of Association, Mr Tan Chee Chai who was appointed during the financial year retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election as Director of the Company.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Tan Sri William H.J. Cheng retires and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than those arising from the share options granted under the Executive Share Option Scheme ("ESOS") of the Company as disclosed below.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 37 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.50 Each			
	1.7.2015	**Acquired**	**Disposed**	**30.6.2016**
Direct Interest				
Tan Sri William H.J. Cheng	364,586,607	–	–	364,586,607
Tan Sri Cheng Yong Kim	9,841,337	–	–	9,841,337
Ooi Kim Lai	116	–	–	116
Indirect Interest				
Tan Sri William H.J. Cheng	318,694,862	–	–	318,694,862
Tan Sri Cheng Yong Kim	379,157,070	–	(38,000,000)	341,157,070

DIRECTORS' INTERESTS (Continued)

In addition, the following Director was deemed to have an interest in shares in the Company by virtue of the options granted to him pursuant to the ESOS of the Company as follows which lapsed upon the expiry of the ESOS on 1 February 2016:

	Number of Options			
	1.7.2015	Exercised	Lapsed	30.6.2016
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat	250,000	–	(250,000)	–

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

Indirect Interest
Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim

	Number of Ordinary Shares			
	1.7.2015	Acquired	Disposed	30.6.2016
LDH Investment Pte Ltd	4,500,000	–	–	4,500,000

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

ESOS

The ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group was implemented on 2 February 2011 for a period of 5 years. The main features of the ESOS of the Company are set out in Note 34 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.

No options were granted pursuant to the ESOS since the beginning of the financial year up to the expiry of the ESOS on 1 February 2016.

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

	Subscription price per	Number of Options				
Grant date	share	1.7.2015	Granted	Exercised	Lapsed	30.6.2016
25.11.2014	RM0.50	3,305,500	–	–	(3,305,500)	–

OTHER STATUTORY INFORMATION

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

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

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

OTHER STATUTORY INFORMATION (Continued)

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

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

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

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

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

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

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

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

(f) Save as disclosed in Note 2.1 to the financial statements, in the opinion of the Directors:

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

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

SIGNIFICANT EVENT

Significant event is disclosed in Note 38 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 44 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 5 October 2016.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

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

We, **TAN SRI WILLIAM H.J. CHENG** and **TAN SRI CHENG YONG KIM**, being two of the Directors of **LION DIVERSIFIED HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 50 to 161 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2016 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 45 to the financial statements on page 162 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants, and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 5 October 2016.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

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

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION DIVERSIFIED HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 50 to 162 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at Kuala Lumpur in the Federal Territory
on 5 October 2016.

TAN SRI CHENG YONG KIM

Before me,

W626
HAJJAH JAMILAH ISMAIL
Commissioner for Oaths

Kuala Lumpur

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

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to audit the accompanying financial statements of Lion Diversified Holdings Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 161.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and 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 in accordance with approved standards on auditing in Malaysia. Because of the matters described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Departure from Financial Reporting Standards ("FRS")

As disclosed in Note 3.2(h) to the financial statements, a subsidiary is contractually bound to acquire freight services from a third party service provider for the importation of iron ore pellets at rates above the current market rates based on a Contract of Affreightment ("COA"). The Company has provided a guarantee for the COA. However, no provision for onerous contract has been made for the COA. Under FRS 137 Provisions, Contingent Liabilities and Contingent Assets, the Group and the Company have a present obligation of approximately RM475.0 million respectively under the COA which exceed the economic benefits expected to be received. Had the provision for onerous contract been provided for, other expense, net loss for the year and shareholders' deficits of the Group and of the Company would have increased by the same amount.

Basis for Disclaimer of Opinion

(i) The Group and the Company incurred net losses of RM840.0 million (2015: RM438.3 million) and RM473.3 million (2015: profit of RM17.7 million) respectively for the year ended 30 June 2016. As at 30 June 2016, the Group's and the Company's current liabilities exceeded their current assets by RM840.8 million (2015: RM292.9 million) and RM75.2 million (2015: net current assets of RM376.6 million) respectively. These conditions together with other matters discussed in Note 2.1 to the financial statements may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

    Management has performed a going concern assessment but did not extend to include the effect of the non-provisioning for onerous contract mentioned above. Consequently, we are unable to conclude on the appropriateness of the going concern basis used in the preparation of these financial statements.

    Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

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

Basis for Disclaimer of Opinion (Continued)

(ii) Due to the temporary shut down of Lion DRI's operation as disclosed in Note 38 to the financial statements and the resulting constraints, we were unable to obtain sufficient appropriate audit evidence in relation to the measurement of revenue and raw materials and consumables used of the Group of RM277.8 million and RM210.5 million respectively and the valuation of inventories of RM28.6 million.

As disclosed in Note 12(f) to the financial statements, the recoverable amount for the direct reduced iron plant owned by Lion DRI was estimated by an independent professional valuer using the Cost Approach. We were unable to ascertain whether the assumptions used by the valuer to derive the recoverable amount were appropriate.

Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

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

  (i) Lion DRI Sdn Bhd – adverse opinion on the going concern basis used in the preparation of the financial statements of entity and on the same matter in Note (ii) included in the "Basis for Disclaimer of Opinion" paragraph above;

  (ii) Lion Blast Furnace Sdn Bhd – adverse opinion on the going concern basis used in the preparation of the financial statements of entity; and

  (iii) Limbungan Makmur Sdn Bhd – disagreement over the matter included in the "Departure from Financial Reporting Standards ("FRS")" paragraph above.

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

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 45 to the financial statements on page 162 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. Because of the matters described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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

Ernst & Young
AF: 0039
Chartered Accountants

Low Khung Leong
No. 2697/01/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
5 October 2016

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Continuing operations					
Revenue	4	**693,748**	1,208,672	**64,800**	208
Other income	5	**104,639**	54,295	**19,304**	76,804
Changes in inventories		**(2,850)**	(10,394)	**–**	–
Raw materials and consumables used		**(417,229)**	(925,022)	**–**	–
Property development expenditure		**(213,319)**	(80,278)	**–**	–
Employee benefits expense	6	**(48,131)**	(53,738)	**(609)**	(616)
Depreciation and amortisation		**(37,250)**	(36,596)	**(67)**	(67)
Other expenses		**(118,921)**	(77,504)	**(9,057)**	(4,156)
		(39,313)	79,435	**74,371**	72,173
Finance costs	8	**(77,312)**	(76,664)	**(13,035)**	(11,617)
Impairment losses on:					
- Plant and equipment	12	**(364,373)**	(20,000)	**–**	–
- Investments in subsidiaries	15	**–**	–	**(20,702)**	(650)
- Investments in associates	16	**–**	(15,861)	**–**	(8,144)
- Investment securities		**(34,233)**	(42,873)	**(769)**	(6,269)
- Receivables from subsidiaries	22	**–**	–	**(512,402)**	(27,775)
- Trade and other receivables	22	**(392,169)**	(50,000)	**–**	–
Share of results of associates		**–**	(4,283)	**–**	–
Share of results of joint venture		**(2,652)**	786	**–**	–
(Loss)/Profit before tax from continuing operations	7	**(910,052)**	(129,460)	**(472,537)**	17,718
Income tax credit/(expense)	9	**70,035**	(4,639)	**(784)**	–
(Loss)/Profit from continuing operations, net of tax		**(840,017)**	(134,099)	**(473,321)**	17,718
Discontinued operation					
Loss from discontinued operation, net of tax	15	**–**	(304,159)	**–**	–
(Loss)/Profit, net of tax		**(840,017)**	(438,258)	**(473,321)**	17,718
Attributable to:					
- Owners of the Company		**(840,017)**	(183,000)	**(473,321)**	17,718
- Non-controlling interests		**–**	(255,258)	**–**	–
		(840,017)	(438,258)	**(473,321)**	17,718

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2016 (Continued)

		Group	
	Note	2016	2015
Loss per share from continuing operations attributable to owners of the Company (sen per share)			
Basic	10(a)	**(60.3)**	(9.6)
Diluted	10(b)	**(60.3)**	(9.6)
Loss per share from discontinued operation attributable to owners of the Company (sen per share)			
Basic	10(a)	–	(3.5)
Diluted	10(b)	–	(3.5)
Loss per share attributable to owners of the Company (sen per share)			
Basic	10(a)	**(60.3)**	(13.1)
Diluted	10(b)	**(60.3)**	(13.1)

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

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit, net of tax	**(840,017)**	(438,258)	**(473,321)**	17,718
Other comprehensive (loss)/income				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translations	**(9,965)**	9,625	**–**	–
Surplus on valuation of freehold land, net of deferred tax liabilities	**–**	264,836	**–**	–
Loss on fair value changes on available-for-sale financial assets	**–**	(558)	**–**	–
Share of other comprehensive income of associates	**–**	10,006	**–**	–
Other comprehensive (loss)/income for the year, net of tax, representing items that may be reclassified subsequently to profit or loss	**(9,965)**	283,909	**–**	–
Total comprehensive (loss)/income for the year	**(849,982)**	(154,349)	**(473,321)**	17,718
Attributable to				
- Owners of the Company	**(849,982)**	28,767	**(473,321)**	17,718
- Non-controlling interests	**–**	(183,116)	**–**	–
	(849,982)	(154,349)	**(473,321)**	17,718

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**440,178**	839,810	**80**	147
Investment properties	13	**2,095**	10,431	**–**	–
Land held for property development	14(a)	**24,551**	24,347	**–**	–
Investments in subsidiaries	15	**–**	–	**99,925**	120,627
Investments in associates	16	**–**	–	**–**	–
Investments in joint ventures	17	**22,251**	24,903	**–**	–
Investment securities	18	**10,144**	91,164	**6,916**	7,685
Intangible assets	19	**10,484**	10,484	**–**	–
Deferred tax assets	20	**1,326**	847	**–**	–
		511,029	1,001,986	**106,921**	128,459
Current assets					
Property development costs	14(b)	**113,739**	208,382	**–**	–
Inventories	21	**67,702**	219,459	**–**	–
Investment securities	18	**36,354**	4,004	**–**	–
Trade and other receivables	22	**89,290**	421,057	**277,941**	755,056
Derivative assets	23	**5,365**	–	**–**	–
Tax recoverable		**2,293**	4,635	**–**	784
Cash and bank balances	24	**344,559**	311,663	**1,881**	9,580
		659,302	1,169,200	**279,822**	765,420
Non-current assets classified as held for sale	25	**10,052**	29,481	**–**	–
		669,354	1,198,681	**279,822**	765,420
TOTAL ASSETS		**1,180,383**	2,200,667	**386,743**	893,879

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016 (Continued)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	26	**696,074**	696,074	**696,074**	696,074
Share premium		**330,967**	330,967	**330,967**	330,967
Other reserves	27	**122,334**	128,489	**–**	–
Accumulated losses		**(1,551,402)**	(707,575)	**(995,377)**	(522,056)
		(402,027)	447,955	**31,664**	504,985
Non-controlling interests		**–**	–	**–**	–
Total equity		**(402,027)**	447,955	**31,664**	504,985
Non-current liabilities					
Loans and borrowings	28	**40,256**	128,976	**34**	72
Deferred tax liabilities	20	**31,955**	131,709	**–**	–
Derivative liabilities	30	**–**	407	**–**	–
		72,211	261,092	**34**	72
Current liabilities					
Trade and other payables	31	**1,059,468**	981,452	**253,696**	288,363
Provisions	32	**38,000**	38,000	**–**	–
Product financing liabilities	33	**33,895**	127,878	**–**	–
Loans and borrowings	28	**356,061**	341,345	**101,349**	100,459
Derivative liabilities	30	**4**	104	**–**	–
Tax payable		**22,771**	2,841	**–**	–
		1,510,199	1,491,620	**355,045**	388,822
Total liabilities		**1,582,410**	1,752,712	**355,079**	388,894
TOTAL EQUITY AND LIABILITIES		**1,180,383**	2,200,667	**386,743**	893,879

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Share Capital RM'000 (Note 26)	Share Premium RM'000	Other Reserves RM'000 (Note 27)	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
		← Attributable to Owners of the Company →						
		← Non-Distributable →						
Group								
2016								
At 1 July 2015		**696,074**	**330,967**	**128,489**	**(707,575)**	**447,955**	**–**	**447,955**
Total comprehensive loss for the year		**–**	**–**	**(9,965)**	**(840,017)**	**(849,982)**	**–**	**(849,982)**
		696,074	**330,967**	**118,524**	**(1,547,592)**	**(402,027)**	**–**	**(402,027)**
Transfer to capital reserve		**–**	**–**	**3,810**	**(3,810)**	**–**	**–**	**–**
At 30 June 2016		**696,074**	**330,967**	**122,334**	**(1,551,402)**	**(402,027)**	**–**	**(402,027)**
Group								
2015								
At 1 July 2014		696,074	330,967	17,655	(515,626)	529,070	(209,762)	319,308
Total comprehensive income/(loss) for the year		–	–	211,767	(183,000)	28,767	(183,116)	(154,349)
		696,074	330,967	229,422	(698,626)	557,837	(392,878)	164,959
Transactions with owners								
Dilution of subsidiaries		–	–	(100,933)	–	(100,933)	392,878	291,945
Dividends	11	–	–	–	(8,949)	(8,949)	–	(8,949)
Total transactions with owners		–	–	(100,933)	(8,949)	(109,882)	392,878	282,996
At 30 June 2015		696,074	330,967	128,489	(707,575)	447,955	–	447,955

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Note	← Non-distributable Share capital RM'000 (Note 26)	Share premium RM'000 →	Accumulated losses RM'000	Total RM'000
Company					
2016					
At 1 July 2015		**696,074**	**330,967**	**(522,056)**	**504,985**
Total comprehensive loss for the year		**–**	**–**	**(473,321)**	**(473,321)**
At 30 June 2016		**696,074**	**330,967**	**(995,377)**	**31,664**
2015					
At 1 July 2014		696,074	330,967	(530,825)	496,216
Total comprehensive income for the year		–	–	17,718	17,718
		696,074	330,967	(513,107)	513,934
Transactions with owners					
Dividends, representing total transactions with owners	11	–	–	(8,949)	(8,949)
At 30 June 2015		696,074	330,967	(522,056)	504,985

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
(Loss)/Profit before tax from continuing operations	**(910,052)**	(129,460)	**(472,537)**	17,718
Loss before tax from discontinued operation	**–**	(289,146)	**–**	–
(Loss)/Profit before tax, total	**(910,052)**	(418,606)	**(472,537)**	17,718
Adjustments for:				
Depreciation and amortisation	**37,250**	161,975	**67**	67
Write off of plant and equipment	**693**	3,416	**–**	–
Loss/(Gain) on disposal of property, plant and equipment	**3,895**	96	**–**	(36)
Gain on disposal of non-current assets classified as held for sale	**(19,769)**	–	**–**	–
Reversal of impairment losses:				
- Trade and other receivables	**(1,877)**	(1,715)	**–**	–
- Investment securities (unquoted bonds)	**(512)**	(1,002)	**(512)**	(1,002)
Fair value gain on remeasurement of Exchangeable Bonds	**(6,105)**	–	**–**	–
Fair value loss on loan	**2,034**	–	**–**	–
Gain on liquidation of joint venture	**–**	(91)	**–**	–
Gain on dilution of subsidiaries	**–**	(235,006)	**–**	–
Impairment losses on:				
- Investments in subsidiaries	**–**	–	**20,702**	650
- Investments in associates	**–**	15,861	**–**	8,144
- Investment securities	**34,233**	45,137	**769**	6,269
- Plant and equipment	**364,373**	25,915	**–**	–
- Receivables from subsidiaries	**–**	–	**512,402**	27,775
- Trade and other receivables	**392,169**	53,063	**–**	–
Fair value (gain)/loss on derivative instruments	**(5,872)**	560	**–**	–
Provision for defined benefit plan	**–**	311	**–**	–
Inventories written down/written off (net)	**–**	26,627	**–**	–
Loss on conversion on Exchangeable Bonds	**411**	–	**–**	–
Waiver of debts	**–**	3	**2,229**	–
Reversal of provision for impairment loss on investment in subsidiary	**–**	–	**–**	(45,915)
Unrealised foreign exchange (gain)/loss (net)	**(2,053)**	65,434	**(17,205)**	(29,270)
Gain on disposal of investment securities	**(217)**	–	**–**	–
Interest expense	**77,312**	293,037	**13,035**	11,617
Interest income	**(8,620)**	(10,798)	**(14)**	–
Dividend income	**(112)**	(208)	**–**	(208)
Share of results of associates	**–**	42,734	**–**	–
Share of results of joint venture	**2,652**	(786)	**–**	–
Operating (loss)/profit before working capital changes	**(40,167)**	65,957	**58,936**	(4,191)
Changes in working capital:				
Inventories	**170,119**	297,496	**–**	–
Receivables	**(58,527)**	(20,669)	**(138)**	9
Payables	**(21,681)**	(80,238)	**(62)**	4,950
Property development costs	**76,837**	(86,725)	**–**	–
Cash generated from operations	**126,581**	175,821	**58,736**	768
Interest received	**8,620**	10,021	**14**	–
Interest paid	**(55,515)**	(93,954)	**(13,035)**	(11,617)
Retirement benefit paid	**–**	(38)	**–**	–
Taxes paid	**(7,950)**	(26,606)	**–**	–
Net cash generated from/(used in) operating activities	**71,736**	65,244	**45,715**	(10,849)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016 (Continued)

