LION INDUSTRIES CORPORATION BERHAD

(415-D)

Laporan Tahunan

2016

Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Eighty-Sixth Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur on 24 November 2016 at 9.00 am for the following purposes:

AGENDA

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

2. To approve the payment of Directors' fees amounting to RM216,200 (2015: RM210,800). **Resolution 1**

3. To re-elect Directors:

   In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Tan Sri Cheng Yong Kim retires by rotation and, being eligible, offers himself for re-election. **Resolution 2**

   In accordance with Article 99 of the Company's Articles of Association, Ms Yap Soo Har who was appointed during the financial year retires and, being eligible, offers herself 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. Dato' Kamaruddin @ Abas bin Nordin be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 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 Mr Chong Jee Min who has served as an independent non-executive Director of the Company for more than nine (9) years, be and is hereby retained as an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 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 Part A 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."

6.4 Proposed Renewal of Authority for Share Buy-Back

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and the approvals of all relevant authorities, the Company be and is hereby authorised to buy back such number of ordinary shares of RM1.00 each in the Company ("Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that: **Resolution 9**

(i) the aggregate number of shares bought back and/or held by the Company does not exceed 10% of the total issued and paid-up capital of the Company at any point of time provided always that in the event the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders' mandates for share buy-back which were obtained at the previous Annual General Meetings held on or before 25 November 2015, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed 10% of the total issued and paid-up capital of the Company; and

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

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

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

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

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

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

whichever occurs first; and

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to cancel the Shares so purchased by the Company, to retain the Shares so purchased as treasury shares, or to retain part of such Shares so purchased as treasury shares and cancel the remainder, and to distribute the treasury shares as share dividends and/or resell the treasury shares on the market of Bursa Securities;

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

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

By Order of the Board

WONG PHOOI LIN
WONG PO LENG
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 17 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 following are set out in the Circular enclosed together with the 2016 Annual Report:

   (i) Part A - Proposed Shareholders' Mandate for Recurrent Related Party Transactions
   (ii) Part B - Proposed Renewal of Authority for Share Buy-Back

4. *Resolution 6*

   The Board assisted by the Nomination Committee, has assessed the independence of Mr Chong Jee Min who has served on the Board as an independent non-executive Director of the Company for more than nine (9) years and has recommended that the approval of the shareholders be sought to retain Mr Chong as an independent non-executive Director as he possesses the following attributes necessary in discharging his roles and functions as an independent non-executive Director of the Company:

   (i) 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 nine (9) 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 influance of Management.

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

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

   (vii) 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 25 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 Part A of the Circular, which are necessary for the Group's day-to-day operations undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

7. *Resolution 9*

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Director standing for re-appointment at the Eighty-Sixth Annual General Meeting of the Company are set out in the Directors' Profile on page 7 of the 2016 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Chong Jee Min Ms Yap Soo Har
Secretaries	:	Ms Wong Phooi Lin Ms Wong Po Leng
Company No	:	415-D
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/lionind
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	:	Deloitte Level 16, Menara LGB 1 Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur
Principal Bankers	:	Malayan Banking Berhad RHB Investment Bank Berhad Alliance Bank Berhad Bank of China (Malaysia) Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONIND
Bursa Securities Stock No	:	4235
Reuters Code	:	LLBM.KL
ISIN Code	:	MYL4235OO007

DIRECTORS' PROFILE

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

Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin, a Malaysian, male, aged 63, was appointed to the Board on 29 August 2013 and has been the Chairman of the Company since 19 December 2013. He is also a member of the Audit Committee of the Company.

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

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

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

Datuk Seri Raja Nong Chik 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 16 January 1995. Tan Sri Cheng is also a member of the Remuneration Committee of the Company.

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 the Company in 1995 and in 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

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

Tan Sri Cheng has a direct shareholding of 9,253,289 ordinary shares of RM1.00 each and an indirect interest in 107,716,340 ordinary shares of RM1.00 each in the Company. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 158 of this Annual Report. He also has interest in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

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

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

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, male, aged 78, was appointed to the Board on 20 July 1994. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

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

Dato' Kamaruddin has a direct shareholding of 128,000 ordinary shares of RM1.00 each in the Company.

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

Chong Jee Min
Independent Non-Executive Director

Mr Chong Jee Min, a Malaysian, male, aged 57, was appointed to the Board on 5 May 2004. He is also the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

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

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

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

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

Yap Soo Har
Independent Non-Executive Director

Ms Yap Soo Har, a Malaysian, female, aged 61, was appointed to the Board on 1 December 2015. She is also a member of the Audit Committee and Nomination Committee of the Company.

Ms Yap graduated with a Bachelor of Social Science majoring in Political Science from Universiti Sains Malaysia in 1978. She further obtained a Diploma in Public Administration from the National Institute of Public Administration (INTAN), Malaysia in 1983 and a Masters in Public Administration cum Certificate in International Tax Program from Harvard University, the United States of America in 2001.

Ms Yap first joined the Malaysian public service as an Assistant Director of the Public Complaints Bureau, Prime Ministers' Department (JPM) and spent more than 36 years in various other Ministries including the Ministry of Defence, Ministry of Public Enterprise and Ministry of Finance where she served for almost 24 years until her retirement in October 2015.

During her tenure in the Ministry of Finance, she held various positions including Assistant Director in the Government Agencies and Companies Monitoring Unit, Assistant Secretary and Principal Assistant Secretary in the Revenue and Forecasting Unit, Principal Assistant Secretary in the Direct Tax Unit - Corporate Tax, Deputy Undersecretary in the Policy Division - Incentive Unit and the Services Unit and Deputy Undersecretary in the Policy, Incentives and Sector Division from 2012 until she retired.

Ms Yap also served on the Board of Lembaga Perindustrian Nanas Malaysia from 2013 to 2015 and Lembaga Air Perak from 2008 to 2013.

Ms Yap attended the three (3) Board Meetings of the Company held during the financial year ended 30 June 2016 subsequent to her appointment.

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 is the General Manager of Antara Steel Mills Sdn Bhd ("Antara") (Hot Briquetted Iron operation) since 1997 and is a Director of Amsteel Mills Sdn Bhd, the holding company of Antara, which principal activity is in the manufacturing and marketing of steel bars and wire rods. He also 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.

Dominic Lu Chin Siong
Malaysian, male, 57 years of age

Mr Dominic Lu Chin Siong assumed the position of Senior Manager - Commercial of Antara Steel Mills Sdn Bhd ("Antara") (Hot Briquetted Iron ("HBI") operation) in July 2011 responsible for the marketing of HBI, purchasing of iron ore and shipping.

Mr Dominic graduated with a Bachelor of Science in Chemical Engineering from the University of Leeds, England in 1982.

Mr Dominic has more than 30 years of experience in the iron and steel industry. He first joined the Lion Group in 1991 as a Marketing Manager in the Marketing Department, responsible for the marketing of HBI.

Wong Wing Kiong
Malaysian, male, 47 years of age

Mr Wong Wing Kiong was appointed on 22 September 2016 as a General Manager - Operations of the Steel Division - Long Products, responsible for the production and maintenance of the plant under Amsteel Mills Sdn Bhd.

Mr Wong graduated with a Bachelor of Science in Mechanical Engineering from Mississippi State University, the United States of America in 1994.

Mr Wong first joined the Lion Group in 1996 as a Mechanical Executive in the Project Department - Steel Division, and was one of the pioneer staff responsible for the successful commissioning of the Lion Group's hot rolled coil plant in mid-1999. Prior to assuming his current position, Mr Wong had worked as the Mechanical Maintenance Deputy Section Head, Personal Assistant to the Special Assistant to the Group Chairman and Plant Manager for the Hot Strip Mill and the Cold Rolled Mill. Mr Wong currently also holds the position of General Manager of the Group Logistics & Shipping under the Steel Division.

Wong Pak Yii, William
Malaysian, male, 48 years of age

Mr Wong Pak Yii, William was appointed the General Manager - Marketing on 1 October 2007 responsible for the marketing of the Group's steel bars and wire rods.

Mr Wong graduated with a Bachelor of Business Administration (Honours) from the Kuala Lumpur Infrastructure University College and obtained his professional qualification in Corporate Administration from the Malaysian Institute of Chartered Secretaries and Administrators.

Mr Wong first joined the Lion Group in 1999 as an Assistant Manager - Sales (Bar) in the Marketing Department and has more than 20 years of experience in the marketing and distribution of building materials.

Liew Choon Yick
Malaysian, male, 63 years of age

Mr Liew Choon Yick assumed the position of Senior General Manager of the Property Division in 1997 responsible for Residential Development.

Mr Liew graduated with a Bachelor of Engineering (Civil) degree from the University of Singapore in 1976. He is also a member of the Malaysian Institute of Engineers.

His prior working experience includes one year at the Water Department of the Public Utilities Board of Singapore, two (2) years at the Jabatan Kerja Raya Malaysia and two (2) years at Jurutera CMP Sdn Bhd. He was with Supreme Housing Development Sdn Bhd (now known as Malim Courts Property Development Sdn Bhd, a subsidiary of the Company) where he was the Group General Manager in 1987 and later employed by Soga Sdn Bhd, also a subsidiary of the Company, as the General Manager (Southern Region) of the Property Division of the Lion Group in 1992 before assuming his current position.

Ngan Yow Chong
Malaysian, male, 59 years of age

Mr Ngan Yow Chong was appointed on 1 February 2001 as the Managing Director responsible for the Lubricants, Petroleum and Automotive Products, and the Building Materials and Steel Products Divisions.

Mr Ngan graduated with a Bachelor of Engineering (First Class Honours) degree in Mechanical Engineering from the University of Malaya in 1981.

Prior to joining the Lion Group, Mr Ngan had served the Hong Leong Group for 15 years in various positions ranging from Project/Maintenance Manager, Operation Manager and Sales Manager (Import/Export), and held the position of General Manager of a number of subsidiaries. He had also worked with the Mah Sing Group as Group Executive Director for two (2) years and was attached to Berger International Ltd Singapore as the Chief Executive Officer for two (2) years.

Ng Chin Kwan
Malaysian, male, 59 years of age

Mr Ng Chin Kwan was appointed the General Manager for the Building Materials Division on 1 January 2004. He is in charge of and is responsible for the sales and marketing of the trading operation in the Building Materials Division.

Mr Ng graduated with a Bachelor of Engineering degree in Mechanical Engineering in 1980 followed by a Master in Business Administration in 1982, both from the University of Sheffield, United Kingdom.

Mr Ng first joined the Lion Group in 1993 as the Technical Manager to the General Manager under the Building Materials Division. Prior to joining the Lion Group, he was the Project Engineer and later the Sales Manager with Hume Industries Berhad, and the Industrial Fitting-Divisional Manager for George Kent Berhad.

Poon Sow Har, Valerie
Malaysian, female, 51 years of age

Ms Poon Sow Har, Valerie was appointed the General Manager for the Lubricants, Petroleum and Automotive Products Division on 1 October 2014. She is responsible in managing the Division, including the expansion of the businesses in both the domestic and export markets.

Ms Poon obtained her professional qualification from the Chartered Institute of Management Accountants in 1984.

Ms Poon joined the Lion Group in 1988 and had served in the Corporate Head Office as well as the Retail, Properties, Motor, Trading and Building Materials Products Divisions of the Lion Group before assuming her current position.

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.

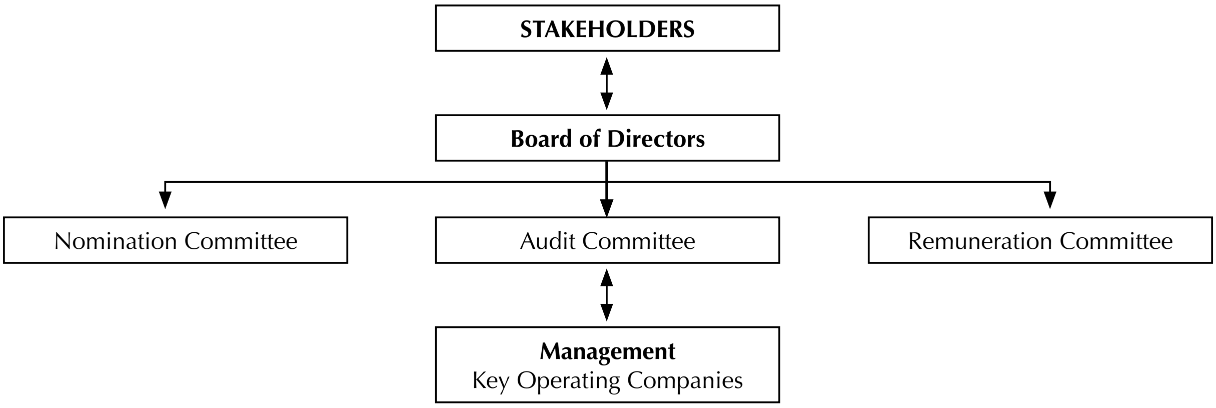
CORPORATE GOVERNANCE STATEMENT

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/lionind. The Board Charter clearly sets out the principal roles of the Board, the demarcation of the roles, functions, responsibilities and powers of the Board, the Board Committees and the Management. It also defines the specific accountabilities and responsibilities of the Board to enhance coordination, communication and facilitation between the Management and the Board and ultimately, to reinforce the overall accountability of both the Board and the Management towards the Company and the stakeholders as well as to serve as reference criteria for the Board in the assessment of its own performance and of its individual Directors. 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 and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Delegation by the Board

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

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

Board Composition, Independence and Diversity Balance

The Board comprises five (5) Directors, four (4) 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 currently has one (1) 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.

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/lionind.

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

Sustainability

The Board in discharging its governance role is guided by the Group's Sustainability Plans/Framework to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities carried out by the Group are set out in the Sustainability Statement on pages 35 and 36 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 21 to 23 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 three (3) members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Mr Chong Jee Min, an independent Director, who is also the senior independent Director identified by the Board. The members and terms of reference of the Nomination Committee are presented on page 29 of this Annual Report and are available for reference on the Company's website at www.lion.com.my/lionind.

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 8 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 all the members attended and carried out the following duties in accordance with the terms of reference:

(i) Reviewed and recommended for Board's consideration, the appointment of Ms Yap Soo Har as an independent non-executive Director and a member of the Audit Committee and Nomination 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 Mr Chong Jee Min whose tenure of service as an independent Director has exceeded nine (9) years 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 29 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	1,104	1,129
Non-executive Directors*	191	–	191
	216	1,104	1,320
The Company			
Executive Director	25	1,104	1,129
Non-executive Directors*	191	–	191
	216	1,104	1,320

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

	The Group		The Company	
Range of Remuneration (RM)	**Executive**	**Non-executive***	**Executive**	**Non-executive***
50,000 & below	–	3	–	3
50,001 – 75,000	–	1	–	1
1,100,001 – 1,250,000	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, gender diversity, 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 have attended Bursa Securities' Mandatory Accreditation Programme ("MAP").

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, courses, forums, breakfast series 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	**Programme**
Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin	• Bursa Malaysia in collaboration with MINDA – CG Breakfast Series with Directors – "Board Reward and Recognition" • Bursa Malaysia in collaboration with The Committee of Sponsoring Organisations of the Treadway Commission (COSO) – Corporate Governance Breakfast Series: Thought Leadership Session for Directors – "Improving Board Risk Oversight Effectiveness"
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
Dato' Kamaruddin @ Abas bin Nordin	• Bursa Malaysia in collaboration with Iclif – CG Breakfast Series with Directors – "The Board's Response in Light of Rising Shareholder Engagements" • Bursa Malaysia ASEAN Cap10 Sustainability Series – Sustainability Symposium: Responsible Business. Responsible Investing • Bursa Malaysia in collaboration with MINDA – CG Breakfast Series with Directors – "Board Reward and Recognition" • Deloitte – "New Auditor Reporting: Why it matters to you" • Bursa Malaysia in collaboration with global institutions – "Ring the Bell for Gender Equality"
Chong Jee Min	• Bursa Malaysia in collaboration with Iclif – CG Breakfast Series with Directors – "Bringing the Best Out in Boardrooms" • Bursa Malaysia ASEAN Cap10 Sustainability Series – Sustainability Symposium: Responsible Business. Responsible Investing • 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" • 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" • Bursa Malaysia in collaboration with Iclif – Nominating Committee Programme Part 2 – "Effective Board Evaluations"
Yap Soo Har	• 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"

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 24 to 28 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 21 to 23 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 21 to 23 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 24 to 28 of this Annual Report.

Compliance Function

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

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

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

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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

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

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

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

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

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

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

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

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

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

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

Key Elements of Risk Management and Internal Control

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

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

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

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

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

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

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

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

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

  Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin
  (Non-Independent Non-Executive Director)

  Ms Yap Soo Har (appointed on 1 December 2015)
  (Independent Non-Executive Director)

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

- **Secretaries**

  The Secretaries of Lion Industries Corporation Berhad, Ms Wong Phooi Lin and Ms Wong Po Leng, 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/lionind.

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, eight (8) Audit Committee Meetings were held. Except for Ms Yap Soo Har who attended the three (3) Meetings held subsequent to her appointment as a member of the Audit Committee, the other members attended all the eight (8) Meetings held in the financial year.

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 21 to 23 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 on their independence and disclosed their policies on independence, safeguards and procedures to address threats or perceived threats to their independence and objectivity, and that they were in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) for Professional Accountants (By-Laws) as adopted by the Malaysian Institute of Accountants.

(e) Recommended to the Board 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 RM22,500.

(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 RM367,864.

