LION FOREST INDUSTRIES BERHAD
(82056-X)

Laporan Tahunan

2017

Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 35th Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on 21 November 2017 at 2.00 pm for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 together with the Reports of the Directors and the Auditors thereon. **Note 1**

2. To approve the payment of Directors' fees amounting to RM184,000 for the financial year ended 30 June 2017 (2016: RM181,000). **Resolution 1**

3. To approve the payment of Directors' benefits up to RM154,500 for the period commencing 1 February 2017 until the next annual general meeting of the Company. **Resolution 2**

4. To re-elect Mr Chan Ho Wai who retires by rotation in accordance with Article 98 of the Company's Constitution. **Resolution 3**

5. To re-appoint the following as Directors of the Company:

   Y. Bhg. Tan Sri William H.J. Cheng **Resolution 4**
   Mr Lin Chung Dien **Resolution 5**

6. To re-appoint Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

7. Special Business

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

7.1 Retention of Independent Non-Executive Director

"THAT Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served as an independent non-executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as an independent non-executive Director of the Company." **Resolution 7**

7.2 Retention of Independent Non-Executive Director

"THAT subject to the passing of Resolution 5, Mr Lin Chung Dien who has served as an independent non-executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby retained as an independent non-executive Director of the Company." **Resolution 8**

7.3 Authority to Directors to Issue Shares

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 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 total number of issued shares of the Company (excluding treasury shares) 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 9**

7.4 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 23 October 2017 ("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 10**

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 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); 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."

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

By Order of the Board

WONG PHOOI LIN (MAICSA 7013812)
WONG PO LENG (MAICSA 7049488)
Secretaries

Kuala Lumpur
23 October 2017

Notes:

1. *Agenda Item 1*

   The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. 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 14 November 2017 shall be eligible to attend the Meeting.*
   - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
   - *If a member appoints two (2) proxies, the proportion of his shareholdings represented by each proxy must be specified.*
   - *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 at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan 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 23 October 2017 ("Circular")*

   Details on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular enclosed together with the 2017 Annual Report.

4. *Resolution 2*

   Payment of the benefits of the Directors up to RM154,500 for the period commencing 1 February 2017 until the next annual general meeting in year 2018 comprise estimated meeting allowances in respect of Directors' attendance at Board and Board Committee meetings which have been scheduled and those unscheduled, where necessary. The Board is of the view that it is just and equitable for the Directors to be paid the meeting allowance as and when incurred, when they discharge their responsibilities and render their services to the Company throughout the relevant period.

5. *Resolutions 4 and 5*

   At the 34th Annual General Meeting of the Company held on 23 November 2016, both Y. Bhg. Tan Sri William H.J. Cheng and Mr Lin Chung Dien, who were above the age of 70 years were re-appointed pursuant to Section 129 of the repealed Companies Act 1965 to hold office until the conclusion of this Annual General Meeting. With the coming into force of the Companies Act 2016 on 31 January 2017, there is no longer an age limit for directors. Both Y. Bhg. Tan Sri William H.J. Cheng and Mr Lin Chung Dien being eligible, have offered themselves for re-appointment.

   The proposed Resolutions 4 and 5, if passed, will enable Y. Bhg. Tan Sri William H.J. Cheng and Mr Lin Chung Dien to continue to act as Directors of the Company and they shall thereafter be subject to retirement by rotation pursuant to the Constitution of the Company.

6. *Resolutions 7 and 8*

   The Board assisted by the Nomination Committee, has assessed the independence of both Y. Bhg. Dato' Kalsom binti Abd. Rahman and Mr Lin Chung Dien who have served on the Board as independent non-executive Directors of the Company for a cumulative term of more than nine (9) years, and has recommended that the approval of the shareholders be sought to retain Dato' Kalsom and Mr Lin as independent non-executive Directors as they possess the following attributes necessary in discharging their roles and functions as independent non-executive Directors of the Company:

   (i) Fulfil the criteria of independent Directors as defined in the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

   (ii) Have served the Board for more than nine (9) years and therefore possess greater insights and knowledge of the businesses, operations and growth strategies of the Group.

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

   (iv) Perform their duties as Directors without being subject to influence of Management.

   (v) Participate in Board and Board Committees deliberations and provide an independent voice and objective judgement to the Board.

   (vi) Exercise due care in all undertakings of the Group and carry out their professional duties in the interest of the Company and stakeholders.

7. *Resolution 9*

   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 10% of the total number of issued shares of the Company (excluding treasury shares). 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 23 November 2016 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.

8. *Resolution 10*

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the 35th Annual General Meeting of the Company are set out in the Directors' Profile on pages 6 to 8 of the 2017 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Mr Chan Ho Wai *(Executive Director)* Ms Cheng Hui Ya, Serena *(Executive Director)* Y. Bhg. Dato' Kalsom binti Abd. Rahman Y. Bhg. Dato' Eow Kwan Hoong Mr Lin Chung Dien
Secretaries	:	Ms Wong Phooi Lin (MAICSA 7013812) Ms Wong Po Leng (MAICSA 7049488)
Company No	:	82056-X
Registered Office	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Wilayah Persekutuan Tel No : 03-21420155 Fax No : 03-21413448 Website : www.lion.com.my/lionfib
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Wilayah Persekutuan Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Deloitte PLT Level 16, Menara LGB 1 Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur Wilayah Persekutuan
Principal Bankers	:	CIMB Bank Berhad Bank Muamalat Malaysia Berhad Public Bank Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONFIB
Bursa Securities Stock No	:	8486
Reuters Code	:	LIOF.KL
ISIN Code	:	MYL8486OO002

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, male, aged 74, was appointed to the Board on 15 January 1991 and has been the Chairman of the Company since 27 August 1997.

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

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

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

- Chairman of Lion Diversified Holdings Berhad, a public listed company
- Chairman and Managing Director of Parkson Holdings Berhad, a public listed company
- Chairman and Managing Director of Lion Corporation Berhad
- Chairman of ACB Resources Berhad
- Founding Trustee of The Community Chest, a company limited by guarantee established by the private sector for charity purposes

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares in the Company ("LFIB Shares") and a deemed interest in 170,186,190 LFIB Shares. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 140 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the plantation sector.

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

Tan Sri William Cheng attended five (5) of the six (6) Board Meetings of the Company held during the financial year ended 30 June 2017.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, male, aged 61, was appointed an Executive Director of the Company on 1 August 2008.

Mr Chan graduated with a Higher National Diploma in Electronic Engineering from Bristol Polytechnic, United Kingdom.

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

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

Mr Chan attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2017.

Cheng Hui Ya, Serena
Executive Director

Ms Cheng Hui Ya, Serena, a Malaysian, female, aged 31, was appointed an Executive Director of the Company on 24 August 2015.

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

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

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

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

Ms Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2017.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, female, aged 69, was appointed to the Board on 23 August 2004. She is also the Chairman of the Audit and Risk Management Committee and Nomination Committee, and a member of the Remuneration Committee of the Company.

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

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

Dato' Kalsom has been a nominee director of the Permodalan Nasional Berhad ("PNB") group of companies since 2004. With the recent reorganisation and restructuring of the PNB group, Dato' Kalsom had retired from two of its subsidiaries namely, MIDF Property Berhad and Amanah Scots Property (KL) Sdn Bhd with effect from June 2017 and had been appointed a director of PNB Commercial Sdn Berhad in July 2017. She was also a director of Malaysian Industrial Development Finance Berhad and certain of its subsidiaries from 2001 to March 2016 and a director of MISC Berhad, a public listed company from 2004 to April 2017.

Dato' Kalsom attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2017.

Dato' Eow Kwan Hoong
Independent Non-Executive Director

Y. Bhg. Dato' Eow Kwan Hoong, a Malaysian, male, aged 64, was appointed to the Board on 14 December 2012. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit and Risk Management Committee and Nomination Committee.

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

He began his career as a Cost Accountant with Intel Technology Sdn Bhd in 1979. He later joined Socoil Corporation Sdn Bhd as the Factory Accountant in 1980. In 1982, he joined the Lion Group as Accounts Manager and moved his way up to Group Chief Accountant after serving seventeen years in the Group. He then left and joined IRIS Corporation Berhad in 1998 and had been its Executive Director from 2002 to September 2016.

Dato' Eow is also a director of Versatile Creative Berhad, a public listed company.

Dato' Eow has a direct shareholding of 8,026 ordinary shares in the Company.

Dato' Eow attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2017.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, male, aged 74, was appointed to the Board on 25 February 2008. He is also a member of the Company's Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

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

Mr Lin has a direct shareholding of 7,060 ordinary shares in the Company.

Mr Lin attended five (5) of the six (6) Board Meetings of the Company held during the financial year ended 30 June 2017.

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

Poon Sow Har, Valerie
Malaysian, female, 52 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 Divisions of the Lion Group before assuming her current position.

Cheong Chee Kheong, Tony
Malaysian, male, 51 years of age

Mr Cheong Chee Kheong, Tony, was appointed the General Manager for the Building Materials and Steel Products Division on 1 July 2017. He is in charge of and is responsible for the sales and marketing of the trading operation in the Building Materials Division in Malaysia.

After completing his tertiary education, Mr Cheong first started his sales career marketing paper products. In the span of the 32 years of his career in sales and marketing, he had assumed the position of Sales Promoter, Assistant Manager, Sales Manager, Product Manager and Company Manager promoting various other products including building materials and industrial filtration products locally and to the international market.

Mr Cheong first joined the Posim Group - Building Materials Division in 2002 as a Retail Manager and was promoted to Assistant General Manager in 2012, a position he held until his current appointment as General Manager.

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

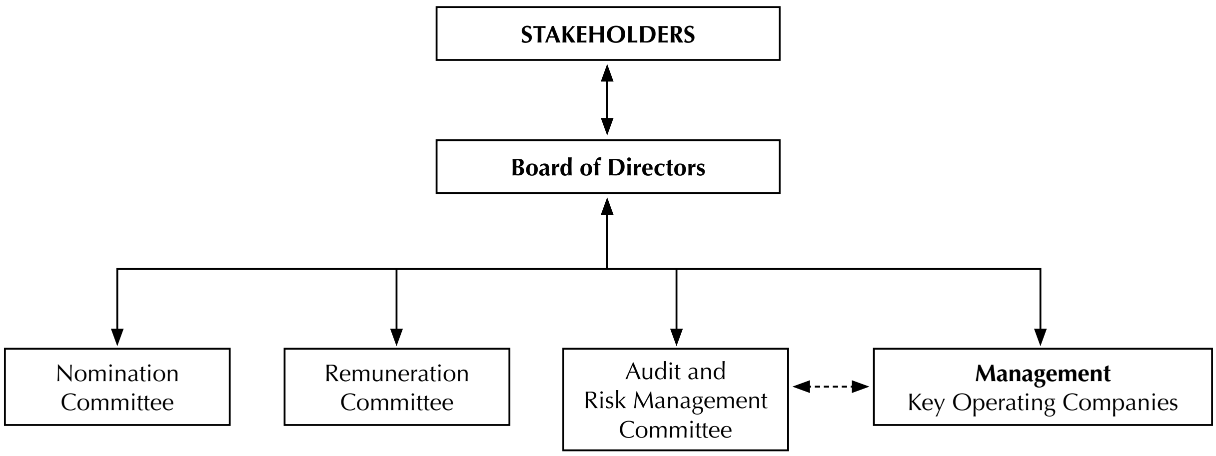
Introduction

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 Corporate Governance Framework and the extent to which the Group has applied good governance practices and compliance with the following requirements and guidelines:

- Malaysian Code on Corporate Governance ("MCCG") 2012. The Board has also taken into consideration the disclosure requirements of MCCG 2017 which was released on 26 April 2017;
- Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements");
- Companies Act 2016; and
- Developments in industry practice and regulations.

Corporate Governance Framework



1. BOARD CHARTER

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

1.2 In August 2017, the Board reviewed and approved certain revisions to the Board Charter in line with the updated statutory and regulatory requirements.

2. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

2.1 Roles and Responsibilities of the Board

2.1.1 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 is primarily responsible for overseeing the implementation of strategies and plans by the Management, overseeing the conduct of the Group's businesses, monitoring the implementation of appropriate systems to manage principal risks, reviewing the adequacy and integrity of the Group's system of internal controls, and ensuring effective communications with stakeholders.

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

2.1.3 The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2017, six (6) 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.

2.2 Delegation by the Board

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

2.2.2 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.

2.3 Board Composition, Independence and Diversity Balance

2.3.1 The Board comprises six (6) Directors, four (4) of whom are non-executive. The current Board composition complies with the Listing Requirements and the MCCG 2017. The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

2.3.2 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, age, gender, cultural background and knowledge required of its members, in the context of the needs of the Group's businesses and strategies. The Board reviews its composition and size from time to time for appropriateness and the fulfilment of the gender diversity representation. The Board currently has two (2) female Directors.

2.3.3 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.

2.4 Code of Ethics

2.4.1 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 2016, and the principles of the MCCG 2017.

2.4.2 The Group has put in place a Code of Business Ethics and Conduct ("CoBEC") 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 Framework, Integrity & Fraud Risk Policy and Personal Data Protection Framework of the Group. The CoBEC was reviewed and enhanced during the financial year to provide better clarity to some principles governing the conduct of Directors, employees and key business partners as well as in keeping abreast with regulatory requirements. 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/lionfib.

2.4.3 All Directors and employees of the Group are expected to exercise caution and due care to safeguard confidential and price-sensitive information of the Group and its business associates from being misused including for personal benefits, at all times. In managing the exposure of such misuse of price-sensitive information to trading of shares or other securities, the Directors and Senior Management are reminded periodically of the prohibition of insider trading and the dealings in securities during closed periods in accordance with the relevant provisions of the Listing Requirements.

2.5 Sustainability

2.5.1 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 44 to 48 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 27 of this Annual Report.

2.6 Supply of Information

2.6.1 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 matters 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.

2.6.2 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.

2.7 Company Secretaries

2.7.1 The Company Secretaries, each of whom is an Associate of the Malaysian Institute of Chartered Secretaries and Administrators, 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.

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

2.7.3 The Company Secretaries update and apprise the Directors on a continuing basis on new and revised requirements to the Companies Act 2016, the Listing Requirements and the MCCG 2017.

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

3. STRENGTHEN COMPOSITION

3.1 Nomination Committee

3.1.1 The Nomination Committee comprises three (3) members, all of whom are non-executive independent Directors. The Nomination Committee is chaired by Y. Bhg. Dato' Kalsom binti Abd. Rahman who is also the Senior Independent Director identified by the Board. The members and terms of reference of the Nomination Committee are presented on page 35 of this Annual Report and are available for reference on the Company's website at www.lion.com.my/lionfib.

3.2 Appointment to the Board and the Effectiveness of the Board

3.2.1 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. As an enhancement to its current process, the Nomination Committee may also consider procuring suitable candidates from independent sources, when required. 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.

3.2.2 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-election and re-appointment of existing Directors are set out in the Board Charter.

3.2.3 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, age, cultural background, qualifications, expertise and experience, knowledge, professionalism and integrity which would contribute to the overall desired composition of the Board.

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

3.3 Activities of the Nomination Committee for the Financial Year

3.3.1 The Nomination Committee met once 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 the terms of reference of the Nomination Committee.

(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 adopted by the Nomination Committee, and made the appropriate recommendation to the Board.

(iii) Reviewed the terms of office and performance of the Audit and Risk Management Committee and each of its members and assessed and evaluated the effectiveness of the Audit and Risk Management Committee in conducting its activities.

(iv) Reviewed the retirement by rotation of Mr Chan Ho Wai and recommended his re-election for Board's consideration.

(v) Reviewed the re-appointment of Y. Bhg. Tan Sri William H.J. Cheng and Mr Lin Chung Dien to serve on the Board ("Re-appointment"). Tan Sri William Cheng and Mr Lin who are above the age of 70 years were re-appointed pursuant to Section 129(6) of the repealed Companies Act 1965 at the 34th Annual General Meeting of the Company ("AGM") held in 2016 to hold office until the conclusion of the next annual general meeting. There is no longer an age limit for directors pursuant to the Companies Act 2016 which came into force on 31 January 2017. As such, the Re-appointment, if approved by the shareholders, will allow Tan Sri William Cheng and Mr Lin to continue in office and they shall thereafter be subject to retirement by rotation pursuant to the Constitution of the Company.

(vi) Reviewed the retention of Y. Bhg. Dato' Kalsom binti Abd. Rahman and Mr Lin Chung Dien whose tenure of service as independent Directors have exceeded a cumulative term of nine (9) years, for recommendation to shareholders for their approval based on the attributes necessary in discharging their roles and functions as independent Directors.

(vii) Reviewed the training needs of the Directors.

(viii) Reviewed and recommended for Board's consideration, the change in the composition of the Remuneration Committee of the Company in line with the recommendation under the MCCG 2017.

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

3.4 Re-election and Retention of Directors

3.4.1 In accordance with the Company's Constitution, 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 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.

3.4.2 The MCCG 2017 provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought through a two-tier voting process to retain the said Director as an independent Director. Such practice is however, only applicable for resolutions tabled at annual general meetings held after 1 January 2018.

3.4.3 For the Directors who were above the age of 70 years and were re-appointed Directors pursuant to Section 129(6) of the repealed Companies Act 1965 at the 34th AGM held on 23 November 2016 to hold office until the conclusion of the next annual general meeting, the Nomination Committee recommended that shareholders' approval be sought for their re-appointment at the forthcoming 35th AGM as their term of office will end at the conclusion of the 35th AGM.

3.5 Directors' Remuneration

3.5.1 The policies and procedures for remuneration of Directors are in place 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 Board continued to apply the criteria set for determining the remuneration packages of executive Directors whilst the recommendation made by the Board on the non-executive Directors' fees for approval by shareholders at the Company's annual general meeting was reflective of the market competitiveness and responsibilities undertaken by such Directors. The Board delegates the oversight of Directors' remuneration to the Remuneration Committee whose members and terms of reference are presented on page 35 of this Annual Report and are available for reference on the Company's website at www.lion.com.my/lionfib.

3.5.2 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 2012 are deemed appropriately served by the disclosures in the ensuing paragraphs.

3.5.3 The aggregate remuneration of Directors who served during the financial year ended 30 June 2017 are categorised as follows:

	Fees RM'000	**Salaries & Other Emoluments RM'000**	**Total RM'000**
The Group			
Executive Directors	40	458	498
Non-executive Directors [(a)]	150	36	186
	190	494	684
The Company			
Executive Directors	40	458	498
Non-executive Directors [(a)]	144	36	180
	184	494	678

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

	Number of Directors			
	The Group		The Company	
Range of Remuneration (RM)	Executive	Non-executive[(a)]	Executive	Non-executive[(a)]
10,000 – 50,000	1	4	1	4
450,001 – 500,000	1	–	1	–

[(a)] Including Directors who are also Directors of a wholly-owned subsidiary of the Company.

4. REINFORCE INDEPENDENCE

4.1 Assessment of Independent Directors and Board Performance Evaluation

4.1.1 The Board observes the recommendation by the MCCG 2017 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 and the Board Committees, and the contribution of each individual Director, including independent Directors, and of each individual member of the Audit and Risk Management Committee on an annual basis. All assessments and evaluations carried out by the Nomination Committee in discharging its duties in accordance with the criteria and procedures set out in the Board Charter were also properly documented.

4.1.2 In line with the MCCG 2017, the tenure of an independent Director does 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 as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval. The MCCG 2017 provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought through a two-tier voting process to retain the said Director as an independent Director. Such practice is however, only applicable for resolutions tabled at annual general meetings held after 1 January 2018.

4.1.3 Based on the assessment carried out for the financial year ended 30 June 2017, 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, age, gender diversity, the balance between executive, non-executive and independent Directors, and mix of skills, experience and knowledge was adequate.

4.2 The Roles and Functions of Chairman and EDs

4.2.1 The Chairman leads and oversees the operations and affairs of the Board. He facilitates the Board in performing its oversight role of the Management and ensures proper functions of the Board in meeting its mandate and responsibilities as set forth in the Board Charter. The Chairman's responsibilities are set out in more detail in the Board Charter.

