LION INDUSTRIES CORPORATION

LION INDUSTRIES CORPORATION BERHAD

(415-D)

Laporan Tahunan

2017

Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 87th Annual General Meeting of Lion Industries Corporation Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on 23 November 2017 at 9.00 am 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 RM235,000 for the financial year ended 30 June 2017 (2016: RM216,200). **Resolution 1**

3. To approve the payment of Directors' benefits up to RM149,250 for the period commencing 1 February 2017 until the next annual general meeting of the Company. **Resolution 2**

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

5. To re-appoint Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin as a Director of the Company. **Resolution 4**

6. To re-appoint Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

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 subject to the passing of Resolution 3, Mr Chong Jee Min 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 6**

7.2 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 7**

7.3 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 25 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 8**

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

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

(ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 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
25 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 16 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 25 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 RM149,250 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. *Resolution 4*

   At the 86th Annual General Meeting of the Company held on 24 November 2016, Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin who was above the age of 70 years was 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. Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin being eligible, has offered himself for re-appointment.

   The proposed Resolution 4, if passed, will enable Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin to continue to act as a Director of the Company and he shall thereafter be subject to retirement by rotation pursuant to the Constitution of the Company.

6. *Resolution 6*

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

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

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

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

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

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

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

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

7. Resolution 7

This approval will allow the Company to procure the renewal of the general mandate ("General Mandate") which will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding 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 24 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 8

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the 87th 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. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin *(Chairman)* Y. Bhg. Tan Sri Cheng Yong Kim *(Managing Director)* Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Mr Chong Jee Min Ms Yap Soo Har
Secretaries	:	Ms Wong Phooi Lin (MAICSA 7013812) Ms Wong Po Leng (MAICSA 7049488)
Company No	:	415-D
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/lionind
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	:	Malayan Banking Berhad Affin Investment Bank Berhad Bank of China (Malaysia) Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	:	LIONIND
Bursa Securities Stock No	:	4235
Reuters Code	:	LLBM.KL
ISIN Code	:	MYL4235OO007

DIRECTORS' PROFILE

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

Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin, a Malaysian, male, aged 64, was appointed to the Board on 29 August 2013 and has been the Chairman of the Company since 19 December 2013. He is also a member of the Audit Committee of the Company.

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

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

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

Datuk Seri Raja Nong Chik attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2017.

Tan Sri Cheng Yong Kim
Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, male, aged 67, was appointed the Managing Director of the Company on 16 January 1995.

Tan Sri Cheng graduated with a Bachelor of Business Administration (Honours) from the University of Singapore in 1971. He has more than 35 years of experience in the business operations of the Lion Group encompassing retail, food and beverage, credit financing, property development, mining, manufacturing, steel, tyre, motor, agriculture and computer industries. For a period of seven (7) years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President Director in P T Lion Metal Works Tbk, a public company listed on the Indonesia Stock Exchange, which is a manufacturer of steel furniture, building material and stamping products in Indonesia. He took on the position of Managing Director of the Company in 1995 and in 1996, he was appointed the Executive Director of the Ceemax and the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Tan Sri Cheng is the Chairman of the International Chamber of Commerce Malaysia, a permanent member of the Steering Committee of the Construction Products of Construction Industry Development Board Malaysia and a Director of NTUC Fairprice Co-Operative Limited.

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

- Managing Director of Lion Diversified Holdings Berhad, a public listed company
- Director of Lion Corporation Berhad and Hy-Line Berhad
- First Director of Malaysia Steel Institute
- Council member of the Federation of Malaysian Manufacturers ("FMM")
- Director of GS1 Malaysia Berhad, a wholly-owned subsidiary of FMM

Tan Sri Cheng has a direct shareholding of 9,253,289 ordinary shares and a deemed interest in 106,302,349 ordinary shares in the Company. He also has interest in certain companies which conduct similar business with the Group in the upstream steel operations and property development sector.

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

Tan Sri Cheng attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2017.

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

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, male, aged 79, was appointed to the Board on 20 July 1994. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

He is also a Director of APM Automotive Holdings Berhad, a public listed company.

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

Dato' Kamaruddin attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2017.

Chong Jee Min
Independent Non-Executive Director

Mr Chong Jee Min, a Malaysian, male, aged 58, was appointed to the Board on 5 May 2004. He is also the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

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

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

Mr Chong attended all seven (7) Board Meetings of the Company held during the financial year ended 30 June 2017.