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash flows from investing activities				
Cash outflow from dilution of subsidiaries	**–**	(133,370)	**–**	–
Proceeds from disposal of property, plant and equipment	**10,065**	136	**–**	36
Proceeds from redemption of unquoted bonds	**512**	6,740	**512**	1,002
Purchase of property, plant and equipment (Note 12(c))	**(3,681)**	(26,655)	**–**	–
Moment in cash management funds	**(9,451)**	–	**–**	–
Proceeds from disposal of investment securities	**7,321**	–	**–**	–
Proceed from disposal of non-current assets classified as held for sale (Note 25)	**34,894**	–	**–**	–
Payment to investment in associates	**–**	–	**–**	(12,020)
Deferred payment for acquisition of subsidiary (Note 30)	**(2,500)**	(16,831)	**(2,500)**	(16,831)
Dividends received from investment securities	**112**	208	**–**	208
Advances from subsidiaries	**–**	–	**(51,903)**	625
Net cash generated from/(used in) investing activities	**37,272**	(169,772)	**(53,891)**	(26,980)
Cash flows from financing activities				
Movement of deposits with licensed banks and pledge amounts	**1,108**	(71,252)	**8,400**	(1,200)
Repayment of bank borrowings	**(227,518)**	(295,534)	**–**	–
Redemption of Exchangeable Bonds	**(14,204)**	(14,496)	**–**	–
Redemption of bonds and debts	**–**	(35,170)	**–**	–
Proceeds from bank borrowings	177,321	286,373	**892**	15,000
Payments of obligations under finance leases	(**329)**	(465)	**(38)**	(68)
Net cash (used in)/generated from financing activities	**(63,622)**	(130,544)	**9,254**	13,732
Net increase/(decrease) in cash and cash equivalents	**45,386**	(235,072)	**1,078**	(24,097)
Effects of changes in foreign exchange rates	**(12,272)**	9,726	**(1,267)**	1,267
Cash and cash equivalents at beginning of year	**54,552**	279,898	**(84,241)**	(61,411)
Cash and cash equivalents at end of year (Note 24)	**87,666**	54,552	**(84,430)**	(84,241)

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

1. CORPORATE 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 ("Bursa Securities"). The registered office and the principal place of business of the Company are both located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 15. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 5 October 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

(i) the Group and the Company incurred net losses of RM840.0 million (2015: RM438.3 million) and RM473.3 million (2015: profit of RM17.7 million) respectively for the year ended 30 June 2016 and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM840.8 million (2015: RM292.9 million) and RM75.2 million (2015: net current assets of RM376.6 million) respectively;

(ii) on 6 September 2016, a local secured lender ("Lender") had notified the Company in writing that the Company had defaulted on its borrowing obligations and hence, the Lender had demanded immediate repayment of the outstanding debt of RM80.9 million. Consequently, this gave rise to a cross default with all other secured lenders with outstanding borrowings of RM255.9 million as at 30 June 2016. On 14 September 2016, the Company had settled the defaulted debt of RM80.9 million and all the facilities with the said Lender had been cancelled;

(iii) Lion DRI Sdn Bhd, a wholly-owned subsidiary of the Company, has temporarily ceased its operation as disclosed in Note 38; and

(iv) As disclosed in Note 36(iv), a wholly-owned subsidiary of the Company and the Company have been served with a notice of claims of approximately RM91.0 million for alleged non-performance of a contract. The Company has provided a guarantee in respect of this contract.

The Directors have concluded that the combination of the circumstances highlighted above indicate material uncertainties that may cast significant doubt over the abilities of the Group and of the Company to continue as going concerns and therefore, may be unable to realise their assets and discharge their liabilities in the normal course of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

The Group is in the midst of formulating a regularisation plan to address the financial condition of the Group and believes that the proposed regularisation plan will enable the Group and the Company to generate sufficient cash flows to meet their obligations. For these reasons, the Directors are of the opinion that the Group and the Company will be able to continue in operational existence for the foreseeable future and to realise their assets and settle the liabilities in the ordinary course of business. The appropriateness of the application of going concern basis is dependent on continuing support from the lenders and the creditors of the Group and of the Company, disposal of certain property, plant and equipment, and contributions from the property and the contract manufacturing services business segments of the Group.

2.2 Changes in accounting policies

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

On 1 July 2015, there are no new and amended FRSs, IC Interpretations, annual improvements to FRSs and addendum to standards that the Group and the Company are required to adopt.

2.3 Standards and Interpretations issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to FRSs 2012 – 2014 Cycle	January 2016
Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	January 2016
Amendments to FRS 116 and FRS 141 Agriculture: Bearer Plant	January 2016
Amendments to FRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 2016
Amendments to FRS 127 Equity Method in Separate Financial Statements	January 2016
Amendments to FRS 101 Disclosure Initiatives	January 2016
Amendments to FRS 10, FRS 12 and FRS 128 Investment Entities: Applying the Consolidation Exception	January 2016
FRS 14 Regulatory Deferral Accounts	January 2016
Amendments to FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	January 2017
MFRS 15 Revenue from Contracts with Customers	January 2018
MFRS 9 Financial Instruments	January 2018
MFRS 16 Leases	January 2019
Amendments to FRS 10 and FRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below:

FRS 9 Financial Instruments

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

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

Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework has been applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. The adoption will be mandatory for Transitioning Entities for annual periods beginning on or after 1 January 2018. The Group falls within the scope of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2019.

In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings. The consolidated financial statements for the years ended 30 June 2015 and 2016 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in position to fully comply with the requirements of the MFRS Framework.

The new and amended standards (which are applicable upon adoption of MFRS Framework) that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below.

Effective for financial periods beginning on or after 1 January 2018
MFRS 15 Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019
MFRS 16 Leases

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Malaysian Financial Reporting Standards (Continued)

MFRS 15 Revenue from Contracts with Customers

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

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted.

MFRS 16 Leases

The scope of MFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under International Accounting Standards ("IAS") 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g. personal computers) and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the term (i.e. the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change of lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Group and its subsidiaries as at the reporting date. Control is achieved when the Group exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if these result in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation, except for unrealised losses, which are not eliminated when there are indications of impairment.

A change in the ownership of interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation (Continued)

Business combinations and goodwill (Continued)

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

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a charge to OCI. If the contingent consideration is not within the scope of FRS 139, it is measured in accordance with the appropriate FRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in statements of profit or loss and within equity in the statements of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if it results in a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Current versus non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

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

(ii) held primarily for the purpose of trading;

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

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

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

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

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

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

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

The Group and the Company classify all other liabilities as non-current.

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

2.7 Foreign currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM). For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currencies (Continued)

(a) Transactions and balances (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(b) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.8 Property, plant and equipment

Construction in progress, and plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land is measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Leasehold land is measured at cost less accumulated depreciation and accumulated impairment losses.

Any revaluation surplus is recognised in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statements of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment (Continued)

An annual transfer from the asset revaluation reserve to accumulated losses is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to accumulated losses.

Leasehold land is depreciated based on the period of 99 years.

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

Buildings, land improvements and infrastructure	2% - 10%
Plant and machinery	3% - 33%
Motor vehicles	10% - 22%
Office equipment, furniture and fittings	2% - 33.33%
Renovation	10% - 20%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.9 Investment properties

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

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.10 Land held for property development and property development costs

(i) Land held for property development

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Land held for property development (Continued)

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

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

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

(ii) Property development costs

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

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

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

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

2.11 Impairment of non-financial assets

The Group and the Company assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the assets 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group and the Company base its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets (Continued)

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statements of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.12 Subsidiaries

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

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

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

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

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

2.13 Investment in associates and joint ventures

An associate 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 has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Investment in associates and joint ventures (Continued)

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's and the Company's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statements of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in statements of profit or loss.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statements of profit or loss in the expense category that is consistent with the function of the intangible assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Investment in associates and joint ventures (Continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statements of profit or loss when the asset is derecognised.

2.14 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- AFS financial assets.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by FRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statements of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in statements of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial assets (Continued)

Subsequent measurement (Continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in statements of profit or loss. The losses arising from impairment are recognised in the statements of profit or loss as finance costs for loans and as cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in profit or loss. The losses arising from impairment are recognised in statements of profit or loss as finance costs.

(d) AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial assets (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.15 Impairment of financial assets

The Group and the Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Impairment of financial assets (Continued)

(a) Financial assets carried at amortised cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statements of profit or loss.

(b) AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in statements of profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statements of profit or loss, the impairment loss is reversed through the profit or loss.

2.16 Inventories

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise of cash at banks and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.18 Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in statements of profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in statements of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Financial liabilities (Continued)

Subsequent measurement (Continued)

(a) Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in FRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(b) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statements of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

(c) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statements of profit or loss.

Offsetting of financial instruments

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

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

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

2.22 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) As lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statements of profit or loss.

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

Operating lease payments are recognised as an operating expense in statements of profit or loss on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Non-current assets held for distribution to equity holders of the parent and discontinued operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in statements of profit or loss.

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

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

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

2.24 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The Group has concluded that it is the principal in all of its revenue arrangement since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risk.

The specific recognition criteria described below must also be met before revenue is recognised.

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

(ii) Sale of industrial land and completed properties

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(iii) Interest income

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

(iv) Rental income

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

(v) Sales commission

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

(vi) Dividend income

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

(vii) Development properties

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

2.25 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statements of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Taxes (Continued)

(b) Deferred tax (Continued)

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the statement of profit or loss.

(c) Goods and services tax ("GST")

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

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

- When receivables and payables that are stated with the amount of GST included.

The net amount of GST being the difference output and input of GST, payable to or receivable from taxation authority at the reporting date, is included in payables or receivables in the statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Contingencies

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

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

2.27 Equity instrument

(a) Share capital and share issuance expenses

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

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

(b) Share-based payments

Employees (including senior executives) of the Group and of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Employees working in the business development group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

2.28 Segment reporting

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

The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Fair value measurement

The Group measures financial instruments such as derivatives and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Fair value measurement (Continued)

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

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Management determines the policies and procedures for both recurring fair value measurement, such as investment properties, unquoted AFS financial assets and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as investment properties, AFS financial assets and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, senior management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Earnings/Loss per share ("EPS")/("LPS")

Basic EPS or LPS amounts are calculated by dividing the profit/loss for the year attributable to ordinary equity holders of the parent by the number of ordinary shares outstanding during the year.

Diluted EPS or LPS amounts are calculated by dividing the profit/loss attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the number of ordinary shares outstanding during the year plus the number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.31 Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Derivative financial instruments (Continued)

Initial recognition and subsequent measurement (Continued)

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1 Judgements made in applying accounting policies

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

(a) Impairment of available-for-sale investments

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.1 Judgements made in applying accounting policies (Continued)

(a) Impairment of available-for-sale investments (Continued)

Based on Management's review, impairment losses of RM34.2 million (2015: RM42.9 million) and RM0.8 million (2015: RM6.3 million) were recognised on the Group's and on the Company's investment securities respectively during the financial year.

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

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

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

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

(c) Joint ventures

The Group has interest in several investments which it regards as joint ventures although the Group owns less than half of the equity interest in these entities. These entities have not been regarded as subsidiaries of the Group as Management has assessed that the contractual arrangements with the respective joint venture parties have given rise to joint control over these entities in accordance with FRS 11 Joint Arrangements.

(d) Financial guarantee contracts

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

For the financial year ended 30 June 2016, the Group and the Company have assessed the financial guarantee contracts and determined that the guarantees are more likely not to be called upon by the banks. Financial impact of such guarantees is disclosed in Note 36.

3.2 Key sources of estimation uncertainty

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

(a) Property development

The Group recognises property development revenue and expenses in the statements of profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(a) Property development (Continued)

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

As disclosed in Note 14(b), approvals are being sought for change of development plan and extension of date of completion for 2 pieces of land with carrying amount of approximately RM12.8 million. Failure to obtain such approvals may result in impairment loss to be recognised.

(b) Taxes

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

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

The Group and the Company have unrecognised tax benefits of RM180.0 million (2015: RM76.1 million) and RM18.5 million (2015: RM Nil) in the form of unused tax losses and unabsorbed capital allowances. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses and unabsorbed capital allowances.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill are disclosed in Note 19.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Key sources of estimation uncertainty (Continued)

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

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

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

The Group has recorded an impairment loss of RM346.2 million (2015: RM20.0 million) on its direct reduced iron ("DRI") plant based on a valuation prepared by a valuer as disclosed in Note 12(f). The valuation is prepared on the Cost Approach which takes into account various assumptions regarding physical, functional and economic obsolescences. Deviation from these assumptions will result in deviation of the recoverable amount of the DRI plant and such deviation could be material.

(e) Provision for potential claims

The Group determines whether a present obligation from potential claims arising from the arrangement entered with contractors in relation to the construction of property, plant and equipment that exist at the reporting date by taking into account all available evidence. On the basis of such evidence, the Directors considered if provisions are required to be recognised in the financial statements and if required, the estimated amounts are provided. Adequate provisions have been made in respect of financial obligations arising from the potential claims from the arrangement entered with certain contractors of the Group as disclosed in Note 32.

(f) Derivative asset/liability

The Group measures the derivative asset/liability by reference to the fair value of the derivative asset/liability at reporting date. Estimating fair value of the derivative asset/liability requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the derivative asset/liability. This estimate also requires determining the most appropriate inputs into the valuation model including the expected life of the derivative asset/liability, expected volatility and making relevant assumptions about them. The assumptions and models used for estimating fair value of derivative asset/liability and its carrying amount are disclosed in Notes 23 and 30.

(g) Provision for litigation claim

The Group entered into a contract of affreightment ("COA") with Classic Maritime Inc. ("Classic"), a third party service provider, to acquire freight service from Classic above the current market rates.

As disclosed in Note 36(iv), Classic had on 6 July 2016 filed a litigation claim against the Group on breach of the COA dated on or about 29 June 2009.

The Group is in the midst of gathering further evidence to support its defence. Management believes that it may be premature to make any provision at this juncture.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(h) Provision for onerous contract

The Group is contractually bound to acquire freight service above the current market rates from a third party service provider as disclosed in Note 3.2(g) above. There may exist an onerous contract where the Group may need to incur unavoidable costs which may exceed the economic benefits expected to be received from it. However, no provision for onerous contract has been made for the aforementioned cost of freight services as the Management believes it may be premature to make any provision at this juncture.

(i) Impairment of investment securities

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

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

(j) Impairment of loans and receivables

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

To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loans and receivables at the reporting date are disclosed in Note 22.

(k) Impairment of investment in subsidiaries

As at the reporting date, the carrying amounts of investments in subsidiaries mainly comprise subsidiaries engaged in contract manufacturing services and property businesses.

Further impairment could arise, should these subsidiaries are unable to meet their profitability target, which would lead to future impairment of the amount due from these subsidiaries of RM277.7 million (2015: RM755.0 million) as disclosed in Note 22.

4. REVENUE

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sale of goods	**455,868**	1,097,113	**–**	–
Property development	**237,311**	110,097	**–**	–
Sales commission	**126**	638	**–**	–
Rental income	**315**	154	**–**	–
Dividend income from quoted investment securities	**–**	208	**–**	208
Dividend income from subsidiaries	**–**	–	**64,800**	–
Others	**128**	462	**–**	–
	693,748	1,208,672	**64,800**	208

5. OTHER INCOME

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income from short term deposits and others	**8,620**	5,901	**14**	–
Rental income	**–**	136	**–**	–
Dividend income	**112**	147	**–**	–
Reversal of provision for impairment loss on investment in subsidiary (Note 15)	**–**	–	**–**	45,915
Fair value gain on derivative instruments (Notes 23 and 30)	**5,872**	–	**–**	–
Reversal of impairment loss on unquoted bonds (Note 18(c))	**512**	1,002	**512**	1,002
Foreign exchange gain:				
- Realised	**3,186**	2,434	**1,573**	–
- Unrealised	**17,725**	35,870	**17,205**	29,270
Compensation claim (Note 37(i)(d))	**18,141**	–	**–**	–
Gain on disposal of non-current assets classified as held for sale	**19,769**	–	**–**	–
Gain on disposal of investment securities	**217**	–	**–**	–
Fair value gain on remeasurement of Exchangeable Bonds	**6,105**	–	**–**	–
Gain on disposal of property, plant and equipment	**–**	–	**–**	36
Other income	**24,380**	8,805	**–**	581
	104,639	54,295	**19,304**	76,804

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonuses	**39,332**	40,120	**540**	540
Pension costs - defined contribution plans	**2,935**	3,377	**65**	65
Other staff related expenses	**5,864**	10,241	**4**	11
	48,131	53,738	**609**	616

Included in employee benefits expense of the Group and of the Company is an executive Director's remuneration as further disclosed in Note 7(a).

7. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Auditors' remuneration:				
- Current year	**485**	507	**30**	30
- Overprovision in prior years	**(11)**	(10)	**–**	–
Directors' remuneration (Note 7(a))	**826**	809	**826**	809
Depreciation:				
- Property, plant and equipment (Note 12)	**36,996**	36,337	**67**	67
- Investment properties (Note 13)	**254**	259	**–**	–
Write off of plant and equipment	**693**	3,414	**–**	–
Foreign exchange loss:				
- Realised	**13,687**	7,163	**6,054**	–
- Unrealised	**15,672**	30,057	**–**	–
Rental expenses:				
- Equipment	**2,520**	4,040	**–**	–
- Premises	**4,270**	4,108	**–**	–
Waiver of debts	**–**	3	**2,229**	–
Loss on disposal of property, plant and equipment	**3,895**	177	**–**	–
Gain on dilution of joint venture	**–**	(91)	**–**	–
Loss on conversion on Exchangeable Bonds	**411**	–	**–**	–
Fair value loss on loan	**2,034**	–	**–**	–
Fair value loss on derivative liabilities	**–**	560	**–**	–

7. **(LOSS)/PROFIT BEFORE TAX** (Continued)

(a) Directors' remuneration

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

	Group/Company	
	2016	**2015**
	RM'000	**RM'000**
Executive Director:		
Fees	**25**	25
Salary and other emoluments	**540**	540
Pension costs - defined contribution plans	**65**	65
	630	630
Non-executive Directors:		
Fees	**196**	179
	826	809

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

	Group	
	Number of Directors	
	2016	**2015**
<u>Executive Director</u>		
RM600,001 - RM650,000	**1**	1
<u>Non-executive Directors</u>		
RM50,000 and below	**5 ***	5 ^
RM50,001 - RM100,000	**–**	1

Notes:

* Including a Director who was appointed during the financial year.