4.2.2 There is a clear division of responsibilities between the Chairman and the EDs to ensure that there is a balance of power and authority. The EDs are responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

5. FOSTER COMMITMENT

5.1 Time Commitment

5.1.1 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.

5.1.2 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.

5.2 Directors' Training

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

5.2.2 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 by engaging in continuous professional development and where appropriate, on financial literacy.

5.2.3 During the financial year, the Directors had attended the following briefings, seminars, forums and training programmes ("Programmes") on topics/subjects in relation to corporate governance, risk management and internal controls, management, entrepreneurship and leadership, statutory and regulatory updates and requirements, finance, and sustainability covering community, environment, marketplace and workplace:

Name of Directors	Programme
Tan Sri William H.J. Cheng	• Briefing on Sustainability Reporting Requirements under the Singapore Exchange Securities Trading Limited Rules • Lion Group In-House Directors' Training: The New Companies Act 2016
Chan Ho Wai	• Lion Group In-House Directors' Training: The New Companies Act 2016
Cheng Hui Ya, Serena	• Lion Group In-House Directors' Training: The New Companies Act 2016
Dato' Kalsom binti Abd. Rahman	• MISC Berhad – Annual Planning Forum for Directors and Senior Management • Lion Group In-House Directors' Training: The New Companies Act 2016 • Malaysian Institute of Accountants and The Institute of Internal Auditors Malaysia – Audit Committee Conference 2017: Making an Impact
Dato' Eow Kwan Hoong	• Tricor Knowledge House Sdn Bhd – "Common Breaches of the Listing Requirements with Case Studies" • Bursa Malaysia – Risk Management Programme: "I am Ready to Manage Risks" • Lion Group In-House Directors' Training: The New Companies Act 2016
Lin Chung Dien	• Taiwan Corporate Governance Association – The Governance of Business Group

5.2.4 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.

5.2.5 The Directors are also updated and apprised on a continuing basis by the Company Secretaries on new and revised requirements to the Companies Act 2016, the Listing Requirements and the MCCG 2017 ("Continuing Updates").

5.2.6 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.

5.2.7 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.

5.2.8 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.

6. UPHOLD INTEGRITY IN FINANCIAL REPORTING

6.1 Financial Reporting

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

6.1.2 The Audit and Risk Management Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit and Risk Management Committee comprises three (3) members, all of whom are independent Directors. The terms of reference and the main works undertaken by the Audit and Risk Management Committee for the financial year under review are set out in the Audit and Risk Management Committee Report on pages 28 to 34 of this Annual Report.

6.2 Directors' Responsibility in Financial Reporting

6.2.1 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 2016 and the Listing Requirements. The Board is satisfied that for the financial year ended 30 June 2017, 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.

6.3 Relationship with the External Auditors

6.3.1 The Board has established a formal and transparent relationship with the External Auditors through the Audit and Risk Management Committee. The Audit and Risk Management Committee evaluates the performance and assesses the suitability and independence of the External Auditors and recommends the 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 and Risk Management 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.

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

7. RECOGNISE AND MANAGE RISKS

7.1 System of Internal Controls

7.1.1 The Board has overall responsibility in maintaining a sound system of internal controls 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 as well as the descriptions of the key components of the system within the Group is set out in the Statement on Risk Management and Internal Control on pages 21 to 27 of this Annual Report.

7.2 Risk Management Framework

7.2.1 The Board regards risk management as an integral part of business operations. An approved Enterprise Risk Management Framework was in place and continued to provide guidance to both the Board and Management on risk management. The framework 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.

7.2.2 The Board delegates the oversight of risk management and internal control to the Audit and Risk Management Committee. The Audit and Risk Management Committee is assisted by the Risk Management Committee ("RMC") in overseeing the implementation of the risk management framework via the Corporate Performance Scorecards ("CPS") and the Corporate Risk Scorecards ("CRS"). The Risk Management Team of each key operating company together with the RMC reports the CPS and CRS to the Audit and Risk Management Committee on a half-yearly basis. The detailed processes of risk management are described in the Statement on Risk Management and Internal Control on pages 21 to 27 of this Annual Report.

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

7.3 Internal Audit Function

7.3.1 The Board has established an Internal Audit Function within the Group to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the Audit and Risk Management Committee to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently. The Internal Audit Function is led by a Chief Internal Auditor who reports directly to the Audit and Risk Management Committee. The Internal Auditors attend all meetings of the Audit and Risk Management Committee and the detailed Internal Audit Function is set out in the Audit and Risk Management Committee Report on pages 28 to 34 of this Annual Report.

7.4 Compliance Function

7.4.1 The Group referred to the approved Compliance Framework which lays down mechanisms and tools to ensure consistency and efficiency in identifying, managing and mitigating compliance risks within the Group. The Group Risk & Compliance Function ("GRC") drove and coordinated the implementation of activities as identified in the Compliance Program/Work Plan. The GRC also reported the results and status of the compliance programme to the Compliance Committee at the management level who would guide on the adequacy and effectiveness of the implementation taking into account the size, diversity and complexity of the Group's businesses and operations. The results and status of the programme implementation were further reported by the Management to the Audit and Risk Management Committee for review and comments.

8. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

8.1 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.

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

9. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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

9.2 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. A summary of key matters discussed at the annual general meetings of the Company are published on the Company's website at www.lion.com.my/lionfib.

9.3 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.

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

9.5 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

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. 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 full management control over their operations) which was prepared with reference to the applicable statutory requirements and regulatory guidelines including:

- Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers;
- Corporate Disclosure Guide and Corporate Governance Guide (2nd Edition); and
- Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Board Responsibility

The Board affirms its overall responsibility for the Group's internal control system and for reviewing the adequacy and effectiveness of this system which covers governance, enterprise risk management, financial, strategy, organisational, operational, regulatory 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 delegates the oversight of internal control and risk management to the Audit and Risk Management Committee ("ARMC"). The ARMC deliberated at its meetings, the adequacy and effectiveness of internal controls based on the findings and outcome of the audits which were conducted and reported by the Group Internal Audit ("GIA") during the financial year. The reports by the GIA described the issues discovered during the audits and actions taken by Management in addressing them. The Chairman of the ARMC thereafter briefed the Board members of the proceedings of the ARMC meetings including highlighting any material matters on internal control or risk management that warranted the Board's attention. Minutes of the ARMC meetings which recorded these deliberations were also presented to the Board for notation.

Key Components of Internal Control System

The Group's key components of internal control system are as follows:

1. **Integrity and Ethical Values**

    - A Code of Business Ethics and Conduct 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. The code was reviewed during the financial year and enhanced to include new provisions which cover personal data protection, competition, anti-money laundering and anti-terrorism financing. The enhanced code was presented to the ARMC in the financial year and adopted by the Group.

    - A 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.

2. **Authority and Responsibility**

    - 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 Group's business strategic directions are also reflected in the respective key operating companies' ("KOCs") Corporate Performance Scorecard ("CPS") which are reviewed half-yearly. 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 Executive Directors ("EDs"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The EDs may delegate aspects of their authority and powers but remain accountable to the Board for the Company's performance and are required to report regularly to the Board on the progress being made by the Company's business units and operations. Delegation of responsibilities and accountability by the EDs further down the structure of the Group is communicated and formalised via respective operational structure and organisational chart as well as the authority matrix.

- Board committees which are guided by respective Terms of Reference ("TOR") were set up to fulfil certain responsibilities delegated by the Board. These Committees assist the Board in promoting governance and accountability as well as overseeing internal controls, Board effectiveness, and nomination and remuneration of Directors and key positions:

    - Audit and Risk Management Committee
    - Nomination Committee
    - Remuneration Committee

- The Management of each operating company is responsible and accountable to the Senior Management, EDs and the Board for implementing the framework, policies and procedures on risk and internal control as approved or directed by the Board.

3. Organisation Structure

- An operational structure and organisational chart which defines the 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.

4. Frameworks, Policies and Procedures

- A set of Group level internal policies and procedures which is maintained centrally and accessible to employees via the intranet. The policies and procedures at both Group level and business or operational level are regularly reviewed for updates to resolve operational deficiencies and 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.

- A Group Procurement/Tender Policy which provides 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 Group Personal Data Protection Framework which provides guidelines on implementation of controls in business and operations processes in meeting the requirements of data protection principles of Personal Data Protection Act 2010.

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

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

5. Planning, Monitoring and Reporting

- 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 ARMC.

6. Internal Audit

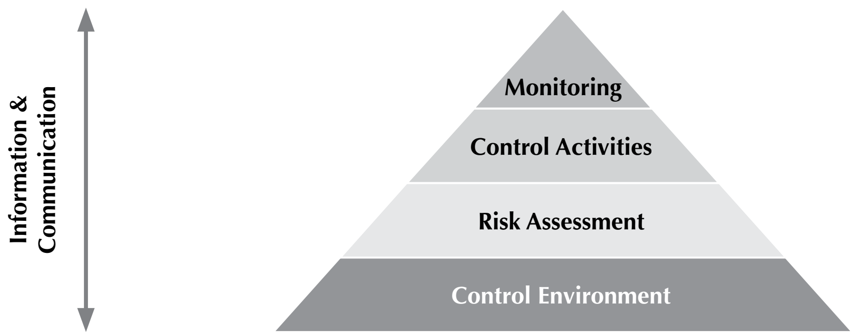
- Internal Audit Charter that is approved by the ARMC articulates the purpose, responsibility and authority of the GIA function as well as the nature of assurance activities provided by the function.

- Annual Audit Plan that is approved by the ARMC provides a basis for audit engagements which also considers feedback from the Management. The GIA adopts a risk based audit approach, assesses the selected areas under the audit scope with regard to risk exposures, compliance towards the approved policies and procedures and relevant laws and regulations and where appropriate, benchmarks against best practices in respective industry.

- Review of business processes and systems of internal control and risk management by the GIA which submits its reports to the ARMC on a quarterly basis. The GIA also established follow-up review to monitor and to ensure that the recommendations of internal audit are effectively implemented.

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

- The GIA assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework. The following five (5) inter-related COSO components are considered during the assessment:



7. Risk Management

- The Group has in place a risk management framework, Enterprise Risk Management ("ERM") Framework that is modelled after the widely adopted standard ISO31000:2009 Risk Management – Principles and Guideline to guide the implementation of a consistent risk management practice across the Group by both the Board and the Management. It recognises that risks are inherent in businesses and views them within the context of risk as an opportunity, uncertainty or hazard.

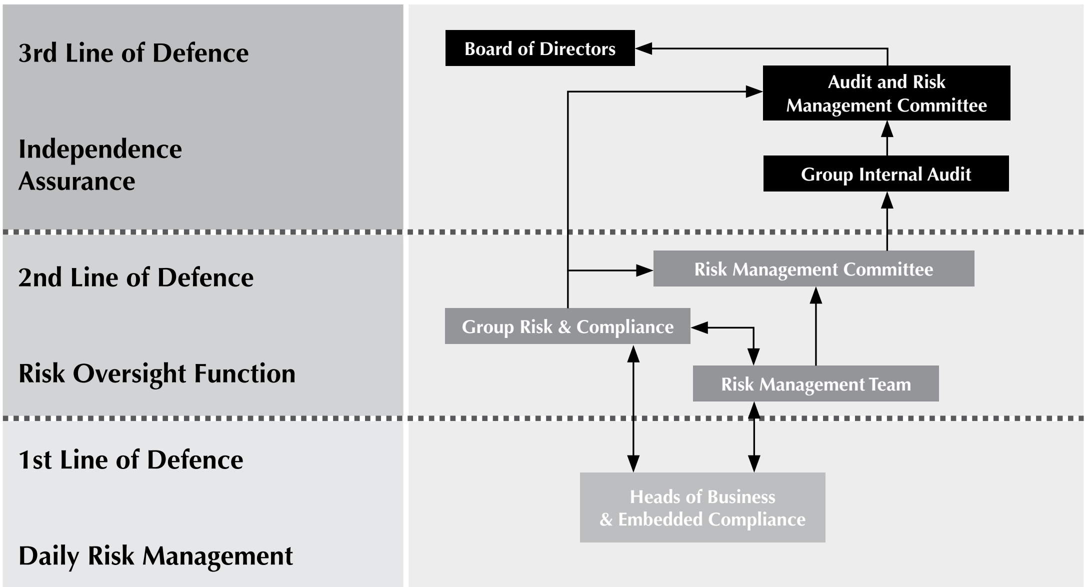
- The ERM Framework provides guidelines on the risk governance, risk management process, risk reporting and generic tools to be used by the Group. The design of the risk governance structure therein is premised on three (3) lines of defence concept with clear functional responsibilities and accountabilities for the management of risk:

  - The first line of defence under the framework is found at the KOCs level where the Head of each KOC assumes the overall accountability for the respective KOC's risk management implementation. Each KOC's Heads of department would provide support to the Head of KOC and supervision of risk management practices in key processes under their respective areas of responsibilities.

  - The second line of defence provides oversight function via the establishment and roles vested in the KOC's Risk Management Team ("RMT") and Risk Management Committee ("RMC") both of which are supported by the Group Risk and Compliance ("GRC") department. The RMTs establish their strategy roadmap for every financial year via the CPS and identified, analysed and reported risks to the RMC and ARMC via the Corporate Risk Scorecard ("CRS"). The GRC provides the reporting templates, updated tools, maintenance of Q-Radar system and facilitation or review of KOC's scorecards development or updates with KOCs' risk representatives. The RMC receives and reviews the scorecards reports from KOCs together with the ARMC.

  - The third line of defence is realised through the provision of objective and independent challenge by GIA with regard to the level of assurance as provided by business operations and oversight functions. The Board, through the deliberations and recommendations of the ARMC, sets the overall risk appetite for the Group.

- The risk management organisational structure adopted by the Group is illustrated as follows:



- The Group employs a Risk Universe Listing to facilitate identification of risk across four (4) risk themes which are Strategic, Business, Financial and Operational as shown in the illustration below. The Group has reviewed and enhanced the Risk Universe during the financial year.

RISK UNIVERSE

- Most KOCs of the Group have set risk tolerance ranges, either qualitative or semi-quantitative, for selected result areas via a self-defined risk impact severity table. Such table is referred to together with a risk matrix which provides measurement scales on possibility of risk occurrence and impact. The use of these tools facilitates the measurement of each risk analysed and evaluated at three (3) different levels; Inherent, Nett and Target, thereby enabling the RMTs to focus more on the management of high risk areas in line with their risk tolerance.

8. Compliance Management

- Half-yearly Compliance Risk Self-Assessment (CRSA) exercises with mitigations identified to address breaches or material non-compliances.

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

- A compliance programme reviewed by the ARMC on an annual basis addressing key compliance areas of statutory and regulatory requirements, codes and internal ethics/standards/policies and procedures. The results and status of the compliance programme were reported by the Compliance Function on a half-yearly basis to the Compliance Committee to monitor and address on-going changes and implementations in the legislative and regulatory requirements affecting the Group.

9. Safety and Hazards Management

- Operations and safety and hazards action plans of operating companies for business resilience and robustness in contingencies, crisis management and disaster recovery management.

- 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.

10. Insurance

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

11. Whistle-Blowing

- A Whistleblower Policy which provides 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.

Risk Management Process

The KOCs' CPS which are prepared every financial year are updated on a half-yearly basis to provide a clear and proper context within which performance-related risks are to be identified, analysed and managed in line with the respective KOCs' strategic direction and business objectives. 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.

In establishing a bottom-up reporting of the risk profile of the KOCs, the RMT in the respective KOCs identified possible and actual risks faced by the KOC together with an analysis of the causes, impact and mitigating actions.

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 CRS.

The GRC 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 ARMC on a half-yearly basis for review on the status of the performance objectives and management action plans implementation. These reviews may result in identification of new risks or re-assessment of reported risks. The ARMC reviewed significant risks, if any, across the risk themes and guided the KOCs on further mitigations, where required.

The Heads of KOC, at the half-yearly reporting, had confirmed that the respective KOC's RMT had reviewed and updated the CPS and CRS with the status of all related material information, controls and management actions and that the risk management process had been complied with and information provided therein fairly reflected the position of the KOC for the period under review.

In all material transactions such as acquisitions and disposals of assets or business and corporate proposals, risks associated with such transactions as analysed by the project team and RMC are presented to the ARMC and Board for their deliberation and decision making. The ARMC will review the proposals together with the risks associated therewith after which the Board may approve, decline or modify the proposals in line with the Group's risk appetite and the Group's strategic and business directions.

Conclusion

The Board is of the view that the system of risk management and internal control in place throughout the Group for the year under review, and up to the date of approval of this Statement, is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group's operations.

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

Review by External Auditors

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control in accordance with Malaysian Approved Standard on Assurance Engagements ("ISAE") 3000 : Assurance Engagements Other than Audits or Reviews of Historical Financial Information as adopted by the Malaysian Institute of Accountants, and Recommended Practice Guide ("RPG") 5 (Revised 2015): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report for inclusion in the Annual Report of the Group for the financial year ended 30 June 2017. The External Auditors reported to the Board that nothing has come to their attention that has caused them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, Corporate Disclosure Guide and Corporate Governance Guide (2nd Edition), nor is the Statement factually inaccurate.

ISAE 3000 and RPG 5 (Revised 2015) do not require the External Auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of significant problems, if any, disclosed in the Annual Report of the Company will, in fact, remedy the problems. Similarly, the External Auditors are also not required to perform any procedures by way of audit, review or verification of the underlying records or other sources from which the Statement on Risk Management and Internal Control was extracted.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

  Mr Lin Chung Dien
  (Independent Non-Executive Director)

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

- **Secretaries**

  The Secretaries of Lion Forest Industries Berhad, Ms Wong Phooi Lin and Ms Wong Po Leng, are also Secretaries of the Audit and Risk Management Committee.

- **Membership**

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

- **Meetings and Minutes**

  The Audit and Risk Management Committee shall meet at least four (4) times annually and the Chief Internal Auditor and the Chief Accountant shall attend the meetings. Relevant members of Senior Management shall be invited to attend these meetings to assist to clarify matters raised at the meetings. A majority of independent Directors present shall form a quorum. The Audit and Risk Management Committee shall meet with the External Auditors without the executive Board members and Management being present at least twice a year.

  Minutes of each Audit and Risk Management Committee Meeting were recorded and tabled for confirmation and adoption at the next Audit and Risk Management Committee Meeting and subsequently presented to the Board for notation. The Chairman of the Audit and Risk Management Committee shall report on each meeting to the Board.

TERMS OF REFERENCE

The Board had on 28 August 2017 reviewed the Terms of Reference of the Audit and Risk Management Committee in line with the provisions of the Listing Requirements, and the Malaysian Code on Corporate Governance 2017 and had included the following duties of the Audit and Risk Management Committee to the Terms of Reference:

(a) To require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed a member of the Audit and Risk Management Committee.

(b) To establish the following with the Internal Audit Function:

- approve the appointment and removal of the Head of the Internal Audit Function
- approve the budget for the Internal Audit Function

(c) To perform a peer, self and Audit and Risk Management Committee assessment annually to assess its effectiveness in carrying out the duties.

The revised Terms of Reference of the Audit and Risk Management Committee are available for reference on the Company's website at www.lion.com.my/lionfib.

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, six (6) Audit and Risk Management Committee Meetings were held. Except for Mr Lin Chung Dien who was absent for one (1) meeting, full attendance were recorded for all other members. The Chief Internal Auditor and the Chief Accountant were also present at all the meetings.

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

The main works undertaken by the Audit and Risk Management 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 matters, unusual events, transactions, 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 2016 and requirements under the Listing Requirements had been complied with; significant matters highlighted by the External Auditors including financial reporting matters, unusual events or transactions had been appropriately addressed; 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 and Risk Management Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

Additional audit approach had been included in areas with weaknesses in control as revealed by the Internal Auditors during their previous annual audit reviews as well as non-compliance declared by the operating units under the Compliance Risk Self-Assessment ("CRSA").

(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 ("RMIC-SAQ") 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, had been made accordingly and reported to the Audit and Risk Management Committee.

(f) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders' Mandate 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 results of *ad hoc* investigative reports/special reviews on internal misconduct and suspicion of fraud with the Group tabled during the year and ensured appropriate remedial actions/measures were taken.