Yap Soo Har
Independent Non-Executive Director

Ms Yap Soo Har, a Malaysian, female, aged 62, was appointed to the Board on 1 December 2015. She is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

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

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

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

Ms Yap attended all seven (7) 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

Pang Fook Fah, Anthony
Malaysian, male, 59 years of age

Mr Pang Fook Fah, Anthony is the General Manager of Antara Steel Mills Sdn Bhd ("Antara") (Hot Briquetted Iron operation) since 1997 and is a Director of Amsteel Mills Sdn Bhd, the holding company of Antara, which principal activity is in the manufacturing and marketing of steel bars and wire rods. He also represents the Lion Group as a Director of Steel Industries (Sabah) Sdn Bhd, a company which is also involved in the manufacturing and marketing of steel bars.

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

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

Dominic Lu Chin Siong
Malaysian, male, 58 years of age

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

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

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

Wong Wing Kiong
Malaysian, male, 48 years of age

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

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

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

Wong Pak Yii, William
Malaysian, male, 49 years of age

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

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

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

Liew Choon Yick
Malaysian, male, 64 years of age

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

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

His prior working experience includes one (1) year at the Water Department of the Public Utilities Board of Singapore, two (2) years at the Jabatan Kerja Raya Malaysia and two (2) years at Jurutera CMP Sdn Bhd. He was with Supreme Housing Development Sdn Bhd (now known as Malim Courts Property Development Sdn Bhd, a subsidiary of the Company) where he was the Group General Manager in 1987 and later employed by Soga Sdn Bhd, also a subsidiary of the Company, as the General Manager (Southern Region) of the Property Division of the Lion Group in 1992 before assuming his current position.

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

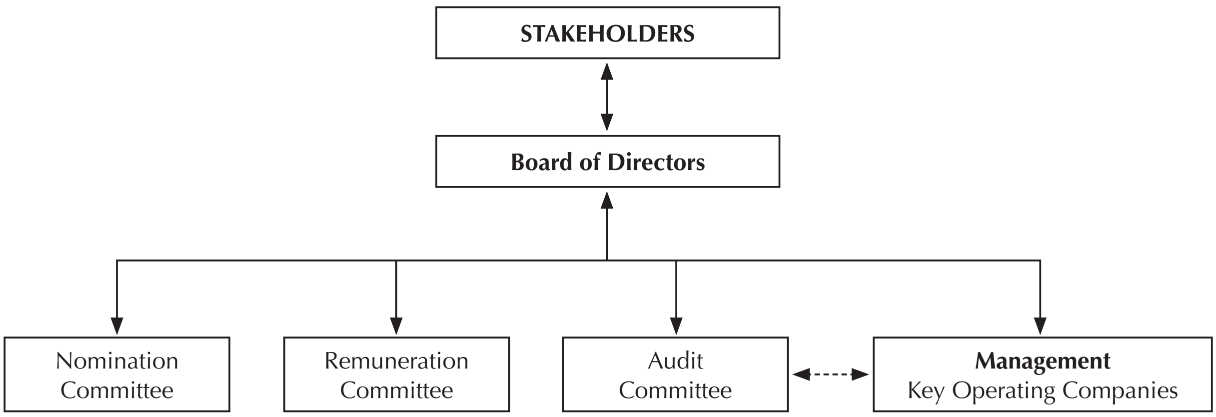
Introduction

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/lionind. The Board Charter clearly sets out the principal roles of the Board, the demarcation of the roles, functions, responsibilities and powers of the Board, the Board Committees and the Management. It also defines the specific accountabilities and responsibilities of the Board to enhance coordination, communication and facilitation between the Management and the Board and ultimately, to reinforce the overall accountability of both the Board and the Management towards the Company and the stakeholders as well as to serve as reference criteria for the Board in the assessment of its own performance, 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 Managing Director ("MD"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD may delegate aspects of his authority and powers but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units and operations.

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, seven (7) Board Meetings were held and each Director attended all the Board Meetings held during the financial year. 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 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 five (5) 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 one (1) female Director.

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/lionind.

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 43 to 47 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control on pages 22 to 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 Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Mr Chong Jee Min, an independent Director, who is also the Senior Independent Director identified by the Board. The members and terms of reference of the Nomination Committee are presented on page 34 of this Annual Report and are available for reference on the Company's website at www.lion.com.my/lionind.

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 Committee and each of its members and assessed and evaluated the effectiveness of the Audit Committee in conducting its activities.

(iv) Reviewed the retirement by rotation of Mr Chong Jee Min and recommended his re-election for Board's consideration.