NOMINATION COMMITTEE

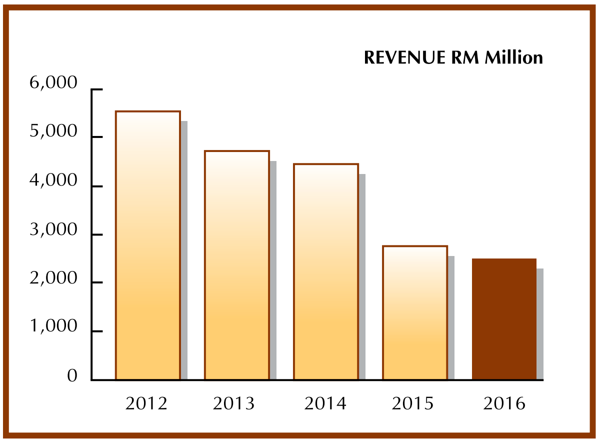
Chairman	:	Mr Chong Jee Min *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)* Ms Yap Soo Har *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Industries Corporation Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder • To recommend to the Board, Directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board

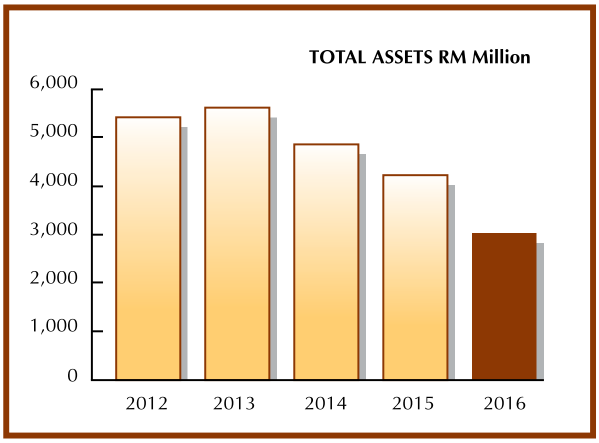
REMUNERATION COMMITTEE

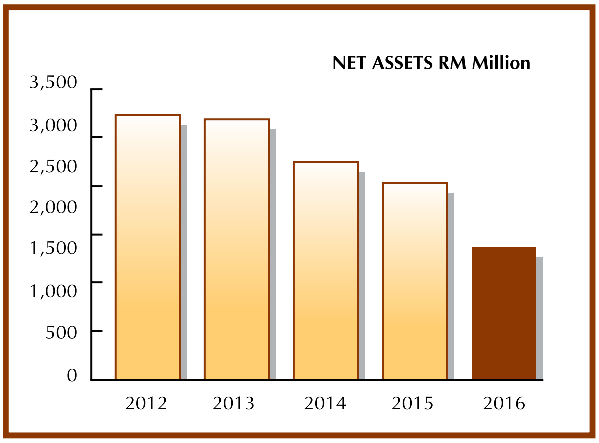
Chairman	:	Mr Chong Jee Min *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Cheng Yong Kim *(Non-Independent Executive Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin *(Non-Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, the remuneration of 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

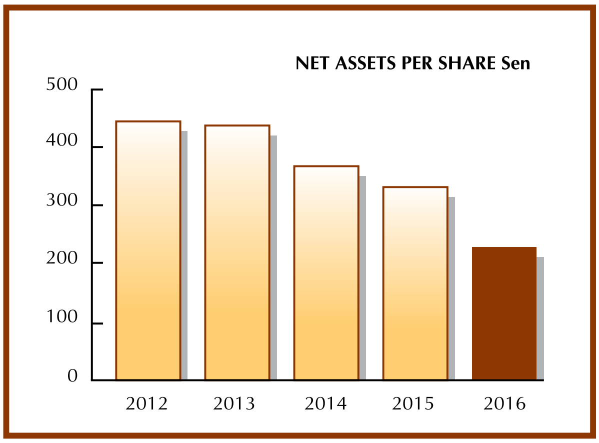
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		**2012**	**2013**	**2014**	**2015**	**2016**
Revenue	(RM'000)	5,544,080	4,748,470	4,482,351	2,782,413	**2,514,921**
Loss before tax	(RM'000)	(12,832)	(30,377)	(580,786)	(278,853)	**(852,536)**
Loss after tax	(RM'000)	(30,113)	(31,604)	(578,386)	(287,866)	**(905,805)**
Net loss attributable to owners of the Company	(RM'000)	(38,221)	(34,497)	(505,946)	(254,821)	**(796,477)**
Total assets	(RM'000)	5,654,210	5,662,078	4,878,403	4,258,388	**2,979,866**
Net assets	(RM'000)	3,198,420	3,153,208	2,644,668	2,380,848	**1,596,051**
Total borrowings	(RM'000)	920,398	842,995	682,494	540,671	**351,668**
Loss per share	(Sen)	(5.3)	(4.8)	(70.6)	(35.6)	**(113.5)**
Net assets per share	(Sen)	446	439	369	333	**230**
Dividends:						
Rate	(Sen)	1.0	1.0	–	–	**–**
Amount	(RM'000)	7,179	7,177	–	–	**–**



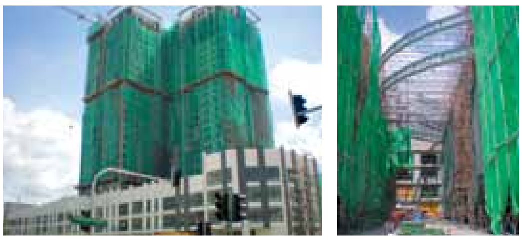






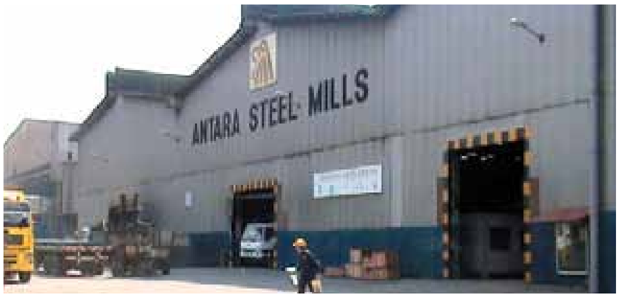
THE GROUP'S BUSINESSES

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



- The Promenade at Bandar Bayan Baru, Penang, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza that was launched earlier, has recorded a take-up rate of over 95% and is expected to be completed by the end of 2016.
- *The Promenade di Bandar Bayan Baru, Pulau Pinang terdiri daripada 336 unit suite perkhidmatan dengan 37 unit kedai butik gaya hidup dan plaza jalanan yang telah dilancarkan tidak lama dahulu, mencatatkan kadar penerimaan lebih 95% dan dijangka siap sepenuhnya pada penghujung tahun 2016.*

Amsteel Mills, Klang



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

- Recently launched torQe Superbike Oil, a premium range lubricant powered by Hi-Rev, which is available in full synthetic and semi synthetic grades to serve the emerging big bikers market.
- *torQe, minyak pelincir motosikal berkuasa tinggi premium yang dilancarkan baru-baru ini dikuasakan oleh Hi-Rev, terdapat dalam gred sintetik sepenuhnya dan separa sintetik, khusus untuk pasaran motosikal berkuasa tinggi yang baru muncul.*

PENYATA PENGERUSI

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

PRESTASI KEWANGAN

Bagi tahun kewangan dalam kajian, Kumpulan telah mencatatkan perolehan yang lebih rendah sebanyak 10% kepada RM2,515 juta berbanding RM2,782 juta pada tahun sebelumnya. Penurunan itu disebabkan terutamanya oleh sumbangan lebih rendah daripada operasi perniagaan keluli dan bahan binaan kita. Industri keluli Malaysia berdepan dengan cabaran yang getir berikutan keadaan ekonomi global yang tidak menentu dan kegiatan lambakan berleluasa oleh kilang-kilang keluli asing, terutamanya dari China. Di peringkat global, para pengeluar keluli terjejas teruk akibat lambakan produk itu yang didakwa dilakukan oleh kilang-kilang keluli di China yang berdepan dengan masalah permintaan yang rendah di pasaran negara itu, sehingga menyebabkan kemelut perdagangan sejagat ketika industri keluli dunia mengalami masalah lebihan penawaran.

Berikutan persekitaran perniagaan yang mencabar itu, Kumpulan telah mencatatkan kerugian sebelum cukai sebanyak RM852.5 juta bagi tahun kewangan ini berbanding RM278.9 juta pada tahun lalu. Kerugian lebih tinggi dicatatkan setelah mengambilkira peruntukan rosot nilai sebanyak RM607.0 juta ke atas bayaran belum terima terutamanya daripada para pelanggan utama kita yang terlibat dalam perniagaan keluli, yang turut terkesan daripada persekitaran operasi yang sukar serta kerugian rosot nilai harta, loji dan peralatan sebanyak RM193.1 juta. Setakat 30 Jun 2016, aset bersih Kumpulan berjumlah RM1,596 juta atau RM2.30 sesaham manakala gearan bersih (ditolak tunai dan bersamaan tunai) kekal rendah pada 0.04 kali.

PROSPEK

Dalam melangkah ke hadapan, kemelut berkaitan lebihan kapasiti dan bekalan sejagat akan terus menjejaskan pasaran keluli. Di dalam negara, Kerajaan pada bulan September 2016, telah mengenakan langkah-langkah perlindungan sementara ke atas produk keluli panjang yang diimport ke negara ini. Duti perlindungan sementara, masing-masing sebanyak 13.9% dan 13.42% telah dikenakan ke atas rod wayar keluli (steel wire rod) dan bar penulangan konkrit keluli (steel concrete reinforcing bars). Penentuan akhir perlindungan itu dijadualkan dibuat dalam tempoh 200 hari mulai 26 September 2016 bagi bar penulangan konkrit keluli dan 27 September 2016 bagi rod wayar keluli.

Berikutan itu, hasil kewangan operasi Kumpulan bagi tahun kewangan akan datang dijangka bertambah baik dengan kerugian rosot nilai besar yang telah di ambil kira dalam tahun kewangan 2016.

LEMBAGA PENGARAH

Bagi pihak Lembaga Pengarah, saya ingin mengalu-alukan pelantikan Cik Yap Soo Har yang dilantik ke Lembaga Pengarah sebagai Pengarah Bebas Bukan Eksekutif. Lembaga Pengarah percaya pihak Syarikat dapat memanfaatkan pengalaman dan kepakaran beliau yang tidak ternilai.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin melahirkan rasa penghargaan tulus ikhlas kepada semua pemegang saham yang dihargai, para pelanggan, pembiaya kewangan, sekutu perniagaan dan pihak berkuasa kerajaan dan pengawal selia atas sokongan dan keyakinan mereka terhadap Kumpulan sepanjang tempoh yang mencabar ini.

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

Akhir kata, saya ingin mengucapkan terima kasih kepada pihak pengurusan dan semua warga kerja atas dedikasi dan komitmen mereka kepada Kumpulan.

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

CHAIRMAN'S STATEMENT

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

FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a 10% lower revenue of RM2,515 million compared with RM2,782 million recorded in the previous year. This was attributed primarily to the lower contribution from our steel and building materials businesses. The Malaysian steel industry has been facing increasingly challenging times due to the global economic headwinds and persistent dumping activities by foreign steel mills, particularly from China. Globally, steel producers are suffering from the alleged dumping of steel products by Chinese steel mills after a slowdown in demand in their home market, creating a major trade upset amid a worldwide steel glut.

Operating in such a challenging environment, the Group posted a higher loss before tax of RM852.5 million for the year as compared with RM278.9 million a year ago. The higher loss included primarily provision of impairment losses of RM607.0 million on receivables, particularly receivables from our major customers involved in the steel business who were similarly affected by the tough operating environment, and impairment losses on property, plant and machinery of RM193.1 million. As at 30 June 2016, the Group's net assets stood at RM1,596 million or RM2.30 per share while net gearing (deducting cash and cash equivalent) remained low at 0.04 times.

PROSPECTS

Moving forward, the global over-capacity and over-supply will continue to weigh on the steel market. Domestically the government had in September 2016 imposed provisional safeguard measures on long steel products imported into the country. The provisional safeguard duties of 13.9% and 13.42% were imposed on steel wire rods and steel concrete reinforcing bars respectively. The final determination is scheduled to be made within the period of 200 days from 26 September 2016 for steel concrete reinforcing bars and 27 September 2016 for steel wire rods.

Under such circumstances, the Group's operating results for the next financial year are expected to improve and furthermore, substantial impairment losses have already been provided in financial year 2016.

BOARD OF DIRECTORS

On behalf of the Board, I would like to extend a warm welcome to Ms Yap Soo Har who joined the Board as an Independent Non-Executive Director. The Board believes that the Company will benefit from her invaluable experience and expertise.

ACKNOWLEDGEMENT

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

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

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

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

主席报告

我仅代表董事部，提呈金狮工业机构有限公司（Lion Industries Corporation Berhad）截至2016年6月30日会计年度的常年报告及经审核财务报告。

业绩

本集团在本会计年度的营业额减少10%，至25亿1千500万令吉，而上一个会计年度是27亿8千200万令吉。这主要是由于本集团的钢铁组和建筑材料组的营业额减少。由于全球经济处于逆势，以及国外的钢铁厂，尤其是中国的钢铁厂不断在我国倾销钢铁，促使马来西亚的钢铁工业面对日益严峻的考验。在全球，各国的钢铁厂由于其国内市场的需求减缓，以及中国钢铁厂倾销钢铁产品，导致在全球钢铁过剩的情况下， 衍生了重大的贸易逆境。

本集团在这种充满挑战的环境之下经营，造成更高的会计年度税前亏损，达到8亿5千250万令吉，上一会计年度的税前亏损是2亿7千890万令吉。更多的亏损，主要是针对我们从事钢铁业的主要客户的应收账款所作出的损失准备金共6亿700万令吉。皆因这些客户也受到严峻的营业环境影响。总值1亿9千310万令吉的物业、厂房和机器的损耗损失也是造成本集团的年度亏损原因之一。在2016年6月30日，本集团的净资产是15亿9千600万令吉，或每股2.30令吉。净杠桿比率（减去现金和现金等值）仍然低，只有0.04倍。

展望

展望未来，钢铁市场将继续面对全球性产能过剩和供应过剩的局面。在国内，政府在2016年9月针对进口到我国的长钢产品采取临时性保护措施。当局分别对钢丝桿和混凝土钢筋征收13.9%和13.42%的临时保护税。最终税率将在200天内作出决定，对混凝土钢筋是从2016年9月26日算起，对钢丝桿则是从2016年9月27日算起。

在这种情况下，本集团在下一个会计年度的业绩预料将会改善，再加上重大的耗损损失已吸收在2016会计年度。

董事部

我谨代表董事部，热烈欢迎Ms Yap Soo Har 加入董事部，出任独立非执行董事。董事部深信，本公司将会从她的宝贵经验和专业知识中受惠。

鸣谢

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

我也至诚感谢董事部成员，感谢他们全年所给予的珍贵指导、支持与贡献。

最后，我要真诚地感谢管理层和全体职员对集团尽忠职守和为工作献身的精神。

主席
DATUK SERI UTAMA RAJA NONG CHIK BIN DATO’ RAJA ZAINAL ABIDIN

SUSTAINABILITY STATEMENT

Sustainability

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

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

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

Marketplace

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 & 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.

REVIEW OF OPERATIONS

Note: "Segment profit/(loss) refers to operating profit/(loss) before interests, share of results of associations, income tax expenses and non-recurring items."

Steel

	2016 RM Million	2015 RM Million
Revenue	**1,836**	2,346
Segment Loss	**(142.5)**	(51.4)

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

Malaysia's apparent steel consumption decreased by 0.8% from 10.08 million metric tons in 2014 to 10.00 million metric tons in 2015. The local production of steel bars and wire rods declined by 13.0% to 3.32 million metric tons. In contrast, imports of steel bars and wire rods surged significantly by 29.3% to 2.52 million metric tons in 2015. (Source: South East Asia Iron and Steel Institute Statistical Yearbook)

Financial year 2016 had been another tough year for the local steel mills. The persistent global oversupply of steel and the continuing influx of steel imports at dumping prices into the country had caused the local steel mills including our plants in Banting and Johor to cut back on production and temporarily shut down certain of their production lines while contending with rising domestic costs that had squeezed their already thin margins.

As a result, the Division recorded a 22% lower revenue of RM1.8 billion compared to RM2.3 billion in the same period last year. As revenue and profit margin were lower, the Division recorded a higher loss of RM142.5 million this year.

Hot Briquetted Iron ("HBI")

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

The unfavourable situation had been compounded by the sharp drop in steel prices during the year. Hence, the HBI operation saw its revenue continued to decline to RM427.2 million this year from RM436.8 million a year ago and recorded an operating loss of RM32.6 million against a profit of RM54.1 million last year.

Long Products (Billets, Steel Bars & Wire Rods)

The local steel mills continued to face the onslaught of steel imports into the country at dumping prices, in the absence of effective measures by the Government to curb these dumping activities. Under such challenging market conditions, the Division had to temporarily shut down its plant in Banting, with a partial shut down of the production line in its Johor plant.

As a result, the Division recorded lower revenue of RM1.4 billion (2015: RM1.9 billion). The Division, however, recorded a lower operating loss of RM111.3 million (2015: RM123.9 million) due to the rebound in steel prices in the last quarter of the financial year.

The inland waterway transportation system ("IWTS") project undertaken by the Division to transport raw materials to our steel complex in Banting via Sungai Langat river posted a revenue and an operating profit of RM27.3 million and RM1.4 million respectively (2015: Revenue of RM38.4 million and profit of RM18.4 million). The unfavourable performance compared to the last financial year, was mainly due to the temporary shut-down of operations by our major customers involved in steel making.

Property Development

	2016 RM Million	2015 RM Million
Revenue	**161.6**	57.6
Segment Profit (included profit from joint venture)	**18.1**	17.8

"The Promenade" project located at Bandar Bayan Baru, Penang is the main contributor to the performance of the Division. This project, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza which had its soft launch in year 2012, has a take-up rate of over 95% due to its strategic location and competitive pricing. The whole project is expected to be completed by the end of year 2016.

The Group has another development project at Taman Malim Jaya, Melaka, which comprises 32 units of 2-storey shop-office. It has a take-up rate of over 60% and is expected to be completed by March 2017.

Building Materials

	2016 RM Million	2015 RM Million
Revenue	**477.9**	617.6
Segment Profit	**6.3**	15.7

The Division's business of trading and distribution of building materials is directly influenced by the property sector in the country. Financial year 2016 had been a challenging year for the property market in light of the softened local economy with persistently poor consumer sentiment and cautious spending. The slowdown in the property market became apparent in 2015 with further softening in 2016. The residential and commercial properties witnessed considerable slowdown as bank lending policies tightened and were in an "over built" situation. All these factors had translated to lower demand for building materials and keener competition among the building materials distributors.

In addition to the Division's business being affected by the slowdown in the property market, our steel bar trading business which deals mainly in locally-made reinforcement steel bars also encountered competition from foreign countries, particularly China. The global oversupply of steel and the continuing influx of steel imports at dumping prices into the country had caused the local steel mills to cut back on production and close down certain of their production lines while contending with rising domestic costs that squeezed their margins.

Nonetheless, the Division will stay vigilant and responsive to market changes, and focus on cost containment and forging closer relationships with suppliers and trading partners to ensure the Division remains profitable in the challenging environment.

Lubricants, Petroleum And Automotive Products

	2016 RM Million	2015 RM Million
Revenue	**75.0**	81.9
Segment Profit	**11.1**	12.5

Financial year 2016 posed many challenges to the lubricant division. The effects of GST implementation, compounded by the weak business operating environment continued to adversely influence workshops buying patterns, resulting in lower stock holding at their end as they sought to conduct their businesses more efficiently.

In our pursuit to stay relevant in the highly competitive market of countless lubricant players, we shall continue with our business strategies that focus on fostering good relationships with our business partners. Our close collaboration with our customers who are our 'business partners' is important to us, and we recognise their challenges of remaining competitive in their operations. In this regard, we have adopted various business alliances support to help their businesses to expand and be profitable. At the same time, we remain vigilant to the changing trends in the products and services demanded in the automotive after-market segment whilst maintaining our production and operational competence.

In January 2016, we had expanded our Hi-Rev motorcycle lubricant products range, and introduced TorQe, with Ester Plus, which is specially developed for superbikes use. TorQe features a special 'Heat Stabilizer Formula' that reduces thermal stress typically faced by any large-capacity motorcycle engines, and is compatible with engine types ranging from air-cooled to liquid-cooled and dry or wet clutch. The presence of TorQe in the premium motorcycle lubricant segment is expected to further strengthen our Hi-Rev brand in the motorcycle engine oil market.

Our lubricant business will continue to explore opportunities beyond our domestic shore, and we actively seek business partners in potential and developing markets to grow our home-grown brand of lubricants. During the year, we had appointed and engaged new local distributors and marketers in various countries, and moving forward, we will closely engage with these distribution networks to develop effective business models for the longer term.

FINANCIAL STATEMENTS

2016

For The Financial Year Ended 30 June 2016

DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 42 to the financial statements.

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Loss for the year	(905,805)	(650)
Loss attributable to:		
Owners of the Company	(796,477)	
Non-controlling interests	(109,328)	
	(905,805)	

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than impairment losses made on the trade and other receivables; and impairment of property, plant and equipment, as disclosed in Notes 4(i) and 4(ii)(e) to the financial statements.

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

During the current financial year, the Company repurchased a total of 21,050,600 of its issued ordinary shares from the open market at an average price of RM0.29 per share. The total consideration paid for the repurchase including transaction costs was RM6,015,362. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As of 30 June 2016, the Company held 23,937,000 treasury shares at a carrying amount of RM8,086,366, as disclosed in Note 28 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

An ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group implemented on 2 February 2011 for a period of five years expired on 1 February 2016. The main features of the ESOS are disclosed in Note 27 to the financial statements.

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

Grant date	Subscription price per share (RM)	Number of options As of 1.7.2015	Granted	Exercised	Lapsed	As of 30.6.2016
4.12.2014	1.00	12,219,500	–	–	(12,219,500)	–
2.1.2015	1.00	25,000	–	–	(25,000)	–
		12,244,500	–	–	(12,244,500)	–

The exercise period for the above options expired on 1 February 2016.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of Lion Forest Industries Corporation Berhad ("LFIB"), LFIB agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI, as disclosed in Note 38 to the financial statements.