Additional internal control components for better control over areas of weaknesses discovered during the investigative audit had been included in the RMIC-SAQ to ensure that the operating companies' level of internal control was adequately assessed and disclosed.

(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 27 of this Annual Report.

The Committee was satisfied that the system of risk management and internal control in place throughout the Group as described in the Statement on Risk Management and Internal Control, was sound and effective, providing reasonable assurance that the structure and operation of controls were appropriate for the Group's operations. The Committee also acknowledged that implementation measures were continuously taken to strengthen the system of risk management and internal control so as to safeguard the interests of stakeholders including shareholders' investments, and the Group's assets.

(i) Reviewed the Group Compliance Framework for the financial year under review with regard to the scope of activities and their progress as set out in the Compliance Program/Work Plan set out for the financial year.

(j) Approved a budget of RM279,600 for the Internal Audit Function to effectively carry out its audit plan for the financial year ending 30 June 2018.

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

- **External Audit**

(a) Reviewed 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, and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

(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 in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Audit and Risk Management Committee.

The Audit and Risk Management Committee had received from the External Auditors written confirmation on their independence and disclosed their policies on independence, safeguards and procedures to address threats 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 2017 amounted to RM6,000.

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

- **Compliance Management**

    (a) Compliance with laws, regulations, codes and standards

    - Reviewed and discussed the enhancements made to the Code of Business Practice ("CoBEC") during the financial year to ensure that the CoBEC provides better clarity to certain principles governing the conduct of Directors, employees and key business partners and to address relevant developments in laws and regulations such as Personal Data Protection Act 2010 and Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001.

    (b) Application of corporate governance and good practices

    - Reviewed and discussed the analysis received by the Company from Bursa Securities on Bursa Securities' 2016 review and assessment of the Group's Corporate Governance disclosures in Annual Report.

    (c) Conformance to Group policies and procedures

    - Received and reviewed the status and outcomes of the half-yearly CRSA exercises which seek to identify gaps in compliance with regard to applicable laws, regulations, codes, standard and Group policies and procedures and discussed the adequacy of measures to address such gaps or non-compliance. The CRSA questionnaire sets and declaration were completed by the identified Heads of Business, Finance Managers and Group Accountants, Company Secretaries, Group Treasury and Group Tax.

    (d) Activities of Group Risk and Compliance Department

    - Monitored on a half-yearly basis the scope of activities and status of implementation as driven and coordinated by the Group Risk and Compliance as set out in the Compliance Program/Work Plan for the financial year ended 30 June 2017.

- **Risk Management**

    (a) The Audit and Risk Management 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 and Risk Management 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 and Risk Management 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 and Risk Management 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 and Risk Management 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.

  Review on RRPTs by the Internal Auditors were reported to the Audit and Risk Management Committee on a quarterly basis.

  The Management had given assurance to the Committee that related party transactions and mandate for recurrent related party transactions were in compliance with the Listing Requirements and the Group's policies and procedures.

INTERNAL AUDIT FUNCTION

The Internal Audit Function is undertaken by the Group Management Audit Department ("GMA Department") and is independent from Management of the Company and the function which it audits. 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 Group Chief Internal Auditor, Ms Elsie Tan Chitt Loo, is a qualified Chartered Member of the Malaysian Institute of Accountants and a professional member of the Institute of Internal Auditors Malaysia with more than 25 years of internal audit experience in the field of retail, branding, credit financing, food and beverage, steel manufacturing, property, computer and agriculture.

The purpose, authority and responsibility of the Internal Audit Function as well as the nature of the assurance activities provided by the function are articulated in the Internal Audit Charter approved by the Audit and Risk Management Committee. The Audit and Risk Management Committee is of the opinion that the Internal Audit Function is appropriate to its size and the nature and scope of its activities.

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

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

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

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with set policies and procedures
- Identification of opportunities to improve the operations and processes
- Investigations and special audit reviews
- Adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework

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

Significant matters were reported directly to the Audit and Risk Management Committee and Senior Management to ensure improvement and corrective actions taken.

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

An annual assessment for evaluating the adequacy and effectiveness of the Internal Audit Function was carried out in 2017.

The Audit and Risk Management Committee was satisfied that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence and that the audit programme for the financial year under review was carried out by the Internal Auditors as planned.

The Audit and Risk Management Committee was also satisfied that the Internal Audit Function, backed by a workforce comprising six (6) staff of managerial level and four (4) staff of executive level who possessed the relevant qualification and experience, had adequate resources to fulfil the internal audit plan for the next financial year.

The total cost incurred in managing the Internal Audit Function of the Group for the financial year was RM259,000.

NOMINATION COMMITTEE

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

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

Mr Lin Chung Dien
(Independent Non-Executive Director)

Terms of Reference :

- To recommend to the Board, candidates for directorships in Lion Forest Industries Berhad
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or major shareholder and from independent sources
- To recommend to the Board, Directors to fill the seats on Board Committees
- To assist the Board in reviewing on an annual basis, the composition, the required mix of skills, experience, diversity and other qualities, including core competencies which each individual Director including the independent non-executive Director 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
- To review the induction and training needs of Directors
- To consider other matters as referred to the Committee by the Board from time to time

REMUNERATION COMMITTEE

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

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

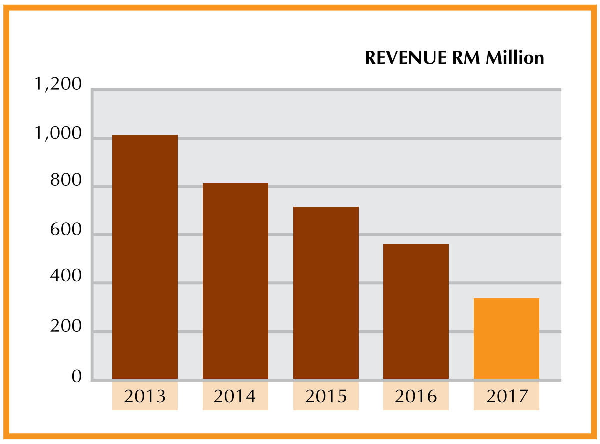
Mr Lin Chung Dien
(Independent Non-Executive Director)

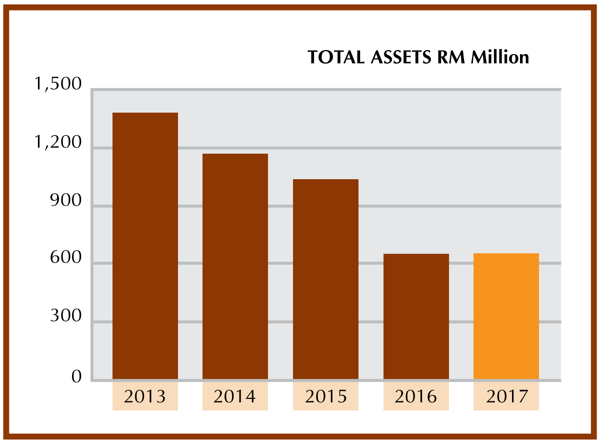
Terms of Reference :

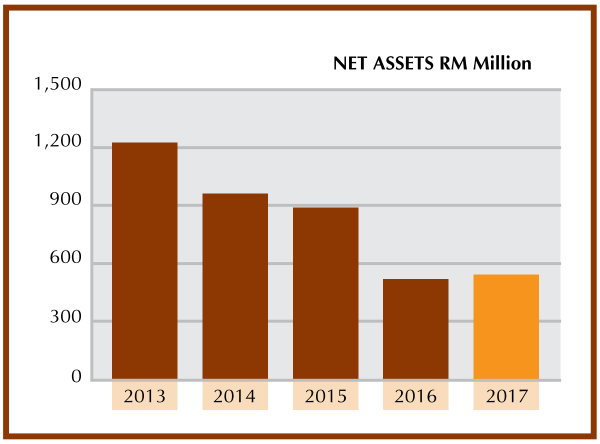
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

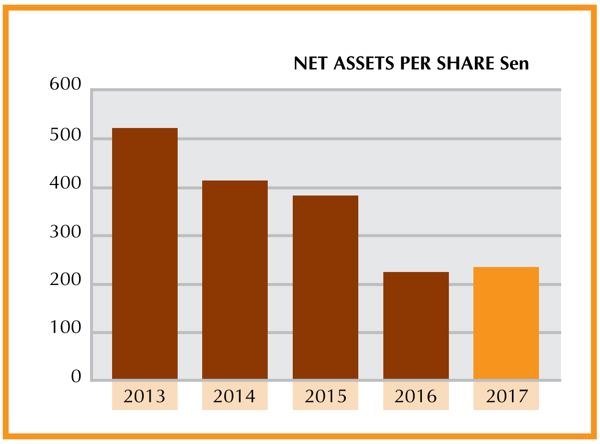
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2013	2014	2015	2016	2017
Revenue	(RM'000)	1,011,304	817,922	721,449	565,103	339,658
Profit/(Loss) before tax	(RM'000)	25,638	(236,620)	(93,385)	(379,870)	16,716
Profit/(Loss) after tax	(RM'000)	10,885	(250,006)	(104,552)	(386,871)	14,759
Net profit/(loss) attributable to owners of the Company	(RM'000)	10,866	(249,339)	(99,968)	(387,197)	14,746
Total assets	(RM'000)	1,383,260	1,169,710	1,041,831	647,982	657,055
Net assets	(RM'000)	1,212,023	962,049	887,462	515,306	536,297
Total borrowings	(RM'000)	7,441	23,774	22,892	22,815	23,889
Earnings/(Loss) per share	(Sen)	4.7	(107.7)	(43.2)	(168.6)	6.5
Net assets per share	(Sen)	523	415	383	225	235
Dividend:						
Rate	(Sen)	2.0	–	–	–	–
Amount	(RM'000)	3,474	–	–	–	–









THE GROUP'S BUSINESSES

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

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products under "HI-REV" & "T-TRAX" brands. Its line of motor oils meet specifications required by American Petroleum Institute (API), Japanese Automotive Standards Organization (JASO) and European Automobile Manufacturers' Association (ECEA).
- *Posim Petroleum Marketing Sdn Bhd mengedarkan pelbagai produk berasaskan petroleum di bawah jenama "HI-REV" & "T-TRAX". Rangkaian minyak motornya memenuhi spesifikasi yang ditetapkan oleh American Petroleum Institute (API), Japanese Automotive Standards Organization (JASO) dan European Automobile Manufacturers' Association (ECEA).*

- ACCA KAPPA, an Italian brand that offers a range of premium hair brushes, body care products and fragrances.
- *ACCA KAPPA, jenama Itali yang menawarkan rangkaian berus rambut premium, produk penjagaan badan dan minyak wangi.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Forest Industries Berhad ("LFIB" atau "Kumpulan") bagi tahun kewangan berakhir pada 30 Jun 2017.

PRESTASI KEWANGAN

Kumpulan mencatatkan pencapaian sederhana dalam tahun kewangan ini disebabkan oleh permintaan domestik yang perlahan terhadap produk dan perkhidmatan kita. Keadaan pasaran global dan domestik yang tidak menentu terus memberi cabaran kepada persekitaran perniagaan dalam Tahun Kewangan 2017 ("TK2017"). Impak yang amat ketara dapat dilihat dalam perniagaan bahan binaan kita yang berkait rapat dengan sektor pembinaan dan pembangunan hartanah kekal merosot disebabkan oleh keadaan pasaran yang lemah dan syarat pemberian pinjaman yang lebih ketat dikenakan oleh institusi-institusi kewangan. Perniagaan minyak pelincir kita, bagaimanapun berkembang seperti mana yang dijangkakan, untuk mencatat pertumbuhan jualan dan keuntungan di sepanjang tahun berkenaan.

Bagi TK2017, Kumpulan mencatatkan pendapatan sebanyak RM339.7 juta iaitu 40% lebih rendah berbanding dengan RM565.1 juta yang dicatatkan pada tahun kewangan lalu. Penurunan ini disebabkan terutamanya oleh pengurangan dalam sumbangan daripada Bahagian Bahan Binaan kita. Keuntungan operasi berkurangan kepada RM16.0 juta daripada RM25.0 juta pada tahun lalu.

Kumpulan telah mencatatkan keuntungan sebelum cukai sebanyak RM16.7 juta selepas mengambil kira sumbangan keuntungan daripada syarikat bersekutu kita sebanyak RM17.7 juta dan kerugian rosot nilai ke atas saham yang disebut harga sebanyak RM11.0 juta. Keuntungan ini adalah pemulihan daripada kerugian sebanyak RM379.9 juta pada tahun lepas termasuk kerugian rosot nilai terhadap bayaran belum terima sebanyak RM397.2 juta.

Jumlah aset bersih Kumpulan bertambah baik kepada RM536.3 juta daripada RM515.3 juta pada tahun sebelumnya dengan aset bersih sesaham adalah sebanyak RM2.35, iaitu meningkat sebanyak RM0.10 berbanding pada tahun sebelumnya.

PROSPEK

Persekitaran operasi yang mencabar dijangka berterusan sehingga tahun kewangan akan datang berikutan ketidaktentuan semasa yang menjejaskan ekonomi tempatan dan juga dunia. Nilai mata wang Ringgit Malaysia dan komoditi dijangka kekal mengalami kemeruapan atau turun naik dalam jangka masa terdekat, sektor hartanah yang turut diceburi Kumpulan melalui kegiatan pembekalan bahan binaan akan terus lemah.

Kumpulan akan terus berwaspada dan mengambil langkah-langkah proaktif untuk mendepani cabaran-cabaran ini dan akan terus menerokai dan mengenal pasti peluang dan bidang pertumbuhan baharu termasuk di luar negara. Kumpulan juga akan meningkatkan usaha ke arah memperluaskan rangkaian produk dan perkhidmatannya untuk memenuhi keperluan pelanggan dan mengurangkan kos operasi bagi mencapai pertumbuhan keuntungan dalam tahun kewangan berikutnya dan juga bagi tempoh jangka panjang, sambil mewujudkan nilai kepada para pemegang kepentingannya.

PERKEMBANGAN KORPORAT

Pada 14 April 2017, Lion AMB Resources Berhad, anak syarikat milik penuh telah menandatangani perjanjian penjualan saham dengan Suzuki Motor Corporation untuk melupuskan keseluruhan pegangan ekuiti sebanyak 20% dalam syarikat bersekutunya Suzuki Motorcycle Malaysia Sdn Bhd bagi pertimbangan bayaran sebanyak RM17.3 juta ("Pelupusan"). Pelupusan ini telah dimuktamadkan pada 14 September 2017.

PENGHARGAAN

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

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

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

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad ("LFIB" or "the Group") for the financial year ended 30 June 2017.

FINANCIAL PERFORMANCE

It has been a moderate year for the Group due to slow growth in domestic demand for our products and services. Uncertainties from both the global and domestic markets continued to pose challenges to the business environment for the Financial Year 2017 ("FY2017"). The impact is seen to be greater in our building materials business which is closely tied to the construction and property development sector that remained soft due to the weak market conditions and tighter lending from financial institutions. Our lubricant business on the other hand was very much on track, achieving sales and profit growth over the preceding year.

For FY2017, the Group registered 40% lower revenue of RM339.7 million compared with RM565.1 million recorded in the last financial year. The decrease was due mainly to a decline in contributions from our Building Materials Division. Profit from operations declined to RM16.0 million from RM25.0 million last year.

The Group posted a profit before tax of RM16.7 million after taking in the profit contributed by our associated companies of RM17.7 million and impairment loss on quoted shares of RM11.0 million. This is a turnaround from a loss of RM379.9 million last year that included an impairment loss on receivables of RM397.2 million.

The Group's net assets improved accordingly to RM536.3 million from RM515.3 million in the preceding year with net assets per share of RM2.35, which saw an increase of RM0.10 over the preceding year.

PROSPECTS

The challenging operating environment is anticipated to continue in the next financial year in view of the prevailing uncertainties affecting the global and local economies. With Ringgit Malaysia and commodities prices expected to stay volatile in the near term, the property sector to which the Group supplies its building materials, continues to remain soft.

The Group will remain vigilant and take proactive steps to meet these challenges by continuing to explore and identify opportunities and new growth areas including overseas. The Group will also step up on its efforts to widen its products range and services to meet customer needs and reduce operating costs to achieve profit growth for the next financial year and for the longer term, and at the same time creating value for the stakeholders.

CORPORATE DEVELOPMENT

On 14 April 2017, Lion AMB Resoures Bhd, a wholly-owned subsidiary company, entered into a share sale agreement with Suzuki Motor Corporation to dispose of its entire 20% equity interest in Suzuki Motorcycle Malaysia Sdn Bhd, an associated company, for a cash consideration of RM17.3 million ("Disposal"). The Disposal was completed on 14 September 2017.

ACKNOWLEDGEMENT

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

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

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，欣然提呈金狮森林工业有限公司(Lion Forest Industries Berhad)截至2017年6月30日会计年度的常年报告和经审核财务报表。

财务表现

对本集团而言，本会计年度的业绩颇为平平，这是由于国内对我们的产品与服务的需求增长缓慢。全球和国内市场不确定的因素，继续为2017年会计年度的营业环境构成很多挑战。我们的建筑材料业务受到相当大的冲击，因为这个部门的业务与建筑业和产业发展息息相关，由于市场情况疲弱，以及金融机构收紧贷款条件，建筑业和产业发展仍然低迷。在另一方面，我们的润滑油业务持续蓬勃，销售额和利润增长胜上一个会计年度。

在2017会计年度，本集团的营业额减少40%，为3亿3千970万令吉，上一个会计年度的营业额为5亿6千510万令吉。主要是建筑材料业务的贡献减少。营业利润减至1千600万令吉。上一个会计年度的营业利润为2千500万令吉。

本集团的税前利润为1千670万令吉，这包括分占联号的1千770万令吉利润以及股票投资减值1千100万令吉。与上一个会计年度的3亿7千990万令吉亏损相比，这是一个大逆转。上一个会计年度的亏损含应收账款减值准备3亿9千720万令吉。

本集团净资产相应增长，从上一个会计年度的5亿1千530万令吉增值到今年度的5亿3千630万令吉，每股净资产是2.35令吉，比上一个会计年度增长10仙。

展望

由于受到全球和本地经济的不确定因素影响，下一个会计年度的营商环境预料将会持续具挑战性。在短期内，令吉汇率和原产品的价格预料会继续波动，本集团供应建筑材料的建筑业预料会持续疲软。

本集团会保持警惕，並采取积极步骤应付这些挑战，继续探讨和鉴定机会以及新的成长领域（包括海外）。本集团也会加紧努力，致力于扩大产品范围和服务，以迎合客户的需求和降低营运成本，以便在下一个会计年度以及长期内获得利润增长，同时为利益相关者创造价值。

企业发展

在2017年4月14日，Lion AMB Resources Bhd（它是本集团的独资子公司）和 Suzuki Motor Corporation 达致协议，把它在 Suzuki Motorcycle Malaysia Sdn Bhd（它是本集团的联号）所持的全部20%股权以1千730万令吉现金脱售给 Suzuki Motor Corporation。此项协议在2017年9月14日完成。

鸣谢

我谨代表董事部，衷心感谢我们所有尊贵的股东们、金融机构、商业伙伴以及各政府单位，感谢他们继续给予本集团支持和对本集团有信心。

我也至诚感谢董事部成员，感谢他们给予珍贵的指导、支持和贡献。

最后，我衷心感谢管理层和全体职员对本集团尽忠职守和为工作献身的精神。

主席
丹斯里锺廷森

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Consolidated Statement of Profit or Loss	2017 RM'000	2016 RM'000	Change
Revenue	**339,658**	565,103	-40%
Profit from operations	**16,001**	24,953	-36%
Profit/(Loss) before tax	**16,716**	(379,870)	>100%
Profit/(Loss) after tax	**14,759**	(386,871)	>100%

Consolidated Statement of Financial Position	2017 RM'000	2016 RM'000	Change
Total assets	**657,055**	647,982	1%
Fixed deposits, cash and bank balances	**90,006**	103,930	-13%
Total liabilities	**120,001**	131,932	-9%
Total borrowings	**23,889**	22,815	5%
Net assets	**536,297**	515,306	4%

	Revenue			Segment Profit/(Loss)		
Segment Results	2017 RM'000	2016 RM'000	Change	2017 RM'000	2016 RM'000	Change
Building materials and steel products	**251,428**	477,879	-47%	**5,658**	8,690	-35%
Lubricant, petroleum and automotive products	**81,389**	75,032	8%	**11,516**	11,076	4%
Others	**6,841**	12,192	-44%	**(5,995)**	(1,060)	->100%
	339,658	565,103	-40%	**11,179**	18,706	-40%

("Segment profit/(loss)" refers to profit from operation before finance costs, share in results of associated companies, income tax expense and non-recurring items)

The Group is principally engaged in:
- Trading and distribution of building materials and steel products;
- Manufacturing and trading of lubricants, petroleum-based products and automotive components; and
- Other businesses which include mainly provision of transportation services, distribution and retailing of consumer products, investment holding and others.