^ Including two Directors who had resigned and two Directors who were appointed during the previous financial year.

8. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
- Exchangeable Bonds	**9,587**	9,527	**–**	–
- Loans and borrowings	**27,536**	25,797	**3,383**	3,476
- Amounts owing to subsidiaries and related parties	**29,201**	26,065	**97**	52
- Deferred payments (Note 29)	**4,163**	4,450	**4,163**	4,450
- Product financing liabilities (Note 33)	**1,710**	9,968	**–**	–
- Obligations under finance leases	**47**	49	**7**	7
- Bank overdrafts	**5,385**	3,632	**5,385**	3,632
Less: Interest expense capitalised in property development cost (Note 14(b))	**(317)**	(2,824)	**–**	–
	77,312	76,664	**13,035**	11,617

9. INCOME TAX CREDIT/(EXPENSE)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Statement of profit or loss				
Continuing operations				
Current income tax:				
- Malaysian income tax	**6,383**	4,411	**–**	–
- Foreign income tax	**23,517**	367	**–**	–
	29,900	4,778	**–**	–
Under/(Over) provision in respect of previous years:				
- Malaysian income tax	**326**	(132)	**784**	–
- Foreign income tax	**(4)**	(294)	**–**	–
	322	(426)	**784**	–

9. INCOME TAX CREDIT/(EXPENSE) (Continued)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred income tax - continuing operations (Note 20):				
- Origination and reversal of temporary differences	**(107,421)**	376	**–**	–
- Under provision in respect of previous years	**7,164**	(89)	**–**	–
	(100,257)	287	**–**	–
Income tax attributable to continuing operations	**(70,035)**	4,639	**784**	–
Income tax attributable to discontinued operation (Note 15)	**–**	15,013	**–**	–
	(70,035)	19,652	**784**	–
Deferred tax related to items in other comprehensive income - Revaluation of freehold land	**–**	13,938	**–**	–

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

9. INCOME TAX CREDIT/(EXPENSE) (Continued)

The reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 30 June 2016 and 30 June 2015 is as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
(Loss)/Profit before tax from continuing operations	**(910,052)**	(129,460)	**(472,537)**	17,718
Loss before tax from discontinued operation (Note 15)	**–**	(289,146)	**–**	–
(Loss)/Profit before tax	**(910,052)**	(418,606)	**(472,537)**	17,718
Tax at Malaysian statutory rate of 24% (2015: 25%)	**(218,412)**	(104,652)	**(113,409)**	4,430
Different tax rates in other country	**(1,106)**	–	**–**	–
Adjustments:				
Effect on opening deferred tax of reduction in Malaysian income tax rate	**–**	(4,538)	**–**	–
Non-deductible expenses	**144,505**	33,753	**128,765**	5,253
Income not subject to tax	**(27,876)**	(72,407)	**(19,804)**	(9,683)
Overprovision of income tax in respect of previous years:				
- continuing operations	**322**	(426)	**784**	–
- discontinued operation	**–**	620	**–**	–
Overprovision of deferred tax in respect of previous years:				
- continuing operations	**7,164**	(89)	**–**	–
- discontinued operation	**–**	1,585	**–**	–
Deferred tax assets not recognised in current year	**24,945**	155,696	**4,448**	–
Deferred tax assets recognised on previously unrecognised tax losses	**(213)**	(377)	**–**	–
Share of results of associates:				
- continuing operations	**–**	1,071	**–**	–
- discontinued operation	**–**	9,613	**–**	–
Share of results of joint venture	**636**	(197)	**–**	–
Tax (credit)/expenses for the year	**(70,035)**	19,652	**784**	–

9. INCOME TAX CREDIT/(EXPENSE) (Continued)

Domestic current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Under the relevant People's Republic of China ("PRC") income tax law, the PRC companies of the Group were subject to corporate income tax at a rate of 25% (2015: 25%) on their respective taxable income.

Lion DRI Sdn Bhd ("Lion DRI") was granted Pioneer Status incentive with full tax exemption for 5 years effective from 1 September 2008 to 31 August 2013. In June 2014, Lion DRI was granted the approval for exemption from the authority for another 5 years effective from 1 September 2013 to 31 August 2018. Following the temporary cessation of the operation of the direct reduced iron plant, Lion DRI had on 29 June 2016 submitted an application to surrender the pioneer status to the authority ("Application"). As at the date of this report, the approval for the Application is pending from the authority.

Tax savings during the financial year arising from:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Utilisation of previously unrecognised tax losses	**(213)**	(377)

The following are tax credits which are available for offset against future taxable profits:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unabsorbed capital allowances *	**53,422**	46,296	**–**	–
Unutilised tax losses *	**126,569**	29,757	**18,534**	–

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

The availability of unutilised business losses for offsetting against future taxable profits of the Company are subject to no substantial changes in shareholdings of the Company under Section 44(5A) and (5B) of Income Tax Act, 1967. Deferred tax asset has not been recognised in respect of this item as it is uncertain that taxable profits will be available in the foreseeable future to utilise the above items.

10. LOSS PER SHARE

(a) Basic

The following reflects the income and share data used in the basic loss per share ("LPS") computations:

	Group 2016	Group 2015
Loss attributable to ordinary equity holders of the Company:		
- Continuing operations (RM'000)	**(840,017)**	(134,099)
- Discontinued operation (RM'000)	**–**	(48,901)
Loss attributable to ordinary equity holders of the Company (RM'000)	**(840,017)**	(183,000)
Number of ordinary shares in issue ('000)	**1,392,147**	1,392,147

To calculate the LPS for discontinued operation (Note 15), the number of ordinary shares for the basic LPS is as per the table above.

(b) Diluted

There was no dilutive effect from the potential ordinary shares for shares granted under the Executive Share Option Scheme of the Company which expired on 1 February 2016. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

11. DIVIDENDS

	Dividends in respect of financial year		Dividends recognised in financial year	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Dividend-in-specie	**–**	8,949	**–**	8,949

In respect of the previous financial year ended 30 June 2015, a total of 198,873,071 ordinary shares of RM1.00 each in Lion Corporation Berhad ("LCB Shares") were distributed by way of dividend-in-specie to the shareholders of the Company on 30 June 2015, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded.

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend in respect of the financial year ended 30 June 2016.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings, Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction in Progress RM'000 Note (e)	Total RM'000
Cost/Valuation									
At 1 July 2015	199,600	5,793	150,559	750,633	5,309	7,071	1,613	476,329	1,596,907
Additions	–	–	–	2,840	25	396	242	178	3,681
Transfer from investment properties (Note 13)	–	–	23	–	–	–	–	–	23
Transfer from property development cost (Note 14(b))	–	–	246	–	–	–	–	–	246
Disposals	–	–	–	(2,591)	–	(26)	–	(12,320)	(14,937)
Written off	–	–	–	(1,548)	–	(33)	–	–	(1,581)
Reclassified to assets held for sale (Note 25)	–	(2,210)	–	–	–	–	–	–	(2,210)
Reclassified from assets held for sale (Note 25)	–	2,213	14,358	–	–	–	–	–	16,571
Exchange differences	–	–	19	2,229	32	101	84	–	2,465
At 30 June 2016	199,600	5,796	165,205	751,563	5,366	7,509	1,939	464,187	1,601,165
Representing items at:									
Cost	–	5,796	165,205	751,563	5,366	7,509	1,939	464,187	1,401,565
Valuation	199,600	–	–	–	–	–	–	–	199,600
	199,600	5,796	165,205	751,563	5,366	7,509	1,939	464,187	1,601,165
Accumulated depreciation and impairment									
At 1 July 2015	–	593	37,367	262,391	3,676	5,610	1,490	445,970	757,097
Depreciation charge for the year	–	88	4,554	30,673	771	677	233	–	36,996
Disposals	–	–	–	(954)	–	(23)	–	–	(977)
Written off	–	–	–	(857)	–	(31)	–	–	(888)
Impairment loss	–	–	104,870	241,286	–	–	–	18,217	364,373
Reclassified to assets held for sale (Note 25)	–	(217)	–	–	–	–	–	–	(217)
Reclassified from assets held for sale (Note 25)	–	191	2,024	–	–	–	–	–	2,215
Exchange differences	–	–	1	2,186	30	86	85	–	2,388
At 30 June 2016	–	655	148,816	534,725	4,477	6,319	1,808	464,187	1,160,987
Comprising:									
Accumulated depreciation	–	655	36,275	281,111	4,477	6,319	1,808	–	330,645
Accumulated impairment	–	–	112,541	253,614	–	–	–	464,187	830,342
	–	655	148,816	534,725	4,477	6,319	1,808	464,187	1,160,987
Net carrying amount									
At 30 June 2016	199,600	5,141	16,389	216,838	889	1,190	131	–	440,178

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold Land RM'000	Leasehold Land RM'000	Buildings, Land Improvements and Infrastructure RM'000 Note (a)	Plant and Machinery RM'000 Note (a)	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Renovation RM'000	Construction in Progress RM'000 Note (e)	Total RM'000
Cost/Valuation									
At 1 July 2014	362,623	21,670	761,727	3,907,892	9,573	51,124	1,234	500,759	5,616,602
Additions	–	–	1,487	21,723	330	2,770	162	183	26,655
Disposals	–	–	–	–	(1,500)	(2)	–	–	(1,502)
Written off	–	–	–	(4,622)	(18)	(43)	–	–	(4,683)
Reclassification	–	(168)	1,227	–	–	–	–	(1,059)	–
Transfer to investment properties (Note 13)	–	–	(452)	–	–	–	–	–	(452)
Reclassified to assets held for sale (Note 25)	(15,125)	(2,213)	(13,262)	–	–	–	–	–	(30,600)
Revaluation (Note (g))	278,774	–	–	–	–	–	–	–	278,774
Dilution of subsidiaries (Note 15)	(426,672)	(13,496)	(600,666)	(3,179,478)	(3,357)	(47,123)	–	(23,554)	(4,294,346)
Exchange differences	–	–	498	5,118	281	345	217	–	6,459
At 30 June 2015	199,600	5,793	150,559	750,633	5,309	7,071	1,613	476,329	1,596,907
Representing items at:									
Cost	–	5,793	150,559	750,633	5,309	7,071	1,613	476,329	1,397,307
Valuation	199,600	–	–	–	–	–	–	–	199,600
	199,600	5,793	150,559	750,633	5,309	7,071	1,613	476,329	1,596,907
Accumulated depreciation and impairment									
At 1 July 2014	9,673	3,720	227,953	1,890,093	6,923	38,313	1,228	445,970	2,623,873
Depreciation charge for the year	–	86	21,143	136,567	842	3,033	45	–	161,716
Disposals	–	–	–	–	(1,268)	(2)	–	–	(1,270)
Written off	–	–	–	(1,216)	(14)	(37)	–	–	(1,267)
Reclassification	–	–	–	–	(77)	77	–	–	–
Impairment loss	–	–	7,671	18,244	–	–	–	–	25,915
Reclassified to assets held for sale (Note 25)	–	(191)	(1,865)	–	–	–	–	–	(2,056)
Dilution of subsidiaries	(9,673)	(3,022)	(217,609)	(1,786,098)	(2,893)	(36,079)	–	–	(2,055,374)
Exchange differences	–	–	74	4,801	163	305	217	–	5,560
At 30 June 2015	–	593	37,367	262,391	3,676	5,610	1,490	445,970	757,097
Comprising:									
Accumulated depreciation	–	593	29,696	250,062	3,676	5,610	1,490	–	291,127
Accumulated impairment	–	–	7,671	12,329	–	–	–	445,970	465,970
	–	593	37,367	262,391	3,676	5,610	1,490	445,970	757,097
Net carrying amount									
At 30 June 2015	199,600	5,200	113,192	488,242	1,633	1,461	123	30,359	839,810

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Motor Vehicles RM'000	Office Equipment, Furniture and Fittings RM'000	Total RM'000
At 30 June 2016			
Cost			
At 1 July/30 June	**1,277**	**18**	**1,295**
Accumulated depreciation			
At 1 July 2015	**1,136**	**12**	**1,148**
Charge for the year	**65**	**2**	**67**
At 30 June 2016	**1,201**	**14**	**1,215**
Net carrying amount			
At 30 June 2016	**76**	**4**	**80**
At 30 June 2015			
Cost			
At 1 July 2014	2,056	18	2,074
Disposal	(779)	–	(779)
At 30 June 2015	1,277	18	1,295
Accumulated depreciation			
At 1 July 2014	1,850	10	1,860
Charge for the year	65	2	67
Disposal	(779)	–	(779)
At 30 June 2015	1,136	12	1,148
Net carrying amount			
At 30 June 2015	141	6	147

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

(b) As at 30 June 2016, the property, plant and equipment of the Group with a net book value of RM209.6 million (2015: RM791.2 million) are pledged for bank borrowings and RM157.9 million (2015: RM2.0 million) are caveated for borrowings from licensed money lenders, as disclosed in Note 28.

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Cash payments	**3,681**	26,655

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Motor vehicles	**605**	1,000	**72**	141

(e) Impairment of Blast Furnace Project ("Project")

The intended output from the Project is hot metal, which was to be used by Megasteel as its raw material. The Project has been suspended since 2009 pending efforts to secure financing. A term sheet previously signed with a lender had expired in July 2012.

Due to prolonged suspension of the Project, the Project is fully impaired and it is uncertain whether the Project will resume in future.

(f) Impairment of DRI plant ("Plant")

During the financial year, the carrying amount of the Plant is higher its estimated fair value, resulting in an impairment loss of approximately RM346.2 million (2015: RM20.0 million). The recoverable amount at the plant is estimated at RM209.0 million (2015: RM588.4 million).

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

(f) Impairment of DRI plant ("Plant") (Continued)

Significant assumptions used by the Valuer are as follows:

Adjustments made for:

(i) Physical obsolescence

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

(ii) Functional obsolescence

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

(iii) Economic obsolescence

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

(g) Revaluation of freehold land

In the previous financial year, the revalued freehold land consist of six pieces of land all in Mukim of Tanjong Dua Belas, District Kuala Langat, State of Selangor. Management determined that these constitute one class of asset under FRS 13 Fair Value Measurement, based on the nature, characteristics and risks of the freehold land.

Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. As at the date of revaluation on 31 March 2015, the properties' fair values are based on valuations performed by PPC International Sdn Bhd, an accredited independent valuer who has valuation experience for similar properties in Malaysia.

Fair value measurement disclosures for revalued freehold land are provided in Note 39.

As at 30 June 2016, if freehold land was measured using the cost model, the carrying amount would be as follows:

	2016 RM'000	2015 RM'000
Net carrying amount	**69,450**	69,450

(h) Leasehold land

As at reporting date, the titles of 1 piece (2015: 2 pieces) of leasehold land with an aggregate carrying amount of RM2.0 million (2015: RM2.0 million) are registered in the name of a related party.

13. INVESTMENT PROPERTIES

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At 1 July	**12,750**	13,395
Transfer (to)/from property, plant and equipment (Note 12)	**(23)**	452
Transfer to assets held for sale (Note 25)	**(9,621)**	(1,097)
At 30 June	**3,106**	12,750
Accumulated depreciation		
At 1 July	**2,319**	2,220
Charge for the year (Note 7)	**254**	259
Transfer to assets held for sale (Note 25)	**(1,562)**	(160)
At 30 June	**1,011**	2,319
Net carrying amount		
At 30 June	**2,095**	10,431
Rental income derived from investment properties	**239**	194
Direct operating expenses:		
- Rental income generating	**(146)**	(129)
Estimated fair value at 30 June		
Office premises, factory buildings and apartments	**4,308**	13,296

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

As at 30 June 2016, there was no investment property being pledged for bank borrowings. In the previous financial year, investment properties with a net book value of RM10.3 million were pledged for bank borrowings, as disclosed in Note 28. The Group has no further restrictions on the realisability of its investment properties.

During the financial year ended 30 June 2016, investment properties with a net book value of RM8.0 million (2015: RM0.9 million) have been transferred to "non-current assets held for sale" as the recognition criteria of "non-current assets held for sale" is met.

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group	
	2016 RM'000	**2015 RM'000**
Cost		
At 1 July	**24,347**	71,299
Transferred to property development costs (Note 14(b))	**–**	(70,690)
Additions	**98**	13,049
Dilution of subsidiaries (Note 15)	**–**	(755)
Exchange differences	**106**	11,444
At 30 June	**24,551**	24,347

(b) Property development costs

	Group	
	2016 RM'000	**2015 RM'000**
Cost		
At 1 July:		
- freehold land	**–**	7,012
- leasehold land	**178,487**	107,662
- development cost	**391,929**	281,060
	570,416	395,734
Cost incurred during the financial year:		
- continuing operations	**136,384**	101,269
- discontinued operation	**–**	38,862
Transferred from land held for property development (Note 14(a))	**–**	70,690
Transferred to property, plant and equipment (Note 12)	**(246)**	–
Reversal of completed projects	**–**	(12,641)
Unsold completed units transferred to inventories	**(18,362)**	(402)
Dilution of subsidiaries (Note 15)	**–**	(81,072)
Exchange differences	**2,406**	57,976
At 30 June	**690,598**	570,416
Cumulative costs recognised in profit or loss		
At 1 July	**(362,034)**	(293,219)
Recognised during the financial year:		
- continuing operations	**(213,319)**	(80,278)
- discontinued operation	**–**	(16,799)
Reversal of completed projects	**–**	12,641
Dilution of subsidiaries (Note 15)	**–**	54,345
Exchange differences	**(1,506)**	(38,724)
At 30 June	**(576,859)**	(362,034)
Property development costs as at 30 June	**113,739**	208,382

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

(b) Property development costs (Continued)

The leasehold land under property development costs with carrying value of RM35.4 million (2015: RM84.4 million) is pledged as security for bank borrowings, as disclosed in Note 28. Included in the property development costs incurred during the financial year were interest expense capitalised of RM0.3 million (2015: RM2.8 million).