(v) Reviewed the re-appointment of Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin to serve on the Board ("Re-appointment"). Dato' Kamaruddin who is above the age of 70 years was re-appointed pursuant to Section 129(6) of the repealed Companies Act 1965 at the 86th 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 Dato' Kamaruddin to continue in office and he shall thereafter be subject to retirement by rotation pursuant to the Constitution of the Company.

(vi) Reviewed the retention of Mr Chong Jee Min whose tenure of service as an independent Director has exceeded a cumulative term of nine (9) years, for recommendation to shareholders for their approval based on the attributes necessary in discharging his role and functions as an independent Director.

(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 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 Director who was above the age of 70 years and was re-appointed a Director pursuant to Section 129(6) of the repealed Companies Act 1965 at the 86th AGM held on 24 November 2016 to hold office until the conclusion of the next annual general meeting, the Nomination Committee recommended that shareholders' approval be sought for his re-appointment at the forthcoming 87th AGM as his term of office will end at the conclusion of the 87th 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 34 of this Annual Report and are available for reference on the Company's website at www.lion.com.my/lionind.

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 Director	25	1,110	1,135
Non-executive Directors	210	43	253
	235	1,153	1,388
The Company			
Executive Director	25	1,110	1,135
Non-executive Directors	210	43	253
	235	1,153	1,388

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

Range of Remuneration (RM)	Number of Directors: The Group Executive	The Group Non-executive	The Company Executive	The Company Non-executive
50,000 - 100,000	–	4	–	4
1,100,001 - 1,250,000	1	–	1	–

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 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 procedure 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 MD

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 MD to ensure that there is a balance of power and authority. The MD is 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 seminars, forums, conference, breakfast series, workshops and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities and prospects in various industries and countries, risk management and internal controls, economic and regional issues, management, entrepreneurship and leadership, statutory and regulatory updates and requirements, finance, and sustainability covering community, environment, marketplace and workplace:

Name of Directors	Programme
Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin	• Bursa Malaysia in collaboration with The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) – Launch of Best Practice Guide on AGM and Corporate Governance Breakfast Series with Directors: "How to Leverage on AGMs for Better Engagement with Shareholders" • Securities Commission Malaysia – The Release of the Malaysian Code on Corporate Governance
Tan Sri Cheng Yong Kim	• NTUC FairPrice Co-Operative – Chairman's Leadership Talk • Khazanah Megatrends Forum 2016 – Geography as Destiny? Reaping the Dividends of Good Stewardship • Federation of Malaysian Manufacturers/International Chamber of Commerce Malaysia/ASEAN CSR Network Seminar on Responsible Business Theme: "Business Integrity Key to Sustainability" • Lion Group In-House Directors' Training: The New Companies Act 2016
Dato' Kamaruddin @ Abas bin Nordin	• Dato' Tan Heng Chew Distinguished Speaker Series : Cultural Alignment as a Source of Competitive Advantage • Lion Group In-House Directors' Training: The New Companies Act 2016
Chong Jee Min	• Bursa Malaysia – Risk Management Programme: "I am Ready to Manage Risks"
Yap Soo Har	• Bursa Malaysia – Risk Management Programme: "I am Ready to Manage Risks" • Bursa Malaysia in collaboration with Iclif – Nominating Committee Programme Part 2 – "Effective Board Evaluations" • Bursa Malaysia in collaboration with MINDA – Corporate Governance Breakfast Series with Directors: "The Cybersecurity Threat and How Board Should Mitigate the Risks" • Lion Group In-House Directors' Training: The New Companies Act 2016

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 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 Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises four (4) members, with a majority of them being independent Directors. The terms of reference and the main works undertaken by the Audit Committee for the financial year under review are set out in the Audit Committee Report on pages 28 to 33 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 Committee. The Audit Committee evaluates the performance and assesses the suitability and independence of the External Auditors and recommends the re-appointment of the External Auditors and their remuneration to the Board. The re-appointment of the External Auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. For the financial year, the External Auditors met with the Audit Committee twice to discuss matters in relation to their audit review of the Company's financial statements and will attend the annual general meeting of the Company.

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

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 22 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 Committee. The Audit Committee is assisted by the Risk Management Committee ("RMC") in overseeing the implementation of the risk management framework via the Corporate Performance Scorecards ("CPS") and the Corporate Risk Scorecards ("CRS"). The Risk Management Team of each key operating company together with the RMC reports the CPS and CRS to the Audit Committee on a half-yearly basis. The detailed processes of risk management are described in the Statement on Risk Management and Internal Control on pages 22 to 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 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 Committee. The Internal Auditors attend all meetings of the Audit Committee and the detailed Internal Audit Function is set out in the Audit Committee Report on pages 28 to 33 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 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/lionind 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/lionind.