Financial Year 2017 ("FY2017") was a year where the country saw a moderated growth in its economy and low market sentiment. This marked another challenging year for the Lion Forest Industries Berhad ("LFIB") Group businesses that reported a mixed performance for the financial year under review.

The Group revenue for FY2017 fell by 40% to RM339.7 million from RM565.1 million in the preceding year. This was largely due to the lower sales of building materials and steel related products.

Building Materials and Steel Products Division recorded a 47% lower revenue of RM251.4 million as compared with the preceding year due to the lower demand for steel related products from the local steel mills, and building materials from the construction and property development sector due to the soft market conditions and tighter lending restrictions from financial institutions.

The Group saw a growth of 8% in the revenue for the Lubricants, Petroleum and Automotive Products Division at RM81.4 million and the higher profit achieved at RM11.5 million was mainly attributed to the higher sales of lubricants.

Contribution from Others was mainly from the transportation business, investment holding and agriculture. These activities collectively contributed a lower revenue of RM6.8 million compared with RM12.2 million recorded a year ago largely due to the lower revenue from the transportation business. Coupled with lower interest income, this Division recorded a higher loss of RM6.0 million compared with RM1.1 million in the preceding year.

Associated companies contributed a profit of RM17.7 million largely from Lion Asiapac Limited ("LAP"), a 36.7% owned associated company. LAP recorded a significant profit from the disposal of its subsidiary company in China.

The Group also recognised an impairment loss on investment in quoted shares of RM11.0 million as a result of marking its carrying value to quoted price as at the end of the financial year and the provision of indemnity loss for damages arising from back pay labour claims from employees of Sabah Forest Industries Sdn Bhd, a former subsidiary company, of RM3.3 million.

Overall, the Group turned around to register a profit before tax of RM16.7 million against a loss before tax of RM379.9 million in the preceding year which included an impairment loss on receivables of RM397.2 million.

The Group's total assets increased to RM657.1 million from RM648.0 million a year ago. In contrast, the Group's total liabilities reduced from RM131.9 million to RM120.0 million. This has resulted in the Group's net assets increasing 4% to RM536.3 million. Net assets per share was RM2.35, which had increased RM0.10 from RM2.25 last year. The Group's debt to equity ratio remained low at 4% as at end of FY2017.

REVIEW OF OPERATIONS

Building Materials and Steel Products

Our Building Materials and Steel Products Division trades in and distributes a wide range of building materials and steel products in the domestic market. The Division sells and distributes building materials such as steel bars, cement, tiles and bricks to the construction sector.

FY2017 had been a very challenging year for the Division as the overall property market continued to be lethargic. Developers were more cautious in initiating new launches whilst prospective purchasers adopted a 'wait and see' stance. At the same time, the slowdown in property sales of the residential, commercial and industrial segments had also led to a huge overhang of unsold units due to a tightened bank lending policy. All these factors had contributed to a lower demand for building materials thus creating keen competition among the building material distributors.

The construction and property market is expected to remain soft in 2018. Nevertheless, the Division will continue to forge closer relationships with its suppliers and trading partners, embrace innovation and provide a wide range of quality products to meet the ever changing demands of customers. The Division will also stay vigilant and responsive to market changes to enable its profit to grow in the rapidly evolving business environment.

Lubricants, Petroleum and Automotive Products

The Lubricants, Petroleum and Automotive Products Division faced a tougher business environment compared to the year before as consumers remained cautious with their spending given the weak economic operating environment globally. In addition, the escalation of base oil prices emerged in end of 2016, and set a steep increase in the cost of production of our finished lubricants. Consumers were generally not ready to accept such a high price increase, and thus, instead of passing fully the input costs to them, our businesses had absorbed a portion of the feedstock price impact, and offered a viable solution sustainable to all parties. Consequently, the impact saw an erosion in profit margins in some product lines.

Despite these challenges, we had worked hard to protect our market share and recorded positive improvement. The Lubricant Division achieved sales and profit growth over the previous year, in all the sectors that we pursued. This was made possible through continuing the mutually beneficial collaboration with our valued customers, suppliers and associates. Our employees played a major role in ensuring that the initiatives and sales programs that we had planned for were diligently implemented to meet our business objectives.

There were also new business opportunities that we had embarked on in recent years, and are now contributing to positive growth. These are various ventures into broadening our product lines, untapped industry segments and emerging geographical areas, all of which we had expanded into progressively.

This year, we had teamed up with the SCK racing team and participated in the FIM Asia Road Racing Championship 2017, a regional motorcycle racing championship held throughout the year, in various circuits in five Asian countries. Since the commencement of the season, the team had won several victories in key circuits. Our duo riders, Fakhrusy Syakirin and Muhammad Muzakkir, triumphed and scored a 'twin-credible' win by taking the 1st and 2nd place in Suzuka Circuit, Japan in June. Prior to that, in the first race of the season, Fakhrusy also won 1st place in the Johor Circuit and celebrated a home-ground victory in April. Our brand, Hi-Rev is proud to be associated with these victories that had drawn positive response from both external and domestic motor sports followers.

We remain vigilant to the changing needs and trends of our customers, and will continue to embark on effective brand building initiatives to strengthen our businesses. Concurrently, we are also exploring new markets to penetrate, given that the Asia Pacific region has a comparatively higher growth potential than other regions. Barring unforeseen circumstances, the Division remains positive on its operations' continuing growth in the near future.

Others

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

Our transportation operations registered a contraction of 36% in revenue as compared with a year ago, and a loss of RM1.7 million due mainly to the decline in demand for transportation services by the local steel mills.

Our exclusive distributorship for ACCA KAPPA, an Italian brand established in 1869 which offers a wide range of premium hair brushes, body care products and fragrances, will continue to increase brand awareness and distribution channels to expand our sales force, in order to compete in the niche market.

SUSTAINABILITY STATEMENT

The Group has embraced the values of corporate responsibility and elements of sustainability management since the early days of its operations. These values are reflected in our core values, policy statements and work practices across our operations and contribute to the development of the Group's Sustainability Framework. The Group is cognisant of the three aspects of sustainability i.e. economic, environmental and social ("EES") underpinning sustainability management and is incorporating good sustainability practices into its operations and businesses.

This Sustainability Statement provides an overview of our sustainability practices and performance for the financial year ended 30 June 2017 in the areas of corporate governance, upholding stakeholders' interests, promoting a safe, healthy and harmonious working environment for all our employees and contributing to the communities in which we operate. We have taken steps to incorporate standard disclosures from the Global Reporting Initiative ("GRI") reporting guidelines and Bursa Malaysia Securities Berhad's revised Main Market Listing Requirements on sustainability reporting.

ECONOMIC

We are focused on building sustainable relationships with stakeholders and utilising our resources optimally to contribute to economic growth and bring value to all our stakeholders. This section covering the Marketplace and Workplace, highlights the continual measures to support the economic sustainability of our operations by giving due attention to our suppliers and customers, and our employees respectively. We have strengthened our policies governing our business dealings, conduct of employees and business continuity management via our Sustainability Framework. These policies pertaining to group procurement, vendor code of conduct, code of business ethics and conduct, integrity and fraud, competition, whistleblowing and sexual harassment, are disseminated to all our companies and employees as well as uploaded onto our website for public viewing.

Marketplace

We are committed to uphold ethical and responsible marketplace practices by practising transparent business conduct and operating our business with integrity and a commitment to excellence to improve our competitiveness and foster long-term relations with our stakeholders.

- **Supply Chain and Responsible Procurement Practices**

  Our procurement department ensures that we engage in responsible procurement practices which is reinforced with the requirement for all our active registered vendors to periodically acknowledge their commitment to the Code of Conduct. Our initiatives start with the supplier selection process incorporating sustainability considerations such as fair labour practices and safety requirements. Compliance and commitment by vendors and suppliers to conduct business with us in a transparent manner is sought through performing audits and making continuous improvements in our procurement processes and policies.

- **Vendor Code of Conduct**

  This serves to inform our vendors of their role and contribution as a key business partner and on the need to comply with all rules and regulations including health and safety standards, and labour standards; avoid conflict of interest, conserve the environment, and notify the Group of any breaches or non-conformance.

- **Employee Code of Conduct**

  We apprise our employees on the Group's Code of Business Ethics and Conduct and the need to conduct business at the highest ethical standards. We do not tolerate bribery and corrupt practices or behaviours that may bring disrepute to the Group or its employees. Above all, we expect honesty, integrity and respect to be exhibited in our dealings and interactions within and outside the Group.

- **Whistleblower Policy**

  We are committed to conduct our affairs in an ethical, responsible and transparent manner. To this effect, we encourage our stakeholders to disclose suspected wrongdoings which may involve or concern our Group's Directors, management, employees, performance, relations with other stakeholders, assets and reputation. Whistleblowers will be accorded protection of their identity unless the disclosure is required by any applicable law.

  All concerns may be disclosed in writing and submitted to the Chief Internal Auditor of the Group via mail, facsimile, email or telephone call to the office as follows:

  Tel No. : 03-21423142
  Email : whistleblowing@lion.com.my
  Fax No. : 03-21489830
  Address : Level 12, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan

- **Customer Satisfaction**

  Customer support and loyalty is critical to the success of our business. Thus, we stress heavily on developing strong customer satisfaction and loyalty programmes to build long-lasting relationships with our customers. We place high priority on customer engagement with various customer feedback channels and work towards providing excellent customer service and achieving customer satisfaction.

- **Privacy and Data Protection**

  We continuously strive to ensure the confidentiality and protection of customer and stakeholders' information and documents based on requirements under the Personal Data Protection Act 2010 and secrecy provisions under the Financial Services Act 2013. Information on our vendors, suppliers and customers is strictly private and confidential, and is treated as such at all times.

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.

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 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 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 the Group subscribes to the safety, health and environmental regulations with a systematic approach reinforced by constant training and monitoring to ensure the safety and well-being of our employees. Workplace incidents are taken seriously; they are investigated and appropriate actions taken to prevent recurrence.

  In compliance with legal requirements such as the Occupational Safety and Health Act, Factories and Machineries Act and related regulations, we have in place our Safety and Health Standard Operating Procedures. Compliance with the safe work practices stated in these standard operating procedures is the primary responsibility of all employees, contractors and consultants performing their duties at our premises.

  We have established the Emergency Response Team (ERT) in our plants to prepare for and respond to any emergency incident, such as occupational incidents, natural disasters or interruption of business operations. Our ERT members are well trained on safety awareness and preparedness in everyday situations. Training is organised regularly for the members on the use of various types of fire extinguishers and hose reel, first aid i.e. CPR and injury management, shutdown and evacuation procedures. Safety campaigns are held to remind and refresh the staff on safety awareness and related issues.

ENVIRONMENT

The Group remains steadfast in our commitment to sustainable development and seeks to operate in a way that minimises environmental harm. We seek to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimise the use of resources and promote energy efficiency.

The Group's operations comply with the environmental laws and regulations governing the industries in which it operates. Our focus is on managing and reducing the impacts arising from operational activities over which we have direct control such as energy and water consumption and wastes management.

We constantly explore greener alternatives in our day-to-day operations such as introduction of more efficient and energy-saving products and processes and 5S management techniques in our operations. Our building materials division is promoting and selling a variety of Green Building Index products in its range of cement, ceiling boards and aerated blocks. The lubricants division collects the used oil and sells to licenced oil recyclers.

We acknowledge that the environmental impact of paper usage is significant. Our approach is to avoid unnecessary paper consumption and waste generation, where possible and appropriate. We always look at ways to reduce paper usage and encourage the usage of electronic platforms such as social media, SMS and email as efficient alternative modes of communication with our dealers and customers and for our day-to-day internal operations, and to use recycled paper to print any document as far as possible.

SOCIAL

In keeping with its philosophy of giving back to the community, the Group is focused on helping to uplift the community via Lion-Parkson Foundation and Lion Group Medical Assistance Fund established by Lion Group of Companies of which the Group is a member. 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.

Empowerment through Education

Lion-Parkson Foundation started in 1990 and organizes fund-raising activities for charity and to provide educational opportunities for the less fortunate. The true sustainability of our project lies in the on-going transformation of peoples' lives through the benefits of education. We believe in Empowerment through Education; that education is the catalyst to bring about sustainable change for the better, for our future generations.

Every year, the Foundation awards scholarships to undergraduates in the local universities. The selected scholars undergo training in soft skills such as problem-solving and communication skills and internships at our companies during their semester breaks to prepare them for the corporate world. This year, the Foundation awarded scholarships worth RM10,000 per annum each to nine students based on their academic performance, extra-curricular activities and leadership qualities. To date, the Foundation has sponsored a total of 436 students through various sponsorship programmes worth RM9.9 million.

The Foundation together with Parkson stores has been organizing an annual Lunar New Year Calligraphy Charity Sale since 2010 in aid of secondary school students. This year's charity sale in nine Parkson stores in the Klang Valley over two weekends in January raised RM188,308 from the sale of the calligraphy pieces by the students from the five participating schools.

The Foundation also participates in the yearly Educare programme in conjunction with Parkson's Back to School promotion whereby collection bins are set up in Parkson stores nationwide to collect school necessities contributed by the public and Parkson itself. This year, we managed to meet our targeted collection amount of RM100,000 worth of school items which together with the contributions from other Educare donors were distributed to 5,000 needy school children from 200 schools and orphanages throughout the country.

In reaching out to the various communities through education, we have not forgotten the less fortunate, namely the special children whose lives we seek to enhance and enrich through our Home for Handicapped and Mentally Disabled Children Association Selangor. It was built at a cost of RM2.2 million contributed by the Foundation on a 4.17-acres piece of land worth RM1.2 million donated by Lion Group, and can accommodate 100 children. The Home was officially opened by National Shuttler, Dato' Lee Chong Wei and Foundation Chairman, Puan Sri Chelsia Cheng on 4 November 2012. Construction work on the 2nd and 3rd phases which will enable the Home to accommodate another 100 children, an orphanage and old folks home is almost completed.

All in, to date a total of RM34 million has been contributed to the various charitable causes championed by the Foundation.

Medical Assistance for the Less Fortunate

In reaching out to a broad and diverse cross-section of beneficiaries irrespective of race or religion, 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. Since its inception in 1995, the Fund has also assisted organisations that are geared towards helping the less fortunate achieve a better life, including sponsoring community health programmes such as medical camps and the purchase of 21 dialysis machines worth RM797,400 for Dialysis Centres providing subsidised treatment to those suffering from kidney failure.

In conjunction with its 21st Anniversary celebration this year, the Fund had donated equipment worth RM21,000 including Touch Screen Pulse Oxymeter set, Blood Pressure set, Autoscope & Ophtalmoscope set and Portable Suction Machine to the Paediatric Ward in Hospital Canselor Tuanku Muhriz, Pusat Perubatan Universiti Kebangsaan Malaysia (PPUKM); and two dialysis machines worth RM84,400 to the National Kidney Foundation (NKF) Dialysis Centre in Cheras. In addition, the Fund had contributed RM268,312.30 in financial assistance to 33 patients for their treatment in various hospitals this year.

To date, the Fund has disbursed a total of RM8 million being sponsorship of medical treatment to 893 individuals and for purchase of medical equipment and dialysis machines as well as medicine for medical camps.

STAKEHOLDER ENGAGEMENT

We recognise that stakeholder engagement, assessment and feedback are an integral part of our sustainability strategy and initiatives, and we are continuously improving our stakeholder engagement approach via various communication channels.

Stakeholder Group	**Communication Channel / Platform**
Employees	Meetings Training programmes Staff gatherings and other engagement channels
Customers	Face-to-face interaction through service channels Communication through Customer Service Department and Corporate Communications Department Feedback through website, e-mail, social media Events
Suppliers/Vendors	Liaison with suppliers before sourcing and engaging with contract managers Meetings, business alliance events/meetings Vendor service/support channel
Shareholders and investors	Investor relations channel and meetings Annual General Meeting Quarterly reports, Annual Report, media releases
Government and regulators	Meetings and events
Local communities	Activities organised by the Company, Lion-Parkson Foundation and Lion Group Medical Assistance Fund
Media	Media releases and interviews
Industry Associations	Meetings and events

FINANCIAL STATEMENTS 2017

For The Financial Year Ended 30 June 2017

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is disclosed in Note 12 to the financial statements.

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
Profit/(Loss) before tax	16,716	(16,246)
Income tax expense	(1,957)	(2,782)
Profit/(Loss) for the year	14,759	(19,028)
Profit attributable to:		
Owners of the Company	14,746	
Non-controlling interests	13	
	14,759	

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 the impairment losses on quoted shares and investment in subsidiary companies as disclosed in Notes 4(i)(b), 4(ii)(a), 12 and 14 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 financial year, the Company repurchased a total of 797,500 of its ordinary shares from the open market at an average price of RM0.53 per share. The total consideration paid for the repurchase including transaction costs was RM419,966. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As of 30 June 2017, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747, as disclosed in Note 24 to the financial statements.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, 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 be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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 of the Group and of the Company which would render any amount stated in the financial statements 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.

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 in the financial year in which this report is made.

DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri William H.J. Cheng
Chan Ho Wai
Cheng Hui Ya, Serena
Dato' Kalsom binti Abd. Rahman
Dato' Eow Kwan Hoong
Lin Chung Dien

LIST OF DIRECTORS OF SUBSIDIARY COMPANIES

The Directors who held office in the subsidiary companies of the Company during the financial year and up to the date of this report are:

Chai Kian Chong
Chai Voon Choy
Chan Ho Wai
Chan Poh Lan
Chen Kwong Fatt
Cheng Hui Yen, Natalie
Cheng Theng How
Cheong Poh Heng
Choo Heng-Ghee
Chuah Say Chin
Goh Kok Beng
Haji Mohamad Khalid bin Abdullah
Khoo Chuan Hong
Khor Toong Yee
Koh Yong Heng
Lee Soon Saam
Lee Whay Keong
Liew Choon Yick
Lim Siong Lin
Loke Shu Sun
Ng Ho Peng
Ong See Chiaw
Ooi Kim Lai
Poon Sow Har (appointed on 16 December 2016)
Rahmat bin Ibrahim
Shaikh Markhzan Jalani
Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Wang Wing Ying
Yap Chan Mei
Yeo Keng Leong
Dato' Eow Kwan Hoong (resigned with effect from 10 October 2016)
Dato' Haji Hashim bin Saad (resigned with effect from 10 October 2016)
Datuk Lee Kok Leong (resigned with effect from 5 August 2016)
Ng Chin Kwan (resigned with effect from 24 July 2017)
Teo Chor Pheow (retired on 22 November 2016)
Ngan Yow Chong (passed away on 7 September 2017)

DIRECTORS' INTERESTS

The interests in shares in the Company of those who were Directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 are as follows:

	Number of ordinary shares			
	As of 1.7.2016	**Additions**	**Disposals**	**As of 30.6.2017**
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Dato' Eow Kwan Hoong	8,026	–	–	8,026
Lin Chung Dien	7,060	–	–	7,060
Deemed interest				
Tan Sri William H.J. Cheng	170,961,979	–	(601,000)	170,360,979

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

	Number of ordinary shares			
	As of 1.7.2016	Additions	Disposals	As of 30.6.2017
Tan Sri William H.J. Cheng				
Direct interest				
Lion Industries Corporation Berhad	216,865,498	–	–	216,865,498
Deemed interest				
Holdsworth Investment Pte Ltd	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	212,500	–	–	212,500
Lion Industries Corporation Berhad	40,906,311	–	(164,900)	40,741,411
Lion Group Management Services Sdn Bhd	5,000,000	–	–	5,000,000
LLB Enterprise Sdn Bhd	690,000	–	–	690,000
Marvenel Sdn Bhd	100	–	–	100
Ototek Sdn Bhd	1,050,000	–	–	1,050,000
Soga Sdn Bhd	4,525,322	–	–	4,525,322
Steelcorp Sdn Bhd	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 1.7.2016	Additions	Disposals	As of 30.6.2017
Deemed interest					
Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	USD	10,878,944	–	–	10,878,944

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related companies and certain companies in which certain Directors of the Company or persons connected with such Directors have interests as disclosed in Note 18 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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Directors and Officers of the Group and of the Company are covered under a Directors' and Officers' Liability insurance up to an aggregate limit of RM50,000,000 against any legal liability, if incurred by the Directors and Officers of the Group and of the Company in the discharge of their duties while holding office for the Company and its subsidiary companies.