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

DIRECTORS

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

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
Tan Sri Cheng Yong Kim
Dato' Kamaruddin @ Abas bin Nordin
Chong Jee Min
Yap Soo Har (Appointed on 1 December 2015)

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

In accordance with Article 99 of the Company's Articles of Association, Ms Yap Soo Har who was appointed during the financial year retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As of 1.7.2015	**Additions**	**Disposals**	**As of 30.6.2016**
Direct interest				
Tan Sri Cheng Yong Kim	9,253,289	–	–	**9,253,289**
Dato' Kamaruddin @ Abas bin Nordin	128,000	–	–	**128,000**
Indirect interest				
Tan Sri Cheng Yong Kim	113,681,140	–	(5,964,800)	**107,716,340**

In addition, the following Directors are deemed to have interests in shares in the Company by virtue of the options granted to them pursuant to the ESOS of the Company, which expired on 1 February 2016 as follows:

	Exercise price (RM)	Number of options			
		As of 1.7.2015	**Granted**	**Lapsed**	**As of 30.6.2016**
Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin	1.00	250,000	–	(250,000)	**–**
Dato' Kamaruddin @ Abas bin Nordin	1.00	250,000	–	(250,000)	**–**
Chong Jee Min	1.00	250,000	–	(250,000)	**–**

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

	Nominal value per ordinary share	Number of Shares			
		As of 1.7.2015	**Additions**	**Disposals**	**As of 30.6.2016**
Tan Sri Cheng Yong Kim					
Direct interest					
Lion Forest Industries Berhad	RM1.00	130	–	–	**130**
Indirect interest					
Holdsworth Investment Pte Ltd	*	4,500,000	–	–	**4,500,000**
Inspirasi Elit Sdn Bhd	RM1.00	212,500	–	–	**212,500**
Lion Forest Industries Berhad	RM1.00	168,960,954	–	–	**168,960,954**
Lion Group Management Services Sdn Bhd	RM1.00	2	4,949,998	–	**4,950,000**
LLB Enterprise Sdn Bhd	RM1.00	690,000	–	–	**690,000**
Marvenel Sdn Bhd	RM1.00	70	–	–	**70**
Ototek Sdn Bhd	RM1.00	1,050,000	–	–	**1,050,000**
Posim EMS Sdn Bhd	RM1.00	800,000	–	–	**800,000**
Soga Sdn Bhd	RM1.00	4,525,322	–	–	**4,525,322**
Steelcorp Sdn Bhd	RM1.00	99,750	–	–	**99,750**
Zhongsin Biotech Pte Ltd	*	1,000,000	–	–	**1,000,000**

Investments in the People's Republic of China	Currency	As of 1.7.2015	Additions	Disposals	As of 30.6.2016
Tan Sri Cheng Yong Kim					
Indirect interest					
Tianjin Baden Real Estate Development Co Ltd (In liquidation - voluntary)	USD	5,000,000	–	–	**5,000,000**
Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary)	USD	10,878,944	–	–	**10,878,944**

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company and/or its subsidiary companies have interests as disclosed in Note 36 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

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

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

TAN SRI CHENG YONG KIM

DATO' KAMARUDDIN @ ABAS BIN NORDIN

Kuala Lumpur
5 October 2016

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

Report on the Financial Statements

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2016, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 46 to 150.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

(b) we have considered the accounts and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 42 to the financial statements, being accounts that have been included in the financial statements of the Group;

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

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

Other Reporting Responsibilities

The supplementary information set out on page 151 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

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

DELOITTE
AF 0080
Chartered Accountants

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

Kuala Lumpur
5 October 2016

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Revenue	5	**2,514,921**	2,782,413	**–**	3,011
Other income		**140,437**	51,468	**18,885**	3,129
Net changes in inventories		**(185,181)**	29,309	**–**	–
Raw materials and consumables used		**(1,495,627)**	(1,939,719)	**–**	–
Purchase of trading merchandise		**(475,524)**	(620,091)	**–**	–
Cost of completed units sold		**(35,816)**	(2,263)	**–**	–
Land held for property development costs	15(a)	**–**	(92)	**–**	(92)
Property development costs	15(b)	**(73,867)**	(34,046)	**–**	–
Staff costs	6	**(140,326)**	(148,304)	**(1,380)**	(7,131)
Directors' remuneration	7	**(1,320)**	(1,315)	**(1,320)**	(1,315)
Depreciation of property, plant and equipment	12	**(131,263)**	(114,351)	**(485)**	(492)
Amortisation of prepaid land lease payments	14	**(1,900)**	(1,836)	**–**	–
Other expenses		**(114,245)**	(135,497)	**(13,073)**	(16,820)
Investment income	8	**21,185**	19,407	**6,115**	7,439
Finance costs	9	**(38,763)**	(50,754)	**(7,993)**	(12,222)
(Loss)/Profit from operations	6	**(17,289)**	(165,671)	**749**	(24,493)
Share in results of:					
Associated companies	17	**(35,970)**	(37,845)	**–**	–
Joint venture	18	**826**	7,921	**–**	–
Impairment losses on:					
Property, plant and equipment	12	**(193,132)**	–	**–**	–
Quoted and unquoted investments	19	**–**	(7,998)	**(1,399)**	(185)
Trade and other receivables	23	**(606,971)**	(5,260)	**–**	–
Settlement arising from litigation claim against a former subsidiary company	33	**–**	(70,000)	**–**	–
Loss before tax		**(852,536)**	(278,853)	**(650)**	(24,678)
Tax (expense)/credit	10	**(53,269)**	(9,013)	**–**	7
Loss for the year		**(905,805)**	(287,866)	**(650)**	(24,671)

(Forward)

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Loss attributable to:		
Owners of the Company	**(796,477)**	(254,821)
Non-controlling interests	**(109,328)**	(33,045)
	(905,805)	(287,866)

		The Group	
	Note	**2016**	**2015**
Loss per ordinary share attributable to owners of the Company (sen):			
Basic and diluted	11	**(113.50)**	(35.61)

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loss for the year	**(905,805)**	(287,866)	**(650)**	(24,671)
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	**4,189**	15,112	**–**	–
Share of other comprehensive income/(loss) of associated companies	**13,665**	(35,019)	**–**	–
Net (loss)/gain on fair value changes on available-for-sale financial assets	**(8,581)**	18,073	**(224)**	196
Other comprehensive income/(loss) for the year, net of tax	**9,273**	(1,834)	**(224)**	196
Total comprehensive loss for the year	**(896,532)**	(289,700)	**(874)**	(24,475)

	The Group	
	2016	2015
	RM'000	RM'000
Loss attributable to:		
Owners of the Company	**(788,786)**	(264,248)
Non-controlling interests	**(107,746)**	(25,452)
	(896,532)	(289,700)

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	**747,392**	1,079,980	**1,676**	2,079
Investment properties	13	**1,880**	2,165	**–**	–
Prepaid land lease payments	14	**61,987**	46,039	**–**	–
Land held for property development	15(a)	**32,504**	33,121	**26**	26
Investment in subsidiary companies	16	**–**	–	**185,894**	190,545
Investment in associated companies	17	**789,972**	806,916	**102,448**	102,448
Investment in joint venture	18	**10,401**	9,575	**–**	–
Long-term investments	19	**11,246**	19,827	**2,301**	3,924
Trade receivables	23(a)	**–**	341,800	**–**	–
Other receivables	23(b)	**–**	190,219	**–**	–
Deferred tax assets	20	**55,150**	106,138	**–**	–
Goodwill	21	**130,443**	130,443	**–**	–
Total Non-Current Assets		**1,840,975**	2,766,223	**292,345**	299,022
Current Assets					
Property development costs	15(b)	**35,246**	54,515	**–**	–
Inventories	22	**330,260**	607,529	**43**	43
Trade receivables	23(a)	**213,170**	206,724	**8**	349
Other receivables, deposits and prepayments	23(b)	**232,990**	269,965	**9,554**	14,108
Accrued billings for property development projects		**7,609**	1,428	**–**	–
Amount owing by associated companies	24(b)	**17**	22	**–**	–
Amount owing by joint venture	18	**1,528**	1,579	**–**	–
Amount owing by subsidiary companies	24(a)	**–**	–	**1,084,970**	1,086,441
Deposits, cash and bank balances	25	**318,071**	347,015	**7,754**	7,389
		1,138,891	1,488,777	**1,102,329**	1,108,330
Assets classified as held for sale	26	**–**	3,388	**–**	–
Total Current Assets		**1,138,891**	1,492,165	**1,102,329**	1,108,330
Total Assets		**2,979,866**	4,258,388	**1,394,674**	1,407,352

(Forward)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	27	**717,909**	717,909	**717,909**	717,909
Reserves	28	**878,142**	1,662,939	**331,926**	338,815
Equity attributable to owners of the Company		**1,596,051**	2,380,848	**1,049,835**	1,056,724
Non-controlling interests	16	**155,649**	286,909	**–**	–
Total Equity		**1,751,700**	2,667,757	**1,049,835**	1,056,724
Non-Current and Deferred Liabilities					
Long-term borrowings	29	**59,622**	121,870	**–**	–
Finance lease payables	30	**27,795**	28,335	**–**	–
Hire-purchase obligations	31	**1,321**	2,096	**41**	126
Deferred tax liabilities	20	**24,113**	22,991	**–**	–
Total Non-Current and Deferred Liabilities		**112,851**	175,292	**41**	126
Current Liabilities					
Trade payables	32(a)	**490,691**	649,652	**166**	166
Other payables, deposits and accrued expenses	32(b)	**347,853**	342,842	**834**	1,176
Provisions	33	**–**	–	**–**	–
Advance billings of property development projects		**11,852**	13,864	**–**	–
Amount owing to subsidiary companies	24(a)	**–**	–	**293,235**	183,657
Finance lease payables	30	**55,484**	61,447	**–**	–
Hire-purchase obligations	31	**912**	857	**85**	81
Short-term borrowings	34	**206,534**	326,066	**50,478**	165,422
Tax liabilities		**1,989**	20,611	**–**	–
Total Current Liabilities		**1,115,315**	1,415,339	**344,798**	350,502
Total Liabilities		**1,228,166**	1,590,631	**344,839**	350,628
Total Equity and Liabilities		**2,979,866**	4,258,388	**1,394,674**	1,407,352

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

The Group

	Note	← Non-distributable reserves → Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Capital reserve RM'000	Equity compensation reserve RM'000	Fair value reserve RM'000	Distributable reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non–controlling interests RM'000	Total equity RM'000
As of 1 July 2014		717,909	532,627	(1,221)	5,931	13,357	–	186	1,375,879	2,644,668	315,265	2,959,933
Loss for the year		–	–	–	–	–	–	–	(254,821)	(254,821)	(33,045)	(287,866)
Other comprehensive income/(loss)		–	–	–	7,540	(35,019)	–	18,073	(21)	(9,427)	7,593	(1,834)
Total comprehensive income/(loss) for the year		–	–	–	7,540	(35,019)	–	18,073	(254,842)	(264,248)	(25,452)	(289,700)
Share-based payments		–	–	–	–	–	274	–	–	274	–	274
Purchase of treasury shares	28	–	–	(850)	–	–	–	–	–	(850)	–	(850)
Acquisition of non-controlling interests		–	–	–	–	–	–	–	1,004	1,004	(2,904)	(1,900)
As of 30 June 2015		717,909	532,627	(2,071)	13,471	(21,662)	274	18,259	1,122,041	2,380,848	286,909	2,667,757

The Group

		← Non-distributable reserves					→	Distributable	Attributable		
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Capital reserve RM'000	Equity compensation reserve RM'000	Fair value reserve RM'000	reserve – Retained earnings RM'000	to owners of the Company RM'000	Non–controlling interests RM'000	Total equity RM'000
As of 1 July 2015		717,909	532,627	(2,071)	13,471	(21,662)	274	18,259	1,122,041	2,380,848	286,909	2,667,757
Loss for the year		–	–	–	–	–	–	–	(796,477)	(796,477)	(109,328)	(905,805)
Other comprehensive income/(loss)		–	–	–	2,607	13,665	–	(8,581)	–	7,691	1,582	9,273
Total comprehensive income/(loss) for the year		–	–	–	2,607	13,665	–	(8,581)	(796,477)	(788,786)	(107,746)	(896,532)
Share-based payments		–	–	–	–	274	(274)	–	–	–	–	–
Purchase of treasury shares	28	–	–	(6,015)	–	–	–	–	–	(6,015)	(1,808)	(7,823)
Acquisition of non-controlling interests		–	–	–	–	–	–	–	10,004	10,004	(24,106)	(14,102)
Effect of dilution on equity interest in a subsidiary company		–	–	–	–	–	–	–	–	–	2,400	2,400
As of 30 June 2016		717,909	532,627	(8,086)	16,078	(7,723)	–	9,678	335,568	1,596,051	155,649	1,751,700

The Company

	Note	Share capital RM'000	Share premium RM'000 (← Non-distributable reserves)	Treasury shares RM'000	Fair value reserve RM'000	Equity compensation reserve RM'000	Capital reserve RM'000 (Non-distributable reserves →)	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2014		717,909	532,627	(1,221)	23	–	5,145	(172,708)	1,081,775
Loss for the year		–	–	–	–	–	–	(24,671)	(24,671)
Other comprehensive income		–	–	–	196	–	–	–	196
Total comprehensive income/(loss) for the year		–	–	–	196	–	–	(24,671)	(24,475)
Share-based payments		–	–	–	–	274	–	–	274
Purchase of treasury shares	28	–	–	(850)	–	–	–	–	(850)
As of 30 June 2015		717,909	532,627	(2,071)	219	274	5,145	(197,379)	1,056,724
As of 1 July 2015		**717,909**	**532,627**	**(2,071)**	**219**	**274**	**5,145**	**(197,379)**	**1,056,724**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(650)**	**(650)**
Other comprehensive loss		**–**	**–**	**–**	**(224)**	**–**	**–**	**–**	**(224)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(224)**	**–**	**–**	**(650)**	**(874)**
Share-based payments		**–**	**–**	**–**	**–**	**(274)**	**274**	**–**	**–**
Purchase of treasury shares	28	**–**	**–**	**(6,015)**	**–**	**–**	**–**	**–**	**(6,015)**
As of 30 June 2016		**717,909**	**532,627**	**(8,086)**	**(5)**	**–**	**5,419**	**(198,029)**	**1,049,835**

The accompanying Notes form an integral part of the Financial Statements

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

The Group	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(905,805)**	(287,866)
Adjustments for:		
Depreciation of property, plant and equipment	**131,263**	114,351
Inventories written down	**1,307**	75,371
Tax expense recognised in profit or loss	**53,269**	9,013
Finance costs	**38,763**	50,754
Allowance for obsolescence of inventories	**3,214**	13,256
Unrealised loss on foreign exchange	**12,529**	10,120
Impairment loss on:		
Associated companies	**–**	12,655
Long-term investments	**–**	7,998
Trade and other receivables	**606,971**	5,260
Property, plant and equipment	**193,132**	–
Amortisation of prepaid land lease payments	**1,900**	1,836
Property, plant and equipment written off	**1,824**	382
Bad debts written off	**742**	–
Fair value adjustments on investment properties	**161**	(378)
Share in results of:		
Associated companies	**35,970**	37,845
Joint venture	**(826)**	(7,921)
Interest income	**(22,211)**	(19,910)
Impairment losses no longer required for:		
Trade and other receivables	**(1,848)**	(5,005)
Long-term investments	**(1,253)**	(2,457)
Amount owing by associated companies	**(24,465)**	–
Allowance no longer required for obsolescence of inventories	**(3,252)**	(2,758)
(Gain)/Loss on disposal of:		
Property, plant and equipment	**(42)**	(1,241)
Associated companies	**(80,482)**	–
Quoted investments	**–**	(24)
Unquoted investments	**–**	837
Assets classified as held for sale	**(3,132)**	–
Provision for liquidated damages no longer required	**(200)**	–
Settlements arising from litigation claim against a former subsidiary company	**–**	70,000
Share-based payments	**–**	274
Operating Profit Before Working Capital Changes	**37,529**	82,392
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	**276,450**	124,457
Trade and other receivables, deposits and prepayments	**(62,027)**	126,593
Amount owing by associated companies	**24,470**	10,729
Property development costs	**19,635**	5,757
Amount owing by joint venture	**51**	(94)
Decrease in trade and other payables, deposits and accrued expenses	**(150,153)**	(201,880)
Cash Generated From Operations	**145,955**	147,954
Tax paid	**(19,781)**	(25,694)
Net Cash From Operating Activities	**126,174**	122,260

(Forward)

The Group	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividends received from:			
Associated companies		**1,435**	4,054
Joint venture		**–**	55,320
Interest received		**22,211**	14,928
Proceeds from disposal/redemption of investments		**1,253**	3,043
Proceeds from disposal of:			
Property, plant and equipment		**1,078**	5,583
Associated companies		**80,482**	–
Assets classified as held for sale		**6,520**	–
Additions to:			
Property, plant and equipment (Note)		**(11,682)**	(28,840)
Associated companies		**(5,677)**	–
Quoted investments		**–**	(1,374)
Acquisition of non-controlling interests		**(14,102)**	(1,900)
Increase in land held for property development		**(199)**	57
Net Cash From Investing Activities		**81,319**	50,871
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in cash and cash equivalents - restricted		**955**	140,400
Proceeds from borrowings		**–**	75,956
Repayment of:			
Long-term borrowings		**(60,000)**	(60,000)
Short-term borrowings		**(115,838)**	(151,576)
Finance lease liabilities		**(6,503)**	(16,556)
Hire-purchase obligations		**(720)**	(895)
Interest and profit element paid		**(38,389)**	(51,005)
Purchase of treasury shares		**(7,823)**	(850)
Settlement arising from litigation claim against a former subsidiary company		**–**	(85,000)
Net Cash Used In Financing Activities		**(228,318)**	(149,526)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(20,825)**	23,605
Effect of foreign exchange differences		**(848)**	529
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**293,615**	269,481
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**271,942**	293,615

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

	2016 RM'000	2015 RM'000
Cash	**11,682**	28,840
Hire-purchase	**–**	128
	11,682	28,968

(Forward)

The Company	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(650)**	(24,671)
Adjustments for:		
Finance costs	**7,993**	12,222
Unrealised loss on foreign exchange	**1,549**	11,131
Loss on disposal of unquoted investment	**–**	837
Depreciation of property, plant and equipment	**485**	492
Share-based payments	**–**	274
Impairment losses on quoted and unquoted investments	**1,399**	185
Property, plant and equipment written off	**–**	1
Interest income	**(6,192)**	(7,521)
Dividend income	**–**	(2,624)
Impairment losses on amount owing by subsidiary companies no longer required	**(18,470)**	(1,811)
Gain on disposal of quoted investments	**–**	(22)
Tax credit recognised in profit or loss	**–**	(7)
Gain on disposal of property, plant and equipment	**(37)**	–
Impairment losses on investment in subsidiary company	**4,651**	–
Provision for liquidated damages no longer required	**(66)**	–
Operating Loss Before Working Capital Changes	**(9,338)**	(11,514)
Movements in working capital:		
Decrease in:		
Trade and other receivables, deposits and prepayments	**4,841**	7,768
Land held for development	**–**	87
Decrease in trade and other payables, deposits and accrued expenses	**(276)**	(417)
Cash Used In Operations	**(4,773)**	(4,076)
Tax refunded	**54**	90
Net Cash Used In Operating Activities	**(4,719)**	(3,986)

(Forward)

The Company	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal/redemption of investments		**–**	483
Interest income received		**524**	322
Decrease/(Increase) in amount owing by subsidiary companies		**25,609**	(848)
Purchase of property, plant and equipment		**(83)**	(493)
Proceeds from disposal of property, plant and equipment		**38**	–
Net Cash From/(Used In) Investing Activities		**26,088**	(536)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from borrowings		**–**	75,956
Repayment of:			
Borrowings		**(115,945)**	(61,430)
Hire-purchase obligations		**(81)**	(77)
Finance costs paid		**(7,993)**	(12,222)
Purchase of treasury shares		**(6,015)**	(850)
Increase in cash and cash equivalents - restricted		**(85)**	(80)
Increase in amount owing to subsidiary companies		**108,865**	–
Net Cash (Used In)/From Financing Activities		**(21,254)**	1,297
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**115**	(3,225)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**46**	3,271
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**161**	46

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. GENERAL INFORMATION

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

The Company's principal activities are investment holding and property development.

The principal activities of the subsidiary companies are disclosed in Note 42.

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 5 October 2016.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Malaysian Financial Reporting Standards

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

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

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

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

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

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

New and Revised Standards and Amendments in issue but not yet effective

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

FRS 9	Financial Instruments (IFRS 9 as issued by IASB in November 2009) [3]
FRS 9	Financial Instruments (IFRS 9 as issued by IASB in October 2010) [3]
FRS 9	Financial instruments (Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139) [3]
FRS 9	Financial instruments (IFRS 9 as issued by IASB in July 2014 [3]
FRS 14	Regulatory Deferral Accounts[1]
Amendments to FRSs	Annual improvements to FRSs 2012-2014 Cycle [1]
Amendments to FRS 9 and FRS 7	Mandatory Effective Date of FRS 9 (IFRS 9 as issued by IASB in November 2009 and October 2010) and Transition Disclosures [3]
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
Amendments to FRS 10, FRS 12 and FRS 128	Investment entities: Applying the Consolidation Exception [1]
Amendments to FRS 11	Accounting for Acquisitions of interests in Joint Operations [1]
Amendments to FRS 101	Disclosure initiative [1]
Amendments to FRS 107	Disclosure initiative [2]
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses [2]
Amendments to FRS 116 and FRS 138	Classification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to FRS 127	Equity method in Separate Financial Statements [1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

Basis of Accounting (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

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

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

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

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

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

Business Combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

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

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

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

Investment in Subsidiary Companies

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

Investment in Associated Companies and Joint Venture

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies and Joint Venture (continued)

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

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

The requirements of FRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associated company or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 136 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

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

Revenue of the Group consists of the sales invoice value of goods and services supplied to third parties, net of discounts and returns, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed, sales value of land under development and completed property units, gross rental income and dividend income receivable from quoted and unquoted investments.