Property development in the People's Republic of China

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

As at the reporting date, these 2 pieces of land with a carrying amount of approximately RM12.8 million (2015: RM12.8 million) are still undeveloped. The Group has applied to the Land Resources Bureau to change the development plan and to extend the date of completion but the approval has yet to be obtained.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	**2015**
	RM'000	**RM'000**
Unquoted shares, at cost	**622,260**	622,260
Less: Accumulated impairment losses	**(522,335)**	(501,633)
	99,925	120,627

As at 30 June 2016, the unquoted shares of a subsidiary with a cost of RM150.0 million is pledged for bank borrowings as disclosed in Note 28(b)(ii). The investment has been fully impaired.

The Company had performed impairment assessment on investment in subsidiaries by comparing the carrying amount with the recoverable amount of the investment which is estimated based on the fair value less cost to disposal. A provision for impairment loss of RM20.7 million has been made in the statements of profit or loss in the current year. The recoverable amounts of these subsidiaries are estimated at RM33.2 million as compared to their carrying amount of RM53.9 million.

In the prior year, provision for impairment loss of RM45.9 million has been reversed in the statement of profit or loss. The recoverable amount of this subsidiary was estimated at RM45.9 million.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2016 %	Equity interest 2015 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	**100**	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	**100**	100
LDH Trading Sdn Bhd	Malaysia	Property holding	**100**	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	**100**	100
Urban Resources Sdn Bhd	Malaysia	Property development	**100**	100
Megavest Sdn Bhd	Malaysia	Property development and management	**100**	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	**100**	100
Likom CMS Sdn Bhd	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	**100**	100
Likom Caseworks Sdn Bhd	Malaysia	Manufacturing of metal and plastic components including metal stamping, plastic injection moulding and assembly of parts and services	**100**	100
Parkson Pacific Pte Ltd *	Singapore	Investment holding	**100**	100
LDH (S) Pte Ltd *	Singapore	Investment holding	**100**	100
LDH Investment Pte Ltd *	Singapore	Investment holding	**60** (1)	60 (1)
Lion DRI Sdn Bhd	Malaysia	Manufacturing and sale of direct reduced iron products	**100**	100
Well Morning Limited *	Hong Kong SAR	Investment holding	**100**	100
Excel Step Investments Limited	British Virgin Islands	Investment holding	**100**	100
Fusion Energy Sdn Bhd	Malaysia	Dormant	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2016 %	Equity interest 2015 %
Lion Blast Furnace Sdn Bhd	Malaysia	Manufacturing and trading in steel products	**100**	100
Ara Seri Bangun Sdn Bhd	Malaysia	Dormant	**100**	100
Temasek Potensi Sdn Bhd	Malaysia	Investment holding	**100**	100
Pioneer Glory International Limited	British Virgin Islands	Investment holding	**100**	100
Jana Serimas Sdn Bhd (Dissolved on 30.5.2016)	Malaysia	Dormant	**–**	100
Sharp Synergy Sdn Bhd (Dissolved on 30.5.2016)	Malaysia	Dormant	**–**	100
Subsidiary of LDH Manufacturing Sdn Bhd				
CPB Enterprise Sdn Bhd	Malaysia	Property management	**100**	100
Subsidiaries of LDH Trading Sdn Bhd				
Banting Resources Sdn Bhd	Malaysia	Property investment	**100**	100
LDH Resources Limited	Cayman Islands	Dormant	**100**	100
Subsidiary of Lion Subang Parade Sdn Bhd				
LDH Management Sdn Bhd	Malaysia	Investment holding and project management	**100**	100
Subsidiaries of LDH Management Sdn Bhd				
Atlantic Dimension Sdn Bhd	Malaysia	Ceased operations	**100**	100
Viroy Management Services Sdn Bhd	Malaysia	Investment holding and property management	**100**	100
Shanghai LDH Management Consultant Co Ltd *	People's Republic of China	Management consulting services	**100**	100
Subsidiary of Likom Caseworks Sdn Bhd				
Likom Caseworks USA Inc *	United States of America	Sale of enclosure for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2016 %	2015 %
Subsidiary of Likom Caseworks USA Inc				
Likom de Mexico S.A. de C.V *	Mexico	Manufacturing and assembly for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Lion DRI Sdn Bhd				
Limbungan Makmur Sdn Bhd	Malaysia	Provision of chartering services	**100**	100
Subsidiary of Well Morning Limited				
Changshu Lion Enterprise Co Ltd *	People's Republic of China	Property development	**100**	100
Subsidiary of Excel Step Investments Limited				
Teraju Varia Sdn Bhd	Malaysia	Investment holding	**100**	100
Subsidiary of Lion Blast Furnace Sdn Bhd				
LBF Enterprise (L) Limited	Malaysia	Dormant	**100**	100
Subsidiary of Ara Seri Bangun Sdn Bhd				
Alpha Strategies Sdn Bhd	Malaysia	Dormant	**100**	–
Subsidiaries of Temasek Potensi Sdn Bhd				
Ara Aspirasi Sdn Bhd (Dissolved on 30.5.2016)	Malaysia	Dormant	**–**	100
Gempower Sdn Bhd	Malaysia	Dormant	**100**	100
Jernih Aktif Sdn Bhd	Malaysia	Dormant	**100**	70
Tunas Dimensi Sdn Bhd (Dissolved on 30.5.2016)	Malaysia	Dormant	**–**	100
Subsidiary of Pioneer Glory International Limited				
Fortius Resources (Cambodia) Co Limited	Cambodia	Dormant	**100**	100

15. INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

Acquisition of a subsidiary

During the financial year, the Group acquired 100% equity interest in Alpha Strategies Sdn Bhd for a cash consideration of RM2.00.

The acquisition of a subsidiary has no material effect on the Group's financial results, financial position or cash flows.

Dilution of subsidiaries

As disclosed in Note 11, in respect of the previous financial year ended 30 June 2015, a total of 198,873,071 ordinary shares of RM1.00 each in LCB ("LCB Shares") were distributed by way of dividend-in-specie to the shareholders of the Company on 30 June 2015, on the basis of one (1) LCB Share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded. As a result, the Group's shareholdings in LCB was reduced from 49.1% to 34.0%.

The dilution had the following effects on the Group for the previous financial year:

Consolidated statement of financial position

	2015 Group As at date of dilution RM'000
Property, plant and equipment (Note 12)	2,238,972
Land held for property development (Note 14)	755
Investments in associates	22,959
Investment securities	567
Held-to-maturity investment - unquoted ACB bond	20,418
Deferred tax assets (Note 20)	811,766
Property development cost (Note 14)	26,727
Inventories	290,210
Trade and other receivables	89,458
Less: Allowance for impairment - trade (Note 22)	(11,821)
Less: Allowance for impairment - other receivables (Note 22)	(6,373)
Cash and bank balances	133,370
	3,617,008
Loans and borrowings	1,678,444
Redeemable convertible secured loan stocks	278,358
Deferred tax liabilities (Note 20)	404,696
Deferred liabilities	272,307
Defined benefit plan - Unfunded	3,151
Trade and other payables	1,382,553
Product financing liabilities	124,450
	4,143,959

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Dilution of subsidiaries (Continued)

Consolidated statement of financial position (Continued)

	2015 Group As at date of dilution RM'000
Net liabilities	(526,951)
Add: Reserves (Note 27)	(100,933)
Less: Non-controlling interests	392,878
Gain on dilution of subsidiaries	(235,006)
Cash and bank balances of the LCB Group, representing cash outflow to the Group on dilution	(133,370)

Consolidated statement of profit or loss

The results of the LCB Group were as follows:

	2015		
	Pre-allocation up to 23 June RM'000	**Allocation RM'000**	**After allocation RM'000**
Revenue	2,047,474	(949,829)	1,097,645
Other income	22,362	774	23,136
Changes in inventories	(205,039)	–	(205,039)
Raw materials and consumables used	(1,443,835)	949,830	(494,005)
Property development expenditure	(16,799)	–	(16,799)
Employee benefits expense	(90,196)	–	(90,196)
Depreciation and amortisation	(139,786)	14,666	(125,120)
Inventories written down/written off (net)	(26,627)	–	(26,627)
Other expenses	(471,609)	(2,535)	(474,144)
(Loss)/Profit from operations	(324,055)	12,906	(311,149)
Finance costs	(261,940)	45,567	(216,373)
Impairment losses on:			
- Plant and equipment	(5,915)	–	(5,915)
- Investment securities	(2,264)	–	(2,264)
- Receivables from subsidiaries (elimination)	–	50,000	50,000
Share of results of associates	(38,537)	86	(38,451)
Gain on dilution/disposal of subsidiaries	–	235,006	235,006
(Loss)/Profit before tax from discontinued operation	(632,711)	343,565	(289,146)
Taxation:			
- Income tax	(14,759)	–	(14,759)
- Deferred tax	3,467	(3,721)	(254)
(Loss)/Profit from discontinued operation, net of tax	(644,003)	339,844	(304,159)

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Dilution of subsidiaries (Continued)

Loss before tax

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

	Discontinued operation 2015 RM'000
Auditors' remuneration	464
Directors' remuneration	893
Depreciation of property, plant and equipment	125,379
Write off of plant and equipment	2
Impairment loss on trade and other receivables	3,063
Reversal of impairment loss on trade and other receivables	(1,537)
Impairment loss on property, plant and equipment	5,915
Foreign exchange loss/(gain):	
- Realised	(1,290)
- Unrealised	71,247
Rental expenses of premises	1,502
Gain on disposal of property, plant and equipment	(81)

16. INVESTMENTS IN ASSOCIATES

	Group		**Company**	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Quoted shares in Malaysia, at cost	**20,144**	20,144	**216,560**	216,560
Less: Accumulated impairment losses	**(15,861)**	(15,861)	**(216,560)**	(216,560)
Share of post-acquisition reserves	**(4,283)**	(4,283)	**–**	–
	–	–	**–**	–
Unquoted shares, at cost:				
- In Malaysia	**324,463**	324,463	**324,463**	324,463
Less: Accumulated impairment losses	**(324,463)**	(324,463)	**(324,463)**	(324,463)
	–	–	**–**	–
	–	–	**–**	–
Market value of quoted shares:				
- In Malaysia	**11,191**	20,144	**2,283**	4,109

The Group's share of losses of certain associates has been recognised to the extent of the carrying amount of the investments. The cumulative unrecognised share of these losses amounted to RM270.3 million (2015: RM2.5 million) and current year's unrecognised share of losses amounted to RM267.8 million (2015: RM2.5 million).

16. INVESTMENTS IN ASSOCIATES (Continued)

Name of associates	Country of incorporation	Principal activities	Equity interest 2016 %	Equity interest 2015 %
LCB * [2]	Malaysia	Investment holding	**6.9 [1]**	6.9 [1]
Megasteel Sdn Bhd	Malaysia	Manufacturing of hot rolled coils and cold rolled coils	**21.1**	21.1
Held through subsidiaries:				
LCB * [2]	Malaysia	Investment holding	**27.1 [1]**	27.1 [1]

* The company is audited by a firm other than Ernst & Young.

[1] The Group holds in total of approximately 34.0% equity interest in LCB, via the Company (6.9%), Graimpi (9.6%), Lion DRI (17.4%), LDH (S) Pte Ltd (0.1%), LDH Management Sdn Bhd (0.01%) and Teraju Varia Sdn Bhd (negligible). The shares in LCB are pledged for the deferred payments as disclosed in Note 29.

[2] LCB is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). As announced by LCB on 30 September 2016, Bursa Securities has rejected the application by LCB for a further extension of time to submit its regularisation plan. In this regard, LCB will be de-listed from the Official List of Bursa Securities on 12 October 2016.

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

	LCB 2016 RM'000	LCB 2015 RM'000
(i) Summarised statement of financial position:		
Current assets	**364,344**	582,604
Non-current assets	**2,477,806**	2,631,540
Total assets	**2,842,150**	3,214,144
Current liabilities	**(3,285,813)**	(2,831,806)
Non-current liabilities	**(1,187,014)**	(1,446,330)
Total liabilities	**(4,472,827)**	(4,278,136)
Net liabilities	**(1,630,677)**	(1,063,992)

16. INVESTMENTS IN ASSOCIATES (Continued)

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

	LCB	
	2016 RM'000	**2015 RM'000**
(ii) Summarised statement of profit or loss		
Revenue	**701,779**	40,034
Loss for the period	**(560,781)**	(12,592)
(iii) Group's share of net assets, representing carrying amount of the Group's interest in the associate	**–**	–
(iv) Group's share of results of the associate	**–**	(4,283)

Impairment of LCB

In view that the LCB Shares were thinly traded, the Group had fully impaired its investments in LCB in the previous financial year as Management was of the opinion that the fair value less cost to sell was not a representative of the recoverable amount and there was no further inflow of cash to be derived from this investment.

17. INVESTMENT IN JOINT VENTURE

	Group	
	2016 RM'000	**2015 RM'000**
Unquoted ordinary shares, at cost	**88**	88
Share of post-acquisition results	**22,163**	24,815
	22,251	24,903

Details of the joint venture are as follows:

Name of joint venture	**Country of incorporation**	**Principal activities**	**Proportion (%) of ownership interest 2016 %**	**2015 %**
Panareno Sdn Bhd ("Panareno")	Malaysia	Property development and property investment	**35**	35

Panareno is audited by a firm other than Ernst & Young.

17. INVESTMENT IN JOINT VENTURE (Continued)

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

	Panareno 2016 RM'000	Panareno 2015 RM'000
(i) Summarised statements of financial position		
Non-current asset	**–**	1
Current assets	**79,827**	87,003
Total assets	**79,827**	87,004
Current liabilities	**(16,254)**	(15,855)
Total liabilities	**(16,254)**	(15,855)
Net assets	**63,573**	71,149
(ii) Summarised statement of profit or loss		
Revenue	**–**	11,120
(Loss)/Profit for the year	**(7,576)**	2,246
(iii) Group's share of net assets, representing carrying amount of the Group's interest in joint venture	**22,251**	24,903
(iv) Group's share of results of joint venture	**(2,652)**	786

The joint venture had no other contingent liabilities as at 30 June 2016 and 30 June 2015, other than as disclosed in Note 36.

18. INVESTMENT SECURITIES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current				
Held-to-maturity investments				
Unquoted:				
- Shares in Malaysia [a]	**49**	49	**–**	–
Available-for-sale financial assets				
Quoted:				
- Shares in Malaysia	**10,095**	90,995	**6,916**	7,565
- Shares outside Malaysia	**–**	120	**–**	120
	10,095	91,115	**6,916**	7,685
Total non-current investment securities	**10,144**	91,164	**6,916**	7,685

18. INVESTMENT SECURITIES (Continued)

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current				
Available-for-sale financial assets				
Cash management funds [(b)]	**13,455**	4,004	**–**	–
Quoted:				
- Shares in Malaysia	**22,899**	–	**–**	–
Held-to-maturity investments				
Unquoted ACB Bonds [(c)] :				
- Cost	**8,073**	8,585	**8,073**	8,585
- Impairment	**(8,073)**	(8,585)	**(8,073)**	(8,585)
	–	–	**–**	–
Total current investment securities	**36,354**	4,004	**–**	–
Total investment securities	**46,498**	95,168	**6,916**	7,685
Consists of the following:				
Investments in:				
- Related party entities	**33,043**	91,044	**6,916**	7,565
- Others	**13,455**	4,124	**–**	120
	46,498	95,168	**6,916**	7,685
Market value of quoted shares:				
- In Malaysia	**32,994**	90,995	**6,916**	**7,565**
- Outside Malaysia	**–**	120	**–**	120

The Group's investments in quoted shares in Malaysia with carrying amounts of RM22.9 million (2015: RM77.9 million) are pledged as security for the Exchangeable Bonds, as disclosed in Note 28(a). During the financial year, approximately RM22.1 million of the value of the quoted shares were delivered upon the exchange of the Secured Bonds by the holders of the Exchangeable Bonds.

(a) Held-to-maturity investments - unquoted shares

	Group	
	2016 RM'000	**2015 RM'000**
Unquoted shares in Malaysia, at cost	**15**	15
Unquoted preference shares in Malaysia, at cost	**38**	38
Less: Amortisation of premium	**(4)**	(4)
	49	49

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

18. INVESTMENT SECURITIES (Continued)

(b) Cash management funds

The range of interest rates of cash management funds at the reporting date were as follows:

	Group 2016 %	Group 2015 %
Cash management funds	**3.1 - 4.0**	2.9 - 3.6

(c) Held-to-maturity investments - unquoted bonds

The unquoted bonds bear a yield to maturity which ranges from 4.0% to 4.75% (2015: 4.0% to 4.75%) per annum. The unquoted bonds have been fully impaired by the Group and the Company in the previous financial years and no interest is recognised in the comprehensive income.