HOLDING COMPANIES

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

AUDITORS

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

AUDITORS' REMUNERATION

The remuneration of the auditors for the financial year ended 30 June 2017 is as disclosed in Note 6 to the financial statements.

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
9 October 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position as of 30 June 2017 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 134.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws")* and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*How the matter was addressed in the audit*
Assessment of recovery of deposits paid	
As disclosed in Note 20(b)(ii) to the financial statements, the Group has in prior years paid deposits totalling USD25,733,000, equivalent to RM110,461,000 for the purpose of an agricultural project in Cambodia. Due to a change in the original plan, the Directors are considering alternative plans to recover the deposits paid. In this respect, the Directors have made an assessment of the recovery of the deposits paid based on the revised plan to realise the freehold land and economic land concession. The assessment of recovery of the said deposits is considered a key audit matter in view that significant judgement is required to be exercised by the Directors to determine the manner in which the recovery of the said deposits could be made and the amounts that could be realised. The significant judgement made by the Directors in this respect is disclosed in Note 4(i)(c) to the financial statements.	Our audit procedures performed in this area included, among others: • Inquired of management about the status of the agriculture project and the recent development of the acquisition of land and economic land concession for this project in Cambodia; • Read and considered agreements and relevant documentation relating to the acquisition of land and economic land concession in Cambodia; • Inquired of management about the change in plan and the alternative plans of management to recover the deposits paid, and the possible impacts this might have on the amount expected to be recovered; and • Evaluated the documentary evidence on the revised plan to recover the deposits by way of realisation of the freehold land and economic land concession.

We have determined that there are no key audit matters in the audit of financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in page 135 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 Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

MARK EVELYN THOMSON
Partner – 03080/06/2019 J
Chartered Accountant

9 October 2017

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Revenue	5	**339,658**	565,103	**11,028**	66,020
Other operating income		**14,385**	19,448	**26,767**	13,858
Changes in inventories of finished goods and trading merchandise		**792**	145	**–**	–
Raw materials and consumables used		**(35,290)**	(30,216)	**–**	–
Purchase of trading merchandise		**(256,158)**	(475,524)	**(26)**	(3,763)
Staff costs	6	**(20,156)**	(19,703)	**(1,691)**	(1,799)
Directors' remuneration	6	**(684)**	(699)	**(678)**	(679)
Depreciation of:					
Property, plant and equipment	10	**(5,145)**	(6,070)	**(1)**	(73)
Investment properties	11	**(18)**	(18)	**(18)**	(18)
Gain/(Loss) on foreign exchange:					
Realised		**1,960**	865	**3**	–
Unrealised		**352**	253	**(1,651)**	(1,474)
Other operating expenses		**(23,695)**	(28,631)	**(2,379)**	(806)
Profit from operations	6	**16,001**	24,953	**31,354**	71,266
Finance costs	7	**(907)**	(786)	**(3)**	(6,551)
Share in results of associated companies		**17,667**	(6,156)	**–**	–
Provision for indemnity for damages arising from back pay labour claims	27	**(3,300)**	–	**(3,300)**	–
Net impairment losses on trade and other receivables	20	**(1,702)**	(397,176)	**–**	(3,439)
Impairment losses on:					
Quoted investments		**(11,043)**	(705)	**(10,144)**	–
Investment in subsidiary companies	12	**–**	–	**(34,153)**	(377,000)
Profit/(Loss) before tax		**16,716**	(379,870)	**(16,246)**	(315,724)
Income tax expense	8	**(1,957)**	(7,001)	**(2,782)**	(654)
Profit/(Loss) for the year		**14,759**	(386,871)	**(19,028)**	(316,378)
Profit/(Loss) attributable to:					
Owners of the Company		**14,746**	(387,197)	**(19,028)**	(316,378)
Non-controlling interests		**13**	326	**–**	–
Profit/(Loss) for the year		**14,759**	(386,871)	**(19,028)**	(316,378)
Earnings/(Loss) per ordinary share attributable to owners of the Company (sen)	9				
Basic		**6.47**	(168.63)		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) for the year	**14,759**	(386,871)	**(19,028)**	(316,378)
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss	**–**	–	**–**	–
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences arising from foreign operations	**6,634**	7,018	**–**	–
Net profit/(loss) on available-for-sale financial assets:				
Fair value changes	**31**	(24)	**–**	–
Other comprehensive income for the year	**6,665**	6,994	**–**	–
Total comprehensive income/(loss) for the year	**21,424**	(379,877)	**(19,028)**	(316,378)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	**21,411**	(380,352)	**(19,028)**	(316,378)
Non-controlling interests	**13**	475	**–**	–
Total comprehensive income/(loss) for the year	**21,424**	(379,877)	**(19,028)**	(316,378)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**24,553**	29,325	**4,777**	4,777
Investment properties	11	**578**	596	**578**	596
Investment in subsidiary companies	12	**–**	–	**271,646**	253,917
Investment in associated companies	13	**46,660**	33,945	**–**	–
Other investments	14	**33,837**	2,785	**31,923**	3
Intangible assets	15	**–**	–	**–**	–
Goodwill on consolidation	16	**–**	–	**–**	–
Deferred tax assets	17	**6,944**	5,638	**–**	–
Total Non-Current Assets		**112,572**	72,289	**308,924**	259,293
Current Assets					
Inventories	19	**16,946**	15,085	**–**	–
Trade receivables	20(a)	**88,569**	98,663	**–**	75
Other receivables, deposits and prepayments	20(b)	**128,505**	126,415	**4,294**	4,411
Amount owing by subsidiary companies	12(a)	**–**	–	**444**	51,827
Amount owing by immediate holding company	18	**101,906**	120,963	**–**	–
Amount owing by other related companies	18	**108,839**	106,405	**92,239**	106,304
Tax recoverable		**4,347**	4,232	**62**	1,018
Fixed deposits, cash and bank balances	21	**90,006**	103,930	**6,771**	15,582
		539,118	575,693	**103,810**	179,217
Asset classified as held for sale	22	**5,365**	–	**–**	–
Total Current Assets		**544,483**	575,693	**103,810**	179,217
Total Assets		**657,055**	647,982	**412,734**	438,510

(Forward)

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	23	**920,902**	231,572	**920,902**	231,572
Reserves	24	**(384,605)**	283,734	**(562,279)**	146,499
Equity attributable to owners of the Company		**536,297**	515,306	**358,623**	378,071
Non-controlling interests		**757**	744	**–**	–
Total Equity		**537,054**	516,050	**358,623**	378,071
Non-Current and Deferred Liabilities					
Hire-purchase payables	25	**97**	266	**–**	38
Deferred tax liabilities	17	**697**	1,762	**280**	280
Total Non-Current and Deferred Liabilities		**794**	2,028	**280**	318
Current Liabilities					
Trade payables	26(a)	**23,182**	39,734	**–**	9
Other payables and accrued expenses	26(b)	**67,883**	62,096	**15,349**	15,303
Provision	27	**3,100**	–	**3,100**	–
Amount owing to other related companies	18	**1,211**	4,882	**341**	–
Amount owing to subsidiary companies	12(b)	**–**	–	**35,003**	44,749
Hire-purchase payables	25	**145**	228	**38**	60
Bank borrowings	28	**23,647**	22,321	**–**	–
Tax liabilities		**39**	643	**–**	–
Total Current Liabilities		**119,207**	129,904	**53,831**	60,121
Total Liabilities		**120,001**	131,932	**54,111**	60,439
Total Equity and Liabilities		**657,055**	647,982	**412,734**	438,510

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

The Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Non-distributable reserves						→				
As of 1 July 2015	231,572	689,330	(49)	37,978	118	264	280	89	(72,120)	887,462	24,375	911,837
Loss for the year	–	–	–	–	–	–	–	–	(387,197)	(387,197)	326	(386,871)
Other comprehensive income/(loss) for the year	–	–	–	6,869	–	–	–	(24)	–	6,845	149	6,994
Total comprehensive income/(loss)	–	–	–	6,869	–	–	–	(24)	(387,197)	(380,352)	475	(379,877)
Purchase of treasury shares	–	–	(1,808)	–	–	–	–	–	–	(1,808)	–	(1,808)
Share-based payments	–	–	–	–	(118)	118	–	–	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	10,004	10,004	(24,106)	(14,102)
As of 30 June 2016	231,572	689,330	(1,857)	44,847	–	382	280	65	(449,313)	515,306	744	516,050

(Forward)

The Group	Share capital RM'000	← Non-distributable reserves: Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000 →	Accumulated losses RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 July 2016	**231,572**	**689,330**	**(1,857)**	**44,847**	**382**	**280**	**65**	**(449,313)**	**515,306**	**744**	**516,050**
Profit for the year	–	–	–	–	–	–	–	14,746	14,746	13	14,759
Other comprehensive income for the year	–	–	–	6,634	–	–	31	–	6,665	–	6,665
Total comprehensive income	–	–	–	6,634	–	–	31	14,746	21,411	13	21,424
Purchase of treasury shares	–	–	(420)	–	–	–	–	–	(420)	–	(420)
Transfer arising from "no par value" regime (Note 23)	689,330	(689,330)	–	–	–	–	–	–	–	–	–
Transfer to accumulated losses	–	–	–	–	(382)	(280)	–	662	–	–	–
As of 30 June 2017	**920,902**	**–**	**(2,277)**	**51,481**	**–**	**–**	**96**	**(433,905)**	**536,297**	**757**	**537,054**

The Company	Share capital RM'000	← Non-distributable reserves Share premium RM'000	Treasury shares RM'000	Equity compensation reserve RM'000	Capital reserve RM'000 →	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2015	231,572	689,330	(49)	118	264	(224,978)	696,257
Total comprehensive loss for the year	–	–	–	–	–	(316,378)	(316,378)
Purchase of treasury shares	–	–	(1,808)	–	–	–	(1,808)
Share-based payments	–	–	–	(118)	118	–	–
As of 30 June 2016	231,572	689,330	(1,857)	–	382	(541,356)	378,071
As of 1 July 2016	**231,572**	**689,330**	**(1,857)**	**–**	**382**	**(541,356)**	**378,071**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(19,028)**	**(19,028)**
Purchase of treasury shares	**–**	**–**	**(420)**	**–**	**–**	**–**	**(420)**
Transfer arising from "no par value" regime (Note 23)	**689,330**	**(689,330)**	**–**	**–**	**–**	**–**	**–**
Transfer to accumulated losses	**–**	**–**	**–**	**–**	**(382)**	**382**	**–**
As of 30 June 2017	**920,902**	**–**	**(2,277)**	**–**	**–**	**(560,002)**	**358,623**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

The Group	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	**14,759**	(386,871)
Adjustments for:		
Net impairment losses on trade and other receivables	**1,702**	397,176
Income tax expense recognised in profit or loss	**1,957**	7,001
Share in results of associated companies	**(17,667)**	6,156
Depreciation of:		
Property, plant and equipment	**5,145**	6,070
Investment properties	**18**	18
Finance costs	**907**	786
Impairment losses on quoted investments	**11,043**	705
Allowance for slow-moving and obsolete inventories	**55**	285
Property, plant and equipment written off	**–**	3
Interest income	**(10,831)**	(11,690)
Gain on disposal of property, plant and equipment	**(876)**	(570)
Unrealised gain on foreign exchange	**(352)**	(253)
Impairment losses no longer required for unquoted investments	**(32)**	(71)
Dividend income from unquoted investments	**(237)**	(380)
Provision for indemnity for damages arising from back pay labour claims	**3,300**	–
Operating Profit Before Working Capital Changes	**8,891**	18,365
(Increase)/Decrease in:		
Inventories	**(1,916)**	(1,826)
Trade receivables	**6,658**	(59,529)
Other receivables, deposits and prepayments	**6,297**	2,149
Amount owing by immediate holding company	**19,058**	9,287
Amount owing by other related companies	**(16,389)**	190
(Decrease)/Increase in:		
Trade payables	**(16,552)**	1,002
Other payables and accrued expenses	**6,139**	1,010
Cash Generated From/(Used in) Operations	**12,186**	(29,352)
Interest received	**2,654**	1,043
Income tax refunded	**357**	538
Income tax paid	**(5,404)**	(10,285)
Net Cash From/(Used In) Operating Activities	**9,793**	(38,056)

(Forward)

The Group	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
(Increase)/Decrease in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**(2,656)**	731
Amount owing by immediate holding company		**(1)**	1
Amount owing by other related companies		**13,955**	29,667
Interest received from:			
Fixed deposits with licensed banks		**2,242**	3,317
Other related companies		**5,935**	7,330
Proceeds from disposal of property, plant and equipment		**2,338**	1,598
Dividend income received from:			
An associated company		**465**	452
Unquoted investments		**237**	380
Proceeds from redemption of other investments		**32**	71
Indemnity paid for litigation claim against a former subsidiary company		**(200)**	–
Purchase of property, plant and equipment		**(1,224)**	(1,610)
Acquisition of non-controlling interests		**–**	(14,102)
Investment in:			
Quoted shares		**(42,064)**	–
Unquoted shares		**–**	(850)
Net Cash (Used in)/From Investing Activities		**(20,941)**	26,985
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in:			
Bank borrowings		**(182)**	(1,411)
Amount owing to other related companies		**(3,671)**	(526)
Finance costs paid		**(907)**	(786)
Repayment of hire-purchase payables		**(252)**	(85)
Purchase of treasury shares		**(420)**	(1,808)
Net Cash Used In Financing Activities		**(5,432)**	(4,616)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,580)**	(15,687)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**78,258**	93,945
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**61,678**	78,258

The Company	**2017 RM'000**	**2016 RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(19,028)**	(316,378)
Adjustments for:		
Finance costs	**3**	6,551
Unrealised loss on foreign exchange	**1,651**	1,474
Income tax expense recognised in profit or loss	**2,782**	654
Impairment losses on:		
Net trade and other receivables	**–**	3,439
Investment in subsidiary companies	**34,153**	377,000
Quoted investments	**10,144**	–
Depreciation of:		
Property, plant and equipment	**1**	73
Investment properties	**18**	18
Dividend income	**(11,000)**	(62,000)
Interest income	**(6,555)**	(8,605)
Waiver of amount owing to a subsidiary company	**(18,483)**	–
Provision for indemnity for damages arising from back pay labour claims	**3,300**	–
Operating (Loss)/Profit Before Working Capital Changes	**(3,014)**	2,226
Decrease/(Increase) in:		
Trade receivables	**75**	(50)
Other receivables, deposits and prepayments	**117**	383
(Decrease)/Increase in:		
Trade payables	**(9)**	(8,518)
Other payables and accrued expenses	**45**	40
Cash Used In Operations	**(2,786)**	(5,919)
Income tax refunded	**–**	447
Income tax paid	**(1,825)**	(1,805)
Net Cash Used In Operating Activities	**(4,611)**	(7,277)

(Forward)

The Company	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**3**	1,610
Amount owing by other related companies		**14,065**	29,670
Amount owing by subsidiary companies		**(499)**	(36,131)
Dividend received from subsidiary companies		**11,000**	4,000
Interest received from:			
Fixed deposits with licensed banks		**293**	730
Other related companies		**5,935**	7,330
Subsidiary companies		**–**	210
Other receivables		**327**	335
Additions to investment in a subsidiary company		**–**	(14,102)
Investment in quoted shares		**(42,064)**	–
Indemnity paid for litigation claim against a former subsidiary company		**(200)**	–
Purchase of property, plant and equipment		**(1)**	–
Net Cash Used In Investing Activities		**(11,141)**	(6,348)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**7,086**	7,106
Amount owing to other related companies		**341**	(58)
Repayment of hire-purchase payables		**(60)**	(58)
Purchase of treasury shares		**(420)**	(1,808)
Finance costs paid		**(3)**	(6,551)
Net Cash From/(Used In) Financing Activities		**6,944**	(1,369)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,808)**	(14,994)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**15,579**	30,573
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**6,771**	15,579

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is as disclosed in Note 12.

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 9 October 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act 2016 in Malaysia.

Adoption of new and amended Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 July 2016.

Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 - 2014 Cycle

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

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

Standards, Amendments and IC Interpretations in Issue But Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised MFRSs and Issues Committee Interpretations ("IC Interpretations") and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) [2]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) [2]
MFRS 16	Leases [3]
MFRS 17	Insurance Contracts [5]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions [2]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts [2]
Amendments to MFRS 107	Disclosure Initiative [1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses [1]
Amendments to MFRS 140	Transfers of Investment Property [2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration [2]
IC Interpretation 23	Uncertainty Over Income Tax Treatments [3]

Annual Improvements to MFRSs 2014 - 2016 Cycle [1 or 2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted provided MFRS 15 is also applied.
4 Effective date deferred to a date to be determined and announced, with earlier application still permitted.
5 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The Directors anticipate that the abovementioned MFRSs, amendments to MFRSs and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for MFRS 9, MFRS 15 and MFRS 16. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9, MFRS 15 and MFRS 16 as the Group and the Company are currently undertaking a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

Basis of Consolidation

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

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

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Basis of Consolidation (continued)

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

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

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

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

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

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

Business Combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

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

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

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

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

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

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

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

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

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

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

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

Employee Benefits (continued)

(iii) Equity compensation benefits (continued)

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

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

Taxation

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

Current tax

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

Deferred tax

Deferred tax is accounted for, using the "liability" method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group 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.

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 and the Company intend to settle their current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Conversion

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

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

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

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

Impairment of Assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

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

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

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

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

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

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Current Assets Classified as Held for Sale

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

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

Intangible Assets

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

Goodwill on Consolidation

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

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

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

Inventories

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Segment Reporting

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

Contingent Liabilities

The Group and the Company do not recognise a contingent liability but disclose 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 and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or a sufficiently reliable estimate of the amount of the obligation cannot be made.

Financial Instruments

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

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

Financial Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

AFS financial assets

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

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

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

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

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

Derecognition of financial assets

The Group and the Company derecognise 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 and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group and the Company recognise their retained interest in the asset and an associated liability for amounts they may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

<u>Financial liabilities</u>

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

<u>Financial liabilities at FVTPL</u>

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 have a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

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

<u>Other financial liabilities</u>

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

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

<u>Derecognition of financial liabilities</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of Receivables

Assessment of impairment for receivables is made based on the evaluation of collectability and ageing 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.

As of 30 June 2017, the Group has trade and other receivables due from three related parties:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Trade receivables		
Megasteel Sdn Bhd ("Megasteel")	**330,249**	330,249
Lion DRI Sdn Bhd ("Lion DRI")	**52,007**	52,007
	382,256	382,256
Less: Accumulated impairment losses	**(382,256)**	(382,256)
Net	**–**	–
Other receivables		
Megasteel	**6,858**	6,858
Graimpi Sdn Bhd ("Graimpi")	**272,180**	272,180
	279,038	279,038
Less: Accumulated impairment losses	**(279,038)**	(279,038)
Net	**–**	–

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)

(a) Impairment of Receivables (continued)

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

(i) Megasteel had been suffering losses in the past several years due to excessive dumping of steel products by foreign steel mills and had been operating intermittently depending on market conditions. Megasteel had to retrench its employees and temporarily stopped operation since last year.

Megasteel is currently structuring a scheme of arrangement with its creditors to settle its outstanding debts;

(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 availability of raw material for the production of direct reduced iron; 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 prolonged period and 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.