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

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

(i) **Steel Division**

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

(ii) **Property Development Division**

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

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

Rental income - on accrual basis.

Interest income - recognised as it accrues, taking into account the effective yield on the assets.

(iii) **Building Materials Division**

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

(iv) **Other Divisions**

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

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

Foreign Currency

(i) **Functional and Presentation Currencies**

The individual financial statements of each entity in the Group are presented in Ringgit Malaysia, United States Dollar, Renminbi or Singapore Dollar, the currency of the primary economic environment in which the entities operate (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity, are expressed in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency (continued)

(ii) **Foreign Currency Transactions**

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

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

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

Employee Benefits

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

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

(ii) **Defined Contribution Plans**

The Company, its subsidiary companies incorporated in Malaysia and their eligible employees are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a local statutory defined contribution plans, at certain prescribed rates based on the employees' salaries. The Group's foreign incorporated subsidiary companies and their eligible employees also make contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, there are no further payment obligations.

(iii) **Equity Compensation Benefits**

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits (continued)

(iii) **Equity Compensation Benefits (continued)**

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the equity compensation reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

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

Income Tax

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax is charged or credited to profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Property, Plant and Equipment

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

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

The annual depreciation rates are as follows:

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

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

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

Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 39 to 82 years (2015: 40 to 83 years).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

Leases

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

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

Property, Plant and Equipment under Finance Leases

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

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

Property, Plant and Equipment under Hire-Purchase Arrangement

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

Land held for Property Development

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Land held for Property Development (continued)

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

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

Non-Current Assets Classified as Held for Sale

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

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

Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Property Development Activities

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Development Activities (continued)

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

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

Inventories

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

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

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

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

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

Islamic Securities Programme ("Sukuk")

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

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

Provisions

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

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

Segment Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent Liabilities

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

Financial Guarantee Contracts

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

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

Financial Instruments

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

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

Financial Assets

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

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

<u>Financial assets at FVTPL</u>

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

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

Financial Assets (continued)

A financial asset is classified as held for trading if:

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

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

Held-to-maturity investments

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

Loans and receivables

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

AFS investments

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Impairment of financial assets

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

(a) Loans and receivables

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

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

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

(b) AFS investments

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

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

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

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

(c) Held-to-maturity investments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Derecognition of financial assets

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

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are equity instruments.

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities and Equity Instruments (continued)

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of Receivables

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

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

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

As of 30 June 2016, the Group has trade and other receivables due from three major related parties:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Trade receivables		
Megasteel Sdn Bhd ("Megasteel")	**542,903**	491,862
Lion DRI Sdn Bhd ("Lion DRI")	**157,576**	143,775
	700,479	635,637
Less: Accumulated impairment losses	**(700,479)**	(293,837)
Net	**–**	341,800
Other receivables		
Megasteel	**48,558**	48,558
Lion DRI	**37,900**	49,781
Graimpi Sdn Bhd ("Graimpi")	**272,180**	272,180
	358,638	370,519
Less: Accumulated impairment losses	**(358,638)**	(180,300)
	–	190,219
Concentration of credit risk	**–**	64%

To determine whether there is objective evidence of impairment, the Group has considered the following factors:

(i) Megasteel has been suffering losses in the past several years due to excessive dumping of steel products by foreign steel mills and has been operating intermittently depending on market conditions. In addition, in January 2016, the Government had terminated the investigation for the Safeguard Petition on imported hot rolled coils which had further impacted on Megasteel's operations. Consequently, Megasteel had to retrench its employees and temporarily stopped operations during the year;

(ii) the ability of Lion DRI and Graimpi to generate sufficient cash flows to repay their debts to the Group is highly dependent on the performance of Megasteel; and

(iii) the probability of insolvency or significant financial difficulties of these related parties and default or significant delay in payments.

In view of the uncertainty in recovering the trade and other receivables from these related parties, the Directors are of the opinion that full impairment losses need to be made on these outstanding amounts.

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Non-Current Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2016, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Land held for property development	**2,425**	4,535	**–**	–
Property development costs	**15,498**	13,388	**–**	–
Long-term investments	**72,157**	73,410	**–**	–
Investment in associated companies	**12,655**	12,655	**–**	–
Investment in subsidiary companies	**–**	–	**179,462**	174,811

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

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

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

(b) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the VIU of the cash-generating units to which goodwill has been allocated. The VIU calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2015: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 21.

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

(ii) Key sources of estimation uncertainty (continued)

(c) Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group amounted to RM55,150,000 (2015: RM106,138,000).

(d) Depreciation of Property, Plant and Equipment

The cost of property, plant and equipment except for freehold land and construction work-in-progress, is depreciated on a straight-line basis over the assets' useful lives. The Group reviews the remaining useful lives of property, plant and equipment at the end of each reporting period and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

(e) Impairment of Property, Plant and Equipment

(i) As of 30 June 2016, the Directors have made further impairment assessment on the steel making plant of a subsidiary company located at Banting ("the Banting plant"), which has temporarily stopped production since the previous financial years. The recoverable amount of the plant, which consists of land and buildings and plant and machinery, was determined based on fair value less cost to sell, by a reference to the latest valuation carried out by an independent firm of professional valuers in September 2016. The basis of fair value less cost to sell for the said assets was determined as follows:

(a) Land - direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, market condition, size, shape and terrain of land, tenurial interest and restriction if any, availability of infrastructure, vacant possession and developmental approval and other relevant characteristics.

(b) Building - depreciated replacement cost method, where the building value is taken to be equal the cost of replacing the building in its existing condition. This is determined by taking the current replacement cost of the building as new and allowing for depreciation of physical, functional and economic obsolescence.

(c) Plant and machineries - depreciated replacement cost method by estimating the replacement cost new ("RCN") for the assets as of the valuation date, where the estimated RCN was derived based on information from web research.

The Directors believe that the chosen valuation method is appropriate in determining the recoverable amounts of the Banting plant and resulting in the Group recognised an impairment loss of RM127,840,000 for the financial year.

As of 30 June 2016, the carrying amount of the Banting plant is RM356,802,000, net of accumulated impairment loss of RM171,879,000 (2015: RM535,753,000, net of accumulated impairment loss of RM44,039,000).

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

(ii) Key sources of estimation uncertainty (continued)

(e) Impairment of Property, Plant and Equipment (continued)

(ii) During the financial year, as a result of the Government's decision in terminating the investigation of the Safeguard Petition on imported hot rolled coils as mentioned in Note 4(i), major customers of Lion Waterway Logistics Sdn Bhd ("Lion Waterway") (a subsidiary of the Company), Lion DRI and Megasteel had temporarily stopped operations.

As a result of the above, the Directors determined the recoverable amount of the related plant and machineries, infrastructure, tug boats and barges as well as floating cranes (collectively known as "these assets") by measuring these assets at the higher of the fair value less cost of disposal and their value-in-use. The value-in-use of these assets, is the future economic benefits to be expected from their continued use by using the income approach internally and ultimate disposal. The estimation of value-in-use requires the Directors to estimate the future cash flows expected to arise from the cash-generating units.

Premised on the above, the Group has recognised an impairment loss of RM65,292,000 (2015: RMNil) on these assets as the carrying amount of certain of these assets exceeded their estimated recoverable amount. The Directors are of the opinion that the carrying amount of RM70,350,000, net of accumulated impairment loss of RM65,292,000 (2015: carrying amount of RM171,890,000 with no accumulated impairment loss) is recoverable.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sale of goods	**2,303,379**	2,670,628	**–**	–
Revenue from:				
Property development	**110,502**	52,976	**–**	–
Sale of land under development and completed property units	**44,313**	3,268	**–**	387
Gross rental income	**1,426**	1,384	**–**	–
Service rendered	**55,301**	54,155	**–**	–
Gross dividend income from:				
Associated companies	**–**	–	**–**	2,622
Other investments	**–**	2	**–**	2
	2,514,921	2,782,413	**–**	3,011

6. (LOSS)/PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Impairment losses no longer required for:				
Long-term investments (Note 19)	**1,253**	2,457	**–**	–
Trade and other receivables (Note 23)	**1,848**	5,005	**–**	–
Amount owing by associated companies (Note 24(b))	**24,465**	–	**–**	–
Allowance for obsolescence of inventories no longer required	**3,252**	2,758	**–**	–
Inventories written down	**(1,307)**	(75,371)	**–**	–
Allowance for obsolescence of inventories	**(3,214)**	(13,256)	**–**	–
Property, plant and equipment written off	**(1,824)**	(382)	**–**	(1)
Impairment losses on amount owing by subsidiary companies no longer required (Note 24(a))	**–**	–	**18,470**	1,811
Impairment losses on investment in subsidiary companies (Note 16)	**–**	–	**(4,651)**	–
Impairment losses on investment in associated companies (Note 17)	**–**	(12,655)	**–**	–
Bad debts recovered	**43**	45	**–**	–
Provision for liquidated damages no longer required	**200**	–	**66**	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	**(809)**	(864)	**(125)**	(120)
Underprovision in prior years	**(9)**	(6)	**(5)**	(5)
Other auditors:				
Current year	**(70)**	(94)	**–**	–
Rental income from premises	**932**	2,044	**–**	–
Rental expense of:				
Premises	**(1,473)**	(927)	**–**	–
Plant, machinery and equipment	**(5,769)**	(9,715)	**–**	–
Jetties and leasehold land	**(4,817)**	(4,817)	**–**	–
Bad debts written off	**(742)**	–	**–**	–
Gain/(Loss) on disposal of:				
Property, plant and equipment	**42**	1,241	**37**	–
Associated company	**80,482**	–	**–**	–
Quoted investments	**–**	24	**–**	22
Unquoted investment	**–**	(837)	**–**	(837)
Assets classified as held for sale (Note 26)	**3,132**	–	**–**	–
Gain/(Loss) on foreign exchange (net):				
Realised	**15,747**	2,464	**(4,708)**	(3,285)
Unrealised	**(12,529)**	(10,120)	**(1,549)**	(11,131)
Fair value adjustments on investment properties (Note 13)	**(161)**	378	**–**	–
Interest income from Housing Development Accounts	**1,026**	503	**77**	82

Share-based payments relating to options granted under the Executive Share Option Scheme of the Company in 2015.

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

Analysis of staff costs is as follows:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, bonuses and allowances	**127,022**	133,683	**1,280**	6,437
Defined contribution plans	**13,304**	14,621	**100**	694
	140,326	148,304	**1,380**	7,131

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

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Salaries, bonuses and allowances	**3,349**	3,733
Defined contribution plans	**317**	388
	3,666	4,121

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group and of the Company as disclosed in Note 7, otherwise than in cash from the Group amounted to RM57,531 (2015: RM55,992).

7. DIRECTORS' REMUNERATION

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

	The Group and The Company	
	2016	**2015**
	RM'000	**RM'000**
Executive Director:		
Fee	**25**	25
Salary and other emoluments	**986**	986
Defined contribution plans	**118**	118
	1,129	1,129
Non-executive Directors:		
Fees	**191**	186
Total	**1,320**	1,315

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM108,227 (2015: RM99,796).

8. INVESTMENT INCOME

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
Fixed deposits	**8,640**	10,947	**218**	240
Related parties	**5,267**	5,538	**–**	–
Subsidiary companies	**–**	–	**5,668**	7,009
Associated company	**6,261**	1,751	**–**	–
Others	**1,017**	1,171	**229**	190
	21,185	19,407	**6,115**	7,439

9. FINANCE COSTS

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Term loans	**7,624**	14,875	**7,624**	11,834
Security deposits received from customers	**1,564**	1,246	**–**	–
Bills payable	**632**	777	**–**	–
Bank overdrafts	**850**	942	**354**	361
Finance lease and hire-purchase	**8,447**	9,534	**7**	12
Product financing liabilities	**2,956**	4,053	**–**	–
Others	**8,644**	8,779	**8**	15
Profit element on Sukuk	**8,046**	10,548	**–**	–
	38,763	50,754	**7,993**	12,222

10. TAX (EXPENSE)/CREDIT

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Estimated tax payable:				
Current year	**(19,138)**	(21,367)	**–**	–
Overprovision in prior years	**17,979**	10,066	**–**	7
	(1,159)	(11,301)	**–**	7
Deferred taxation (Note 20):				
Current year	**(52,073)**	1,796	**–**	–
(Under)/Overprovision in prior years	**(37)**	492	**–**	–
	(52,110)	2,288	**–**	–
Total tax (expense)/credit	**(53,269)**	(9,013)	**–**	7

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

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loss before tax	**(852,536)**	(278,853)	**(650)**	(24,678)
Tax credit at statutory tax rate of 24% (2015: 25%)	**204,609**	69,713	**156**	6,170
Tax effects of:				
Non-taxable income	**19,476**	10,143	**5,818**	2,923
Non-deductible expenses	**(71,816)**	(90,339)	**(5,243)**	(7,185)
Tax effect on share in results of associated companies and joint venture	**(8,435)**	(7,481)	**–**	–
Deferred tax assets not recognised	**(216,497)**	(3,135)	**(731)**	(1,908)
Realisation of deferred tax assets previously not recognised	**1,452**	1,528	**–**	–
Over/(Under)provision in prior years:				
Income tax	**17,979**	10,066	**–**	7
Deferred taxation	**(37)**	492	**–**	–
	(53,269)	(9,013)	**–**	7

The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profits for the year of assessment 2016. The computation of deferred tax as at 30 June 2016 has reflected these changes.

11. LOSS PER ORDINARY SHARE

(a) Basic loss per share

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

	2016 RM'000	2015 RM'000
Loss attributable to owners of the Company	**(796,477)**	(254,821)

	2016 '000	2015 '000
Weighted average number of ordinary shares in issue	**715,023**	716,595
Less: Effect of treasury shares	**(13,281)**	(968)
	701,742	715,627

	2016	2015
Basic loss per share (sen)	**(113.50)**	(35.61)

(b) Diluted loss per share

The basic and diluted loss per share are the same for 2016 and 2015 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

The main features of the ESOS are set out in Note 27.

12. PROPERTY, PLANT AND EQUIPMENT

The Group

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

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	COST								
	As of 1 July 2015 RM'000	**Additions RM'000**	**Disposals RM'000**	**Transfer from investment properties (Note 13) RM'000**	**Write-offs RM'000**	**Reclass-ification RM'000**	**Transfer to prepaid land lease payment (Note 14) RM'000**	**Exchange Differences RM'000**	**As of 30 June 2016 RM'000**
Freehold land	77,101	–	–	–	–	–	–	–	**77,101**
Freehold buildings	305,155	–	–	–	–	–	–	–	**305,155**
Buildings under long lease	133,880	–	–	124	–	–	(19,606)	–	**114,398**
Buildings under short lease	466	–	–	–	–	–	–	–	**466**
Plant, machinery and equipment	1,496,492	2,078	(1,772)	–	(1,824)	6,997	–	797	**1,502,768**
Prime movers and trailers	26,415	–	(1,419)	–	–	–	–	–	**24,996**
Motor vehicles	17,414	222	(429)	–	–	–	–	29	**17,236**
Furniture and office equipment	69,067	1,221	(133)	–	(156)	191	–	1	**70,191**
Computer equipment	6,150	216	(4)	–	(4)	–	–	1	**6,359**
Floating cranes	87,616	–	–	–	–	–	–	–	**87,616**
Tug boats and barges	74,179	–	–	–	–	–	–	–	**74,179**
Infrastructure	107,100	–	–	–	–	–	–	–	**107,100**
Renovations	1,892	–	–	–	–	–	–	–	**1,892**
Construction work-in-progress	141,030	7,945	–	–	(1,634)	(7,188)	–	–	**140,153**
Total	2,543,957	11,682	(3,757)	124	(3,618)	–	(19,606)	828	**2,529,610**

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

ACCUMULATED DEPRECIATION

	As of 1 July 2014 RM'000	Change for the year RM'000	Disposals RM'000	Transfer to investment properties (Note 13) RM'000	Write-offs RM'000	Reclass-ification RM'000	Transfer to assets held for sale (Note 26) RM'000	Exchange Differences RM'000	As of 30 June 2015 RM'000
Freehold land	–	–	–	–	–	–	–	–	–
Freehold buildings	159,487	14,916	–	–	–	–	–	–	174,403
Buildings under long lease	91,373	2,746	–	(203)	–	–	(2,960)	–	90,956
Buildings under short lease	466	–	–	–	–	–	–	–	466
Plant, machinery and equipment	882,615	71,026	(1,657)	–	(838)	–	–	203	951,349
Prime movers and trailers	16,498	1,867	(1,790)	–	–	–	–	–	16,575
Motor vehicles	10,594	1,840	(311)	–	–	–	–	13	12,136
Furniture and office equipment	57,983	3,103	(76)	–	(10,213)	–	–	1	50,798
Computer equipment	4,012	477	(102)	–	–	–	–	–	4,387
Floating cranes	18,433	4,162	–	–	–	–	–	–	22,595
Tug boats and barges	39,687	6,970	–	–	–	–	–	–	46,657
Infrastructure	35,700	7,140	–	–	–	–	–	–	42,840
Renovations	1,225	104	–	–	–	–	–	–	1,329
Construction work-in-progress	–	–	–	–	–	–	–	–	–
Total	1,318,073	114,351	(3,936)	(203)	(11,051)	–	(2,960)	217	1,414,491

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED DEPRECIATION								
	As of 1 July 2015 RM'000	Change for the year RM'000	Disposals RM'000	Transfer from investment properties (Note 13) RM'000	Write-offs RM'000	Reclass-ification RM'000	Transfer to prepaid land lease payment (Note 14) RM'000	Exchange Differences RM'000	As of 30 June 2016 RM'000
Freehold land	–	–	–	–	–	–	–	–	**–**
Freehold buildings	174,403	14,916	–	–	–	–	–	–	**189,319**
Buildings under long lease	90,956	2,565	–	–	–	–	(1,758)	–	**91,763**
Buildings under short lease	466	–	–	–	–	–	–	–	**466**
Plant, machinery and equipment	951,349	71,649	(765)	–	(1,649)	–	–	108	**1,020,692**
Prime movers and trailers	16,575	1,865	(1,398)	–	–	–	–	–	**17,042**
Motor vehicles	12,136	1,777	(429)	–	–	–	–	11	**13,495**
Furniture and office equipment	50,798	3,371	(128)	–	(142)	–	–	–	**53,899**
Computer equipment	4,387	476	(1)	–	(3)	–	–	–	**4,859**
Floating cranes	22,595	20,216	–	–	–	–	–	–	**42,811**
Tug boats and barges	46,657	7,184	–	–	–	–	–	–	**53,841**
Infrastructure	42,840	7,140	–	–	–	–	–	–	**49,980**
Renovations	1,329	104	–	–	–	–	–	–	**1,433**
Construction work-in-progress	–	–	–	–	–	–	–	–	**–**
Total	1,414,491	131,263	(2,721)	–	(1,794)	–	(1,758)	119	**1,539,600**

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED IMPAIRMENT LOSSES					NET BOOK VALUE	
	As of 1 July 2014 RM'000	**Charge for the year RM'000**	**As of 30 June 2015 RM'000**	**Charge for the year RM'000**	**As of 30 June 2016 RM'000**	**As of 30 June 2016 RM'000**	**As of 30 June 2015 RM'000**
Freehold land	1,754	–	1,754	–	**1,754**	**75,347**	75,347
Freehold buildings	–	–	–	28,299	**28,299**	**87,537**	130,752
Buildings under long lease	–	–	–	–	**–**	**22,635**	42,924
Buildings under short lease	–	–	–	–	**–**	**–**	–
Plant, machinery and equipment	478	–	478	66,843	**67,321**	**414,755**	544,665
Prime movers and trailers	3,215	–	3,215	–	**3,215**	**4,739**	6,625
Motor vehicles	–	–	–	–	**–**	**3,741**	5,278
Furniture and office equipment	–	–	–	–	**–**	**16,292**	18,269
Computer equipment	–	–	–	–	**–**	**1,500**	1,763
Floating cranes	–	–	–	–	**–**	**44,805**	65,021
Tug boats and barges	–	–	–	–	**–**	**20,338**	27,522
Infrastructure	–	–	–	57,120	**57,120**	**–**	64,260
Renovations	–	–	–	–	**–**	**459**	563
Construction work-in-progress	44,039	–	44,039	40,870	**84,909**	**55,244**	96,991
Total	49,486	–	49,486	193,132	**242,618**	**747,392**	1,079,980

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

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

	COST				
	As of 1 July 2015 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	As of 30 June 2016 RM'000
Motor vehicles	989	–	(311)	–	**678**
Furniture and office equipment	1,619	3	–	–	**1,622**
Computer equipment	3,423	80	(4)	–	**3,499**
Renovations	1,007	–	–	–	**1,007**
Total	7,038	83	(315)	–	**6,806**

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

	ACCUMULATED DEPRECIATION					NET BOOK VALUE
	As of 1 July 2015 RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	As of 30 June 2016 RM'000	As of 30 June 2016 RM'000
Motor vehicles	884	103	(311)	–	**676**	**2**
Furniture and office equipment	1,397	36	–	–	**1,433**	**189**
Computer equipment	2,219	245	(3)	–	**2,461**	**1,038**
Renovations	459	101	–	–	**560**	**447**
Total	4,959	485	(314)	–	**5,130**	**1,676**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) As of 30 June 2016, the Group has recognised an impairment loss of RM193,132,000 (2015: RMNil) in respect of the assets located at Banting Plant as well as the assets related to one of its subsidiary companies, Lion Waterway Logistics Sdn Bhd ("Lion Waterway"), as a result of the said Banting Plant has temporarily stopped productions since previous years and the major customers of Lion Waterway have temporarily stopped operations during the year. The said impairment loss was determined based on the assumptions as disclosed in Notes 4(ii)(e)(i) and (ii), respectively.