19. INTANGIBLE ASSETS

	Goodwill on Consolidation RM'000	Purchased Goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 2015 and 30 June 2016	**14,662**	**18,814**	**33,476**
Accumulated impairment			
At 1 July 2015 and 30 June 2016	**(14,662)**	**(8,330)**	**(22,992)**
Net carrying amount			
At 30 June 2016	**–**	**10,484**	**10,484**
Cost			
At 1 July 2014 and 30 June 2015	14,662	18,814	33,476
Accumulated impairment			
At 1 July 2014 and 30 June 2015	(14,662)	(8,330)	(22,992)
Net carrying amount			
At 30 June 2015	–	10,484	10,484

19. INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

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

	Total RM'000
Malaysia	
Contract manufacturing services ("CMS")	
At 30 June 2015/2016	**10,484**

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

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

	Group	
	2016	**2015**
Revenue growth rates	**5%**	15%
Pre-tax discount rates	**8%**	13%

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

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

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

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use of the respective CGU, Management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the CGU to differ materially from recoverable amounts except for the changes in the prevailing operating environment, the impact of which is not ascertainable.

20. DEFERRED TAX

	Group 2016 RM'000	Group 2015 RM'000
At 1 July	**(130,862)**	292,394
Recognised in profit or loss	**100,257**	(541)
Recognised in other comprehensive income (Note 9)	**–**	(13,938)
Dilution of subsidiaries (Note 15)	**–**	(407,070)
Exchange differences	**(24)**	(1,707)
At 30 June	**(30,629)**	(130,862)

Presented after appropriate offsetting as follows:

	2016 RM'000	2015 RM'000
Deferred tax assets	**1,326**	847
Deferred tax liabilities	**(31,955)**	(131,709)
	(30,629)	(130,862)

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

Deferred tax assets of the Group:

	Provisions RM'000	Unused Tax Losses RM'000	Unabsorbed Capital Allowances RM'000	Other Payables and Accruals RM'000	Total RM'000
At 1 July 2015	**847**	**–**	**–**	**–**	**847**
Recognised in profit or loss	**490**	**–**	**–**	**–**	**490**
Exchange differences	**(11)**	**–**	**–**	**–**	**(11)**
At 30 June 2016	**1,326**	**–**	**–**	**–**	**1,326**
At 1 July 2014	894	81,260	714,771	15,849	812,774
Recognised in profit or loss	111	(114)	–	–	(3)
Dilution of subsidiaries (Note 15)	–	(81,146)	(714,771)	(15,849)	(811,766)
Exchange differences	(158)	–	–	–	(158)
At 30 June 2015	847	–	–	–	847

20. DEFERRED TAX (Continued)

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

Deferred tax liabilities of the Group:

	RCSLS RM'000	Property, Plant and Equipment RM'000	Unrealised Foreign Exchange Gains RM'000	Others RM'000	Total RM'000
At 1 July 2015	**–**	**(114,242)**	**–**	**(17,467)**	**(131,709)**
Recognised in profit or loss	**–**	**82,225**	**–**	**17,542**	**99,767**
Exchange differences	**–**	**62**	**–**	**(75)**	**(13)**
At 30 June 2016	**–**	**(31,955)**	**–**	**–**	**(31,955)**
At 1 July 2014	(836)	(486,944)	(15,133)	(17,467)	(520,380)
Recognised in profit or loss	734	601	(105)	(1,768)	(538)
Recognised in other comprehensive income	–	(13,938)	–	–	(13,938)
Dilution of subsidiaries (Note 15)	102	387,588	15,238	1,768	404,696
Exchange differences	–	(1,549)	–	–	(1,549)
At 30 June 2015	–	(114,242)	–	(17,467)	(131,709)

The following are unrecognised deferred tax benefits:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Unutilised tax losses *	126,569	29,757	18,534	–
Unabsorbed capital allowances *	53,422	46,296	–	–
	179,991	76,053	18,534	–

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

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

20. DEFERRED TAX (Continued)

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

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

21. INVENTORIES

	Group	
	2016	**2015**
	RM'000	**RM'000**
Cost		
Properties held for sale	**21,339**	2,515
Raw materials	**12,365**	181,515
Work-in-progress	**1,017**	821
Finished goods	**1,651**	4,607
Spares, supplies and consumables	**28,705**	28,503
	65,077	217,961
Net realisable value		
Finished goods	**2,625**	1,498
Total	**67,702**	219,459

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Raw materials:		
- with third parties	**–**	127,878

As disclosed in Note 28, inventories of a subsidiary amounted to RM29.3 million (2015: RM73.7 million) are pledged for bank borrowings. During the financial year, RM420.1 million (2015: RM1,634.5 million) was recognised as an expense.

22. TRADE AND OTHER RECEIVABLES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current				
Trade receivables [a] :				
- Third parties	**73,405**	33,543	**–**	–
- Related parties	**716,373**	660,556	**–**	–
Allowance for impairment	**(718,074)**	(326,988)	**–**	–
	71,704	367,111	**–**	–
Other receivables:				
Amounts owing by subsidiaries [b]	**–**	–	**1,534,393**	1,499,244
Sundry receivables [c]	**3,959**	13,643	**132**	–
Deposits	**11,813**	10,156	**3**	3
Prepayments	**2,019**	33,046	**18**	12
Amounts owing by related parties [d]	**1,431**	1,356	**389**	389
Amounts owing by joint venture [e]	**–**	51	**–**	–
	19,222	58,252	**1,534,935**	1,499,648
Less: Allowance for impairment:				
- Sundry receivables	**(1,039)**	(3,961)	**–**	–
- Amounts owing by subsidiaries	**–**	–	**(1,256,649)**	(744,247)
- Amounts owing by related parties	**(597)**	(345)	**(345)**	(345)
	(1,636)	(4,306)	**(1,256,994)**	(744,592)
	17,586	53,946	**277,941**	755,056
Total trade and other receivables	**89,290**	421,057	**277,941**	755,056

(a) Trade receivables

The Group has a significant concentration of credit risk in the form of trade receivable due from Megasteel, constituting approximately 91% of the total trade receivables balances as at the reporting date. As at the reporting date, the amount due from Megasteel Sdn Bhd ("Megasteel") amounted to RM Nil (2015: RM313.9 million), net of allowance for impairment loss of RM716.3 million (2015: RM325.4 million).

Megasteel has defaulted on its borrowings, hence indicating significant uncertainty exists over the recoverability of the balance of the amount due from Megasteel.

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

22. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Aging analysis of trade receivables

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

	Group	
	2016	**2015**
	RM'000	**RM'000**
Neither past due nor impaired	**51,518**	23,939
1 to 30 days past due but not impaired	**13,211**	86,721
31 to 60 days past due but not impaired	**4,540**	102,240
61 to 90 days past due but not impaired	**923**	95,428
91 to 180 days past due but not impaired	**1,094**	37,154
More than 181 days past due but not impaired	**418**	21,629
Past due but not impaired	**20,186**	343,172
	71,704	367,111
Impaired	**718,074**	326,988
	789,778	694,099

Receivables that are neither past due nor impaired

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM20.2 million (2015: RM343.2 million) that are past due but not impaired as at the reporting date. None of the trade receivables have been re-negotiated during the financial year.

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

	Group	
	Individually impaired	
	2016	**2015**
	RM'000	**RM'000**
Trade receivables - nominal amounts	**718,074**	326,988
Less: Allowance for impairment	**(718,074)**	(326,988)
	–	–

22. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Receivables that are past due but not impaired (Continued)

Movement in allowance accounts are as follows:

	Group 2016 RM'000	Group 2015 RM'000
At 1 July	**326,988**	14,459
Charge for the year	**391,084**	646
Reversal of impairment loss	**–**	(1,715)
Amount due from associates, previously consolidated	**–**	325,389
Dilution of subsidiaries (Note 15)	**–**	(11,821)
Exchange differences	**2**	30
At 30 June	**718,074**	326,988

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

(b) Amounts owing by subsidiaries

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

During the financial year, the Company made an allowance for impairment loss on the amount owing by subsidiaries amounted to RM512.4 million (2015: RM27.8 million).

Recovery of these debts is closely related to the operation of Megasteel. Hence, with the temporary cessation of operation of Megasteel, these debts are fully provided for.

(c) Sundry receivables

Included in sundry receivables are dividend receivable from investments securities of RM0.1 million (2015: RM2.2 million) which are held by the trustees on behalf of the holders of the Exchangeable Bonds.

(d) Amounts owing by related parties

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

(e) Amount owing by joint venture

The amount owing by joint venture represent shareholders' advance made pursuant to the Joint Venture Agreement. The amount was unsecured, interest free and had no fixed terms of repayment.

In the previous financial year, trade and other receivables of certain subsidiaries of RM326.8 million are pledged for bank borrowings as disclosed in Note 28.

Further details on related party transactions are disclosed in Note 37.

22. TRADE AND OTHER RECEIVABLES (Continued)

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 July	**4,306**	8,262	**744,592**	716,817
Charge for the year	**1,085**	2,417	**512,402**	27,775
Written off	**(1,878)**	–	**–**	–
Reversal of impairment	**(1,877)**	–	**–**	–
Dilution of subsidiaries (Note 15)	**–**	(6,373)	**–**	–
At 30 June	**1,636**	4,306	**1,256,994**	744,592

23. DERIVATIVE ASSETS

	Group			
	2016		2015	
	Contract/ Notional Amount RM'000	**Assets RM'000**	**Contract/ Notional Amount RM'000**	**Assets RM'000**
Non-hedging derivative:				
Forward currency contracts	**4,142**	**32**	–	–
Embedded derivatives	**123,983**	**5,333**	–	–
		5,365		–

The description of forward currency contracts and embedded derivatives are disclosed in Note 30.

24. CASH AND BANK BALANCES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances:				
Cash at banks and on hand	**79,483**	65,059	**1,839**	1,143
Deposits with licensed banks	**265,076**	246,604	**42**	8,437
Total cash and bank balances	**344,559**	311,663	**1,881**	9,580
Less: Bank overdrafts (Note 28)	**(86,311)**	(85,421)	**(86,311)**	(85,421)
Deposits with licensed banks with maturity of more than three months	**(170,582)**	(171,690)	**–**	(8,400)
Cash and cash equivalents	**87,666**	54,552	**(84,430)**	(84,241)

24. CASH AND BANK BALANCES (Continued)

The cash and bank balances of the subsidiaries in the PRC amounting to RM322.5 million (2015: RM260.1 million) at the reporting date are subject to the exchange control restrictions of that country and are restricted to be used in the PRC for the subsidiaries' operations. These balances are available for use by those subsidiaries and the exchange control restrictions will only apply if the monies are to be remitted to countries outside the PRC.

In the previous financial year, included in cash at banks is an Escrow Account of RM1.9 million maintained by a subsidiary which is pledged to the Murabahah Islamic Instrument as detailed in Note 28.

Included in the Group's and the Company's deposits with licensed banks with maturity of more than three months are amounts of RM124.4 million (2015: RM139.2 million) and RM Nil (2015: RM8.4 million) respectively which are pledged with financial institutions for banking facilities granted to the Group as disclosed in Note 28.

The Company had obtained an overdraft facility and a revolving credit facility (collectively, the "OD and RC Facilities") from a lender. The OD and RC Facilities were fully secured by Standby Letters of Credit ("SBLCs") wherein the SBLCs were fully secured by deposits with licensed bank from a wholly-owned subsidiary of the Company. Subsequent to the financial year end, the Company had received a notice of recall cum termination of the OD and RC Facilities for the outstanding amounts of approximately RM80.9 million as at the date of recall. The lender had monetised the SBLCs and received the funds for the full settlement of the outstanding OD and RC Facilities via upliftment of deposits with licensed bank in September 2016.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	%	**%**	**%**	**%**
Licensed banks	**1.6 - 3.1**	0.1 - 3.1	**1.5 - 2.9**	1.5 - 2.9

Deposits of the Group and of the Company have maturity days ranging from 1 to 364 days (2015: 1 to 364 days).

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 July	**29,481**	–
Transfer from property, plant and equipment (Note 12)	**1,993**	28,544
Transfer from investment properties (Note 13)	**8,059**	937
Transfer to property, plant and equipment (Note 12)*	**(14,356)**	–
Disposal #	**(15,125)**	–
At 30 June	**10,052**	29,481

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

* The non-current assets classified as held for sale at the start of the year amounting to RM14.4 million have been transferred to property, plant and equipment due to recognition criteria of non-current assets classified as held for sale were no longer met.

During the financial year, the assets classified as held for sale had been disposed of for RM36.5 million and this gave rise to a net gain of RM19.8 million.

As at 30 June 2016:

(i) The Group intends to dispose of land and buildings with a carrying amount of RM10.1 million located at Cheng Industrial Park, Melaka. No impairment loss was recognised on reclassification of the properties as held for sale as the Directors expected the fair value (estimated based on the letter of offers received) less costs to sell to be higher than the carrying amount.

(ii) The title of a leasehold land of the Group with a carrying amount of RM2.0 million (2015: RM2.0 million) is registered in the name of a related party.

(iii) The non-current asset held for sale of the Group is charged as security for a term loan facility as disclosed in Note 28.

26. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares of RM0.50 each		Amount	
	2016	**2015**	**2016 RM'000**	**2015 RM'000**
Authorised:				
At 1 July/30 June	**9,000,000**	9,000,000	**4,500,000**	4,500,000
Issued and fully paid:				
At 1 July/30 June	**1,392,147**	1,392,147	**696,074**	696,074

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

27. OTHER RESERVES

Group	**Capital Reserves RM'000**	**Exchange Fluctuation Reserves RM'000**	**Revaluation Reserves RM'000**	**Total RM'000**
At 1 July 2015	**4,206**	**30,106**	**94,177**	**128,489**
Other comprehensive loss				
Foreign currency translation difference	**–**	**(9,965)**	**–**	**(9,965)**
Transfer from retained profits	**3,810**	**–**	**–**	**3,810**
At 30 June 2016	**8,016**	**20,141**	**94,177**	**122,334**

27. OTHER RESERVES (Continued)

Group	Fair Value Adjustment Reserve RM'000	Capital Reserves RM'000	Exchange Fluctuation Reserves RM'000	Revaluation Reserves RM'000	Equity Components of RCSLS RM'000	Warrant Reserve RM'000	Total RM'000
At 1 July 2014	134	(9,270)	21,220	–	1,898	3,673	17,655
Other comprehensive income/(loss)							
Loss on fair value changes on available for-sale financial assets	(558)	–	–	–	–	–	(558)
Foreign currency translation difference	–	–	9,625	–	–	–	9,625
Surplus on valuation of freehold land, net of deferred tax	–	–	–	264,836	–	–	264,836
Share of other comprehensive income of associates	–	152	9,854	–	–	–	10,006
Dilution of subsidiaries (Note 15)	262	13,401	(6,869)	(102,156)	(1,898)	(3,673)	(100,933)
Less: Non-controlling interests	162	(77)	(3,724)	(68,503)	–	–	(72,142)
At 30 June 2015	–	4,206	30,106	94,177	–	–	128,489

(a) Fair value adjustment reserve

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

(b) Capital reserves

The capital reserves represent:

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

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

(c) Exchange fluctuation reserves

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

(d) Revaluation reserve

The asset revaluation reserve represents the fair value adjustments to the freehold land of the subsidiary.

(e) Equity components of redeemable convertible secured loan stocks ("RCSLS")

The reserve represents the fair value of the equity components of RCSLS, net of deferred tax, as determined on the date of issue.

28. LOANS AND BORROWINGS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current				
Secured:				
Exchangeable Bonds [(a)]	**–**	114,237	**–**	–
Term loans [(b)]	**39,892**	14,161	**–**	–
Obligations under finance leases [(d)]	**364**	578	**35**	72
	40,256	128,976	**35**	72
Current				
Secured:				
Exchangeable Bonds [(a)]	**27,539**	38,506	**–**	–
Term loans [(b)]	**133,211**	202,012	**–**	–
Bank overdrafts [(c)]	**86,311**	85,421	**86,311**	85,421
Obligations under finance leases [(d)]	**291**	406	**38**	38
Revolving credit [(e)]	**15,000**	15,000	**15,000**	15,000
Bankers acceptance [(f)]	**301**	–	**–**	–
	262,653	341,345	**101,349**	100,459
Unsecured:				
Exchangeable Bonds [(a)]	**93,408**	–	**–**	–
	356,061	341,345	**101,349**	100,459
Total borrowings				
Exchangeable Bonds [(a)]	**120,947**	152,743	**–**	–
Term loans [(b)]	**173,103**	216,173	**–**	–
Bank overdrafts [(c)]	**86,311**	85,421	**86,311**	85,421
Obligations under finance leases [(d)]	**655**	984	**73**	110
Revolving credit [(e)]	**15,000**	15,000	**15,000**	15,000
Bankers acceptance [(f)]	**301**	–	**–**	–
	396,317	470,321	**101,384**	100,531

The remaining maturities of the loans and borrowings excluding obligations under finance leases as at 30 June 2016 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
On demand or within one year	**355,770**	340,939	**101,311**	100,421
More than one year and less than two years	**39,892**	124,562	**–**	–
More than two years and less than five years	**–**	3,836	**–**	–
	395,662	469,337	**101,311**	100,421

28. LOANS AND BORROWINGS (Continued)

(a) Exchangeable Bonds

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

The Bonds would mature on 16 November 2017 and would then be exchangeable into approximately 45.1 million ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson") ("Parkson Shares").