(b) Impairment of available-for-sale investments

The Group reviews its other investments, which are classified as available-for-sale investments, at each reporting date to assess whether they are impaired. The Group records impairment charges when there has been a significant or prolonged decline in the fair value below their costs.

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

During the current financial year, the Group impaired quoted equity investments with "significant" decline in the fair value greater than 20%, or "prolonged" period of 9 months.

For the financial year ended 30 June 2017, the amount of impairment loss recognised for the available-for-sale investments were RM11,043,000 and RM10,144,200 (2016: RM705,000 and RMNil) for the Group and for the Company respectively.

(c) Recovery of Deposits Paid

As disclosed in Note 20(b)(ii), the Group has paid deposits totalling USD25,733,000, equivalent to RM110,461,000 in prior years mainly with respect to land clearing, and the procurement of economic land concession and freehold land for the purpose of an agricultural project in Cambodia. Due to a change in the original plan, the Directors are considering alternative plans to recover the deposits paid. Significant judgement is exercised in determining the manner in which the recovery of the said deposits could be made and the amounts that could be realised. The amount expected to be recovered for the deposits paid was estimated based on the revised plan to realise the freehold land and economic land concession and on this basis, the carrying amount of the deposits paid was not impaired.

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 year except as disclosed below:

(a) Impairment of Non-Current Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2017, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	**3,216**	3,216	**–**	–
Investment in subsidiary companies	**–**	–	**411,953**	377,800
Other investments	**52,959**	52,991	**–**	–
Intangible assets	**304**	304	**–**	–
Goodwill on consolidation	**191**	191	**–**	–

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

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

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

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

(ii) Key sources of estimation uncertainty (continued)

(b) Depreciation of Property, Plant and Equipment

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

The Group and the Company review the remaining useful lives of property, plant and equipment at the end of each reporting period and ensure 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.

(c) Deferred Tax Assets

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

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Sales of goods	**333,425**	553,681	**28**	4,020
Services rendered	**6,233**	11,422	**–**	–
Gross dividend income from subsidiary companies	**–**	–	**11,000**	62,000
	339,658	565,103	**11,028**	66,020

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Interest income on:				
Fixed deposits with licensed banks	**2,242**	3,317	**293**	730
Other receivables	**327**	335	**327**	335
Advances to:				
Other related companies	**5,935**	7,330	**5,935**	7,330
Subsidiary companies	**–**	–	**–**	210
Others	**2,327**	708	**–**	–
Gain on disposal of property, plant and equipment	**876**	570	**–**	–
Waiver of amount owing to a subsidiary company	**–**	–	**18,483**	–
Dividend income from unquoted investments	**237**	380	–	–
Impairment losses no longer required for unquoted investments	**32**	71	**–**	–
Rental income from:				
Investment properties rented to subsidiary companies	**–**	–	**7**	7
Others	**1,107**	932	**–**	–
Bad debts recovered	**70**	43	**8**	40
Hire of plant and machinery	**(354)**	(1,758)	**–**	–
Rental of premises payable to:				
Third parties	**(368)**	(406)	**–**	–
Subsidiary company	**–**	–	**(14)**	(14)
Directors' remuneration	**(684)**	(699)	**(678)**	(679)
Auditors' remuneration:				
Statutory audit:				
Auditors of the Company:				
Current year	**(169)**	(166)	**(65)**	(63)
Over/(Under)provision in prior years	**1**	5	**(2)**	(3)
Other auditors	**(49)**	(46)	**–**	–
Non-statutory audit	**(6)**	(5)	**(6)**	(5)
Allowance for slow-moving and obsolete inventories	**(55)**	(285)	**–**	–
Property, plant and equipment written off	**–**	(3)	**–**	–

6. PROFIT FROM OPERATIONS (continued)

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM2,154,000 and RM175,000 (2016: RM2,122,000 and RM188,000), respectively.

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fees				
Executive Directors	**40**	37	**40**	37
Non-executive Directors	**150**	164	**144**	144
	190	201	**184**	181
Salaries and other emoluments				
Executive Director	**458**	454	**458**	454
Non-executive Directors	**36**	44	**36**	44
	494	498	**494**	498
	684	699	**678**	679

7. FINANCE COSTS

Finance costs represent:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
Hire-purchase	**20**	28	**3**	6
Other borrowings	**887**	758	**–**	–
Advances from subsidiary companies	**–**	–	**–**	6,545
	907	786	**3**	6,551

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable:				
Current	**6,150**	7,774	**1,281**	561
(Over)/Underprovision in prior years	**(1,822)**	187	**1,501**	93
	4,328	7,961	**2,782**	654
Deferred tax (Note 17):				
Current	**(1,245)**	(394)	**–**	–
Overprovision in prior years	**(1,126)**	(566)	**–**	–
	(2,371)	(960)	**–**	–
	1,957	7,001	**2,782**	654

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) before tax	**16,716**	(379,870)	**(16,246)**	(315,724)
Tax at applicable tax rate of 24%	**4,012**	(91,168)	**(3,899)**	(75,773)
Tax effects of:				
Non-deductible expenses	**6,055**	8,261	**11,040**	91,214
Non-taxable income	**(1,378)**	(3,037)	**(5,860)**	(14,880)
Tax effect on share in results of associated companies	**(4,240)**	1,477	**–**	–
Deferred tax assets not recognised	**517**	91,949	**–**	–
Realisation of deferred tax assets previously not recognised	**(61)**	(102)	**–**	–
(Over)/Under provision in prior years:				
Income tax	**(1,822)**	187	**1,501**	93
Deferred tax	**(1,126)**	(566)	**–**	–
	1,957	7,001	**2,782**	654

8. INCOME TAX EXPENSE (continued)

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unutilised tax credits which would give rise to net deferred tax asset are recognised to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2017, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Temporary differences arising from:		
Trade and other receivables	**659,494**	658,271
Property, plant and equipment	**32**	185
Others	**18**	18
Unused tax losses and unabsorbed capital allowances	**4,949**	4,118
	664,493	662,592

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

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	2017	**2016**
	RM'000	**RM'000**
Profit/(Loss) attributable to owners of the Company	**14,746**	(387,197)

	2017	**2016**
	'000	**'000**
Weighted average number of ordinary shares in issue	**228,624**	231,509
Effect of treasury shares	**(679)**	(1,895)
Adjusted weighted average number of ordinary shares	**227,945**	229,614

	2017	**2016**
Basic earnings/(loss) per share (sen)	**6.47**	(168.63)

(b) Diluted earnings/(loss) per share

The basic and diluted earnings/(loss) per share are equal as the Company has no dilutive potential ordinary shares at the end of the reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

	COST					
The Group	**As of 1 July 2015 RM'000**	**Additions RM'000**	**Disposals RM'000**	**Write-off RM'000**	**Currency translation RM'000**	**As of 30 June 2016 RM'000**
Freehold land	4,777	–	–	–	–	4,777
Freehold buildings	8,422	–	–	–	–	8,422
Plant and machinery	28,526	1,174	(1,723)	(7)	797	28,767
Office equipment	1,117	37	–	–	1	1,155
Furniture and fittings	2,406	89	(18)	–	–	2,477
Motor vehicles	2,939	222	–	–	29	3,190
Prime movers and trailers	26,415	–	(1,419)	–	–	24,996
Office renovation	694	–	–	–	–	694
Computer equipment	2,502	88	–	(4)	1	2,587
Chiller max equipment	49	–	(49)	–	–	–
	77,847	1,610	(3,209)	(11)	828	77,065

	COST					
The Group	**As of 1 July 2016 RM'000**	**Additions RM'000**	**Disposals RM'000**	**Write-off RM'000**	**Currency translation RM'000**	**As of 30 June 2017 RM'000**
Freehold land	**4,777**	**–**	**–**	**–**	**–**	**4,777**
Freehold buildings	**8,422**	**–**	**–**	**–**	**–**	**8,422**
Plant and machinery	**28,767**	**1,047**	**(1,374)**	**–**	**815**	**29,255**
Office equipment	**1,155**	**12**	**(6)**	**(15)**	**1**	**1,147**
Furniture and fittings	**2,477**	**5**	**–**	**(5)**	**–**	**2,477**
Motor vehicles	**3,190**	**–**	**(194)**	**–**	**32**	**3,028**
Prime movers and trailers	**24,996**	**–**	**(4,265)**	**–**	**–**	**20,731**
Office renovation	**694**	**–**	**–**	**–**	**–**	**694**
Computer equipment	**2,587**	**160**	**(39)**	**(31)**	**1**	**2,678**
Chiller max equipment	**–**	**–**	**–**	**–**	**–**	**–**
	77,065	**1,224**	**(5,878)**	**(51)**	**849**	**73,209**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED DEPRECIATION As of 1 July 2015 RM'000	Charge for the year RM'000	Disposals RM'000	Write-off RM'000	Currency translation RM'000	As of 30 June 2016 RM'000
Freehold land	–	–	–	–	–	–
Freehold buildings	2,407	167	–	–	–	2,574
Plant and machinery	13,789	3,150	(716)	(5)	108	16,326
Office equipment	1,033	43	–	–	–	1,076
Furniture and fittings	1,749	230	(18)	–	–	1,961
Motor vehicles	2,238	390	–	–	11	2,639
Prime movers and trailers	16,575	1,865	(1,398)	–	–	17,042
Office renovation	680	4	–	–	–	684
Computer equipment	2,004	221	–	(3)	–	2,222
Chiller max equipment	49	–	(49)	–	–	–
	40,524	6,070	(2,181)	(8)	119	44,524

The Group	ACCUMULATED DEPRECIATION						ACCUMULATED IMPAIRMENT LOSSES	NET BOOK VALUE	
	As of 1 July 2016 RM'000	Charge for the year RM'000	Disposals RM'000	Write-off RM'000	Currency Translation RM'000	As of 30 June 2017 RM'000	As of 1 July 2015/ 30 June 2016/ 1 July 2016/ 30 June 2017 RM'000	As of 30 June 2017 RM'000	As of 30 June 2016 RM'000
Freehold land	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,777**	4,777
Freehold buildings	**2,574**	**167**	**–**	**–**	**–**	**2,741**	**–**	**5,681**	5,848
Plant and machinery	**16,326**	**2,647**	**(749)**	**–**	**218**	**18,442**	**–**	**10,813**	12,441
Office equipment	**1,076**	**86**	**(5)**	**(15)**	**–**	**1,142**	**–**	**5**	79
Furniture and fittings	**1,961**	**191**	**–**	**(5)**	**–**	**2,147**	**–**	**330**	516
Motor vehicles	**2,639**	**255**	**(183)**	**–**	**19**	**2,730**	**–**	**298**	551
Prime movers and trailers	**17,042**	**1,640**	**(3,441)**	**–**	**–**	**15,241**	**3,216**	**2,274**	4,738
Office renovation	**684**	**4**	**–**	**–**	**–**	**688**	**–**	**6**	10
Computer equipment	**2,222**	**155**	**(38)**	**(31)**	**1**	**2,309**	**–**	**369**	365
Chiller max equipment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
	44,524	**5,145**	**(4,416)**	**(51)**	**238**	**45,440**	**3,216**	**24,553**	29,325

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	COST As of 1 July 2015/ 30 June 2016/ 1 July 2016 RM'000	Addition RM'000	Disposal RM'000	As of 30 June 2017 RM'000
Freehold land	**4,777**	**–**	**–**	**4,777**
Office equipment	**222**	**–**	**–**	**222**
Furniture and fittings	**392**	**1**	**–**	**393**
Motor vehicles	**558**	**–**	**–**	**558**
Office renovation	**256**	**–**	**–**	**256**
Computer equipment	**224**	**–**	**(23)**	**201**
	6,429	**1**	**(23)**	**6,407**

The Company	ACCUMULATED DEPRECIATION As of 1 July 2015 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2016/ 1 July 2016 RM'000	Charge for the year RM'000	Disposal RM'000	As of 30 June 2017 RM'000	NET BOOK VALUE As of 30 June 2017 RM'000	As of 30 June 2016 RM'000
Freehold land	–	–	–	**–**	**–**	**–**	**–**	**4,777**	4,777
Office equipment	222	–	–	**222**	**–**	**–**	**222**	**–**	–
Furniture and fittings	392	–	–	**392**	**1**	**–**	**393**	**–**	–
Motor vehicles	488	70	–	**558**	**–**	**–**	**558**	**–**	–
Office renovation	256	–	–	**256**	**–**	**–**	**256**	**–**	–
Computer equipment	221	3	–	**224**	**–**	**(23)**	**201**	**–**	–
	1,579	73	–	**1,652**	**1**	**(23)**	**1,630**	**4,777**	4,777

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

	The Group 2017 RM'000	2016 RM'000
Motor vehicles	**198**	364

11. INVESTMENT PROPERTIES

	The Group and The Company 2017 RM'000	2016 RM'000
Cost:		
At beginning and end of year	**906**	906
Accumulated depreciation:		
At beginning of year	**310**	292
Charge for the year	**18**	18
At end of year	**328**	310
Net book value	**578**	596
Fair value	**865**	865

The income earned by the Company from the rental of investment properties to subsidiary companies amounted to RM7,200 (2016: RM7,200).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM633 (2016: RM496). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM10,215 (2016: RM9,151).

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

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

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares - at cost	**328,599**	276,717
Capital contribution	**355,000**	355,000
Less: Accumulated impairment losses	**(411,953)**	(377,800)
Net	**271,646**	253,917

<u>Movement in the accumulated impairment losses</u>

	The Company	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**377,800**	800
Addition	**34,153**	377,000
At end of year	**411,953**	377,800

(a) Amount owing by subsidiary companies

Amount owing by subsidiary companies (shown under current assets) which arose mainly from trade transactions, expenses paid on behalf and unsecured advances is interest-free and repayable on demand.

During the financial year, the Company capitalised inter-company balances of RM51,882,000 due from its subsidiary companies by way of subscriptions of ordinary shares in its subsidiary companies.

During the previous financial year, the amount owing by a subsidiary company of RM355,000,000 had been capitalised as capital contribution arose from the inter-company balance rationalisation plan of the Group.

(b) Amount owing to subsidiary companies

Amount owing to subsidiary companies which arose mainly from expenses paid on behalf and unsecured advances is interest-free and repayable on demand.

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

	The Company	
	2017	**2016**
	RM'000	**RM'000**
Ringgit Malaysia	**9,149**	20,537
United States Dollar	**25,854**	24,212
	35,003	44,749

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Non-Controlling Interests ("NCI") in Subsidiary Companies

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

	Profit allocated to NCI RM'000	Accumulated NCI RM'000
2017		
Other individually immaterial subsidiary companies	**13**	**757**
2016		
Lion AMB	311	–
Other individually immaterial subsidiary companies	15	744
	326	744

The subsidiary companies are as follows:

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Gama Harta Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Lion AMB #	Malaysia	**100.00**	100.00	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Ototek Sdn Bhd	Malaysia	**70.00**	70.00	Dormant
Posim EMS Sdn Bhd	Malaysia	**100.00**	80.00	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of building materials and steel products

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Posim Petroleum Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of petroleum products
Singa Logistics Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of transportation services
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	**100.00**	100.00	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary company of Intra Inspirasi Sdn Bhd				
Beijing Youshi Trading Co Ltd #	People's Republic of China	**100.00**	100.00	Dormant
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
Alpha Deal Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Bright Triumph Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Brilliant Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Classy Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Distinct Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Dynamic Shine Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Elite Harvest Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Elite Image Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Eminent Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Eminent Prosper Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Grand Ray Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Great Zone Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Harvest Boom Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Jade Harvest International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Jade Power Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Mile Treasure Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Pinnacle Treasure Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Sky Yield Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Superb Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Superb Reap Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Ultra Strategy Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Up Reach Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of BVI Companies				
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Brilliant Elite (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Classy Elite (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Distinct Harvest (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Double Merits (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Dynamic Shine (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Elite Harvest (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Elite Image (Cambodia) Co., Ltd ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Prosper (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Grand Ray (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Great Zone (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
Green Choice (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Harvest Boom (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Jade Harvest (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Jade Power (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Mile Treasure (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Sky Yield (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Superb Harvest (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Superb Reap (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Ultra Strategy (Cambodia) Co., Ltd ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Up Reach (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of Lion AMB				
AMB Harta (L) Limited	Malaysia	**100.00**	100.00	Treasury business
AMB Harta (M) Sdn Bhd #	Malaysia	**100.00**	100.00	Managing of debts novated from Lion AMB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB and certain of its subsidiary companies
AMB Venture Sdn Bhd#	Malaysia	**100.00**	100.00	Investment holding
CeDR Corporate Consulting Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of training services
Subsidiary companies of AMB Venture Sdn Bhd				
Chrome Marketing Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Range Grove Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Seintasi Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
AMB Aerovest Limited ^ (Dissolved on 4 May 2017)	British Virgin Islands	**–**	100.00	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	**100.00**	100.00	Provision of management services
Subsidiary companies of Seintasi Sdn Bhd				
Willet Investment Pte Ltd #	Singapore	**100.00**	100.00	Investment holding
Lion AMB Holdings Pte Ltd # (Dissolved on 4 October 2016)	Singapore	**–**	100.00	Investment holding
Lion Rubber Industries Pte Ltd # (Dissolved on 4 October 2016)	Singapore	**–**	100.00	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.

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

During the financial year, the Company completed the acquisition of the remaining 20% equity interest in Posim EMS Sdn Bhd for a cash consideration of RM1.00. Consequently, Posim EMS Sdn Bhd became a wholly-owned subsidiary company of the Company.

13. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2017 RM'000	The Group 2016 RM'000
At cost:		
Quoted investment outside Malaysia	**83,486**	83,486
Unquoted investments	**15,289**	15,289
	98,775	98,775
Share of post-acquisition results and reserves less dividends received	**(46,750)**	(64,830)
	52,025	33,945
Reclassified as asset held for sale (Note 22)	**(5,365)**	–
	46,660	33,945
Market value of quoted investment outside Malaysia	**42,585**	24,395

The associated companies are as follows:

Name of companies	Financial Year-end	Country of incorporation	Percentage ownership 2017 %	Percentage ownership 2016 %	Principal activities
Lion Asiapac Limited #	30 June	Singapore	**36.68**	36.68	Investment holding
Renor Pte Ltd #	30 June	Singapore	**20.00**	20.00	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd # (Disposed of on 14 September 2017)	31 March	Malaysia	**20.00**	20.00	Investment holding

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

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

2017	LAP RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised of financial information			
Proportion of the Group's percentage ownership	**36.68%**		
Assets and liabilities			
Non-current assets	**10,757**	**15,700**	**26,457**
Current assets	**246,559**	**45,791**	**292,350**
Non-current liabilities	**(790)**	**(1,568)**	**(2,358)**
Current liabilities	**(6,090)**	**(11,213)**	**(17,303)**
Net assets	**250,436**	**48,710**	**299,146**
Results			
Revenue	**25,596**	**15,071**	**40,667**
Profit/(Loss) for the year	**48,384**	**(398)**	**47,986**
Group's share of profit/(loss) of associated companies	**17,747**	**(80)**	**17,667**
Dividend received from associated companies	**465**	**–**	**465**
Reconciliation of net assets to carrying amount			
Group's share of net assets	**91,860**	**9,742**	**101,602**
Other adjustments on equity	**(45,200)**	**(4,377)**	**(49,577)**
Carrying amount in the statements of financial position	**46,660**	**5,365**	**52,025**

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

2016	LAP RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised of financial information			
Proportion of the Group's percentage ownership	36.68%		
Assets and liabilities			
Non-current assets	136,155	16,812	152,967
Current assets	179,585	52,874	232,459
Non-current liabilities	(942)	(1,818)	(2,760)
Current liabilities	(113,469)	(18,840)	(132,309)
Non-controlling interests	(400)	–	(400)
Net assets	200,929	49,028	249,957
Results			
Revenue	32,642	43,840	76,482
Loss for the year	(6,676)	(18,536)	(25,212)
Group's share of loss of associated companies	(2,449)	(3,707)	(6,156)
Dividend received from associated companies	452	–	452
Reconciliation of net assets to carrying amount			
Group's share of net assets	73,700	9,806	83,506
Other adjustments on equity	(45,201)	(4,360)	(49,561)
Carrying amount in the statements of financial position	28,499	5,446	33,945

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

	The Group 2017 RM'000	2016 RM'000
At beginning and end of year	**26,739**	26,739

Amount owing by an associated company is as follows:

	The Group 2017 RM'000	2016 RM'000
Amount owing by an associated company	**1,606**	1,606
Less: Accumulated impairment losses	**(1,606)**	(1,606)
Net	**–**	–

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group 2017 RM'000	The Group 2016 RM'000
Movement in the accumulated impairment losses		
At beginning and end of year	**1,606**	1,606

14. OTHER INVESTMENTS

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Available-for-sale investments				
At fair value:				
Quoted investments in Malaysia:				
At fair value				
Shares	**31,920**	882	**31,920**	–
Warrants	**–**	17	**–**	–
Quoted investments outside Malaysia:				
Shares - at fair value	**186**	155	**–**	–
	32,106	1,054	**31,920**	–
At cost:				
Unquoted investments	**1,731**	1,731	**3**	3
	33,837	2,785	**31,923**	3
Held-to-maturity investments				
At amortised cost:				
Unquoted bonds (at cost, adjusted for accretion of interest)	**52,959**	52,991	**–**	–
Less: Accumulated impairment losses	**(52,959)**	(52,991)	**–**	–
	–	–	**–**	–
Total	**33,837**	2,785	**31,923**	3
Market value of quoted investments:				
In Malaysia	**31,920**	899	**31,920**	–
Outside Malaysia	**186**	155	**–**	–

Investment in unquoted bonds of the Group bears yield-to-maturity at 4.75% (2016: 4.75%) per annum.