(b) As of 30 June 2016, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM274.9 million (2015: RM313.4 million) have been charged as collaterals to certain financial institutions for the finance lease payables and borrowings granted to the Group (Notes 29, 30 and 34).

(c) Included in property, plant and equipment of the Group and of the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM82,112,000 (2015: RM99,273,000) and RM2,000 (2015: RM105,000) respectively.

13. INVESTMENT PROPERTIES

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At beginning of year	**2,165**	4,244
Fair value adjustments during the year (Note 6)	**(161)**	378
Transfer (to)/from property, plant and equipment (Note 12)	**(124)**	4
Transfer to assets classified as held for sale (Note 26)	**–**	(2,461)
At end of year	**1,880**	2,165

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

At the end of the reporting period, the fair value of the Group's investment properties are measured using Level 2 valuation technique as disclosed in Note 3. There were no transfer between Levels 2 and 3 during the financial year.

The rental income earned by the Group from its investment properties amounted to RM5,475 (2015: RM19,800). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the financial year amounted to RM601 (2015: RM1,033).

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM13,897 (2015: RM23,260).

As of 30 June 2016, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair values totalling RM1,284,000 (2015: RM1,551,000) have been charged as collaterals to certain local banks for the bank overdrafts and other credit facilities granted to the Group (Notes 29 and 34).

Investment properties amounting to RM1,284,000 (2015: RM1,551,000) for the Group are held under leasehold interest.

14. PREPAID LAND LEASE PAYMENTS

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Cost:		
At beginning of year	**83,749**	83,749
Transfer from property, plant and equipment (Note 12)	**19,606**	–
At end of year	**103,355**	83,749
Cumulative amortisation:		
At beginning of year	**37,710**	35,874
Amortisation for the year	**1,900**	1,836
Transfer from property, plant and equipment (Note 12)	**1,758**	–
At end of year	**41,368**	37,710
Net book value	**61,987**	46,039

Prepaid land lease payments relate to lease of land for the Group's factory buildings, office complexes and warehouses located in the Mukim of Bukit Raja, Klang, Selangor and Pasir Gudang Industrial Estate, Johor and the leases will expire between the years 2025 and 2091. The Group does not have an option to purchase the leased land upon the expiry of the lease period.

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

As of 30 June 2016, certain parcels of leasehold land of the Group with carrying values totalling RM17.8 million (2015: RM18.5 million) have been charged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 29 and 34).

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year:				
Land costs	**31,804**	37,409	**13**	53
Development costs	**5,852**	6,375	**13**	60
	37,656	43,784	**26**	113
Costs incurred:				
Development costs	**199**	35	**–**	5
Costs transferred to property development costs (Note 15(b))				
Land costs	**(1,998)**	(5,565)	**–**	–
Development costs	**(928)**	(506)	**–**	–
	(2,926)	(6,071)	**–**	–
Costs recognised as expenses in profit or loss during the financial year:				
Land costs	**–**	(40)	**–**	(40)
Development costs	**–**	(52)	**–**	(52)
	–	(92)	**–**	(92)
At end of year:				
Land costs	**29,806**	31,804	**13**	13
Development costs	**5,123**	5,852	**13**	13
	34,929	37,656	**26**	26
Accumulated impairment losses:				
At beginning of year	**(4,535)**	(9,478)	**–**	–
Transferred to property development costs (Note 15(b))	**2,110**	4,943	**–**	–
At end of year	**(2,425)**	(4,535)	**–**	–
Net	**32,504**	33,121	**26**	26

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

(b) Property Development Costs

	The Group 2016 RM'000	The Group 2015 RM'000
At beginning of year:		
Land costs	**60,633**	55,068
Development costs	**119,237**	90,191
	179,870	145,259
Costs incurred:		
Development costs	**54,232**	28,540
Transfer to completed unit for sale	**(450)**	–
Transferred from land held for property development (Note 15(a))		
Land costs	**1,998**	5,565
Development costs	**928**	506
	2,926	6,071
At end of year:		
Land costs	**62,631**	60,633
Development costs	**173,947**	119,237
	236,578	179,870
Costs recognised as expenses in profit or loss:		
Previous years	**(111,967)**	(77,921)
Current year	**(73,867)**	(34,046)
	(185,834)	(111,967)
Accumulated impairment losses:		
At beginning of year	**(13,388)**	(8,445)
Transferred from land held for property development (Note 15(a))	**(2,110)**	(4,943)
At end of year	**(15,498)**	(13,388)
Net	**35,246**	54,515

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

	The Group 2016 RM'000	The Group 2015 RM'000
Interest expense on term loan	**44**	251

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2016	**2015**
	RM'000	**RM'000**
Shares quoted in Malaysia:		
At beginning and end of year	**42,232**	42,232
Unquoted shares in Malaysia:		
At cost	**309,495**	309,495
Deemed capital contribution	**13,629**	13,629
	323,124	323,124
Accumulated impairment losses	**(179,462)**	(174,811)
	143,662	148,313
Total	**185,894**	190,545
Market value of quoted shares	**27,528**	30,461

Movements in the accumulated impairment losses are as follows:

	The Company	
	2016	**2015**
	RM'000	**RM'000**
At beginning of year	**174,811**	174,811
Impairment losses recognised during the year (Note 6)	**4,651**	–
At end of year	**179,462**	174,811

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that accumulated impairment losses of RM179,462,000 (2015: RM174,811,000) is deemed adequate in respect of investment in subsidiary companies.

As of 30 June 2016, the investment in quoted subsidiary company of the Company with carrying value of RM41,973,000 (2015: RM41,973,000) has been pledged as collaterals to certain financial institutions for the borrowings granted to the Company (Notes 29 and 34).

16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Composition of the Group

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

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiary companies 2016	2015	Number of non wholly-owned subsidiary companies 2016	2015
Property development	Malaysia	**8**	8	**2**	2
Manufacture and sale and distribution of steel products	Malaysia	**–**	–	**3**	3
Manufacture and sale and distribution of other products	Malaysia	**–**	–	**6**	6
Investment and development in agriculture	Cambodia	**–**	–	**23**	23
Investment holding	British Virgin Islands	**–**	–	**27**	27
Others	Malaysia	**25**	25	**23**	23
Others	Other countries	**–**	–	**9**	10
		33	33	**93**	94

Non-Controlling Interests in Subsidiary Companies

In the previous financial year, the Group's subsidiary company that has material non-controlling interests ("NCI") was Lion AMB Resources Berhad ("Lion AMB").

On 16 May 2016, Lion Forest Industries Berhad ("LFIB") completed the acquisition of the remaining 10.36% equity interest in Lion AMB not already held by LFIB ("Scheme Share") by way of a members' scheme of arrangement pursuant to Section 176 of the Companies Act, 1965, for a cash consideration of RM0.40 per Scheme Share. Consequent thereupon, Lion AMB became a wholly-owned subsidiary of LFIB.

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

	Percentage of ownership interests held by NCI	Loss allocated to NCI RM'000	Accumulated NCI RM'000
2016			
LFIB	**26%**	**(101,386)**	**134,931**
Other individually immaterial subsidiary companies with NCI		**(7,942)**	**20,718**
		(109,328)	**155,649**
2015			
LFIB	27%	(27,115)	240,715
Other individually immaterial subsidiary companies with NCI		(5,930)	46,194
		(33,045)	286,909

16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Non-Controlling Interests in Subsidiary Companies (continued)

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

	LFIB	
	2016 RM'000	**2015 RM'000**
Non-current assets	**72,289**	395,215
Current assets	**575,693**	646,616
Non-current liabilities	**(2,028)**	(1,594)
Current liabilities	**(129,904)**	(128,400)
Total equity	**516,050**	911,837
Equity attributable to owners of the Company	**515,306**	887,462
Non-controlling interests	**744**	24,375
	516,050	911,837
Revenue	**565,103**	721,449
Loss for the year	**(386,871)**	(104,552)
(Loss)/Profit attributable to:		
Owners of the Company	**(387,197)**	(99,968)
Non-controlling interests	**326**	(4,584)
	(386,871)	(104,552)
Other comprehensive income attributable to:		
Owners of the Company	**6,845**	24,308
Non-controlling interests	**149**	966
	6,994	25,274
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(380,352)**	(75,660)
Non-controlling interests	**475**	(3,618)
	(379,877)	(79,278)
Net cash (outflow)/inflow from:		
Operating activities	**(38,056)**	(6,330)
Investing activities	**26,985**	52,447
Financing activities	**(4,616)**	(3,899)
Net cash (outflow)/inflow	**(15,687)**	42,218

17. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
At cost:				
Quoted investments	**197,437**	191,760	**64,394**	64,394
Unquoted investments	**139,641**	139,641	**38,054**	38,054
	337,078	331,401	**102,448**	102,448
Share in post-acquisition results and reserves less dividends received	**465,549**	488,170	**–**	–
Accumulated impairment losses	**(12,655)**	(12,655)	**–**	–
	789,972	806,916	**102,448**	102,448
Market value of quoted investments	**222,877**	389,881	**54,619**	98,345

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

2016	**Parkson RM'000**	**Other individually immaterial associated companies RM'000**	**Total RM'000**
Summarised financial information			
Proportion of the Group's effective ownership interest	**23%**		
Assets and Liabilities			
Current assets	**3,092,826**	**385,607**	**3,478,433**
Non-current assets	**6,424,238**	**248,036**	**6,672,274**
Current liabilities	**(2,780,944)**	**(255,822)**	**(3,036,766)**
Non-current liabilities	**(2,807,084)**	**(12,543)**	**(2,819,627)**
Non-controlling interests	**(1,446,301)**	**3,769**	**(1,442,532)**
Net assets	**2,482,735**	**369,047**	**2,851,782**
Results			
Revenue	**3,884,082**	**345,572**	**4,229,654**
Loss for the year	**(159,320)**	**(35,236)**	**(194,556)**
Other comprehensive loss for the year	**(21,066)**	**(6,156)**	**(27,222)**
Total comprehensive loss for the year	**(180,386)**	**(41,392)**	**(221,778)**
Group's share of loss of associated companies	**(21,873)**	**(14,097)**	**(35,970)**
Dividend received from associated companies	**–**	**1,435**	**1,435**
Reconciliation of net assets to carrying amount			
Group's share of net assets	**562,339**	**117,296**	**679,635**
Other adjustments	**110,337**	**–**	**110,337**
Carrying amount in the statements of financial position	**672,676**	**117,296**	**789,972**

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

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

	The Group	
	2016 RM'000	2015 RM'000
Share of net assets (excluding goodwill)	**440,576**	476,311
Share of goodwill of associated companies	**349,396**	330,605
	789,972	806,916

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2016 RM'000	2015 RM'000
At beginning of year	**(253,243)**	(316,450)
Diluted	**–**	265,152
Current year	**663**	(201,945)
Disposal during the year	**12,323**	–
At end of year	**(240,257)**	(253,243)

As of 30 June 2016, the investment in quoted associated companies of the Group and of the Company with carrying value of RM118,846,000 and RM64,394,000 (2015: RM113,169,000 and RM64,394,000) respectively has been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 29 and 34).

18. INVESTMENT IN JOINT VENTURE

	The Group	
	2016 RM'000	2015 RM'000
Unquoted shares:		
At cost	**125**	125
Share in post-acquisition results less dividend received	**10,276**	9,450
	10,401	9,575

Details of the joint venture are as follows:

Name of Joint Venture	Financial Year End	Country of Incorporation	Effective Percentage Ownership 2016 %	Effective Percentage Ownership 2015 %	Principal Activity
Mergexcel Property Development Sdn Bhd	31 March	Malaysia	**49**	49	Property development

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

18. INVESTMENT IN JOINT VENTURE (continued)

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

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Assets and Liabilities		
Current assets	**37,731**	52,481
Non-current assets	**131**	146
Current liabilities	**(4,420)**	(20,679)
Net assets	**33,442**	31,948
Results		
Revenue	**–**	79,636
Profit for the year	**1,494**	30,513
Group's share of profit of joint venture	**826**	7,921
Dividend received from joint venture	**–**	55,320
Reconciliation of net assets to carrying amount		
Group's share of net assets	**18,500**	16,814
Other adjustments	**(8,099)**	(7,239)
Carrying amount in the statements of financial position	**10,401**	9,575

The above profit for the year including the following:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Depreciation of property, plant and equipment	**15**	2
Interest income	**866**	2,666
Finance cost	**(9)**	(6)

Amount owing by joint venture arose mainly from advances granted and payments made on behalf of the joint venture. The said amount is interest-free (2015: interest-free) and repayable on demand.

19. LONG-TERM INVESTMENTS

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Available-for-sale investments				
Quoted investments in Malaysia:				
At fair value				
Shares	**9,618**	18,167	**1,831**	3,446
Warrants	**46**	46	**19**	19
	9,664	18,213	**1,850**	3,465
Quoted investments outside Malaysia:				
Shares – at fair value	**207**	239	**51**	59
Unquoted investments:				
Shares – at cost	**1,375**	1,375	**400**	400
	11,246	19,827	**2,301**	3,924
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, adjusted for accretion of interest	**72,157**	73,410	**–**	–
Less: Accumulated impairment losses	**(72,157)**	(73,410)	**–**	–
	–	–	**–**	–
Total	**11,246**	19,827	**2,301**	3,924

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have recognised an impairment loss amounting to RMNil (2015: RM7,998,000) and RM1,399,000 (2015: RM185,000) in profit or loss of the Group and of the Company respectively.

Investments in unquoted bonds of the Group bear yield to maturity of 4.75% (2015: 4.75%) per annum.

20. DEFERRED TAX ASSETS/(LIABILITIES)

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**83,147**	80,859	**–**	–
Transfer to/(from) profit or loss (Note 10):				
Property, plant and equipment	**16,619**	8,078	**(85)**	66
Others	**14,811**	(4,687)	**–**	–
Unused tax losses and unabsorbed capital allowances	**(83,540)**	(1,103)	**85**	(66)
	(52,110)	2,288	**–**	–
At end of year	**31,037**	83,147	**–**	–

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

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**55,150**	106,138	**–**	–
Deferred tax liabilities	**(24,113)**	(22,991)	**–**	–
	31,037	83,147	**–**	–

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets				
Temporary differences arising from others	**37,699**	22,496	**–**	–
Unused tax losses and unabsorbed capital allowances	**107,499**	191,039	**315**	400
	145,198	213,535	**315**	400
Offsetting	**(90,048)**	(107,397)	**(315)**	(400)
Deferred tax assets (after offsetting)	**55,150**	106,138	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**107,937**	124,556	**315**	400
Others	**6,224**	5,832	**–**	–
	114,161	130,388	**315**	400
Offsetting	**(90,048)**	(107,397)	**(315)**	(400)
Deferred tax liabilities (after offsetting)	**24,113**	22,991	**–**	–

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

As of 30 June 2016, the estimated amount of temporary differences, unused tax losses and unabsorbed capital allowances, for which the tax effects are not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Temporary differences arising from:				
Property, plant and equipment	**166**	36	**–**	–
Property development activities	**2,902**	3,423	**–**	–
Others	**1,221,636**	426,016	**–**	–
Unused tax losses and unabsorbed capital allowances	**239,481**	138,688	**60,112**	57,068
	1,464,185	568,163	**60,112**	57,068

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

21. GOODWILL

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Goodwill on consolidation:		
At beginning and end of year	**131,644**	131,644
Cumulative impairment loss:		
At beginning and end of year	**(1,201)**	(1,201)
Net	**130,443**	130,443

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on estimated growth rate of 4% (2015: 4%) per annum. The discount rate used is 8% (2015: 12%) per annum.

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

22. INVENTORIES

Inventories consist of the following:

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Property:				
Completed units for sale	**2,884**	38,250	**43**	43
Products at cost:				
Raw materials	**82,434**	149,343	**–**	–
Finished goods	**99,530**	284,857	**–**	–
General and consumable stores	**124,901**	152,609	**–**	–
Trading merchandise	**9,948**	9,802	**–**	–
Goods-in-transit	**37,857**	–	**–**	–
	354,670	596,611	**–**	–
Less: Allowance for obsolescence of inventories	**(27,294)**	(27,332)	**–**	–
	327,376	569,279	**–**	–
Net	**330,260**	607,529	**43**	43

Certain of the Group's inventories with carrying values totalling RM141.27 million (2015: RM338.23 million) have been pledged as collaterals to certain financial institutions for the borrowings granted to the Group (Notes 29 and 34) and for trade financing arrangement with a third party (Note 32(a)).

In 2015, the Group's inventories amounting to RM111,000 were written off against allowance for inventories obsolescence.

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Non-Current				
Trade receivables	**–**	635,637	**–**	–
Less: Accumulated impairment losses	**–**	(293,837)	**–**	–
	–	341,800	**–**	–
Current				
Trade receivables	**947,961**	229,151	**8**	349
Less: Accumulated impairment losses	**(734,791)**	(22,427)	**–**	–
	213,170	206,724	**8**	349
Net	**213,170**	548,524	**8**	349

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

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) Trade receivables (continued)

The credit period granted to customers ranges from 30 to 90 days (2015: 30 to 90 days). Impairment losses are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group has trade receivables amounting to RM35.79 million (2015: RM371.14 million) that are past due at the end of the reporting period but against which the Group has not recognised impairment losses as the amounts are still considered recoverable.

The table below is an analysis of trade receivables at the end of the reporting period:

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Neither past due nor impaired	**177,379**	177,387	**8**	349
31 - 60 days past due but not impaired	**15,774**	63,094	**–**	–
61 - 90 days past due but not impaired	**14,187**	48,282	**–**	–
91 - 120 days past due but not impaired	**3,147**	6,262	**–**	–
More than 120 days past due but not impaired	**2,683**	253,499	**–**	–
	213,170	548,524	**8**	349
Past due and impaired	**734,791**	316,264	**–**	–
Total trade receivables	**947,961**	864,788	**8**	349

<u>Movements in the accumulated impairment losses are as follows:</u>

	The Group	
	2016 RM'000	**2015 RM'000**
At beginning of year	**316,264**	317,502
Impairment loss recognised during the year	**421,582**	4,769
Amount recovered during the year	**(1,696)**	(3,687)
Amount written off during the year	**(1,359)**	(2,320)
At end of year	**734,791**	316,264

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

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(a) Trade receivables (continued)

As of 30 June 2016, the Group has trade receivables due from the following two major related parties, Megasteel and Lion DRI:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Megasteel	**542,903**	491,862
Lion DRI	**157,576**	143,775
	700,479	635,637
Less: Accumulated impairment losses	**(700,479)**	(293,837)
Net	**–**	341,800
Concentration of credit risk	**–**	62%
<u>Past due but not impaired:</u>		
Megasteel	**–**	248,568
Lion DRI	**–**	39,541
	–	288,109

The Group recognised impairment loss on trade receivables due from these two major related parties based on an assessment of the recoverability of the receivables, as disclosed in Note 4 (i).