The holders of the Bonds had:

(i) on 21 December 2015, signed a written resolution in relation to the extension of the date of Tenth Scheduled Partial Redemption of USD4.0 million (approximately RM16.1 million) which was due on 16 November 2015 to 31 January 2016; and

(ii) on 12 February 2016, approved an Extraordinary Resolution relating to the further restructuring of the Bonds which involved, *inter alia*, the following:

(a) certain modifications of the terms and conditions of the Bonds and the Trust Deed to implement certain amendments to the Bonds;

(b) the release of monies of approximately RM2.2 million held by the Security Trustee under the existing security arrangements under the Bonds for the conversion into USD500,000 and the application of such United States Dollar ("USD") amount in making a partial redemption payment in respect of the Bonds ("Cash Application");

(c) the further reduction of the principal amount of the Bonds in exchange for the issue to the beneficial holders pro rata to their holding of the Bonds of USD27.0 million 8% guaranteed unsecured non-exchangeable bonds due 2019 ("Unsecured Bonds") which shall be repayable in eight instalments, with seven principal repayments of USD3.0 million payable on a semi-annual basis commencing on 16 May 2016 and a final payment of USD6.0 million payable on 16 Novmber 2019; and

(d) the Bonds written down by the Trustee to an outstanding principal amount of USD12.18 million due 2020 ("Secured Bonds") which are exchangeable into 50,235,202 Parkson Shares and shall mature in a single repayment on 16 November 2020.

Following the rounding adjustment, the Cash Application amounted to USD501,000 and the Secured Bonds had been marked down to USD12.179 million. Upon the above further restructuring of the Bonds, the exchange price is adjusted to RM1.0056 per Parkson Share.

During the financial year, the Issuer has redeemed USD3.5 million (approximately RM14.1 million) Secured Bonds plus accrued interest from the bondholders whereby approximately USD0.5 million (approximately RM2.0 million) was paid using the accrued dividend previously held by the Security Trustee and the remainder by way of cash.

As at 30 June 2016, outstanding Unsecured Bonds and Secured Bonds are approximately USD24.0 million (RM96.0 million) and USD6.8 million (RM27.0 million) respectively.

As at the reporting date, the yield to maturity of the Unsecured Bonds is 8% (2015: 6% on the Bonds) per annum calculated on a quarterly basis.

28. LOANS AND BORROWINGS (Continued)

(a) Exchangeable Bonds (Continued)

The Secured Bonds are secured by investment in quoted shares in Malaysia with carrying amounts of RM22.9 million (2015: RM77.9 million for the Bonds) as disclosed in Note 18.

The bondholders have the right to exchange their Secured Bonds into Parkson Shares at any time during the exchange period, at any time on and after 16 February 2016 up to close of business on 16 November 2020.

The number of Parkson Shares to be delivered on exchange of a Secured Bond will be determined by dividing the principal amount of the Bonds to be exchanged (translated into Ringgit Malaysia at a fixed exchange rate of RM4.1473 : USD1.00) by the exchange price. Exchange price has been adjusted to RM1.0056 (2015: RM2.81) on 16 February 2016.

The agreements governing the Bonds contain certain covenants that entitle the bondholders to accelerate repayment should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

As mentioned in (b) below, one of the subsidiary has defaulted on payment of its loan during the financial year.

(b) Term loans

	Group	
	2016 RM'000	**2015 RM'000**
Current		
RM loan at cost of fund ("COF") + 2.5% per annum (i)	–	5,500
RM loan at BLR + 1.25% per annum (ii)	**113,211**	94,755
Letter of Credit-i Facility (iii)	–	24,685
RM loan from licensed money lenders (iv)	**20,000**	40,000
Rmb loan at base lending rate in China ("BLR China") x 1.15/1.1 times per annum (v)	–	37,072
	133,211	202,012
Non-current		
RM loan at COF + 2.5% per annum (i)	–	11,177
RM loan from licensed money lenders (iv)	**37,034**	–
Rmb loan at BLR China x 1.15/1.1 times per annum (v)	**2,858**	2,984
	39,892	14,161
Total	**173,103**	216,173

28. LOANS AND BORROWINGS (Continued)

(b) Term loans (Continued)

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

This loan was previously secured by the followings:

(I) first legal charge over 6 parcels of land of a wholly-owned subsidiary, Banting Resources Sdn Bhd ("Banting Resources");

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

	2015 RM'000
Property, plant and equipment	202,781
Other receivables	395
Cash and bank balances	54
Total	203,230

(III) corporate guarantee from the Company; and

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

The loan had been fully settled during the financial year.

(ii) RM loan at BLR + 1.25% per annum

This loan is secured by the followings:

(I) debenture incorporating a fixed and floating charge over all present and future assets and undertaking of a wholly-owned subsidiary, Lion DRI, as follows:

	2016 RM'000	**2015 RM'000**
Property, plant and equipment	**209,565**	588,379
Investment securities	**5,734**	15,885
Inventories	**29,295**	73,713
Trade and other receivables	**685**	326,411
Tax recoverable	**500**	1,421
Cash and bank balances	**5,675**	8,599
Total	**251,454**	1,014,408

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

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

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

28. LOANS AND BORROWINGS (Continued)

(b) Term loans (Continued)

(ii) RM loan at BLR + 1.25% per annum (Continued)

This loan is secured by the followings: (Continued)

(V) legal assignment on all present and future rights, title, interests and benefits of Lion DRI in and under the Offtake Agreement dated 16 July 2007 entered into between Lion DRI and Megasteel, and of the lease between Lion DRI and Megasteel of all those pieces and parcels of land;

(VI) legal assignment of all present and future rights, title, interests and benefits of a cash deposit in the sinking fund account (minimum RM45.0 million to be maintained) with the lenders. The Group has utilised the RM45.0 million deposit to partially settle this term loan; and

(VII) irrevocable and unconditional letter of undertaking from the related party addressed to the lenders and to the subsidiary which the related party has right of way to enable Lion DRI to carry on its operations and business of manufacturing direct reduced iron and hot briquetted iron in the vicinity of the lease of land.

Certain financial covenants requirements of this loan were breached during the previous financial year and Lion DRI has defaulted its loan repayment during the financial year, which entitles the lender the right to accelerate repayment.

(iii) Letter of Credit-i Facility

In May 2006, a wholly-owned subsidiary of the Company, Graimpi Sdn Bhd ("Graimpi"), had entered into a facility agreement with Kuwait Finance House (Malaysia) Berhad ("Kuwait Finance House") for an Islamic letter of credit facility, namely Letter of Credit-i Facility, for a maximum aggregate sum of up to RM35.0 million. In December 2009, the credit facility was reduced to a maximum aggregate sum up to RM25.0 million. The Letter of Credit-i Facility is a type of Murabahah Islamic Instrument ("Murabahah").

The Letter of Credit-i Facility bore Murabahah profit margin of 6.1% (2015: 6.1%) per annum and had a tenure of 177 days to 180 days (2015: 180 days).

The Letter of Credit-i Facility was secured by the followings:

(I) all issued and paid-up shares of Graimpi;

(II) 20.8 million quoted shares with carrying value of RM Nil (2015: RM7.3 million) owned by the Company as disclosed in Note 18;

(III) corporate guarantee from the Company; and

(IV) assignment over a designated escrow account identified to Kuwait Finance House with a power of attorney in relation thereto as disclosed in Note 24.

The Letter of Credit-i Facility had been fully settled during the financial year.

28. LOANS AND BORROWINGS (Continued)

(b) Term loans (Continued)

(iv) RM loans with licensed money lenders

During the financial year ended 30 June 2016, the loans are secured by a lienholder's caveat over the lands and buildings and non-current assets classified as held for sale of the Group with carrying amount of approximately RM157.9 million and RM10.1 million as disclosed in Note 12 and Note 25 respectively.

In the previous financial year ended 30 June 2015, this loan was secured by a lienholder's caveat over the investment properties and non-current assets classified as held for sale of the Group with carrying amount of approximately RM10.3 million and RM29.5 million as disclosed in Note 13 and Note 25 respectively.

(v) RMB loan at BLR China x 1.15/1.1 times per annum

The loan is secured by a charge over the leasehold land disclosed under property development cost of a subsidiary with a carrying amount of approximately RM35.4 million (2015: RM84.4 million), as disclosed in Note 14.

(c) Bank overdrafts

Bank overdrafts of the Group and of the Company of RM86.3 million (2015: RM85.4 million) and RM86.3 million (2015: RM85.4 million) respectively were secured by approximately RM105.8 million SBLCs which were fully secured by cash in fixed deposits from a wholly-owned subsidiary of the Company.

The bank overdraft agreement contains certain covenants that entitle the bank to accelerate repayment or to withdraw the advance of credit should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

On 6 September 2016, the overdrafts amounted to RM65.9 million had been defaulted and had subsequently been fully repaid on 14 September 2016 upon the bank monetising on the SBLCs.

28. LOANS AND BORROWINGS (Continued)

(d) Obligations under finance leases

The Group and the Company have finance leases for motor vehicles as disclosed in Note 12.

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Minimum lease payments:				
Not later than one year	**370**	447	**45**	45
Later than one year and not later than five years	**381**	666	**40**	85
	751	1,113	**85**	130
Less: Future finance charges	**(96)**	(129)	**(13)**	(20)
Present value of finance lease liabilities	**655**	984	**72**	110
Present value of finance lease liabilities:				
Not later than one year	**291**	406	**38**	38
Later than one year and not later than five years	**364**	578	**34**	72
	655	984	**72**	110
Analysed as:				
Due within one year	**291**	406	**38**	38
Due after one year	**364**	578	**34**	72
	655	984	**72**	110

The obligations under finance leases bear interest at the reporting date at rates ranging from 2.3% to 3.3% (2015: 2.3% to 3.3%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and in the Company.

(e) Revolving credit

The Company's RM15.0 million revolving credit facility was secured by approximately RM18.6 million SBLC which was fully secured by cash in fixed deposits from a wholly-owned subsidiary of the Company.

The revolving credit agreement contains certain covenants that entitle the bank to accelerate repayment or to withdraw the advance of credit should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

On 6 September 2016, the revolving credit had been defaulted and had subsequently been fully repaid on 14 September 2016 upon the bank monetising on the SBLC.

28. LOANS AND BORROWINGS (Continued)

(f) Bankers acceptance

The Group's bankers acceptance is secured by a guarantee given by the Company to finance sales to a third party customer.

The bankers acceptance was subsequently settled upon maturity on 11 July 2016.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	%	%	%	%
Bankers acceptance	**5.0**	6.1	**–**	–
Term loans	**9.8**	7.4	**–**	–
Revolving credit	**5.4**	5.4	**5.4**	5.4
Bank overdrafts	**5.9**	5.9	**5.9**	5.9

29. DEFERRED PAYMENTS

	Group/Company	
	2016	**2015**
	RM'000	**RM'000**
Deferred payments	**48,061**	60,442
Interest expense recognised during the year (Note 8)	**4,163**	4,450
	52,224	64,892
Payments made during the year	**(6,663)**	(16,831)
Amount due within one year (Note 31)	**45,561**	48,061

Deferred payments represent the outstanding balance of the purchase consideration for the acquisition by the Company and Teraju Varia Sdn Bhd ("Teraju Varia"), a wholly-owned subsidiary of the Company, of RM denominated bonds issued by LCB ("LCB Bonds") for a cash consideration of RM400 million on 27 February 2009. On the same date, the Company and Teraju Varia converted these LCB Bonds into 804,460,000 ordinary shares of RM1.00 each in LCB.

The deferred payments bear interest at the rate of 9% (2015: 9%) per annum and as at 30 June 2016, 91,273,241 (2015: 90,059,917) LCB shares are pledged as security for the outstanding deferred payments.

In the previous financial year, the Company proposed to the creditors for a deferment of the repayment of RM48.1 million on or before 31 December 2015. During the financial year, the Company proposed to the creditors for a further deferment of the repayment of RM45.6 million on or before 31 December 2016. As at the reporting date, majority of the creditors have not reverted with their written consents.

30. DERIVATIVE LIABILITIES

	Group			
	2016		2015	
	Contract/ Notional Amount RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Liabilities RM'000
Non-hedging derivative:				
Current				
Forward currency contracts	**3,152**	**4**	5,486	104
Non-current				
Embedded derivatives	**–**	**–**	132,591	407
Total derivatives liabilities		**4**		511

Forward currency contracts

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

Forward currency contracts are used to manage the foreign currency exposures arising from its receivables denominated in USD which existed at the reporting date, extending to April 2017.

Embedded derivatives

This represents the exchange feature which is a separate embedded derivative contained in the Bonds. Bondholders are able to exchange the Bonds into Parkson Shares at a fixed exchange price as disclosed in Note 28(a). The derivative liability is carried at fair value through profit or loss.

	Group	
	2016 RM'000	2015 RM'000
Exchangeable Bonds:		
At 1 July	**407**	43
Changes in fair value recognised in profit or loss during the year	**(5,740)**	364
At 30 June	**(5,333)**	407
Reclassification to derivative assets (Note 23)	**5,333**	–
Amount payable after one year	**–**	407

The fair value changes are calculated using a binomial option pricing model, taking into account the terms and conditions upon which the derivative liability is issued.

30. DERIVATIVE LIABILITIES (Continued)

Embedded derivatives (Continued)

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

	2016	2015
Parkson share price (RM)	**0.81**	1.55
Exchange price (RM)	**1.01**	2.81
Expected volatility (%)	**24**	34
Expected life of exchange feature (years)	**4.4**	2.4
Risk free rate (% per annum)	**3.5**	3.0

The expected life of exchange feature is based on the contractual life of the Bonds. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the exchange feature, is indicative of future trends, which may not necessarily be the actual outcome.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables [(a)]	**711,726**	657,887	**–**	–
Other payables				
Sundry payables	**101,619**	108,794	**–**	–
Advances from customers	**69,095**	49,587	**–**	–
Deposits	**693**	2,159	**–**	–
Accruals	**124,660**	105,269	**22,658**	22,718
Project payables [(b)]	**4**	3,242	**–**	–
Amounts owing to subsidiaries [(c)]	**–**	–	**181,626**	213,759
Amounts owing to related parties [(d)]	**6,110**	6,453	**3,851**	3,825
Deferred payments (Note 29)	**45,561**	48,061	**45,561**	48,061
	347,742	323,565	**253,696**	288,363
Total trade and other payables	**1,059,468**	981,452	**253,696**	288,363

(a) Trade payables

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2015: 30 to 90 days).

Included in trade payables are amounts due to related parties amounting to approximately RM370.7 million (2015: RM374.6 million) arising from transactions as further disclosed in Note 37. These balances bear interest at rates ranging from 9.0% to 9.1% (2015: 7.6% to 9.0%) per annum and certain amounts are secured against assets as disclosed in Notes 15 and 22.

In the current financial year, included in trade payables is an amount of RM14.5 million which represents outstanding by a subsidiary in the PRC which arises from the financing by a financial institution for the payments made to contractors.

31. TRADE AND OTHER PAYABLES (Continued)

(b) Project payables

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

(c) Amounts owing to subsidiaries

The amounts owing to subsidiaries are non-interest bearing except for a balance of USD7.2 million (approximately RM28.9 million) (2015: USD6.2 million (approximately RM23.4 million)) which bears interest at a rate of 0.28% (2015: 0.28%) per annum. These balances are payable on demand and are unsecured.

(d) Amounts owing to related parties

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

32. PROVISIONS

	Group	
	2016	**2015**
	RM'000	**RM'000**
At 1 July/30 June	**38,000**	38,000

The provision for potential claims represents the estimated quantum of claims by the contractors for the construction of the blast furnace project ("Project") that was suspended as disclosed in Note 12(e). The claims provided are to compensate the losses caused by the delay of the construction of the Project. The Directors are of the opinion that the current provision is adequate to cover the losses incurred. As of the reporting date, no litigation has been initiated by the contractors against the Group. Details of unprovided claims are disclosed in Note 36(ii).

33. PRODUCT FINANCING LIABILITIES

	Group	
	2016	**2015**
	RM'000	**RM'000**
Payable within one year:		
- with external parties	**33,895**	127,878

The liabilities represent trade financing arrangements contracted with certain parties for the purchase of raw materials. The titles to the inventories pertaining to these arrangements are legally with these parties and of which the Group has the obligation to purchase. The terms of trade financing arrangements are 120 days (2015: 120 days), bearing interest at rates ranging from 2.1% to 3.2% (2015: 2.1% to 3.2%) per annum and late payment interest ranging from 7.5% to 12.0% (2015: 7.5% to 12.0%) per annum. There is no inventories under such arrangements as at the reporting date.

The trade financing arrangements are denominated in United States Dollar. Further details of foreign exchange currency risk are as disclosed in Note 40(e).

34. EMPLOYEE SHARE-BASED PAYMENT

The main features of the Executive Share Option Scheme ("ESOS") of the Company, which became effective on 2 February 2011, were as follows:

(a) Executive and non-executive Directors of the Company who had held office for at least six months, and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.

(b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 5% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS subject to the following being complied with:

  (i) not more than 50% of the shares available under the ESOS shall be allocated, in aggregate, to executive and non-executive Directors, and senior management; and

  (ii) not more than 10% of the shares available under the ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share capital of the Company.

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment and each grant of options shall be in multiples of 100 ordinary shares.

(d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the shareholders or the relevant authorities.

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.

No options were granted pursuant to the ESOS since the beginning of the financial year up to the expiry of the ESOS on 1 February 2016.

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	Number of Options 1.7.2015	Granted	Exercised	Lapsed	30.6.2016
25.11.2014	RM0.50	3,305,500	–	–	(3,305,500)	–

The fair value of the options granted is estimated at the date of grant using a Binomial option pricing model, taking into account the terms and conditions upon which the options were granted.