The Group and the Company also recognised an impairment loss amounting to RM11,043,000 and RM10,144,000 (2016: RM705,000 and RMNil) respectively in respect of quoted investments designated as available-for-sale financial assets due to significant and prolonged decline in the fair values of these investments below their costs.

15. INTANGIBLE ASSETS

	The Group 2017 RM'000	The Group 2016 RM'000
Cost:		
At beginning and end of year	**500**	500
Accumulated amortisation:		
At beginning and end of year	**(196)**	(196)
Accumulated impairment losses:		
At beginning and end of year	**(304)**	(304)
	–	–

16. GOODWILL ON CONSOLIDATION

	The Group 2017 RM'000	The Group 2016 RM'000
Goodwill on consolidation:		
At beginning and end of year	**191**	191
Accumulated impairment losses:		
At beginning and end of year	**(191)**	(191)
	–	–

17. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
At beginning of year	**3,876**	2,916	**(280)**	(280)
Transfer from/(to) profit or loss (Note 8):				
Property, plant and equipment	**1,163**	(472)	**–**	–
Inventories	**(13)**	31	**–**	–
Other payables and accrued expenses	**1,221**	1,401	**–**	–
	2,371	960	**–**	–
At end of year	**6,247**	3,876	**(280)**	(280)

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

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	**6,944**	5,638	**–**	–
Deferred tax liabilities	**(697)**	(1,762)	**(280)**	(280)
	6,247	3,876	**(280)**	(280)

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets				
Temporary differences arising from:				
Property, plant and equipment	**282**	213	**–**	–
Inventories	**302**	315	**–**	–
Other payables and accrued expenses	**6,507**	5,286	**–**	–
	7,091	5,814	**–**	–
Offsetting	**(147)**	(176)	**–**	–
Deferred tax assets (after offsetting)	**6,944**	5,638	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**826**	1,920	**262**	262
Other payables and accrued expenses	**18**	18	**18**	18
	844	1,938	**280**	280
Offsetting	**(147)**	(176)	**–**	–
Deferred tax liabilities (after offsetting)	**697**	1,762	**280**	280

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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

(a) Amount owing by immediate holding company, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, is interest-free and repayable on demand except for trade amounts which have a credit period of 60 days (2016: 60 days).

(b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (2016: 60 days). The entire amount owing by other related companies of the Group and of the Company are interest-free except for an amount of RM92,239,000 (2016: RM106,304,000) which bears interest at 6.20% (2016: 6.20%) per annum.

As of 30 June 2017, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group, RM92,239,000 (2016: RM106,304,000) is due from a related company, LLB Harta (M) Sdn Bhd, which constitutes approximately 85% (2016: 99%) of the Group's amount owing by other related companies.

(c) Amounts owing to other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2016: 60 days).

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

		The Company	
Name of Companies	**Nature**	**2017 RM'000**	**2016 RM'000**
With subsidiary companies:			
Posim Marketing Sdn Bhd	Trade sales	**28**	4,020
	Rental income	**4**	4
	Management fee income	**1,108**	1,164
Posim Petroleum Marketing Sdn Bhd	Rental income	**3**	3
	Management fee income	**556**	507
Posim EMS Sdn Bhd	Interest income on advances	**–**	210
	Management fee income	**–**	100
Lion Petroleum Products Sdn Bhd	Rental expenses	**14**	14
	Management fee income	**50**	54
Lion AMB Resources Berhad	Interest expense on advances	**–**	6,545

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

		The Group		The Company	
Name of Companies	**Nature**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	**1,599**	2,406	**–**	–
	Provision of transportation services	**2,512**	1,983	**–**	–
	Provision of training services	**7**	17	**–**	–
With other related companies:					
LLB Harta (M) Sdn Bhd	Interest income on advances	**5,935**	7,330	**5,935**	7,330
Lion Group Management Services Sdn Bhd	Management fee expenses	**4,659**	5,487	**1,864**	–
Antara Steel Mills Sdn Bhd	Trade sales	**156**	148	**–**	–
	Provision of transportation services	**–**	35	**–**	–
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**89,680**	74,440	**–**	–
With related parties					
Megasteel Sdn Bhd	Trade sales	**–**	113,481	**–**	–
	Trade purchases	**–**	86,679	**–**	–
	Provision of transportation services	**–**	3,269	**–**	–
	Provision of training services	**47**	158	**–**	–
Lion DRI Sdn Bhd	Trade sales	**–**	21,127	**–**	–
	Trade purchases	**–**	61,549	**–**	–
	Provision of transportation services	**–**	4	**–**	–

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

		The Group		The Company	
		2017	**2016**	**2017**	**2016**
Name of Companies	**Nature**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
With related parties (continued)					
Bright Steel Sdn Bhd	Trade sales	–	5,980	–	–
Parkson Corporation Sdn Bhd	Trade sales	**1,814**	5,142	–	–
	Provision of training services	**15**	31	–	–
Lion Titco Resources Sdn Bhd	Trade sales	–	73	–	–
	Trade purchase	–	793	–	–
Akurjaya Sdn Bhd	Interest income	**327**	335	**327**	335

During the year, the Group and the Company have acquired quoted shares of Parkson Holdings Berhad, a related party, from a Director amounting to RM42,064,200.

Other related companies refer to subsidiary companies of Lion Industries Corporation Berhad, the ultimate holding company.

Related parties refer to entities in which certain Directors and/or substantial shareholders of the Company or the ultimate holding company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders, have interests.

The outstanding balances before impairment arising from the transactions with related parties are as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receivables:				
Included in trade receivables	**383,081**	384,839	–	–
Included in other receivables	**287,349**	293,691	**4,092**	4,230
Payables:				
Included in trade payables	**410**	410	–	–

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes a Director of the Company, and certain members of senior management of the Group.

The remuneration of key management personnel during the financial year are as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other remuneration	**1,625**	1,582	**1,313**	1,290
Defined contribution plans	**134**	137	**96**	102
Benefits-in-kind	**38**	37	**31**	30
	1,797	1,756	**1,440**	1,422

19. INVENTORIES

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Finished goods	**234**	326
Raw materials	**6,462**	5,691
Trading merchandise	**10,832**	9,948
Others	**674**	452
	18,202	16,417
Less: Allowance for slow-moving and obsolete inventories	**(1,256)**	(1,332)
Net	**16,946**	15,085

During the financial year, inventories amounting to RM131,000 (2016: RM97,000) were written off against allowance for slow-moving and obsolete inventories.

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**491,816**	498,798	**4,345**	4,420
Less: Accumulated impairment losses	**(403,247)**	(400,135)	**(4,345)**	(4,345)
Net	**88,569**	98,663	**–**	75

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

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

(a) Trade receivables (continued)

The credit period granted for sale of goods ranges from 30 to 90 days (2016: 30 to 90 days). Impairment losses are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group and the Company have trade receivables totalling RM15,415,000 and RMNil (2016: RM17,310,000 and RM75,000) respectively that are past due at the end of the reporting period but against which the Group and the Company have not recognised impairment losses as the amounts are still considered recoverable.

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	**73,154**	81,353	**–**	–
Past due but not impaired	**15,415**	17,310	**–**	75
Past due and impaired	**403,247**	400,135	**4,345**	4,345
	491,816	498,798	**4,345**	4,420
Ageing of past due but not impaired				
1 to 30 days	**10,807**	15,418	**–**	–
31 to 60 days	**3,526**	1,072	**–**	–
61 to 90 days	**120**	266	**–**	–
More than 90 days	**962**	554	**–**	75
	15,415	17,310	**–**	75

Movement in the accumulated impairment losses

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**400,135**	156,740	**4,345**	906
Addition	**4,947**	245,802	**–**	3,439
No longer required	**(1,511)**	(1,005)	**–**	–
Written off	**(324)**	(1,402)	**–**	–
At end of year	**403,247**	400,135	**4,345**	4,345

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.

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

(a) Trade receivables (continued)

As of 30 June 2017, the Group has trade receivables due from two major related parties, Megasteel Sdn Bhd ("Megasteel") and Lion DRI Sdn Bhd ("Lion DRI") as follows:

	The Group	
	2017 RM'000	**2016 RM'000**
Megasteel	**330,249**	330,249
Lion DRI	**52,007**	52,007
	382,256	382,256
Less: Accumulated impairment losses	**(382,256)**	(382,256)
Net	**–**	–

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

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Other receivables	**296,933**	303,733	**4,120**	4,249
Less: Accumulated impairment losses	**(283,203)**	(284,937)	**–**	–
	13,730	18,796	**4,120**	4,249
Deposits	**112,940**	105,420	**81**	66
Prepaid expenses	**1,835**	2,199	**93**	96
	128,505	126,415	**4,294**	4,411

Movement in the accumulated impairment losses

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At beginning of year	**284,937**	132,825	**–**	–
Addition	**–**	152,524	**–**	–
No longer required	**(1,734)**	(145)	**–**	–
Written off	**–**	(267)	**–**	–
At end of year *	**283,203**	284,937	**–**	–

* Included in this amount is an impairment loss of RM279,038,000 (2016: RM279,038,000) on the amounts due from Graimpi and Megasteel, both are related parties.

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

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

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

(i) Included in other receivables of the Group are amounts of:

- RM272,180,000 (2016: RM272,180,000) due from Graimpi representing debts novated from Lion DRI in prior years, which bears interest at 8.85% per annum.

  At the end of the reporting period, the Group recognised an impairment loss amounting to RM272,180,000 (2016: RM272,180,000) on the said outstanding receivables due from Graimpi.

- RM4,078,000 (2016: RM4,217,000) due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, represents a reimbursement for amounts incurred by the Group pursuant to the share sale agreement entered into between Akurjaya and the Company for the disposal of the entire equity interest in Lion Agriculture (Indonesia) Sdn Bhd together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% (2016: 1%) above base lending rate per annum.

  During the financial year, a total repayment of RM0.5 million (2016: RM0.5 million) was made by Akurjaya to the Group.

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

- RM6,858,000 (2016: RM6,858,000) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years. At the end of the reporting period, the Group recognised an impairment loss amounting to RM6,858,000 (2016: RM6,858,000) on the said outstanding receivables due from Megasteel.

(ii) Included in deposits of the Group are deposits totalling USD25,733,000 equivalent to RM110,461,000 (2016: USD25,733,000 equivalent to RM103,407,000) paid by the Group in prior years mainly for the purposes of land clearing, and the procurement of economic land concession and freehold land in connection with an agricultural project in Cambodia.

The currency exposure profile of other receivables, deposits and prepayments is as follows:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Ringgit Malaysia	**299,663**	306,432
United States Dollar	**112,045**	104,920
	411,708	411,352

21. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks:				
Restricted	**26,953**	25,669	**–**	–
Unrestricted	**38,848**	51,289	**4,810**	9,998
	65,801	76,958	**4,810**	9,998
Cash and bank balances:				
Restricted	**1,375**	3	**–**	3
Unrestricted	**22,830**	26,969	**1,961**	5,581
	24,205	26,972	**1,961**	5,584
	90,006	103,930	**6,771**	15,582

The above restricted fixed deposits with licensed banks, cash and bank balances of the Group and of the Company are held for repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as disclosed in Note 28.

Fixed deposits with licensed banks earn interest at rates ranging from 1.20% to 2.90% (2016: 1.03% to 3.20%) per annum and have maturity periods ranging from 1 to 365 days (2016: 1 to 366 days).

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**60,396**	76,400	**6,759**	15,573
Chinese Renminbi	**27,343**	25,746	**–**	–
United States Dollar	**2,229**	1,784	**12**	9
Others	**38**	–	**–**	–
	90,006	103,930	**6,771**	15,582

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company in the People's Republic of China ("PRC") amounting to RM27,343,000 (2016: RM25,746,000) are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

Included in the fixed deposits with licensed banks of the said subsidiary company in PRC is an amount of RM26,000,000 (2016: RM22,800,000) secured for banking facilities as disclosed in Note 28.

22. ASSET CLASSIFIED AS HELD FOR SALE

	The Group 2017 RM'000	The Group 2016 RM'000
Transfer from investment in associated companies (Note 13)	**5,365**	–

On 14 April 2017, the Group entered into a share sale agreement with Suzuki Motor Corporation to dispose of its entire 20% equity interest in Suzuki Motorcycle Malaysia Sdn Bhd, an associated company, for a cash consideration of RM17,270,000 ("Disposal"). The Disposal was completed on 14 September 2017.

23. SHARE CAPITAL

	The Group and The Company			
	2017		2016	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Authorised:				
Ordinary shares of RM1.00 each	–	–	500,000	500,000
Issued and fully paid:				
Ordinary shares:				
At beginning of year	**231,572**	**231,572**	231,572	231,572
Transfer from share premium	–	**689,330**	–	–
At end of year	**231,572**	**920,902**	231,572	231,572

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act 2016 ("Act"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the provisions of the Act, the amount standing to the credit of the Company's share premium account and capital redemption reserve has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account and capital redemption reserves in a manner as specified by the Act.

24. RESERVES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:				
Share premium	**–**	689,330	**–**	689,330
Treasury shares	**(2,277)**	(1,857)	**(2,277)**	(1,857)
Translation adjustment reserve	**51,481**	44,847	**–**	–
Capital reserve	**–**	382	**–**	382
Capital redemption reserve	**–**	280	**–**	–
Fair value reserve	**96**	65	**–**	–
Accumulated losses	**(433,905)**	(449,313)	**(560,002)**	(541,356)
	(384,605)	283,734	**(562,279)**	146,499

Share premium

Share premium arose from the premium on the issuance of new ordinary shares in prior financial years and share-based payment transactions for options already exercised by employees. During the financial year, the amount has been reclassified to share capital in accordance with the Companies Act 2016.

Treasury shares

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

During the financial year, the Company repurchased a total of 797,500 (2016: 2,885,000) of its ordinary shares from the open market at an average price of RM0.53 (2016: RM0.63) per share. The total consideration paid for the repurchase including transaction costs was RM419,966 (2016: RM1,807,196). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As of 30 June 2017, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747.

Translation adjustment reserve

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

Equity compensation reserve

Equity compensation reserve relates to the equity-settled share options granted to eligible employees by the Company, is made up of the cumulative value of services received from employees recorded on grant of share options.

Capital reserve

The capital reserve, which arose from share options lapsed, reclassified from equity compensation reserve in prior years. During the financial year, the amount has been reclassified to accumulated losses.

Capital redemption reserve

The capital redemption reserve, which is not available for the payment of dividends, arose from the redemption of redeemable preference shares by subsidiary companies. During the financial year, the amount has been reclassified to accumulated losses.

Fair value reserve

Fair value reserve comprises fair value gain on revaluation of available-for-sale financial assets.

25. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total outstanding	**257**	531	**39**	102
Less: Interest-in-suspense	**(15)**	(37)	**(1)**	(4)
Principal portion	**242**	494	**38**	98
Payable as follows:				
Within the next 12 months (shown under current liabilities)	**145**	228	**38**	60
After the next 12 months	**97**	266	**–**	38
	242	494	**38**	98

The interest rates implicit in these hire-purchase obligations range from 2.47% to 4.68% (2016: 2.47% to 4.68%) per annum.

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (2016: 30 to 90 days).

The currency exposure profile of trade payables of the Group and the Company is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**22,336**	38,715	**–**	9
United States Dollar	**846**	963	**–**	–
Others	**–**	56	**–**	–
	23,182	39,734	**–**	9

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**28,955**	25,124	**10,108**	10,109
Accrued expenses	**24,224**	24,802	**5,241**	5,194
Deferred revenue	**14,704**	12,170	**–**	–
	67,883	62,096	**15,349**	15,303

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (continued)

(b) Other payables and accrued expenses (continued)

Deferred revenue

A subsidiary company of the Group, accounts for the customer loyalty award credits as a separate component of the sales transactions in which they are granted. The consideration received in sales transactions is allocated between the loyalty award credits and the other component of the sales. The amount allocated to the loyalty award credits is determined by reference to its fair value and is deferred until the awards are redeemed or liability is extinguished.

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Ringgit Malaysia	**63,659**	58,064	**15,349**	15,303
Chinese Renminbi	**4,222**	4,030	**–**	–
Others	**2**	2	**–**	–
	67,883	62,096	**15,349**	15,303

27. PROVISION

	The Group and The Company	
	2017 RM'000	**2016 RM'000**
Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees:		
At beginning of year	**–**	–
Provision during the year	**3,300**	–
Utilised during the year	**(200)**	–
At end of year	**3,100**	–

As part of the terms for the disposal of SFI, a former subsidiary company, in 2007 ("Disposal"), the Company agreed to indemnify SFI and the purchaser of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchaser 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.

During the financial year, SFI entered into a settlement agreement with certain of SFI's employees for a cash sum of RM200,156 to settle the claim in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006 as disclosed in Note 30.

A provision for the indemnity loss of RM3,100,000 has been made on the same basis as the cash settlement for the remaining employees.

28. BANK BORROWINGS

	The Group	
	2017 RM'000	2016 RM'000
Secured		
Revolving credit	**23,129**	22,118
Unsecured		
Bankers acceptances	**518**	203
	23,647	22,321

The Company has given corporate guarantees of RM518,000 (2016: RM203,000) to financial institutions for the granting of credit facilities to certain subsidiary companies. The credit facilities bear interest at rates ranging from 5.16% to 5.31% (2016: 5.10% to 5.35%) per annum.

The revolving credit facility pertaining to a subsidiary company is denominated in United States Dollar and secured by a charge on another subsidiary company's fixed deposits with a licensed bank as disclosed in Note 21. The facility bears an average interest rate of 2.50% plus 6 months LIBOR per annum and is repayable on demand or at a rollover option of 6 months.

29. 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 2016.

The capital structure of the Group and of the Company consists of debts and equity of the Group and of the Company (comprising issued capital, reserves and non-controlling interests).

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

Gearing Ratio

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Debt (i)	**23,889**	22,815	**38**	98
Equity (ii)	**537,054**	516,050	**358,623**	378,071
Debt to equity ratio	**4.45%**	4.42%	**0.01%**	0.03%

(i) Debt is defined as hire-purchase payables and bank borrowings as disclosed in Notes 25 and 28 respectively.