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**186,766**	547,277	**8**	349
United States Dollar	**24,732**	1,247	**–**	–
Singapore Dollar	**1,672**	–	**–**	–
	213,170	548,524	**8**	349

As of 30 June 2016, the trade receivables of the Group amounting to RM23.1 million (2015: RM49.2 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Notes 29 and 34).

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-Current				
Other receivables	–	370,519	–	–
Less: Accumulated impairment losses	–	(180,300)	–	–
	–	190,219	–	–
Current				
Other receivables	**466,331**	118,754	**9,703**	14,212
Less: Accumulated impairment losses	**(389,813)**	(24,513)	**(940)**	(940)
	76,518	94,241	**8,763**	13,272
Tax recoverable	**10,974**	6,281	**89**	143
Refundable deposits	**111,968**	102,912	**702**	693
Prepayments	**33,530**	66,531	–	–
	232,990	269,965	**9,554**	14,108
	232,990	460,184	**9,554**	14,108

Movements in the accumulated impairment losses are as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At beginning of year	**204,813**	208,420	**940**	940
Impairment losses recognised during the year	**185,389**	491	–	–
Amount recovered during the year	**(152)**	(1,318)	–	–
Amount written off during the year	**(237)**	(2,780)	–	–
At end of year	**389,813**	204,813	**940**	940

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

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

As of 30 June 2016, the Group has other receivables due from the following three major related parties, Megasteel, Lion DRI and Graimpi:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Other receivables		
Megasteel	**48,558**	48,558
Lion DRI	**37,900**	49,781
Graimpi	**272,180**	272,180
	358,638	370,519
Less: Accumulated impairment losses	**(358,638)**	(180,300)
	–	190,219
Concentration of credit risk	**–**	68%

The Group recognised impairment loss on trade receivables due from three major related parties based on an assessment of the recoverability of receivables, as disclosed in Note 4 (i).

(i) As of 30 June 2016, other receivables, deposits and prepayments of the Group with carrying values of RM19.45 million (2015: RM56.30 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Notes 29 and 34).

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

(a) RM272.18 million (2015: RM272.18 million) due from Graimpi, represents debts novated from Lion DRI, which bore interest at 8.85% per annum in the previous years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM272.18 million (2015: RM136.09 million) on the said outstanding receivables due from Graimpi.

(b) RM4.22 million (2015: RM4.40 million) due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, represents a reimbursement for amounts incurred by the Group pursuant to the share sale agreement entered into between Akurjaya and LFIB for the disposal of the entire equity interest in Lion Agriculture (Indonesia) Sdn Bhd together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% (2015: 1%) above base lending rate per annum.

During the current financial year, a total repayment of RM0.5 million (2015: RM4.8 million) was made by Akurjaya to the Group.

The said amount was rescheduled to be settled by 31 March 2017.

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

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

(c) RM48.56 million (2015: RM48.56 million) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM48.56 million (2015: RM23.15 million) on the said outstanding receivables due from Megasteel.

(d) RM37.90 million (2015: RM49.78 million) due from Lion DRI, are unsecured, interest-free and repayable on demand.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM37.90 million (2015: RM21.06 million) on the said outstanding receivables due from Lion DRI.

(iii) Included in refundable deposits of the Group are refundable deposits denominated in United States Dollar totalling USD25.73 million equivalent to RM103.41 million (2015: USD25.73 million equivalent to RM97.12 million) paid by the Group for the agriculture project in Cambodia, which are mainly for the land clearing, purchase of plant and machinery and the procurement of economic land concession.

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

	The Group		The Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Ringgit Malaysia	**118,763**	323,847	**9,554**	14,108
United States Dollar	**111,497**	129,962	**–**	–
Chinese Renminbi	**2,340**	3,873	**–**	–
Singapore Dollar	**13**	40	**–**	–
Others	**377**	2,462	**–**	–
	232,990	460,184	**9,554**	14,108

24. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company 2016 RM'000	The Company 2015 RM'000
Amount owing by subsidiary companies	**1,239,155**	1,259,096
Less: Accumulated impairment losses	**(154,185)**	(172,655)
Net	**1,084,970**	1,086,441
Amount owing to subsidiary companies	**293,235**	183,657

<u>Movement in the accumulated impairment losses is as follows:</u>

	The Company 2016 RM'000	The Company 2015 RM'000
At beginning of year	**172,655**	174,466
Impairment losses on amount owing by subsidiary companies no longer required (Note 6)	**(18,470)**	(1,811)
At end of year	**154,185**	172,655

Amount owing by subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is either interest-free or bears interest at 8% (2015: 8%) per annum and repayable on demand.

Amount owing to subsidiary companies which arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is interest-free (2015: interest-free) and repayable on demand.

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

	The Company 2016 RM'000	The Company 2015 RM'000
Ringgit Malaysia	**1,084,957**	1,086,435
United States Dollar	**13**	6
	1,084,970	1,086,441

24. RELATED COMPANY TRANSACTIONS (continued)

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

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

	The Company	
	2016	**2015**
	RM'000	**RM'000**
Ringgit Malaysia	**272,617**	163,753
Singapore Dollar	**11,782**	11,068
Chinese Renminbi	**8,836**	8,836
	293,235	183,657

(b) Amount owing by associated companies

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Amount owing by associated companies	**17**	24,487
Less: Accumulated impairment losses	**–**	(24,465)
Net	**17**	22

Movement in the accumulated impairment losses is as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At beginning of year	**24,465**	24,465
Amount recovered during the year (Note 6)	**(24,465)**	–
At end of year	**–**	24,465

Amount owing by associated companies, which arose from trade and advances, bears interest at 8% per annum (2015: bore interest at 8% per annum) and repayable on demand.

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

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Singapore Dollar	**17**	22

25. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks and financial institutions:				
Restricted	**36,847**	36,190	**2,795**	2,708
Unrestricted (Note 35)	**97,689**	142,390	**300**	300
	134,536	178,580	**3,095**	3,008
Housing Development Accounts (Note 35)	**73,136**	29,229	**3,955**	3,877
Cash and bank balances:				
Restricted	**104**	1,716	**101**	103
Unrestricted (Note 35)	**110,295**	137,490	**603**	401
	318,071	347,015	**7,754**	7,389

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

Included in deposits with licensed banks and financial institutions, and cash and bank balances are the amount totalling RM36.95 million (2015: RM37.91 million) and RM2.90 million (2015: RM2.81 million) of the Group and of the Company, respectively, which have been earmarked for the purposes of repayment of the borrowings (Notes 29 and 34) and pledged as collaterals for bank guarantees granted.

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks and financial institutions	**1.03% to 6.15%**	1.03% to 6.15%	**2.70% to 2.90%**	2.20% to 3.24%

Deposits of the Group and of the Company have an average maturity of 182 days (2015: 182 days) and 365 days (2015: 365 days) respectively.

25. DEPOSITS, CASH AND BANK BALANCES (continued)

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**248,421**	319,771	**7,754**	7,389
Chinese Renminbi	**25,749**	25,265	**–**	–
United States Dollar	**43,888**	1,827	**–**	–
Singapore Dollar	**13**	18	**–**	–
Others	**–**	134	**–**	–
	318,071	347,015	**7,754**	7,389

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

26. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group	
	2016	**2015**
	RM'000	**RM'000**
At beginning of year	**3,388**	–
Transfer from property, plant and equipment (Note 12)	**–**	927
Transfer from investment properties (Note 13)	**–**	2,461
Disposals	**(3,388)**	–
	–	3,388

During the financial year, Antara Steel Mills Sdn Bhd, a subsidiary company, finalised a Sale and Purchase Agreement with a third party purchaser for the disposal of the investment properties and property, plant and equipment for a cash consideration of RM6,519,937 . The said disposal, which was resulted in a gain of RM3,132,000 as disclosed in Note 6, was completed during the current financial year.

27. SHARE CAPITAL

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

	The Group and The Company 2016 RM'000	2015 RM'000
Ordinary shares of RM1.00 each		
Authorised:		
1,000,000,000 at beginning and end of year	**1,000,000**	1,000,000
Issued and fully paid:		
717,909,365 at beginning and end of year	**717,909**	717,909

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

The main features of the ESOS are as follows:

(a) Executive and non-executive Directors of the Company who had held office for at least six months, and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.

(b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 5% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS subject to the following being complied with:

   (i) not more than 50% of the shares available under the ESOS shall be allocated, in aggregate, to executive and non-executive Directors, and senior management; and

   (ii) not more than 10% of the shares available under the ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share capital of the Company.

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment.

(d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the five market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(e) The ESOS shall continue to be in force for a period of five years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further five years, without further approval of the relevant authorities.

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

27. SHARE CAPITAL (continued)

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

	Number of options over ordinary shares of RM1 each				
Grant Date	**As of 1.7.2015**	**Granted**	**Exercised**	**Lapsed**	**As of 30.6.2016**
4.12.2014	12,219,500	–	–	(12,219,500)	**–**
2.1.2015	25,000	–	–	(25,000)	**–**
	12,244,500	–	–	(12,244,500)	**–**

The exercise period for the above options expired on 1 February 2016.

28. RESERVES

	The Group		The Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Non-distributable reserves:				
Share premium	**532,627**	532,627	**532,627**	532,627
Treasury shares	**(8,086)**	(2,071)	**(8,086)**	(2,071)
Capital reserve	**(7,723)**	(21,662)	**5,419**	5,145
Equity compensation reserve	**–**	274	**–**	274
Fair value reserve	**9,678**	18,259	**(5)**	219
Translation adjustment reserve	**16,078**	13,471	**–**	–
	542,574	540,898	**529,955**	536,194
Retained earnings/ (Accumulated losses)	**335,568**	1,122,041	**(198,029)**	(197,379)
	878,142	1,662,939	**331,926**	338,815

Share premium

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

Treasury shares

This amount relates to the acquisition cost of treasury shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and of its shareholders.

During the current financial year, the Company repurchased a total of 21,050,600 (2015: 1,572,400) of its issued ordinary shares from the open market at an average price of RM0.29 (2015: RM0.54) per share. The total consideration paid for the repurchase including transaction costs was RM6,015,362 (2015: RM849,769). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As of 30 June 2016, the Company had 23,937,000 teasury shares at a carrying amount of RM8,086,366.

28. RESERVES (continued)

Capital reserve

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

Equity compensation reserve

Equity compensation reserve, which relates to the equity-settled share options granted to eligible employees by the Company, is made up of the cumulative value of services received from employees recorded on grant of share options, net of the amount reclassified to share premium and capital reserve for options exercised and lapsed.

Fair value reserve

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

Translation adjustment reserve

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

29. LONG-TERM BORROWINGS

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Long-term borrowings		
Outstanding loans (secured)	–	5,558
Less : Portion due within one year (Note 34)	–	(2,935)
Non-current portion	–	2,623
Islamic Securities ("Sukuk")		
Outstanding principal	**120,000**	180,000
Debts issuance cost	**(755)**	(1,129)
	119,245	178,871
Less : Portion due within one year (Note 34)	**(59,623)**	(59,624)
Non-current portion	**59,622**	119,247
Total non-current portion	**59,622**	121,870

The non-current portion is repayable as follows:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Financial years ending 30 June:		
2017	–	62,247
2018	**59,622**	59,623
	59,622	121,870

29. LONG-TERM BORROWINGS (continued)

(a) Long-term borrowings

The long-term borrowings pertaining to certain subsidiary companies are secured against property, plant and equipment (Note 12), investment properties (Note 13), prepaid land lease payments (Note 14), investment in subsidiary companies (Note 16), investment in quoted associated companies (Note 17), inventories (Note 22), and fixed and floating charge over the other assets of the said subsidiary companies.

The long-term borrowings bore interest at 5.35% per annum.

Long-term borrowings are denominated in Ringgit Malaysia.

The Group has fully settled the outstanding long-term borrowings during the financial year.

(b) Islamic Securities ("Sukuk")

The Sukuk is denominated in Ringgit Malaysia and bears profit at rates ranging from 4.02% to 4.62% (2015: 4.02% to 4.62%) per annum.

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

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

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

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

The Sukuk is secured by the following:

(i) National Land Code charges over three parcels of land and the lease of the land all located at Mukim Plentong, Daerah Johor Bahru, Negeri Johor ("Charges") as disclosed in Note 12 where Antara's existing fully-integrated steel plant is located ("Antara Steel Plant");

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

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

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

(v) Corporate guarantee from the Company.

30. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of Minimum lease payment	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Amounts payable under finance lease:				
Within one year	**60,049**	67,899	**55,484**	61,447
In the second to third year inclusive	**29,970**	29,467	**27,795**	28,335
	90,019	97,366	**83,279**	89,782
Less: Future finance charges	**(6,740)**	(7,584)	**NA**	NA
Present value of lease payables	**83,279**	89,782	**83,279**	89,782
Less: Amount due within the next 12 months (shown under current liabilities)			**(55,484)**	(61,447)
Non-current portion			**27,795**	28,335

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

	The Group	
	Minimum lease payment	
	2016	2015
	RM'000	RM'000
Financial years ending 30 June:		
2017	**–**	17,513
2018	**17,513**	10,822
2019	**10,282**	–
	27,795	28,335

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 10.30% (2015: 9.25% to 9.75%) per annum.

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

31. HIRE-PURCHASE OBLIGATIONS

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total outstanding	**2,454**	3,291	**131**	219
Less: Interest-in-suspense	**(221)**	(338)	**(5)**	(12)
Principal outstanding	**2,233**	2,953	**126**	207
Less: Portion payable within one year (shown under current liabilities)	**(912)**	(857)	**(85)**	(81)
Non-current portion	**1,321**	2,096	**41**	126

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial years ending 30 June:				
2017	**–**	867	**–**	85
2018	**732**	613	**41**	41
2019 and thereafter	**589**	616	**–**	–
	1,321	2,096	**41**	126

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.46% to 5.58% (2015: 2.46% to 5.58%) and 2.47% to 2.50% (2015: 2.47% to 2.50%) per annum, respectively.

32. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

(a) Trade payables

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	**482,437**	643,644	**139**	139
Retention monies	**8,254**	6,008	**27**	27
	490,691	649,652	**166**	166

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2015: 30 to 60 days).

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

(a) Trade payables

The currency profile of trade payables is as follows:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**474,556**	591,746	**166**	166
United States Dollar	**3,938**	43,973	**–**	–
Singapore Dollar	**10,072**	13,068	**–**	–
Chinese Renminbi	**–**	441	**–**	–
Others	**2,125**	424	**–**	–
	490,691	649,652	**166**	166

Included in trade payables of the Group in 2015 was an amount of RM23.21 million representing product financing liabilities which arose from trade financing arrangement with a third party where titles to the inventories pertaining to this arrangement are legally with the third party, and of which the subsidiary companies have obligation to purchase. The obligation to purchase ranged from 30 to 90 days at rates ranged from 5.75% to 7.50% per annum.

(b) Other payables, deposits and accrued expenses

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables and deposits	**142,455**	217,593	**454**	505
Accrued expenses	**205,398**	125,249	**380**	671
	347,853	342,842	**834**	1,176

Included in other payables of the Group, is an amount of RM12.10 million (2015: RM12.10 million) representing security deposits received from customers, which bear interest at 9.50% (2015: 9.50%) per annum and have a repayment period ranging from 1 to 90 days (2015: 1 to 120 days).

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**343,225**	336,805	**834**	1,176
United States Dollar	**12**	2	**–**	–
Chinese Renminbi	**4,472**	4,455	**–**	–
Others	**144**	1,580	**–**	–
	347,853	342,842	**834**	1,176

33. PROVISIONS

	The Group	
	2016 RM'000	2015 RM'000
Provision for indemnity damages arising from litigation claim:		
At beginning of year	**–**	15,000
Settlement	**–**	(15,000)
At end of year	**–**	–

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of LFIB ("the Disposal"), in 2007, LFIB agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from litigation claims where the cause of action arose prior to the completion of the Disposal.

On 6 February 2015, SFI entered into a settlement agreement with UNP Plywood Sdn Bhd ("UNP") to settle the damages in relation to the cancellation of Extraction and Purchasing Agreements dated 28 June 1993 and 13 August 1993 ("Settlement Agreement"). Pursuant to the Settlement Agreement, LFIB had on 9 February 2015 paid UNP the settlement sum of RM85,000,000 as full and final settlement. The settlement resulted in a one-time loss of RM70,000,000 after a provision of RM15,000,000 made in the previous financial years.

34. SHORT-TERM BORROWINGS

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term loans from financial institutions - Secured	**45,781**	160,890	**45,781**	160,890
Bank overdrafts - Secured (Note 35)	**9,178**	15,494	**4,697**	4,532
Bills payable	**91,952**	87,123	**–**	–
Portion of long-term loans due within one year – Secured (Note 29)	**–**	2,935	**–**	–
Portion of Sukuk due within one year - Secured (Note 29)	**59,623**	59,624	**–**	–
	206,534	326,066	**50,478**	165,422

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 12), investment properties (Note 13), prepaid land lease payments (Note 14), inventories (Note 22) and floating charges over the other assets of the subsidiary companies.

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

The short-term borrowings of the Group and of the Company bear interest at rates ranging from 3.18% to 9.85% (2015: 3.18% to 9.85%) and 4.33% to 8.35% (2015: 4.33% to 8.86%) per annum, respectively.

34. SHORT-TERM BORROWINGS (continued)

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

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**170,673**	235,626	**36,735**	96,886
United States Dollar	**35,861**	90,440	**13,743**	68,536
	206,534	326,066	**50,478**	165,422

35. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances (unrestricted) (Note 25)	**110,295**	137,490	**603**	401
Deposits with licensed banks and financial institutions (unrestricted) (Note 25)	**97,689**	142,390	**300**	300
Housing Development Accounts (Note 25)	**73,136**	29,229	**3,955**	3,877
Bank overdrafts (Note 34)	**(9,178)**	(15,494)	**(4,697)**	(4,532)
	271,942	293,615	**161**	46

36. RELATED COMPANIES AND PARTY TRANSACTIONS

Related parties are entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders have interest, excluding those parties disclosed in Notes 16, 17, 18, and 24.

The Group and the Company have the following significant transactions with related parties during the financial year, which were determined on terms not more favourable to the related parties than to third parties:

		The Company	
Name of Company	**Nature**	**2016 RM'000**	**2015 RM'000**
Subsidiary companies			
Inspirasi Elit Sdn Bhd	Sales commission	**67**	1,109
	Administrative fee income	**95**	54
Amsteel Mills Sdn Bhd	Interest income	**5,668**	7,009

Sales and purchase of goods and services and interest

		The Group	
Name of Company	**Nature**	**2016 RM'000**	**2015 RM'000**
Megasteel Sdn Bhd	Sale of goods	**115,984**	27,956
	Purchase of goods, raw materials and consumables	**90,406**	16,523
	Provision of transportation services	**7,663**	20,976
	Rental income	**744**	653
	Interest income	**4,932**	4,982
	Provision of training services	**158**	2
Angkasa Amsteel Pte Ltd	Sale of goods	**–**	47,636
Angkasa Amsteel (M) Sdn Bhd	Sale of goods	**24,653**	3,203
Lion DRI Sdn Bhd	Sale of goods	**21,127**	39,467
	Provision of transportation services	**20,245**	27,844
	Purchase of raw materials	**61,549**	–
	Rental income	**181**	145
Akurjaya Sdn Bhd	Interest income	**335**	556
Secomex Manufacturing (M) Sdn Bhd	Purchase of gas	**103**	281
	Rental of equipment	**8**	24
LAP Trading & Marketing Pte Ltd	Purchase of raw materials	**–**	22,191
	Late payment interest charged	**744**	360
Lion Blast Furnace Sdn Bhd	Rental income	**296**	314
	Purchase of goods	**1,016**	–
Bright Steel Sdn Bhd	Sale of goods	**9,639**	5,343
	Purchase of goods	**119**	–

36. RELATED COMPANIES AND PARTY TRANSACTIONS (continued)

Sales and purchase of goods and services and interest (continued)

		The Group	
		2016	**2015**
Name of Company	**Nature**	**RM'000**	**RM'000**
Sales and purchase of goods and services and interest			
Lion Tooling Sdn Bhd	Purchase of toolings	**1,292**	1,901
	Provision of engineering services	**405**	466
Parkson Corporation Sdn Bhd	Sale of goods	**5,142**	6,596
	Provision of training services	**31**	24
Compact Energy Sdn Bhd	Purchase of consumables	**15,836**	16,029
	Rental income	**366**	366
Lion Tin Sdn Bhd	Rental income	**177**	177
Lion Steel Works Sdn Bhd	Purchase of goods	**97**	–

The gross outstanding balances arising from the above transactions with related parties are as follows:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receivables:				
Included in trade receivables	**707,582**	640,544	**–**	–
Included in other receivables	**397,115**	410,761	**5,594**	7,209
Payables:				
Included in trade payables	**12,653**	15,141	**–**	–
Included in other payables	**14,909**	37,485	**87**	87

The outstanding balances with related parties are either interest-free or bear interest at 8.00% (2015: either interest-free or bore interest at 8.00%) per annum and repayable on demand.