34. EMPLOYEE SHARE-BASED PAYMENT (Continued)

The fair value of options granted during the year was estimated on the date of grant using the following assumptions:

Fair value at grant date 25 November 2014 (RM)	negligible
Dividend yield (%)	1.0
Expected volatility (%)	40.0
Risk-free interest rate (%)	3.0
Expected life (years)	1.2

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

35. COMMITMENTS

(a) Capital commitments

	Group	
	2016 RM'000	**2015 RM'000**
Capital expenditure for property, plant and equipment:		
Approved and contracted for	–	10
Approved but not contracted for	–	2,628
	–	2,638

(b) Non-cancellable operating lease commitments

	Group	
	2016 RM'000	**2015 RM'000**
Future minimum rentals payable:		
Not later than one year	**4,326**	6,532
Later than one year and not later than five years	**26,071**	26,263
	30,397	32,795

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

36. CONTINGENT LIABILITIES

(i) Corporate guarantees

As at reporting date, no values are ascribed on the guarantees provided by the Company to secure banking facilities as the Directors regard the value of the credit enhancement provided by these guarantees as minimal and the probability of default, based on historical track records of the parties receiving the guarantees are remote.

(ii) Claims from contractors

As disclosed in Note 32, contractors for the Project have made claims of RM96.0 million (2015: RM96.0 million) to recover the cost incurred for purchasing parts and components for the Project but not delivered, and the compensation for damages incurred by the contractors due to the delay, of which RM38.0 million (2015: RM38.0 million) has been provided in the financial statements. The remaining claims were not provided as the Management is unable to obtain appropriate and satisfactory evidence to satisfy themselves as to the validity of these claims.

(iii) Capital expenditure relating to the Project

The Group is exposed to liabilities on parts purchased from contractors but not delivered to the site due to the delay in construction of the Project as disclosed in Note 12(e). As at the reporting date, the contractors have yet to submit the invoices and proof of claims for parts purchased. The quantum of the liabilities will be determined based on a mutually agreed sum of work done.

Neither the parts nor the liabilities have been recognised in the financial statements as the Directors are of the opinion that the claims from the contractors cannot be reliably measured as at the reporting date.

(iv) Material outstanding litigations

On 6 July 2016, the Company has been served with London High Court of Justice Queen's Bench Division Claim Form by Classic Maritime Inc. ("Classic") as claimant against (1) Limbungan Makmur Sdn Bhd ("Limbungan Makmur"), a wholly-owned subsidiary of the Company, and (2) the Company. The claims are for the following:

(a) as against Limbungan Makmur, damages for breach of contract of affreightment dated on or about 29 June 2009 ("COA") in the sum of USD20,497,332.00 (approximately RM82.4 million) and/or USD431,366.88 (approximately RM1.7 million) and/or USD1,422,534.24 (approximately RM5.7 million) and/or USD171,595.57 (approximately RM0.7 million) and/or such other sums as is/are properly due and owing to Classic;

(b) as against the Company, pursuant to a contract of suretyship dated on or about 29 June 2009 pursuant to which the Company guaranteed the performance of Limbungan Makmur's obligations under the COA and/or agreed to pay to Classic on demand any and all amounts accruing to Classic from Limbungan Makmur under the COA; and

(c) as against both Limbungan Makmur and the Company, interest pursuant to section 35A of the Supreme Court Act 1981, to be assessed.

Limbungan Makmur and the Company are in the midst of gathering further evidence to support their defence. Management believes it may be premature to make any provision at this juncture.

36. CONTINGENT LIABILITIES (Continued)

(v) Contingent liabilities relating to associate/joint venture

Associate

On 1 November 2013, the Malaysia Competition Commission ("MyCC") had issued its Proposed Decision on Megasteel. In its Proposed Decision, MyCC was of the view that Megasteel had breached the provision of Section 10(1) of the Competition Act, 2010 in that it had abused its dominant position by charging or imposing a price for its hot rolled coil that amounts to a margin squeeze that produces anti-competitive effects in the cold rolled coil market. A financial penalty of RM4.5 million is imposed by MyCC on Megasteel.

Pursuant to a notice of finding of non-infringement from MyCC dated 15 April 2016, MyCC had determined that there is no infringement by Megasteel of Section 10(1) of the Competition Act 2010 as stipulated in the Proposed Decision ("Finding of Non-Infringement"). In arriving at the Finding of Non-Infringement, MyCC had concluded that Megasteel did not abuse its dominant position nor practise margin squeeze in the relevant domestic markets. The above Finding of Non-Infringement was made after careful reassessment of the case with more detailed information obtained through written and oral representations submitted by Megasteel as well as further analysis made by MyCC.

Melewar Industrial Group Berhad (the complainant upon whose complaint MyCC had initiated investigation against Megasteel) then had on 13 May 2016, filed a notice of appeal to the Competition Appeal Tribunal against the Finding of Non-Infringement ("Appeal").

Subsequently on 21 June 2016, Melewar Industrial Group Berhad withdrew the Appeal. Following the withdrawal of the Appeal, the above case against Megasteel was closed and the Finding of Non-Infringement was final.

Joint venture

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

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

On 1 March 2013, Crest Builder commenced an arbitration against Panareno Sdn Bhd ("Panareno") on an allegation that Crest Builder is entitled to an extension of time for the completion of the works with an extended completion date of 29 July 2011 and claiming for an amount of RM50,398,443 together with interest thereon for balance sum in the development of project known as Twins, 318 units of serviced residence at Damansara Heights, Kuala Lumpur ("Twins Project"). On 19 April 2013, Panareno had filed a defense and counterclaim of approximately RM77 million against Crest Builder on a declaration that Crest Builder is not entitled to the extension of time and claiming liquidated damages for late delivery and compensation for damages incurred by Panareno due to the delay and rectification works in relation to the Twins Project. The Arbitration Tribunal has completed the hearing of all the witnesses. However, on 13 March 2015, Crest Builder applied to the Arbitration Tribunal to amend its statement of claim. On 15 June 2015, the Arbitration Tribunal allowed Crest Builder's application to amend its statement of claim with costs in the cause. The amendment to the Statement of Claim is mainly for (i) increasing Crest Builder's original claimed sum of RM50.4 million to RM51.4 million; and (ii) adding new claims amounting to RM2.0 million for matters arising from nominated sub-contract with Regal Link Sdn Bhd. Both parties have attended the latest hearings and the solicitors representing both parties are required to submit the post hearing written submission by 30 August 2016. Crest Builder's solicitors had sent a letter to the Arbitration Tribunal asking for a direction on the proposed date for oral clarification on 19 September 2016. There are no updates since then.

36. CONTINGENT LIABILITIES (Continued)

(v) Contingent liabilities relating to associate/joint venture (Continued)

Joint venture (Continued)

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

Panareno had been served with a writ of summon by TNB claiming the sum to be determined by the court, alleging for damage caused to its underground cables. TNB alleged that the cost to change the cables amounted to RM14.9 million. Panareno had since issued Third Party Proceedings against Vital Project Sdn Bhd ("Vital Project"), the main contractor of the water piping works for Twins project, seeking indemnity for the TNB's claim. Vital Project had in turn brought in Semantra No-Dig Engineering, its sub-contractor into the suit. The next mediation is set on 14 October 2016 and the Court has fixed the next case management on 9 November 2016 for both parties to update the Court on the status of mediation.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with other related parties

		Group	
		2016	**2015**
Related Parties	**Nature**	**RM'000**	**RM'000**
Amsteel Mills Sdn Bhd	Trade sales	**4,020**	64,076
	Trade purchases	**–**	60,827
	Rental Income	**–**	487
	Rental expenses	**523**	1,386
Antara Steel Mills Sdn Bhd	Trade purchases	**–**	24,740
	Trade sales	**1,739**	7,456
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**–**	5,296
	Rental expenses	**–**	1,138
Lion Waterway Logistics Sdn Bhd	Logistic services	**30,009**	68,052
Lion Group Management Services Sdn Bhd	Management fees	**1,260**	–
Megasteel Sdn Bhd	Trade sales	**240,207**	–
	Trade purchases	**17,189**	–
	Rental expenses	**1,212**	–
Secomex Manufacturing (M) Sdn Bhd	Trade purchases	**4,794**	–
Singa Logistics Sdn Bhd	Logistic services	**4**	18,035
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**–**	2,227
Posim Marketing Sdn Bhd	Trade purchases	**24,956**	39,347
	Trade sales	**65,001**	–
	Interest expense	**29,201**	26,065
Lion Tooling Sdn Bhd	Trade purchases	**247**	3,205
Compact Energy Sdn Bhd	Trade purchases	**–**	14,900
Mitsui & Co., Ltd	Trade purchases	**–**	56,565
Lion Holdings Private Limited	Product financing facilities	**–**	67,075

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

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with other related parties (Continued)

Megasteel Sdn Bhd and Secomex Manufacturing (M) Sdn Bhd are subsidiaries of LCB, a company in which certain Directors and substantial shareholders of the Company are also directors and substantial shareholders.

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

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

Mitsui & Co., Ltd was prior to August 2015 a substantial shareholder of a subsidiary of LCB, a company in which certain Directors and substantial shareholders of the Company are directors and substantial shareholders.

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

On 16 July 2007, Lion DRI, a wholly-owned subsidiary of the Company, entered into an Offtake Agreement ("Offtake Agreement") with Megasteel, to supply to Megasteel its entire production of 1.54 million metric tonnes per annum of the hot direct reduced iron and/or hot briquetted iron ("Steel Products") upon the terms and conditions of the Offtake Agreement as follows:

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

(b) In the event the average scrap price for 3 months period is higher than the Selling Price, Lion DRI shall invoice Megasteel the Selling Price together with 50% of the price difference;

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

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

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

Information regarding outstanding balances arising from related party transactions as at 30 June 2016 are disclosed in Notes 22 and 31.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(ii) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year was as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Wages, salaries and bonuses	**834**	1,718	**540**	540
Pension costs - defined contribution plans	**68**	123	**65**	65
	902	1,841	**605**	605

38. SIGNIFICANT EVENT

Lion DRI's major customer, Megasteel, has been suffering losses for the past several years due to excessive dumping of steel products by foreign steel mills which had resulted in its operating intermittently depending on market conditions. Compounding this, in January 2016, the Government had terminated the investigation for Safeguard Petition on imported hot rolled coils ("HRC") which had further depressed Megasteel's operations and resulted in Megasteel having to temporarily stopped its operation subsequently.

Consequently, Lion DRI had also been similarly affected as Lion DRI is supplying its hot DRI to Megasteel as feedstock for the production of HRC. Hence, the DRI plant had also temporarily shut down its operation.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Fair value information has not been disclosed for the Group's investments in equity instrument that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market and does not have any comparable industry peer that is listed.

(b) Determination of fair value

(i) Financial instruments measured at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 : other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 : techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Financial instruments measured at fair value (Continued)

As at 30 June 2016 and 30 June 2015, the Group and the Company held the following financial instruments carried at fair values in the statement of financial position:

	Date of revaluation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
At 30 June 2016				
Assets measured at fair value				
Property, plant and equipment - freehold land	31.3.2015	–	–	**199,600**
Investment securities	30.6.2016	**46,449**	–	–
Derivative assets	30.6.2016	**32**	**5,333**	–
Assets for which fair values are disclosed				
Investment properties	30.6.2016	–	–	**4,308**
Investment in associates	30.6.2016	**11,191**	–	–
Investment securities	30.6.2016	**32,994**	–	–
Liability measured at fair value				
Derivative liability	30.6.2016	**4**	–	–

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Financial instruments measured at fair value (Continued)

As at 30 June 2016 and 30 June 2015, the Group and the Company held the following financial instruments carried at fair values in the statement of financial position: (Continued)

	Date of revaluation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
At 30 June 2015				
Assets measured at fair value				
Property, plant and equipment - freehold land	31.3.2015	–	–	199,600
Investment securities	30.6.2015	95,119	–	–
Assets for which fair values are disclosed				
Investment properties	30.6.2015	–	–	13,296
Investment in associates	30.6.2015	20,144	–	–
Investment securities	30.6.2015	91,115	–	–
Liabilities measured at fair value				
Derivative liabilities	30.6.2015	104	407	–

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Financial instruments measured at fair value (Continued)

As at 30 June 2016 and 30 June 2015, the Group and the Company held the following financial instruments carried at fair values in the statement of financial position: (Continued)

	Date of revaluation	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Company				
At 30 June 2016				
Assets measured at fair value				
Investment securities	30.6.2016	**6,916**	**–**	**–**
Assets for which fair values are disclosed				
Investment in associates	30.6.2016	**2,283**	**–**	**–**
Investment securities	30.6.2016	**6,916**	**–**	**–**
At 30 June 2015				
Assets measured at fair value				
Investment securities	30.6.2015	7,685	–	–
Assets for which fair values are disclosed				
Investment in associates	30.6.2015	4,109	–	–
Investment securities	30.6.2015	7,685	–	–

During the financial years ended 30 June 2016 and 30 June 2015, there were no transfers between Level 1 and Level 2 fair values measurements.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Financial instruments measured at fair value (Continued)

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2016 and 30 June 2015 are as shown below:

	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
Group			
Assets for which fair values are disclosed			
Property, plant and equipment - freehold land	Comparison method	Transaction price of comparable property which have been sold or are being offered for sale ("Transaction price")	5% (2015: 5%) increase/ (decrease) in the transaction price would result in an increase/ (decrease) in fair value by RM9,980,000 (2015: RM9,980,000)
Investment properties	Comparison method	Transaction price of comparable property which have been sold or are being offered for sale ("Transaction price")	5% (2015: 5%) increase/ (decrease) in the transaction price would result in an increase/ (decrease) in fair value by RM215,400 (2015: RM664,800)

(ii) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value are disclosed in the following notes:

	Note
Trade and other receivables	22
Cash and bank balances	24
Loans and borrowings	28
Trade and other payables	31
Product financing liabilities	33

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are repriced to market interest rates on or near the reporting date or due to the insignificant impact of discounting except as discussed below.

(iii) Amounts due from/(to) subsidiaries, related parties and joint ventures

It is not practical to estimate the fair values of the amounts owing by/to subsidiaries, related parties and joint ventures due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(iv) Unquoted investments

It is not practical to estimate the fair value of the Group's unquoted investments due to lack of market information and the inability to estimate fair value without incurring excessive costs. However, the Group does not expect the carrying amounts to be significantly different from recoverable amounts.

(v) Financial guarantees

The fair values of financial guarantees are determined based on the probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

- the likelihood of the guaranteed party defaulting within the guaranteed period;
- the exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- the estimated loss exposure if the party guaranteed were to default.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, market price risk, liquidity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

<u>Exposure to credit risk</u>

Information regarding the Group's exposure to credit risk is disclosed in Note 22.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 22.

Deposits with licensed banks and quoted investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 22.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by bank borrowings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2016				
Group				
Financial liabilities				
Trade and other payables	**1,059,468**	**–**	**–**	**1,059,468**
- Interest	**4,100**	**–**	**–**	**4,100**
Loans and borrowings:				
- Principal	**356,095**	**40,222**	**–**	**396,317**
- Interest	**13,320**	**4,494**	**–**	**17,814**
Product financing liabilities	**33,895**	**–**	**–**	**33,895**
- Interest	**1,710**	**–**	**–**	**1,710**
Derivative liabilities	**4**	**–**	**–**	**4**
Total undiscounted financial liabilities	**1,468,592**	**44,716**	**–**	**1,513,308**
Company				
Financial liabilities				
Trade and other payables	**253,696**	**–**	**–**	**253,696**
- Interest	**4,100**	**–**	**–**	**4,100**
Loans and borrowings:				
- Principal	**101,383**	**–**	**–**	**101,383**
- Interest	**6,400**	**–**	**–**	**6,400**
Total undiscounted financial liabilities	**365,579**	**–**	**–**	**365,579**

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2015				
Group				
Financial liabilities				
Trade and other payables	981,452	–	–	981,452
- Interest	4,163	–	–	4,163
Loans and borrowings:				
- Principal	341,345	128,976	–	470,321
- Interest	10,931	1,338	–	12,269
Product financing liabilities	127,878	–	–	127,878
- Interest	9,968	–	–	9,968
Derivative liabilities	104	–	–	104
Total undiscounted financial liabilities	1,475,841	130,314	–	1,606,155
Company				
Financial liabilities				
Trade and other payables	288,363	–	–	288,363
- Interest	4,163	–	–	4,163
Loans and borrowings:				
- Principal	100,531	–	–	100,531
- Interest	6,128	–	–	6,128
Total undiscounted financial liabilities	399,185	–	–	399,185

(d) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Interest rate risk (Continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting date was:

	Group	
	2016 RM'000	2015 RM'000
Fixed rate instruments		
Financial assets	**13,456**	4,004
Financial liabilities	**(124,168)**	(208,727)
	(110,712)	(204,723)
Floating rate instruments		
Financial liabilities	**(272,149)**	(261,594)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM0.15 million (2015: RM0.20 million) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(e) Foreign currency risk

The Group and the Company are exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group and the Company in currencies other than its functional currency. As these transactions are mainly denominated in USD, the Group and the Company's foreign currency exchange risk is primarily due to USD. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group and the Company maintain a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in its functional currency are as follows:

	Group Net financial assets held in non- functional currencies USD		Company Net financial assets held in non- functional currencies USD	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Functional currency	**(152,077)**	(125,559)	**219,622**	225,138

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

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

		Group Loss, net of tax RM'000	Company Profit/(Loss), net of tax RM'000
2016			
USD/RM	- strengthened 3%	**(4,562)**	**6,589**
	- weakened 3%	**4,562**	**(6,589)**
2015			
USD/RM	- strengthened 3%	(3,766)	6,754
	- weakened 3%	3,766	(6,754)

(f) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Main Market of Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale financial assets.