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

29. FINANCIAL INSTRUMENTS (continued)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
Available-for-sale investments	**33,837**	2,785	**31,923**	3
Loans and receivables:				
Trade receivables	**88,569**	98,663	**–**	75
Other receivables and refundable deposits	**24,749**	20,809	**4,201**	4,315
Amount owing by subsidiary companies	**–**	–	**444**	51,827
Amount owing by immediate holding company	**101,906**	120,963	**–**	–
Amount owing by other related companies	**108,839**	106,405	**92,239**	106,304
Fixed deposits, cash and bank balances	**90,006**	103,930	**6,771**	15,582
Financial liabilities				
Other financial liabilities:				
Trade payables	**23,182**	39,734	**–**	9
Other payables and accrued expenses	**53,179**	49,926	**15,349**	15,303
Amount owing to other related companies	**1,211**	4,882	**341**	–
Amount owing to subsidiary companies	**–**	–	**35,003**	44,749
Hire-purchase payables	**242**	494	**38**	98
Bank borrowings	**23,647**	22,321	**–**	–

Financial Risk Management Objectives and Policies

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

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

29. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's and of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are disclosed in the respective notes.

Foreign currency sensitivity analysis

The Group and the Company are mainly exposed to the foreign currency of United States Dollar.

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

	The Group		**The Company**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
United States Dollar	**1,267**	557	**2,585**	2,421

The Group's and the Company's sensitivity to foreign currency is mainly attributable to the exposure of fixed deposits, cash and bank balances and outstanding payables, which are denominated in USD at the end of the reporting period.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the financial year.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 28. The interest rates of hire-purchase payables, which are fixed at the inception of the financing arrangements, are disclosed in Note 25.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit net of tax and equity arising from the effect of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

29. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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

The Group and the Company are also exposed to credit risk from the amount owing by subsidiary companies, immediate holding company and other related companies. The Group and the Company monitor on an on going basis the results of the subsidiary companies, immediate holding company and other related companies, and repayments made by the subsidiary companies, immediate holding company and other related companies.

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 30 June 2017, is the carrying amount of these receivables as disclosed in the statements of financial position.

The Board of Directors of the Company reviews regularly the significant amounts owing by immediate holding company and related parties which arose from sales transactions that have exceeded the credit period granted and actions have been carried out to recover the long outstanding amounts owing by immediate holding company and related parties.

Cash flow risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Liquidity risk

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

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

29. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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

The Group 2017	**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	**23,182**	**–**	**–**	**–**	**23,182**	**–**
Other payables and accrued expenses	**67,883**	**–**	**–**	**–**	**67,883**	**–**
Amount owing to other related companies	**1,211**	**–**	**–**	**–**	**1,211**	**–**
	92,276	**–**	**–**	**–**	**92,276**	**–**
Interest bearing:						
Hire-purchase payables	**154**	**58**	**45**	**–**	**257**	**2.47 - 4.68**
Bank borrowings	**23,647**	**–**	**–**	**–**	**23,647**	**5.16 - 5.31**
	23,801	**58**	**45**	**–**	**23,904**	
	116,077	**58**	**45**	**–**	**116,180**	
2016						
Financial liabilities						
Non-interest bearing:						
Trade payables	39,734	–	–	–	39,734	–
Other payables and accrued expenses	62,096	–	–	–	62,096	–
Amount owing to other related companies	4,882	–	–	–	4,882	–
	106,712	–	–	–	106,712	–
Interest bearing:						
Hire-purchase payables	248	174	109	–	531	2.47 - 4.68
Bank borrowings	22,321	–	–	–	22,321	5.10 - 5.35
	22,569	174	109	–	22,852	
	129,281	174	109	–	129,564	

29. FINANCIAL INSTRUMENTS (continued)

The Company 2017	**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:						
Other payables and accrued expenses	**15,349**	**–**	**–**	**–**	**15,349**	**–**
Amount owing to subsidiary companies	**35,003**	**–**	**–**	**–**	**35,003**	**–**
Amount owing to other related companies	**341**	**–**	**–**	**–**	**341**	**–**
	50,693	**–**	**–**	**–**	**50,693**	
Interest bearing:						
Hire-purchase payables	**39**	**–**	**–**	**–**	**39**	**2.47 - 4.68**
	50,732	**–**	**–**	**–**	**50,732**	
2016						
Financial liabilities						
Non-interest bearing:						
Trade payables	9	–	–	–	9	–
Other payables and accrued expenses	15,303	–	–	–	15,303	–
Amount owing to subsidiary companies	44,749	–	–	–	44,749	–
	60,061	–	–	–	60,061	
Interest bearing:						
Hire-purchase payables	64	38	–	–	102	2.47 - 4.68
	60,125	38	–	–	60,163	

29. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

	The Group		**The Company**	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2017				
Financial assets				
Available-for-sale investments:				
Quoted investments	**32,106**	**32,106 ^**	**31,920**	**31,920**
Unquoted investments	**1,731**	**– #**	**3**	**– #**
Financial liability				
Hire-purchase payables	**242**	**252 ***	**38**	**39 ***
2016				
Financial assets				
Available-for-sale investments:				
Quoted investments	1,054	1,054 ^	–	–
Unquoted investments	1,731	– #	3	– #
Financial liability				
Hire-purchase payables	494	516 *	98	101 *

^ The quoted market prices of quoted investments as at the end of the reporting period are used to determine the fair values of these financial assets.

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

* The fair values of these financial instruments are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements.

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).

29. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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				
2017				
Financial Asset				
Quoted investments	**32,106**	**–**	**–**	**32,106**
2016				
Financial Asset				
Quoted investments	1,054	–	–	1,054
The Company				
2017				
Financial Asset				
Quoted investments	**31,920**	**–**	**–**	**31,920**

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				
2017				
Financial Liability				
Hire-purchase payables	**–**	**–**	**252**	**252**
2016				
Financial Liability				
Hire-purchase payables	–	–	516	516
The Company				
2017				
Financial Liability				
Hire-purchase payables	**–**	**–**	**39**	**39**
2016				
Financial Liability				
Hire-purchase payables	–	–	101	101

30. CONTINGENT LIABILITIES

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("SFI") ("Disposal"), a former subsidiary company, the Company agreed to indemnify SFI and the purchaser of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchaser 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.

Indemnity for back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments. The contingent liabilities in relation to these claims have been reduced from RM23,427,401 to RM18,897,258 after the cash settlement with certain SFI's employees and provision made during the financial year as disclosed in Note 27.

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

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. On 15 May 2013, the Court of Appeal dismissed SFI's appeal with costs. Thereafter, SFI had filed an application to the Federal Court on 13 June 2013 for leave to appeal against the decision of the Court of Appeal. On 27 March 2014, the application for leave to appeal was withdrawn in view of certain recent legal authorities which rules that the Federal Court does not have jurisdiction to hear cases which originated from the Labour Court.

On 13 July 2017, SFI obtained a restraining order whereby all proceedings including but not limited to all proceedings in the Labour Court shall be restrained and stayed for a period of 3 months from the date of the Court order.

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

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.

SFI had subsequently appealed 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 falls 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.

30. CONTINGENT LIABILITIES (continued)

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. On 20 August 2016, the Senior Assistant Registrar's assessment of damages is as follows:

(i) RM10,263 plus RM515,889 for the trespass.
(ii) Interest at the rate of 8% per annum calculated on the above amount from the date of High Court judgement from 16 November 2009 until full payment; and
(iii) Cost of RM5,000.

On 31 October 2016, SFI appealed to the High Court Judge. On 18 July 2017, the High Court Judge dismissed SFI's appeal with costs.

On 14 August 2017, SFI appealed to the Court of Appeal. The Court of Appeal has yet to fix a date to hear SFI's appeal.

No provision has been made by the Directors of the Company, after consultation with SFI's lawyers.

Corporate guarantees

	The Company	
	2017 RM'000	**2016 RM'000**
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies (Note 28)	**518**	203

31. SEGMENT INFORMATION

Business Segments

The Group's activities are classified into three (3) major business segments:

- trading and distribution of building materials and steel products
- manufacture and trading of lubricants, petroleum and automotive products
- others

Others include mainly investment holding, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products and agriculture, none of which is of sufficient size to be reported separately.

The inter-segment transactions are conducted at arm's length basis under terms, conditions, and prices not materially different from transactions with non-related parties.

31. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2017	Building materials and steel products RM'000	Lubricants, petroleum and automotive products RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue					
External customers	251,428	81,389	6,841	–	339,658
Inter-segment sales	–	7	16	(23)	–
Total revenue	251,428	81,396	6,857	(23)	339,658
Results					
Segment results	5,658	11,516	(5,995)	–	11,179
Unallocated expenses					(1,113)
Unallocated income					5,935
Profit from operations					16,001
Finance costs	(8)	(39)	(860)	–	(907)
Share in results of associated companies	–	–	17,667	–	17,667
Provision for indemnity for damages arising from back pay labour claims	–	–	(3,300)	–	(3,300)
Net impairment losses on trade and other receivables	(3,268)	(168)	1,734	–	(1,702)
Impairment losses on quoted investments	(185)	(255)	(10,603)	–	(11,043)
Profit before tax					16,716
Income tax expense					(1,957)
Profit for the year					14,759
Consolidated Statement of Financial Position					
Segment assets	222,937	81,980	200,163	–	505,080
Investment in associated companies					46,660
Unallocated corporate assets					105,315
Consolidated Total Assets					657,055
Segment liabilities	35,602	34,573	47,879	–	118,054
Unallocated corporate liabilities					1,947
Consolidated Total Liabilities					120,001
Other Information					
Capital expenditure	3	1,218	3	–	1,224
Depreciation	154	1,816	3,193	–	5,163
Other non-cash items	3,453	358	1,561	–	5,372

31. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2016	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	477,879	75,032	12,192	–	565,103
Inter-segment sales	–	3	317	(320)	–
Total revenue	477,879	75,035	12,509	(320)	565,103
Results					
Segment results	8,690	11,076	(1,060)	–	18,706
Unallocated expenses					(1,083)
Unallocated income					7,330
Profit from operations					24,953
Finance costs	(8)	(48)	(730)	–	(786)
Share in results of associated companies	–	–	(6,156)	–	(6,156)
Net impairment losses on trade and other receivables	(357,962)	(7,214)	(32,000)	–	(397,176)
Impairment losses on quoted investments	(148)	(204)	(353)	–	(705)
Loss before tax					(379,870)
Income tax expense					(7,001)
Loss for the year					(386,871)
Consolidated Statement of Financial Position					
Segment assets	251,031	80,697	164,346	–	496,074
Investment in associated companies					33,945
Unallocated corporate assets					117,963
Consolidated Total Assets					647,982
Segment liabilities	51,243	29,859	43,543	–	124,645
Unallocated corporate liabilities					7,287
Consolidated Total Liabilities					131,932
Other Information					
Capital expenditure	234	1,283	93	–	1,610
Depreciation	202	1,995	3,891	–	6,088
Other non-cash items	358,133	7,634	32,078	–	397,845

31. SEGMENT INFORMATION (continued)

Geographical Segments

The Group's operations are mainly in Malaysia for the current financial year:

(i) Malaysia - trading and distribution of building materials and steel products, manufacture and trading of lubricants, petroleum and automotive products, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products, and investment holding

(ii) Others - countries which are not sizable to be reported separately

The following is an analysis of the Group's revenue, carrying amount of total assets and capital expenditures by geographical areas:

	Revenue	
	2017	**2016**
	RM'000	**RM'000**
Malaysia	**339,658**	565,103

	Total assets		Capital expenditures	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**464,258**	480,650	**1,224**	1,599
Singapore	**46,660**	28,499	**–**	–
Other countries	**146,137**	138,833	**–**	11
	657,055	647,982	**1,224**	1,610

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

Information about major customers

Revenue of the Group of approximately RM4,111,000 (2016: RM142,270,000) from the building materials, steel products and lubricants, petroleum and automotive products divisions and transportation services is derived from immediate holding company (2016: Derived from two related parties and immediate holding company).

32. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 21)	**38,848**	51,289	**4,810**	9,998
Cash and bank balances (unrestricted) (Note 21)	**22,830**	26,969	**1,961**	5,581
	61,678	78,258	**6,771**	15,579

SUPPLEMENTARY INFORMATION

The breakdown of the accumulated losses of the Group and of the Company as of 30 June 2017 and 30 June 2016, into realised and unrealised profits/(losses) is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements", as issued by the Malaysian Institute of Accountants, and the directive of Bursa Securities.

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total accumulated losses of the Company and its subsidiary companies				
Realised	**(464,086)**	(463,777)	**(559,722)**	(541,076)
Unrealised	**(15,387)**	(13,902)	**(280)**	(280)
	(479,473)	(477,679)	**(560,002)**	(541,356)
Total accumulated losses from associated companies				
Realised	**(4,707)**	(22,441)	**–**	–
Unrealised	**(344)**	188	**–**	–
	(5,051)	(22,253)	**–**	–
Add: Consolidation adjustments	**50,619**	50,619	**–**	–
Total accumulated losses	**(433,905)**	(449,313)	**(560,002)**	(541,356)

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 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 2017 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 135 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, as approved by the Board
in accordance with a resolution of the Directors,

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
9 October 2017

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

I, **CHAN HO WAI**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHAN HO WAI

Subscribed and solemnly declared by the
abovenamed **CHAN HO WA**I at
KUALA LUMPUR in the **FEDERAL TERRITORY**
on this 9th day of October, 2017.

Before me,

W 530
TAN SEOK KETT
COMMISSIONER FOR OATHS

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2017

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (23)	10.4	30.12.1991
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 (32)	0.1	13.4.1998
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 (19)	0.3	18.3.1999
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 (19)	0.1	17.3.1999
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 (15)	0.1	16.7.2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2017

Total Number of Issued Shares	:	231,571,732
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per ordinary share

Distribution of Shareholdings as at 30 September 2017

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares[(a)]
Less than 100	963	21.00	26,605	0.01
100 to 1,000	1,233	26.89	836,506	0.37
1,001 to 10,000	1,695	36.96	7,403,487	3.25
10,001 to 100,000	592	12.91	17,961,613	7.88
100,001 to less than 5% of issued shares	98	2.14	37,538,581	16.48
5% and above of issued shares	5	0.10	164,059,940	72.01
	4,586	100.00	227,826,732	100.00

Substantial Shareholders as at 30 September 2017

	Direct Interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**% of Shares[(a)]**	**No. of Shares**	**% of Shares[(a)]**
1. Tan Sri William H.J. Cheng	400	Negligible	170,183,129	74.70
2. Lion Industries Corporation Berhad	45,127,236	19.81	123,676,884	54.29
3. Amsteel Mills Sdn Bhd	123,632,704	54.27	44,180	0.02
4. LLB Steel Industries Sdn Bhd	–	–	123,676,884	54.29
5. Steelcorp Sdn Bhd	–	–	123,676,884	54.29

Note:

(a) *Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2017.*

Thirty Largest Registered Shareholders as at 30 September 2017

Registered Shareholders	No. of Shares	% of Shares[(a)]
1. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-3	58,632,704	25.74
2. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-1	30,150,000	13.23
3. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-2	30,150,000	13.23
4. Lion Industries Corporation Berhad	28,850,000	12.66
5. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LI00157M)	16,277,236	7.14
6. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-4	4,700,000	2.06
7. CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	3,287,400	1.44
8. Citigroup Nominees (Asing) Sdn Bhd GSCO LLC for Blackwell Partners LLC (Series A)	1,944,480	0.85
9. Lim Boon Liat	1,840,000	0.81
10. Ng Teng Song	1,787,000	0.78
11. CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,594,064	0.70
12. Wu Teng Siong	1,072,000	0.47
13. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	811,712	0.36
14. CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	775,642	0.34
15. Lion Development (Penang) Sdn Bhd	734,745	0.32
16. Teoh Hooi Bin	632,552	0.28
17. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Qwee Beng (E-KPG)	573,000	0.25
18. HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Seong	524,300	0.23
19. Pacific & Orient Insurance Co Berhad	504,700	0.22
20. Tirta Enterprise Sdn Bhd	494,868	0.22
21. Lee Yu Yong @ Lee Yuen Ying	475,606	0.21
22. DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NJ3F for Discerene Fund LP	455,520	0.20
23. Ong Sai Hoon	415,000	0.18
24. Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Wu Teng Siong	396,000	0.17
25. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung	384,100	0.17
26. Maybank Nominees (Asing) Sdn Bhd Nomura Singapore Limited for Xcess Finance Co Ltd (250251)	376,500	0.17
27. Lim Ying Ying	340,033	0.15
28. Gan Tee @ Gan Bon Hor	335,400	0.15
29. Wilfred Koh Seng Han	315,800	0.14
30. Chin Kian Fong	303,200	0.13

Note:

(a) Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2017.

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2017

The Directors' interests in shares in the Company and its related corporations as at 30 September 2017 are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	**% of Shares[a]**	**No. of Shares**	**% of Shares[a]**
The Company				
Tan Sri William H.J. Cheng	400	Negligible	170,186,190	74.70
Dato' Eow Kwan Hoong	8,026	Negligible	–	–
Lin Chung Dien	7,060	Negligible	–	–

	Direct Interest		Deemed Interest	
	No. of Shares	**% of Shares**	**No. of Shares**	**% of Shares**
Related Corporations				
Tan Sri William H.J. Cheng				
Holdsworth Investment Pte Ltd	–	–	4,500,000	100.00
Inspirasi Elit Sdn Bhd	–	–	212,500	85.00
Lion Industries Corporation Berhad ("LICB")	216,865,498	31.85[b]	39,492,320	5.80[b]
Lion Group Management Services Sdn Bhd	–	–	5,000,000	100.00
LLB Enterprise Sdn Bhd	–	–	690,000	69.00
Marvenel Sdn Bhd	–	–	100	100.00
Ototek Sdn Bhd	–	–	1,050,000	70.00
Soga Sdn Bhd	–	–	4,525,322	98.12
Steelcorp Sdn Bhd	–	–	99,750	99.75
Zhongsin Biotech Pte Ltd	–	–	1,000,000	100.00

	Deemed Interest	
Investments in the People's Republic of China	**USD**	**% of Holding**
Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	5,000,000	95.00
Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	10,878,944	56.40

Notes:

(a) *Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2017.*

(b) *Excluding a total of 37,105,300 shares in LICB bought back by LICB and retained as treasury shares as at 30 September 2017.*

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 2017.

OTHER INFORMATION

(I) MATERIAL CONTRACT INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

Conditional Share Sale Agreement dated 30 September 2016 entered into between the Company and Tan Sri Cheng Heng Jem who is the Chairman and a major shareholder of the Company, for the acquisition by the Company from Tan Sri Cheng Heng Jem of 56 million ordinary shares 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 to External Auditors for the financial year was RM6,000 (RM5,000 in 2016).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2017 were as follows:

Nature of Recurrent Transactions	Related parties	Amount RM'000
(a) Trading and distribution		
(i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Industries Corporation Berhad Group ("LICB Group")	89,680
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Parkson Holdings Berhad Group ("Parkson Group")	1,194
	Lion Corporation Berhad Group ("LCB Group")	85
		1,279
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LICB Group	1,755
	Lion Diversified Holdings Berhad Group	31
	LCB Group	18
	Lion Asiapac Limited Group	12
		1,816
(b) Others		
(i) Provision of transportation and forwarding services	LICB Group	2,515
	LCB Group	3
		2,518
(ii) Sale of consumer products	Parkson Group	620
(iii) Obtaining of management services	LICB Group	4,659

Notes:

(i) "Group" includes subsidiary and associated companies.

(ii) The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

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FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

I.C. No./Company No. ....

of ....

being a member of LION FOREST INDUSTRIES BERHAD, hereby appoint ....

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the 35th 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, Wilayah Persekutuan on 21 November 2017 at 2.00 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Mr Chan Ho Wai as Director		
4. To re-appoint Y. Bhg. Tan Sri William H.J. Cheng as Director		
5. To re-appoint Mr Lin Chung Dien as Director		
6. To re-appoint Messrs Deloitte PLT as Auditors		
7. Retention of Y. Bhg. Dato' Kalsom binti Abd. Rahman as an Independent Non-Executive Director		
8. Retention of Mr Lin Chung Dien as an Independent Non-Executive Director		
9. Authority to Directors to Issue Shares		
10. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this .... day of 2017

No. of shares: ....

Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 14 November 2017 shall be eligible to attend the Meeting.
- A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- If a member appoints two (2) proxies, the proportion of his shareholdings represented by each proxy must be specified.
- 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 at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan 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 FOREST INDUSTRIES BERHAD (82056-X)
Level 14, Lion Office Tower
No. 1 Jalan Nagasari
50200 Kuala Lumpur
Wilayah Persekutuan

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