37. SEGMENTAL INFORMATION

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

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

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

(a) Business Segments:

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

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

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

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

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2016

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	1,775,739	161,571	476,894	100,717	–	2,514,921
Inter-segment revenue	60,302	–	985	18,782	(80,069)	–
Total revenue	1,836,041	161,571	477,879	119,499	(80,069)	2,514,921
Results						
Segment results	(142,474)	17,254	6,277	119,232	–	289
Finance costs	(29,975)	(378)	(8)	(8,402)	–	(38,763)
Share in results of:						
Associated companies	(8,476)	–	–	(27,494)	–	(35,970)
Joint venture	–	826	–	–	–	826
Investment income	7,957	8,812	1,045	3,371	–	21,185
Impairment losses on:						
Trade and other receivables	(201,867)	–	(357,962)	(47,142)	–	(606,971)
Property, plant and equipment	(193,132)	–	–	–	–	(193,132)
Loss before tax						(852,536)
Tax expense						(53,269)
Loss for the year						(905,805)

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2016

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	1,480,886	252,333	136,999	243,151	–	2,113,369
Investment in associated companies and joint venture	83,052	10,401	–	706,920	–	800,373
Unallocated corporate assets						66,124
Consolidated Total Assets						2,979,866
Segment liabilities	950,342	52,518	51,243	147,961	–	1,202,064
Unallocated liabilities						26,102
Consolidated Total Liabilities						1,228,166
Other Information						
Capital expenditure	9,889	116	234	1,443	–	11,682
Depreciation and amortisation	126,037	1,050	202	5,874	–	133,163
Other non-cash expenses/ (income)	396,113	10,384	357,985	(59,276)	–	705,206

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2015

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	2,229,222	57,628	394,200	101,363	–	2,782,413
Inter-segment revenue	116,456	–	223,393	2,492	(342,341)	–
Total revenue	2,345,678	57,628	617,593	103,855	(342,341)	2,782,413
Results						
Segment results	(51,427)	9,864	15,670	(13,783)	–	(39,676)
Unallocated costs						(6,622)
Finance costs	(37,745)	(392)	(34)	(12,583)	–	(50,754)
Share in results of:						
Associated companies	1,312	–	–	(39,157)	–	(37,845)
Joint venture	–	7,921	–	–	–	7,921
Investment income	8,119	4,212	1,134	5,942	–	19,407
Impairment losses on:						
Quoted and unquoted investments	(6,538)	(185)	(222)	(1,053)	–	(7,998)
Associated companies	(12,655)	–	–	–	–	(12,655)
Trade and other receivables	(221)	(39)	(14)	(4,986)	–	(5,260)
Settlement arising from litigation claim against a former subsidiary company	–	–	–	(70,000)	–	(70,000)
Inventories written down	(75,371)	–	–	–	–	(75,371)
Loss before tax						(278,853)
Tax expense						(9,013)
Loss for the year						(287,866)

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2015

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	2,319,355	293,195	437,490	277,651	–	3,327,691
Investment in associated companies and joint venture	73,092	9,575	–	733,824	–	816,491
Unallocated corporate assets						114,206
Consolidated Total Assets						4,258,388
Segment liabilities	1,140,885	65,082	48,200	292,862	–	1,547,029
Unallocated liabilities						43,602
Consolidated Total Liabilities						1,590,631
Other Information						
Capital expenditure	23,001	501	41	5,425	–	28,968
Depreciation and amortisation	109,860	784	178	5,365	–	116,187
Other non-cash expenses	101,497	11,116	236	1,167	–	114,016

37. SEGMENTAL INFORMATION (continued)

(b) Geographical Segments:

The Group operates in two main geographical areas:

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, provision of chartering services, property development and management, trading and distribution of building materials and consumables, manufacture and trading of lubricants, spark plugs and provision of transportation services, distributing and retailing of consumer products; and

- Others countries which are not sizable to be reported separately.

	Revenue	
	2016	**2015**
	RM'000	**RM'000**
Malaysia	**2,036,021**	2,236,914
Other countries	**478,900**	545,499
	2,514,921	2,782,413

	Total assets		Capital expenditure	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**2,812,513**	4,092,065	**11,671**	25,371
Other countries	**167,353**	166,323	**11**	3,597
	2,979,866	4,258,388	**11,682**	28,968

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

Information about major customers

Revenue of the Group for the current financial year amounting to RM165.18 million (2015: RM116.24 million) from the Steel Division and the Building Materials divisions are derived from two related parties.

38. CONTINGENT LIABILITIES

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

	The Company	
	2016	**2015**
	RM'000	**RM'000**
Unsecured:		
Subsidiary company	**120,000**	180,000

38. CONTINGENT LIABILITIES (continued)

(b) Indemnity for back pay labour claims from SFI's employees

As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of Lion Forest Industries Berhad ("LFIB"), LFIB agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI. In this connection, the following are contingent liabilities of SFI:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Back pay labour claims from SFI's employees	**23,427**	23,427

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments.

On 15 April 2009, the Labour Court upheld SFI's preliminary objections and had dismissed the Complainants' claims. Upon appeal by the Complainants, the High Court had on 17 July 2009 allowed the appeal with costs to be taxed and ordered the Labour Court to proceed with the inquiry of the Complainants' claims.

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. On 15 May 2014, the Court of Appeal dismissed SFI's appeal with costs. Thereafter, SFI had filed an application to the Federal Court on 13 June 2014 for leave to appeal against the decision of the Court of Appeal. On 27 March 2015, the application for leave to appeal was withdrawn in view of certain recent legal authorities which ruled that the Federal Court does not have jurisdiction to hear cases which originated from the Labour Court.

The Labour Court is currently in the process of hearing the Complainants' claims.

The Directors of LFIB, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

(c) Indemnity for litigation claims in respect of wrongful encroachment and trespass of a piece of land

On 14 February 2005, a registered owner of a piece of land ("Plaintiff") filed a claim against SFI for wrongful encroachment and damages for the trespassing of Plaintiff's land measuring approximately 0.71 acre which SFI had acquired in 1985 (with a Memorandum of Transfer) to construct an access road in Sabah for the purpose of transporting the felled logs from its timber concession area to its wood yard and log yard ("Access Road").

On 16 November 2009, the High Court decided that the Memorandum of Transfer was null and void and of no legal effect being in contravention of the provisions of the Sabah Land Ordinance. The High Court had ordered SFI to cease using the Access Road and for damages to be assessed for trespass and/or wrongful encroachment. This judgement continued to be upheld by High Court on 11 January 2010.

SFI had subsequently applied to the Court of Appeal and on 11 November 2014, the Court of Appeal ruled that there is a "transaction" involving land and that transaction fall under dealings prohibited by the Sabah Land Ordinance.

SFI then applied for leave to appeal to the Federal Court. On 9 December 2015, the Federal Court dismissed SFI's application for leave to appeal.

38. CONTINGENT LIABILITIES (continued)

(c) Indemnity for litigation claims in respect of wrongful encroachment and trespass of a piece of land (continued)

The Plaintiff has proceeded with assessment of damages before the Senior Assistant Registrar of the High Court (SAR) on 8 August 2016. The SAR is assessing the damages payable and has fixed the date for delivery of the decision on 20 October 2016.

The Directors of LFIB, after consultation with SFI's legal counsel, are unable to ascertain whether there will be any material financial impact on the Group arising from the aforementioned claim.

39. CAPITAL COMMITMENTS

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

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Purchase of property, plant and equipment:		
Approved and contracted for	**30,713**	41,563
Approved but not contracted for	**28,533**	29,964
	59,246	71,527

40. LEASE COMMITMENTS

As of 30 June 2016, lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

	The Group	
	2016	**2015**
	RM'000	**RM'000**
Within one year	**9,434**	11,130
Within two to five years	**33,412**	35,930
After five years	**1,964**	10,101
	44,810	57,161

41. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going-concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2015.

The capital structure of the Group and of the Company consists of net debts (borrowings offset by cash and cash equivalents) and equity of the Group and of the Company (comprising issued capital, reserves and non-controlling interests).

The Group's management reviews the capital structure of the Group on regular basis. As part of this review, management considers the cost of capital and risk associated with each class of capital.

41. FINANCIAL INSTRUMENTS (continued)

Gearing Ratio

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

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Debt (i)	**351,668**	540,671	**50,604**	165,629
Cash and cash equivalents (excluding bank overdrafts)	**(281,120)**	(309,109)	**(4,858)**	(4,578)
Net debt	**70,548**	231,562	**45,746**	161,051
Equity (ii)	**1,751,700**	2,667,757	**1,049,835**	1,056,724
Debt to equity ratio	**4.03%**	8.68%	**4.36%**	15.24%

(i) Debt is defined as finance lease payables, hire-purchase obligations, long-term and short-term borrowings as disclosed in Notes 29, 30, 31, and 34 respectively.

(ii) Equity includes issued capital, reserves and non-controlling interests.

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3.

Categories of financial instruments

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Available-for-sale investments	**11,246**	19,827	**2,301**	3,924
Loans and receivables:				
Trade receivables	**213,170**	548,524	**8**	349
Other receivables and refundable deposits	**188,486**	387,372	**9,465**	13,965
Amount owing by subsidiary companies	**–**	–	**1,084,970**	1,086,441
Amount owing by associated companies	**17**	22	**–**	–
Amount owing by joint venture	**1,528**	1,579	**–**	–
Deposits, cash and bank balances	**318,071**	347,015	**7,754**	7,389
Financial liabilities				
Other financial liabilities:				
Finance lease payables	**83,279**	89,782	**–**	–
Hire-purchase obligations	**2,233**	2,953	**126**	207
Trade payables	**490,691**	649,652	**166**	166
Other payables, deposits and accrued expenses	**347,853**	342,842	**834**	1,176
Amount owing to subsidiary companies	**–**	–	**293,235**	183,657
Borrowings	**266,156**	447,936	**50,478**	165,422

41. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies

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

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

Foreign currency risk

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

The carrying amounts of the Group's and of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group		**The Company**	
	Assets 2016 RM'000	**Liabilities 2016 RM'000**	**Assets 2016 RM'000**	**Liabilities 2016 RM'000**
United States Dollar	**180,117**	**39,811**	**13**	**13,743**
Chinese Renminbi	**28,089**	**4,472**	**–**	**8,836**
Singapore Dollar	**1,715**	**10,072**	**–**	**11,782**
Others	**377**	**2,269**	**–**	**–**
	210,298	**56,624**	**13**	**34,361**

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

Foreign currency sensitivity analysis

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

The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the Ringgit Malaysia against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a profit where the Ringgit Malaysia strengthens 10% against the relevant currency. For a 10% weakening of the Ringgit Malaysia against the relevant currency, there would be a comparable impact on profit or loss before tax, the balances below would be negative.

41. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	**(14,031)**	138	**1,373**	6,853
Chinese Renminbi	**(2,362)**	(2,424)	**884**	884
Singapore Dollar	**836**	1,299	**1,178**	1,107
	(15,557)	(987)	**3,435**	8,844

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 34.

The interest rates for the term loans, Sukuk, finance lease payables and hire-purchase obligations, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 29, 30 and 31 respectively.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended 30 June 2016 would increase or decrease by as follows:

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Floating rate liabilities				
Bank overdrafts	**46**	77	**23**	23
Bills payable	**460**	436	**–**	–
Borrowings	**229**	832	**229**	804
	735	1,345	**252**	827

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group is exposed to credit risk mainly from trade and other receivables. The Group extends credit to its customers based upon careful evaluation on the customers' financial condition and credit history.

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

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 30 June 2016, is the carrying amount of these receivables as disclosed in the statements of financial position.

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's and of the Company's short-term, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

Notwithstanding that the Group incurred a net loss of RM905,805,000 during the financial year ended 30 June 2016, the Board of Directors believe that taking into account the above measures and barring unforeseen circumstances, the Group is expected to have sufficient funds the Group will be able to meet its short-term obligations as when they fall due.

The tables below summarise the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations. The tables include both interest and principal cash flows.

The Group 2016	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	**490,691**	**–**	**–**	**–**	**490,691**	**–**
Other payables, deposits and accrued expenses	**335,750**	**–**	**–**	**–**	**335,750**	**–**
Interest bearing:						
Other payables, deposits and accrued expenses	**12,103**	**–**	**–**	**–**	**12,103**	**9.50**
Hire-purchase obligations	**1,042**	**1,303**	**109**	**–**	**2,454**	**2.46 – 5.58**
Finance lease payables	**60,049**	**29,970**	**–**	**–**	**90,019**	**9.25 – 10.30**
Bank borrowings:						
Bank overdrafts	**9,178**	**–**	**–**	**–**	**9,178**	**3.18 – 9.85**
Bills payable	**91,952**	**–**	**–**	**–**	**91,952**	**3.18 – 8.35**
Borrowings	**110,857**	**62,394**	**–**	**–**	**173,251**	**4.33 – 8.00**
	1,111,622	**93,667**	**109**	**–**	**1,205,398**	

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Group 2015	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities						
Non-interest bearing:						
Trade payables	626,445	–	–	–	626,445	–
Other payables, deposits and accrued expenses	330,739	–	–	–	330,739	–
Interest bearing:						
Trade payables	23,207	–	–	–	23,207	5.75 – 7.50
Other payables, deposits and accrued expenses	12,103	–	–	–	12,103	9.50
Hire-purchase obligations	965	1,241	927	158	3,291	2.46 – 5.58
Finance lease payables	67,899	29,467	–	–	97,366	9.25 – 9.75
Bank borrowings:						
Bank overdrafts	15,494	–	–	–	15,494	3.18 – 8.35
Bills payable	87,123	–	–	–	87,123	3.18 – 8.30
Borrowings	236,027	67,151	62,946	–	366,124	4.02 – 9.85
	1,400,002	97,859	63,873	158	1,561,892	

The Company 2016	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities						
Non-interest bearing:						
Trade payables	**166**	**–**	**–**	**–**	**166**	**–**
Other payables, deposits and accrued expenses	**834**	**–**	**–**	**–**	**834**	**–**
Amount owing to subsidiary companies	**293,235**	**–**	**–**	**–**	**293,235**	**–**
Interest bearing:						
Hire-purchase obligations	**88**	**43**	**–**	**–**	**131**	**2.47 – 2.50**
Bank overdrafts	**4,697**	**–**	**–**	**–**	**4,697**	**8.35**
Borrowings	**45,781**	**–**	**–**	**–**	**45,781**	**4.33 – 8.20**
	344,801	**43**	**–**	**–**	**344,844**	

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Company 2015	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	166	–	–	–	166	–
Other payables, deposits and accrued expenses	1,176	–	–	–	1,176	–
Amount owing to subsidiary companies	183,657	–	–	–	183,657	–
Interest bearing:						
Hire-purchase obligations	88	88	43	–	219	2.47 – 2.50
Bank overdrafts	4,532	–	–	–	4,532	8.36
Borrowings	160,890	–	–	–	160,890	4.33 – 8.86
	350,509	88	43	–	350,640	

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

Fair values of financial instruments

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

2016	**The Group Carrying amount RM'000**	**The Group Fair value RM'000**	**The Company Carrying amount RM'000**	**The Company Fair value RM'000**
Financial assets				
Loan and receivables:				
Trade and other receivables	**289,688**	**289,688** ^	**8,771**	**8,771**
Financial liabilities				
Finance lease payables	**83,279**	**86,617** *	**–**	**–**
Hire-purchase obligations	**2,233**	**2,404** *	**126**	**126** *
Borrowings	**266,156**	**266,156** *	**50,478**	**50,478** *

41. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments (continued)

2015	The Group Carrying amount RM'000	The Group Fair value RM'000		The Company Carrying amount RM'000	The Company Fair value RM'000	
Financial assets						
Loan and receivables:						
Trade and other receivables	832,984	832,984	^	13,621	13,621	
Financial liabilities						
Finance lease payables	89,782	86,584	*	-	-	
Hire-purchase obligations	2,953	3,034	*	207	207	*
Borrowings	447,936	436,407	*	165,422	165,422	*

* The fair values of these financial instruments are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

^ The fair values of these financial instruments are estimated using discounted cash flow analysis based on the weighted average cost of capital of the Group.

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

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments that are measured at fair value in the statements of financial position at the end of the reporting period are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2016				
Financial Assets				
Quoted investments	**9,871**	**–**	**–**	**9,871**
2015				
Financial Assets				
Quoted investments	18,452	–	–	18,452

41. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Company				
2016				
Financial Assets				
Quoted investments	**1,901**	**–**	**–**	**1,901**
2015				
Financial Assets				
Quoted investments	3,524	–	–	3,524

Fair value of financial instruments that are not measured at fair value in the statements of financial position at the end of the reporting period (but fair value disclosures are required) are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2016				
Financial Assets				
Trade and other receivables	**–**	**–**	**289,688**	**289,688**
Financial Liabilities				
Finance lease payables	**–**	**–**	**86,617**	**86,617**
Hire-purchase obligations	**–**	**–**	**2,404**	**2,404**
Borrowings	**–**	**–**	**266,156**	**266,156**
The Group				
2015				
Financial Assets				
Trade and other receivables	–	–	832,984	832,984
Financial Liabilities				
Finance lease payables	–	–	86,584	86,584
Hire-purchase obligations	–	–	3,034	3,034
Borrowings	–	–	436,936	436,936
The Company				
2016				
Financial Liabilities				
Hire-purchase obligations	**–**	**–**	**126**	**126**
Borrowings	**–**	**–**	**50,478**	**50,478**
2015				
Financial Liabilities				
Hire-purchase obligations	–	–	207	207
Borrowings	–	–	165,422	165,422

42. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Percentage Ownership		Principal Activities
		2016	**2015**	
Property Division		%	%	
* Amble Legacy Sdn Bhd	Malaysia	**100**	100	Investment holding
Batu Pahat Enterprise Sdn Berhad	Malaysia	**98**	98	Dormant
Berkat Timor Sdn Bhd	Malaysia	**100**	100	Dormant
Citibaru Sendirian Berhad	Malaysia	**100**	100	Dormant
* Crest Wonder Sdn Bhd	Malaysia	**100**	100	Investment holding
Inspirasi Elit Sdn Bhd	Malaysia	**85**	85	Property development
JOPP Builders Sdn Bhd	Malaysia	**100**	100	Dormant
Kisan Agency Sdn Bhd	Malaysia	**100**	100	Property development
Lion Courts Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
* Lion Metal Industries Sdn Bhd	Malaysia	**100**	100	Provision of storage facilities
LLB Bina Sdn Bhd	Malaysia	**100**	100	Ceased operations
LLB Damai Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Indah Permai Sdn Bhd	Malaysia	**100**	100	Property development
Malim Courts Property Development Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
Malim Jaya (Melaka) Sdn Bhd	Malaysia	**100**	100	Property development
* Matrix Control Sdn Bhd	Malaysia	**100**	100	Ceased operations
Mcken Sdn Bhd	Malaysia	**100**	100	Ceased operations
Oriental Shield Sdn Bhd	Malaysia	**100**	–	Dormant
PM Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Projek Jaya Sdn Bhd	Malaysia	**100**	100	Investment holding
Seri Lalang Development Sdn Bhd	Malaysia	**100**	100	Ceased operations
Sharikat Pengangkutan East West Sdn Bhd	Malaysia	**100**	100	Dormant
Soga Sdn Bhd	Malaysia	**98**	98	Property development
Sucorp Enterprise Sdn Bhd	Malaysia	**100**	100	Investment holding
Sumber Realty Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	Malaysia	**100**	100	Dormant
* Tianjin Baden Real Estate Development Co Ltd (In liquidation - voluntary)	People's Republic of China	**95**	95	Property development

42. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2016 %	2015 %	Principal Activities
Steel Division				
# Amsteel Mills Sdn Bhd	Malaysia	**99**	99	Manufacture and marketing of steel bars and wire rods
Amsteel Mills Marketing Sdn Bhd	Malaysia	**99**	99	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	Malaysia	**99**	99	Ceased operations
Antara Steel Mills Sdn Bhd	Malaysia	**99**	99	Manufacture and sale of steel and related products
# Lion Waterway Logistics Sdn Bhd	Malaysia	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	Malaysia	**99**	99	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2016)
* LLB Steel Industries Sdn Bhd	Malaysia	**100**	100	Investment holding
* Steelcorp Sdn Bhd	Malaysia	**99**	99	Investment holding
Others				
* Holdsworth Investment Pte Ltd	Singapore	**80**	80	Investment holding
Lion Forest Industries Berhad	Malaysia	**73**	72	Investment holding, trading and distribution of building materials, and trading of steel products
Lion Group Management Services Sdn Bhd	Malaysia	**47**	100	Provision of management services
* Lion Motor Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Enterprise Sdn Bhd	Malaysia	**69**	69	Dormant
LLB Harta (L) Limited	Malaysia	**100**	100	Treasury business
# LLB Harta (M) Sdn Bhd	Malaysia	**100**	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies

42. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2016 %	2015 %	Principal Activities
Others				
LLB Nominees Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Strategic Holdings Berhad	Malaysia	**100**	100	Dormant
# LLB Suria Sdn Bhd	Malaysia	**100**	100	Investment holding
* LLB Venture Sdn Bhd	Malaysia	**100**	100	Dormant
Marvenel Sdn Bhd	Malaysia	**70**	70	Dormant
* Slag Aggregate Sdn Bhd	Malaysia	**100**	100	Investment holding
* Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary)	People's Republic of China	**56**	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Worldwide Unilink Education and Consultancy Sdn Bhd (In liquidation - voluntary)	Malaysia	**100**	100	Ceased operations
* Zhongsin Biotech Pte Ltd	Singapore	**68**	67	Investment holding
Subsidiary Companies of Lion Forest Industries Berhad				
Building Materials Division				
Posim Marketing Sdn Bhd	Malaysia	**73**	72	Trading and distribution of building materials and steel products
Others				
^ Alpha Deal Group Limited	British Virgin Islands	**73**	72	Investment holding
^ Brilliant Elite Investments Limited	British Virgin Islands	**73**	72	Investment holding
^ Brilliant Elite (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Bright Triumph (Cambodia) Co., Limited	Cambodia	**73**	72	Investment and development in agriculture
^ Bright Triumph Investments Limited	British Virgin Islands	**73**	72	Investment holding
Brands Pro Management Sdn Bhd	Malaysia	**73**	72	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands

42. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2016 %	2015 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
* Beijing Youshi Trading Co Ltd	People's Republic of China	**73**	72	Dormant
^ Classy Elite (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Classy Elite Investments Limited	British Virgin Islands	**73**	72	Investment holding
^ Distinct Harvest (Cambodia) Co., Ltd	Cambodia	**73**	72	Investment and development in agriculture
^ Distinct Harvest Limited	British Virgin Islands	**73**	72	Investment holding
^ Double Merits (Cambodia) Co., Limited	Cambodia	**73**	72	Investment and development in agriculture
^ Double Merits Enterprise Limited	British Virgin Islands	**73**	72	Investment holding
^ Dynamic Shine (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Dynamic Shine Holdings Limited	British Virgin Islands	**73**	72	Investment holding
^ Elite Harvest (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Elite Harvest Group Limited	British Virgin Islands	**73**	72	Investment holding
^ Elite Image (Cambodia) Co., Ltd (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Elite Image Investments Limited	British Virgin Islands	**73**	72	Investment holding
^ Eminent Elite (Cambodia) Co., Ltd	Cambodia	**73**	72	Investment and development in agriculture
^ Eminent Elite Investments Limited	British Virgin Islands	**73**	72	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2016 %	2015 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Eminent Prosper (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Eminent Prosper Limited	British Virgin Islands	**73**	72	Investment holding
Gama Harta Sdn Bhd	Malaysia	**73**	72	Investment holding
^ Grand Ray (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Grand Ray Investments Limited	British Virgin Islands	**73**	72	Investment holding
^ Great Zone (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Great Zone Investments Limited	British Virgin Islands	**73**	72	Investment holding
^ Green Choice (Cambodia) Co., Limited	Cambodia	**73**	72	Investment and development in agriculture
^ Green Choice Holdings Limited	British Virgin Islands	**73**	72	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	**73**	72	Investment holding
^ Harvest Boom (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Harvest Boom Investments Limited	British Virgin Islands	**73**	72	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**73**	72	Investment holding
^ Jadeford International Limited	British Virgin Islands	**73**	72	Investment holding
^ Jade Harvest (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Jade Harvest International Limited	British Virgin Islands	**73**	72	Investment holding
^ Jade Power (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Jade Power Holdings Limited	British Virgin Islands	**73**	72	Investment holding
* Lion AMB Resources Berhad	Malaysia	**73**	65	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2016 %	2015 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
Lion Rubber Industries Sdn Bhd	Malaysia	**73**	72	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**73**	72	Manufacturing of petroleum products
^ Mile Treasure (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Mile Treasure Limited	British Virgin Islands	**73**	72	Investment holding
Ototek Sdn Bhd	Malaysia	**51**	51	Dormant
^ Pinnacle Treasure Limited	British Virgin Islands	**73**	72	Investment holding
Posim EMS Sdn Bhd	Malaysia	**59**	58	Provision of energy management and conservation services
Posim Petroleum Marketing Sdn Bhd	Malaysia	**73**	72	Trading and distribution of petroleum products
* P.T. Lion Intimung Malinau (Dissolved on 11 September 2015)	Republic of Indonesia	**–**	69	Dormant
^ Radiant Elite (Cambodia) Co., Ltd	Cambodia	**73**	72	Investment and development in agriculture
^ Radiant Elite Holdings Limited	British Virgin Islands	**73**	72	Investment holding
* Singa Logistics Sdn Bhd	Malaysia	**73**	72	Provision of transportation services
^ Sky Yield (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Sky Yield Group Limited	British Virgin Islands	**73**	72	Investment holding
^ Superb Harvest (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Superb Harvest Limited	British Virgin Islands	**73**	72	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2016 %	2015 %	Principal Activities
Subsidiary Companies of Lion Forest Industries Berhad				
Others				
^ Superb Reap (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Superb Reap Limited	British Virgin Islands	**73**	72	Investment holding
^ Ultra Strategy (Cambodia) Co., Ltd (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Ultra Strategy Limited	British Virgin Islands	**73**	72	Investment holding
^ Up Reach (Cambodia) Co., Limited (In liquidation - voluntary)	Cambodia	**73**	72	Investment and development in agriculture
^ Up Reach Limited	British Virgin Islands	**73**	72	Investment holding
Subsidiary Companies of Lion AMB Resources Berhad				
Others				
^ AMB Aerovest Limited	British Virgin Islands	**73**	65	Investment holding
AMB Harta (L) Limited	Malaysia	**73**	65	Treasury business
* # AMB Harta (M) Sdn Bhd	Malaysia	**73**	65	Managing of debts novated from Lion AMB Resources Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Berhad and certain of its subsidiary companies
* # AMB Venture Sdn Bhd	Malaysia	**73**	65	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of Company	Country of Incorporation	Effective Percentage Ownership 2016 %	2015 %	Principal Activities
Subsidiary Companies of Lion AMB Resources Berhad				
Others				
* # CeDR Corporate Consulting Sdn Bhd	Malaysia	**73**	65	Provision of training services
* # Chrome Marketing Sdn Bhd	Malaysia	**73**	65	Investment holding
* Innovasi Selaras Sdn Bhd (In liquidation - voluntary, dissolved on 28 August 2015)	Malaysia	**–**	65	Investment holding
* Lion AMB Holdings Pte Ltd (Dissolved on 4 October 2016)	Singapore	**73**	52	Investment holding
* Lion Rubber Industries Pte Ltd (Dissolved on 4 October 2016)	Singapore	**73**	46	Investment holding
* # Lion Tyre Venture Sdn Bhd	Malaysia	**73**	65	Investment holding
* # Range Grove Sdn Bhd	Malaysia	**73**	65	Investment holding
* # Seintasi Sdn Bhd	Malaysia	**73**	65	Investment holding
* Shanghai AMB Management Consulting Co. Ltd.	People's Republic of China	**73**	65	Provision of management services
* Willet Investment Pte Ltd	Singapore	**73**	65	Investment holding

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

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

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

43. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of Company	Financial Year-end	Country of Incorporation	Effective Equity Interest 2016 %	2015 %	Principal Activities
Angkasa Amsteel Pte Ltd	30 June	Singapore	**50**	50	Manufacturing and distribution of fabricated steel reinforcement bars
Renor Pte Ltd	30 June	Singapore	**35**	33	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	**37**	37	Captive insurance business
Parkson Holdings Berhad	30 June	Malaysia	**23**	21	Investment holding
Wuhan Wushang & Parkson Enterprise Development Co Ltd	31 December	People's Republic of China	**–**	50	Mixed commercial property development cum cash and carry retail business
Lion Titco Resources Sdn Bhd	30 June	Malaysia	**40**	40	Processing of steel slag and metal extraction
Lion Corporation Berhad	30 June	Malaysia	**20**	20	Investment holding
Associated companies of Lion AMB Resources Berhad					
Lion Asiapac Limited	30 June	Singapore	**27**	24	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd	31 December	Malaysia	**15**	13	Investment holding

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

SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

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

The breakdown of the retained earnings/(accumulated losses) of the Group and of the Company as of 30 June 2016 and 30 June 2015, into realised and unrealised profits is presented in accordance with the directive issued by Bursa Securities dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements", as issued by the Malaysian Institute of Accountants, and the directive of Bursa Securities.

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiary companies				
Realised	**(125,967)**	568,731	**(196,480)**	(186,248)
Unrealised	**478**	57,109	**(1,549)**	(11,131)
	(125,489)	625,840	**(198,029)**	(197,379)
Total retained earnings from associated companies and joint venture				
Realised	**442,415**	483,357	**–**	–
Unrealised	**14,327**	8,529	**–**	–
	456,742	491,886	**–**	–
Consolidation adjustments	**4,315**	4,315	**–**	–
Total retained earnings/(accumulated losses)	**335,568**	1,122,041	**(198,029)**	(197,379)

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out on page 151, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 'Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements' as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

TAN SRI CHENG YONG KIM

DATO' KAMARUDDIN @
ABAS BIN NORDIN

Kuala Lumpur
5 October 2016

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

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

TAN SRI CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 5th day of October, 2016.

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS

LIST OF GROUP PROPERTIES

AS OF 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.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	12.1 hectares	Land	For future development	13.1	June 1991
2.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	1.1 hectares	Land	Property under development	6.3	June 1991
3.	Lot 4534 Mukim of Simpang Kanan Batu Pahat, Johor	Freehold	4.8 hectares	Land	Property under development	0.2	June 1991
4.	Lot 11233 HS(D) 54584 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land	For future development	0.1	June 1991
5.	Mukim 17 North East District Baru Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land	For future development	32.5	June 1991
6.	PT 3494 Mukim of Bukit Raja Klang, Selangor	Leasehold 9.11.2085	24.0 hectares	Industrial land and buildings	Office and factory (39)	22.6	22 October 1994
7.	PT 17631 Mukim of Bukit Raja Klang, Selangor	Leasehold 29.10.2091	2,880 sq metres	Industrial land and buildings	Office and factory (39)	0.6	22 October 1994
8.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang, Selangor	Leasehold 21.10.2088	2.9 hectares	Industrial land and buildings	Office and factory (21)	6.1	22 October 1994
9.	Lot 71422, Mukim 12 Barat Daya Pulau Pinang	Leasehold 11.01.2112	1.2 hectares	Condominium	Property under development	19.9	August 2011
10.	Lot 2320, 2323B, 2582 & 2584 Mukim of Tanjung Dua Belas District of Kuala Langat Selangor	Freehold	69.4 hectares	Industrial land and buildings	Office and factory (11-16)	158.3	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
11.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor - PLO 417, Jalan Gangsa Satu - PLO 218, Jalan Gangsa Satu - PLO 277, Jalan Gangsa Satu	Leasehold 17.6.2052 26.12.2056 29.9.2038	6.3) 4.4) 6.5) hectares	Industrial land and buildings	Office and factory (25) (21) (38)	7.4) 10.6) 6.4)	June 2016
12.	PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land and buildings	Warehouse (21)	4.1	June 2016
13.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	3,080.8 sq metres	Apartments/ flats	Rental (22)	1.7	June 2016
14.	PT3501, HS(D) 24277 Mukim of Kapar Klang, Selangor	Leasehold 22.10.2088	3.2 hectares	Industrial land and building	Office and factory (27)	22.5	January 2013
15	Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (22)	10.6	March 2003
16.	12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (31)	0.1	March 2003
17.	Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (18)	0.3	March 2003

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
18.	50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land and building	2-storey shop office (18)	0.1	March 2003
19.	B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (14)	0.1	16 July 2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2016

Authorised Capital	:	RM1,000,000,000
Issued and Paid-up Capital	:	RM717,909,365
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2016

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares[a]
Less than 100	2,965	17.14	124,788	0.02
100 to 1,000	5,391	31.17	3,114,912	0.45
1,001 to 10,000	6,530	37.75	26,052,800	3.78
10,001 to 100,000	2,046	11.83	66,770,748	9.68
100,001 to less than 5% of issued shares	360	2.08	369,825,244	53.60
5% and above of issued shares	4	0.03	224,034,373	32.47
	17,296	100.00	689,922,865	100.00

Substantial Shareholders as at 30 September 2016

Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Shares[a]	Indirect Interest No. of Shares	Indirect Interest % of Shares[a]
1. Tan Sri Cheng Heng Jem	216,865,498	31.43	40,863,293	5.92
2. Tan Sri Cheng Yong Kim	9,253,289	1.34	107,443,318	15.57
3. Dynamic Horizon Holdings Limited	74,472,627	10.79	31,556,700	4.57
4. Lembaga Tabung Haji	48,130,700	6.98	–	–

Notes:

[a] *Excluding a total of 27,986,500 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2016.*

Thirty Largest Registered Shareholders as at 30 September 2016

	Registered Shareholders	No. of Shares	% of Shares[a]
1.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	86,650,000	12.56
2.	Lembaga Tabung Haji	47,430,700	6.87
3.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	47,000,000	6.81
4.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	42,953,673	6.23
5.	RHB Nominees (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited	29,789,051	4.32
6.	AMSEC Nominees (Tempatan) Sdn Bhd Mtrustee Berhad for Cheng Heng Jem	25,000,000	3.62
7.	M & A Nominee (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited (M&A)	23,000,000	3.33
8.	ABB Nominee (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited	21,667,400	3.14
9.	Lion Diversified Holdings Berhad	21,612,162	3.13
10.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	15,504,670	2.25
11.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	11,816,000	1.71
12.	LDH Management Sdn Bhd	9,935,200	1.44
13.	Toh Ean Hai	9,800,000	1.42
14.	Cheng Yong Kim	9,234,539	1.34
15.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Teng Heng	7,500,000	1.09
16.	Mayang Jati (M) Sdn Bhd	6,723,472	0.97
17.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Siak Hwee (E-BPT)	5,048,600	0.73
18.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Siak Hwee (E-BPT)	5,000,000	0.72
19.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Kok Thye	4,009,900	0.58
20.	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	3,659,953	0.53
21.	HSBC Nominees (Asing) Sdn Bhd TNTC for LSV Emerging Markets Equity Fund L.P.	3,595,900	0.52
22.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ooi Chin Hock (8058312)	3,510,600	0.51
23.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Australia)	3,494,300	0.51
24.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (8119566)	3,400,000	0.49
25.	Lai Siak Hwee	3,311,200	0.48
26.	Amanvest (M) Sdn Bhd	3,292,226	0.48
27.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Boon Huat	3,263,400	0.47
28.	Mayang Jati (M) Sdn Bhd	3,100,000	0.45
29.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sin Huan Kwang (E-TWU)	2,700,000	0.39
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund SD4N for Government of the Province of Alberta	2,422,000	0.35

Note:

[a] *Excluding a total of 27,986,500 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2016.*

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 No. of Shares	Direct Interest % of Shares[a]	Indirect Interest No. of Shares	Indirect Interest % of Shares[a]
The Company	RM1.00				
Tan Sri Cheng Yong Kim		9,253,289	1.34	107,716,340	15.61
Dato' Kamaruddin @ Abas bin Nordin		128,000	0.02	–	–

Related Corporations

Tan Sri Cheng Yong Kim

	Nominal Value per Ordinary Share	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares
Holdsworth Investment Pte Ltd	*	–	–	4,500,000	100.00
Inspirasi Elit Sdn Bhd	RM1.00	–	–	212,500	85.00
Lion Forest Industries Berhad ("LFIB")	RM1.00	130	Negligible[b]	168,960,954	74.15[b]
Lion Group Management Services Sdn Bhd	RM1.00	–	–	4,950,000	99.00
LLB Enterprise Sdn Bhd	RM1.00	–	–	690,000	69.00
Marvenel Sdn Bhd	RM1.00	–	–	70	70.00
Ototek Sdn Bhd	RM1.00	–	–	1,050,000	70.00
Posim EMS Sdn Bhd	RM1.00	–	–	800,000	80.00
Soga Sdn Bhd	RM1.00	–	–	4,525,322	98.12
Steelcorp Sdn Bhd	RM1.00	–	–	99,750	99.75
Zhongsin Biotech Pte Ltd	*	–	–	1,000,000	100.00

Investments in the People's Republic of China	Indirect Interest USD	Indirect Interest % of Holding
Tianjin Baden Real Estate Development Co Ltd (In liquidation - voluntary)	5,000,000	95.00
Tianjin Hua Shi Auto Meter Co Ltd (In liquidation - voluntary)	10,878,944	56.00

Notes:

[a] *Excluding a total of 27,986,500 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2016.*

[b] *Excluding a total of 3,703,500 shares in LFIB bought back by LFIB and retained as treasury shares as at 30 September 2016.*

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

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2016.

OTHER INFORMATION

(I) MATERIAL CONTRACT INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

Conditional Share Sale Agreement dated 30 September 2016 entered into between Lion Forest Industries Berhad, ("LFIB"), a subsidiary of the Company, and Tan Sri Cheng Heng Jem who is the Chairman of LFIB and a major shareholder of LFIB and the Company, for the acquisition by LFIB from Tan Sri Cheng Heng Jem of 56 million ordinary shares of RM1.00 each in Parkson Holdings Berhad representing 5.18% of the voting shares in Parkson Holdings Berhad, for a cash consideration of RM42 million.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to external auditors by the Group and Company for the financial year was RM22,500 and RM8,000 respectively (RM22,500 and RM8,000 respectively in 2015).

(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 scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")	125,623
	Lion Diversified Holdings Berhad Group ("LDHB Group")	21,127
	LTC Corporation Limited Group	24,653
		171,403
(ii) Purchase of scrap iron, gases and other related products and services	LCB Group	90,628
	Lion Asiapac Limited Group ("LAP Group")	15,836
	LDHB Group	62,565
		169,029
(iii) Purchase of tools, dies and spare parts	ACB Resources Berhad Group	1,292
(iv) Provision of storage, leasing and rental of properties, management and support, and other related services	LCB Group	744
	LAP Group	366
	LDHB Group	477
		1,587
(v) Provision of transportation and other related services	LDHB Group	20,245
	LCB Group	7,663
		27,908

Notes:

- "Group" includes subsidiary and associated companies.
- The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

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FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

I.C. No./Company No. ....

of ....

being a member of LION INDUSTRIES CORPORATION BERHAD, hereby appoint ....

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the Eighty-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 24 November 2016 at 9.00 am and at any adjournment thereof.

RESOLUTIONS	**FOR**	**AGAINST**
1. To approve Directors' fees		
2. To re-elect as Director, Y. Bhg. Tan Sri Cheng Yong Kim		
3. To re-elect as Director, Ms Yap Soo Har		
4. To re-appoint as Director, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin		
5. To re-appoint Auditors		
6. Retention of Mr Chong Jee Min as an Independent Non-Executive Director		
7. Authority to Directors to Issue Shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
9. Proposed Renewal of Authority for Share Buy-Back		

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 17 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 INDUSTRIES CORPORATION BERHAD (415-D)
Level 14, Lion Office Tower
No. 1 Jalan Nagasari
50200 Kuala Lumpur

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