To manage its market price risk arising from investments in quoted equity instruments, the Group diversifies and manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis for equity price risk

At the reporting date, if the Group's quoted investments listed on the Bursa Securities had been 2% higher/lower, with all other variables held constant, the Group's other reserve in equity would have been RM2.02 million (2015: RM1.8 million) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Categories of financial instruments

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

(i) Loans and receivables ("L&R")
(ii) Other liabilities ("OL")

At 30 June 2016	Note	Carrying Amount RM'000	L&R RM'000	OL RM'000
Group				
Financial assets				
Trade and other receivables	22	**87,271**	**87,271**	**–**
Cash and bank balances	24	**344,559**	**344,559**	**–**
		431,830	**431,830**	**–**
Financial liabilities				
Loans and borrowings	28	**(396,317)**	**–**	**(396,317)**
Trade and other payables	31	**(1,059,468)**	**–**	**(1,059,468)**
Product financing liabilities	33	**(33,895)**	**–**	**(33,895)**
		(1,489,680)	**–**	**(1,489,680)**
Company				
Financial assets				
Other receivables	22	**277,923**	**277,923**	**–**
Cash and bank balances	24	**1,881**	**1,881**	**–**
		279,804	**279,804**	**–**
Financial liabilities				
Loans and borrowings	28	**(101,384)**	**–**	**(101,384)**
Other payables	31	**(253,695)**	**–**	**(253,695)**
		(355,079)	**–**	**(355,079)**

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Categories of financial instruments (Continued)

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

At 30 June 2015	Note	Carrying Amount RM'000	L&R RM'000	OL RM'000
Group				
Financial assets				
Trade and other receivables	22	388,011	388,011	–
Cash and bank balances	24	311,663	311,663	–
		699,674	699,674	–
Financial liabilities				
Loans and borrowings	28	(470,321)	–	(470,321)
Trade and other payables	31	(981,452)	–	(981,452)
Product financing liabilities	33	(127,878)	–	(127,878)
		(1,579,651)	–	(1,579,651)
Company				
Financial assets				
Other receivables	22	755,044	755,044	–
Cash and bank balances	24	9,580	9,580	–
		764,624	764,624	–
Financial liabilities				
Loans and borrowings	28	(100,531)	–	(100,531)
Other payables	31	(288,363)	–	(288,363)
		(388,894)	–	(388,894)

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and liquidity to meet the demands of creditors and lenders.

The Group regularly reviews and manages its capital structure and make adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

	Group	
	2016	**2015**
	RM'000	**RM'000**
Loans and borrowings (Note 28)	**396,317**	470,321
Tade and other payables (Note 31)	**1,059,468**	981,452
Product financing liabilities (Note 33)	**33,895**	127,878
Less: Cash and bank balances (Note 24)	**(344,559)**	(311,663)
Net debts (A)	**1,145,121**	1,267,988
Equity attributable to owners of the Company (B)	**(402,027)**	447,955
Total capital and net debts (C = A+B)	**743,094**	1,715,943
Gearing ratio (A/C)	**154%**	74%

Other than as described above, no changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2016 and 30 June 2015.

42. SEGMENT INFORMATION

(a) Reporting format

The primary segment format is determined to be business segment as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

(b) Business segments

The Group is organised on a worldwide basis into four major business segments:

(i) Steel - Manufacturing and sale of steel products
(ii) Property - Property development and management
(iii) Contract manufacturing services ("CMS") - Electronic and mechanical contract manufacturing services
(iv) Others - Investment holding, trading and others

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit. Group financing (including finance income and finance costs) and income taxes are managed on a group basis and are not allocated to reportable segments.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

2016

	Continuing operations				Adjustments and elimination	Total
	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	RM'000	RM'000
Revenue						
External sales	277,828	237,515	178,041	364	–	693,748
Inter-segment sales	–	1,551	–	–	(1,551)	–
Total revenue	277,828	239,066	178,041	364	(1,551)	693,748
Results						
Segment results	(98,073)	19,757	21,556	15,952	–	(40,808)
Fair value gain on derivative liabilities	–	–	132	5,740	–	5,872
Fair value gain/(loss) on loans and borrowings	–	(2,034)	–	6,105	–	4,071
Realised and unrealised foreign exchange gain/(loss), net	(12,231)	–	1,471	2,312	–	(8,448)
	(110,304)	17,723	23,159	30,109	–	(39,313)
Finance costs	(26,270)	(3,892)	(221)	(46,929)	–	(77,312)
Impairment losses on:						
- Investment securities	–	(700)	–	(33,533)	–	(34,233)
- Plant and equipment	(364,373)	–	–	–	–	(364,373)
- Trade and other receivables	(390,866)	–	(217)	(1,086)	–	(392,169)
Share of results of joint venture	–	–	–	(2,652)	–	(2,652)
Income tax credit	82,105	(5,483)	(6,324)	(263)	–	70,035
Loss for the year	(809,708)	7,648	16,397	(54,354)	–	(840,017)

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2016

	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
Assets						
Segment assets	271,970	751,175	77,398	53,970	–	1,154,513
Investments in joint ventures						22,251
Unallocated corporate assets						3,619
Consolidated total assets						1,180,383
Liabilities						
Segment liabilities	596,974	245,429	28,844	656,437	–	1,527,684
Unallocated corporate liabilities						54,726
Consolidated total liabilities						1,582,410
Other disclosures						
Capital expenditure	186	255	3,240	–	–	3,681
Depreciation	32,708	954	2,998	590	–	37,250
Impairment losses	756,090	700	217	33,768	–	790,775
Other non-cash expense	–	3	961	–	–	964

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2015

	Continuing operations Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Discontinued operation RM'000	Adjustments* and elimination RM'000	Total RM'000
Revenue							
External sales	949,229	110,605	147,935	903	1,097,645	(1,097,645)	1,208,672
Inter-segment sales	–	1,551	–	–	–	(1,551)	–
Total revenue	949,229	112,156	147,935	903	1,097,645	(1,099,196)	1,208,672
Results							
Segment results	53,368	21,892	9,952	(6,301)	(241,192)	241,192	78,911
Fair value loss on derivative liabilities	–	–	(196)	(364)	–	–	(560)
Realised and unrealised foreign exchange gain/(loss), net	(10,823)	–	2,873	9,034	(69,957)	69,957	1,084
	42,545	21,892	12,629	2,369	(311,149)	311,149	79,435
Finance costs	(27,842)	(3,122)	(41)	(45,659)	(216,373)	216,373	(76,664)
Impairment losses on:							
- Investment securities	(11,491)	–	–	(31,382)	(2,264)	2,264	(42,873)
- Investments in associates	–	–	–	(15,861)	–	–	(15,861)
- Plant and equipment	(20,000)	–	–	–	(5,915)	5,915	(20,000)
- Trade and other receivables	–	–	–	(50,000)	50,000	(50,000)	(50,000)
Gain on dilution of subsidiaries	–	–	–	–	235,006	(235,006)	–
Share of results of associates	–	–	–	(4,283)	(38,451)	38,451	(4,283)
Share of results of joint ventures	–	–	–	786	–	–	786
Income tax expense	4,527	(4,768)	(4,437)	39	(15,013)	15,013	(4,639)
Loss for the year	(12,261)	14,002	8,151	(143,991)	(304,159)	304,159	(134,099)

* Adjustments to exclude discontinued operation.

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2015

	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
Assets						
Segment assets	1,267,102	738,602	80,879	83,699	–	2,170,282
Investment in joint venture						24,903
Unallocated corporate assets						5,482
Consolidated total assets						2,200,667
Liabilities						
Segment liabilities	688,647	220,677	24,603	684,235	–	1,618,162
Unallocated corporate liabilities						134,550
Consolidated total liabilities						1,752,712
Other disclosures						
Capital expenditure	10,321	1,168	2,886	187	–	14,562
Depreciation	32,197	887	2,942	570	–	36,596
Impairment losses	24,611	–	–	104,123	–	128,734
Other non-cash expense	29,592	3	501	241	–	30,337

42. SEGMENT INFORMATION (Continued)

(c) Geographical segments

The Group's four business segments are operated in three main geographical areas:

(i) Malaysia - Steel, property, CMS and others
(ii) People's Republic of China - Property and others
(iii) Others - CMS and others

An analysis of the Group's revenue, carrying amount of segment assets and capital expenditure by geographical segment are as follows:

	Segment Revenue		Segment Assets		Capital Expenditure	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Malaysia	**289,778**	966,165	**550,908**	1,536,922	**3,199**	13,190
People's Republic of China	**237,347**	110,133	**546,988**	526,150	**255**	1,091
Others	**166,623**	132,374	**56,617**	107,210	**227**	281
Total	**693,748**	1,208,672	**1,154,513**	2,170,282	**3,681**	14,562

(d) Information about major customer

Revenue from one customer (2015: one customer) (being related party as disclosed in Note 37) amounting to RM240.2 million (2015: RM908.3 million) arising from sales by the Steel segment.

43. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

44. SUBSEQUENT EVENTS

(a) The Company had on 24 August 2016 ("First Announcement"), announced that it had triggered the prescribed criteria pursuant to Paragraph 8.04 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("LR") and Paragraph 2.1(a) and 2.1(e) of the Practice Note 17 of the LR ("PN17") ("PN17 Issuer").

Pursuant to PN17, the Company as a PN17 Issuer is required to submit a regularisation plan within 12 months from the date of the First Announcement to the Securities Commission or Bursa Securities ("Regularisation Plan"). The Company is looking into formulating the Regularisation Plan to regularise its financial condition.

(b) (i) CPB Enterprise Sdn Bhd, a wholly-owned subsidiary, had on 4 October 2016 entered into a sale and purchase agreement with Sritama Jetty Sdn Bhd ("Purchaser") for the sale of a piece of leasehold land in Mukim Cheng, Daerah Melaka Tengah, Melaka measuring 4.013 hectares together with a 2-storey building and a 1-storey building erected thereon ("Property") for a cash consideration of RM30.5 million (excluding 6% Goods and Services Tax of RM1.83 million); and

(ii) Likom Caseworks Sdn Bhd, a wholly-owned subsidiary of the Company, shall rent the Property for 3 years from the Purchaser with an option to renew the tenancy for another two terms of 3 years each together with an option to purchase the Property during the tenancy period.

45. SUPPLEMENTARY INFORMATION - BREAKDOWN OF ACCUMULATED LOSSES/RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the accumulated losses of the Group and of the Company as at 30 June 2016 into realised and unrealised profits/losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total accumulated losses of the Company and its subsidiaries:				
- Realised	**(1,414,552)**	(470,780)	**(1,034,231)**	(573,077)
- Unrealised	**(92,061)**	(194,658)	**38,854**	51,021
	(1,506,613)	(665,438)	**(995,377)**	(522,056)
Total share of accumulated losses from associates:				
- Realised	**(4,283)**	(4,283)	**–**	–
- Unrealised	**–**	–	**–**	–
	(4,283)	(4,283)	**–**	–
Total share of retained profit from joint venture:				
- Realised	**22,163**	24,815	**–**	–
Less: Consolidated adjustments	**(62,669)**	(62,669)	**–**	–
Total accumulated losses	**(1,551,402)**	(707,575)	**(995,377)**	(522,056)

LIST OF GROUP PROPERTIES

AS AT 30 JUNE 2016

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
1.	Blok Bunga Raya 3 Jalan Abadi 1 Taman Malim Jaya 75250 Melaka	Leasehold 13.4.2081	3,885.5 sq metres	Buildings	Apartment (18)	2.3	June 2004
2.	Melaka Technology Park PN 54143, Lot 19401 PN 54144, Lot 19402 PN 54145, Lot 19403 Mukim of Cheng District of Melaka Tengah Melaka	Leasehold 23.12.2109	19.8 acres	Buildings	Factory (24)	24.1	December 2007
3.	GRN 39954, Lot 2324 GRN 17344, Lot 12236 GRN 41084, Lot 8379 GRN 55361, Lot 12164 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Freehold	763.7 acres	Land	Vacant	199.6	March 2015
4.	PN 22648, Lot 2697 PN 22678, Lot 2699 Mukim Tanjung 12 Kuala Langat Selangor Darul Ehsan	Leasehold 14.10.2095	36.2 acres	Land	Vacant	3.1	June 2008
5.	33, Dong Nan Da Dao Changshu City Jiangsu Province China	Leasehold 7.7.2078	488 sq metres	Building	Office (7)	4.2	March 2008

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2016

Authorised Capital	:	RM4,500,000,000
Issued and Paid-up Capital	:	RM696,073,677.50
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2016

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	292	3.17	7,075	0.00
100 to 1,000	2,257	24.49	1,833,057	0.13
1,001 to 10,000	3,786	41.08	19,255,421	1.38
10,001 to 100,000	2,302	24.98	85,073,767	6.11
100,001 to less than 5% of issued shares	575	6.24	709,961,335	51.00
5% and above of issued shares	4	0.04	576,016,700	41.38
	9,216	100.00	1,392,147,355	100.00

Substantial Shareholders as at 30 September 2016

	Direct Interest		Indirect Interest	
Substantial Shareholders	**No. of Shares**	**% of Shares**	**No. of Shares**	**% of Shares**
1. Tan Sri William H.J. Cheng	364,586,607	26.19	318,125,462	22.85
2. Tan Sri Cheng Yong Kim	9,841,337	0.71	337,657,070	24.25
3. Dynamic Horizon Holdings Limited	325,400,000	23.37	–	–
4. Amsteel Mills Sdn Bhd	116,180,800	8.35	60,029,832	4.31
5. Lion Industries Corporation Berhad	37,518,645	2.70	176,210,632	12.66
6. LLB Steel Industries Sdn Bhd	–	–	176,210,632	12.66
7. Steelcorp Sdn Bhd	–	–	176,210,632	12.66

Thirty Largest Registered Shareholders as at 30 September 2016

Registered Shareholders		No. of Shares	% of Shares
1.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	172,016,700	12.36
2.	Affin Hwang Nominees (Asing) Sdn Bhd Dynamic Horizon Holdings Limited	172,000,000	12.36
3.	AMSEC Nominees (Asing) Sdn Bhd MTrustee Berhad for Dynamic Horizon Holdings Limited	150,000,000	10.77
4.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	82,000,000	5.89
5.	Antara Steel Mills Sdn Bhd	60,029,832	4.31
6.	Narajaya Sdn Bhd	53,997,801	3.88
7.	Cheng Heng Jem	37,569,907	2.70
8.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-4	32,180,800	2.31
9.	RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for Cheng Heng Jem	30,000,000	2.15
10.	RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for William Cheng Sdn Bhd	30,000,000	2.15
11.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-1	28,000,000	2.01
12.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-2	28,000,000	2.01
13.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-3	28,000,000	2.01
14.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (8119566)	27,900,000	2.00
15.	Ributasi Holdings Sdn Bhd	17,983,427	1.29
16.	Toh Ean Hai	17,514,700	1.26
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (8106442)	17,000,000	1.22
18.	AMSEC Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Cheng Heng Jem	15,100,000	1.08
19.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad	15,000,000	1.08
20.	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	14,750,000	1.06
21.	Lion Holdings Private Limited	12,257,070	0.88
22.	Cheng Yong Kim	9,841,337	0.71
23.	Seik Thye Kong	7,160,000	0.51

Thirty Largest Registered Shareholders as at 30 September 2016 (Continued)

Registered Shareholders	No. of Shares	% of Shares
24. Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for San Tuan Sam	5,565,200	0.40
25. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LIO0157M)	5,518,645	0.40
26. CIMSEC Nominees (Asing) Sdn Bhd CIMB for Lee Chun Fun (PB)	5,000,000	0.36
27. Dynamic Horizon Holdings Limited	3,400,000	0.24
28. RHB Nominees (Tempatan) Sdn Bhd RHB Asset Management Sdn Bhd for Ng Siong Ket (EPF)	2,904,500	0.21
29. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lu Yap Yang	2,862,100	0.21
30. Yong Swee Hing	2,700,000	0.19

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2016

The Directors' interests in shares in the Company and its related corporations as at 30 September 2016 are as follows:

	Nominal Value per Ordinary Share	Direct Interest		Indirect Interest	
		No. of Shares	% of Shares	No. of Shares	% of Shares
The Company	**RM0.50**				
Tan Sri William H.J. Cheng		364,586,607	26.19	318,694,862	22.89
Tan Sri Cheng Yong Kim		9,841,337	0.71	341,157,070	24.51
Ooi Kim Lai		116	Negligible	–	–

Related Corporations

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim

	Indirect Interest	
	No. of Shares	% of Shares
LDH Investment Pte Ltd	4,500,000	100.00

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 2016.

OTHER INFORMATION

(I) MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests since the end of the previous financial year or which are still subsisting at the end of the financial year.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors by the Group and the Company for the financial year was RM28,000 (2015: RM25,000).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2016 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related		
(i) Sale of direct reduced iron, scrap iron and other related products and services	Lion Corporation Berhad Group ("LCB Group")	240,207
	Lion Forest Industries Berhad Group ("LFIB Group")	65,001
	Lion Industries Corporation Berhad Group ("LICB Group")	5,759
(ii) Purchase of steel products, scrap iron and other steel related products and services	LCB Group	21,983
	LICB Group	30,009
	LFIB Group	24,960
(iii) Rental of industrial land and buildings	LCB Group	1,212
	LICB Group	523
Others		
Obtaining of management support and other services	LICB Group	1,260

Notes:

- "Group" includes subsidiary and associated companies.
- The Related Parties are companies in which certain Directors and certain major shareholders of the Company have substantial interests.

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FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

being a member of LION DIVERSIFIED HOLDINGS BERHAD, hereby appoint ....

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Forty-Sixth 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 22 November 2016 at 2.30 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To re-elect as Director, Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat		
3. To re-elect as Director, Mr Tan Chee Chai		
4. To re-appoint as Director, Y. Bhg. Tan Sri William H.J. Cheng		
5. To re-appoint Auditors		
6. Retention of Y. Bhg. Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat as an Independent Non-Executive Director		
7. Authority to Directors to Issue Shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this .... day of 2016

No. of shares: ....   Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 November 2016 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.

LION DIVERSIFIED HOLDINGS BERHAD (9428-T)
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No. 1 Jalan Nagasari
50200 Kuala Lumpur

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