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/lionind 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 joint venture and 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 Committee ("AC"). The AC 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 AC thereafter briefed the Board members of the proceedings of the AC meetings including highlighting any material matters on internal control or risk management that warranted the Board's attention. Minutes of the AC 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 AC 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 Managing Director ("MD"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD may delegate aspects of his authority and powers but remain accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units and operations. Delegation of responsibilities and accountability by the MD 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 Committee
  - Nomination Committee
  - Remuneration Committee

- The Management of each operating company is responsible and accountable to the Senior Management, MD 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 AC.

6. Internal Audit

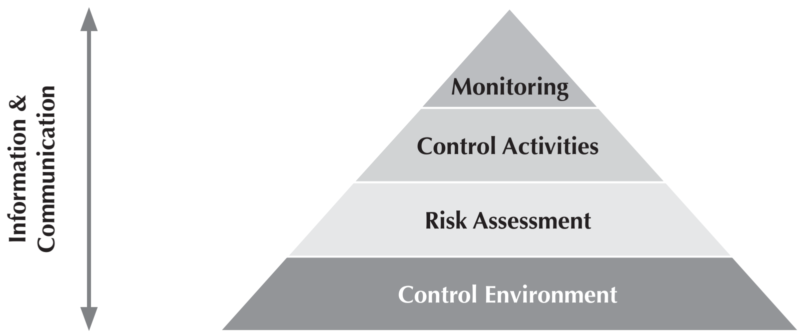
- Internal Audit Charter that is approved by the AC articulates the purpose, responsibility and authority of the GIA function as well as the nature of assurance activities provided by the function.

- Annual Audit Plan that is approved by the AC 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 AC 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.

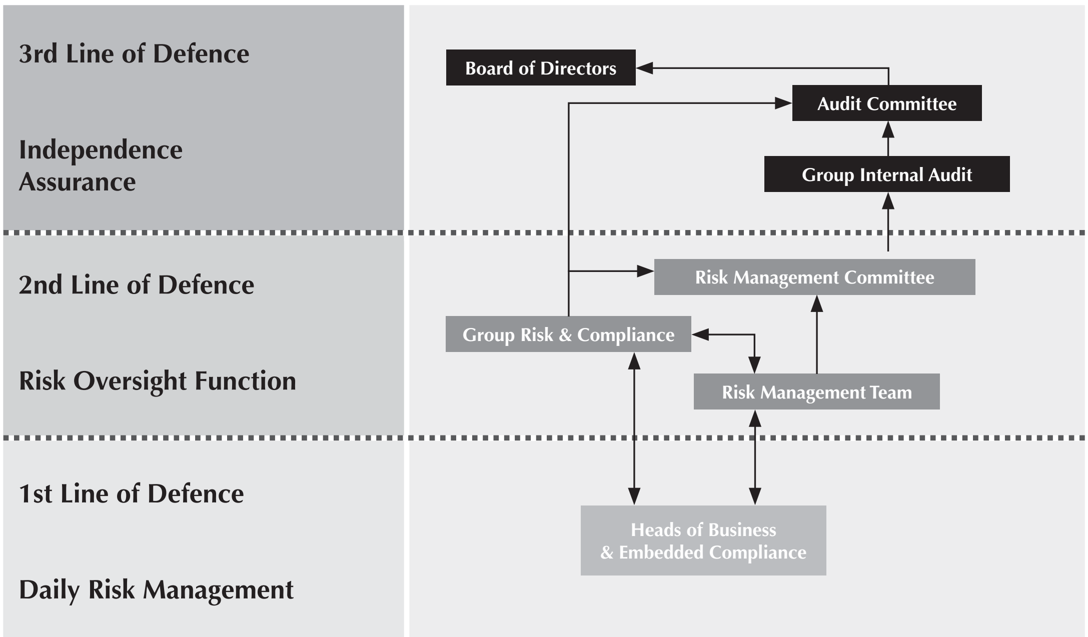
- The ERM Framework provides guidelines on the risk governance, risk management process, risk reporting and generic tools to be used by the Group. The design of the risk governance structure therein is premised on three (3) lines of defence concept with clear functional responsibilities and accountabilities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

  - 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 AC, 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 AC 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 AC 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 AC 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 AC and Board for their deliberation and decision making. The AC 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 pursuant to the scopes set out in Recommended Practice Guide ("RPG") 5 (Revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the financial year ended 30 June 2017, and reported to the Board that nothing has come to their attention that has caused them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, Corporate Disclosure Guide and Corporate Governance Guide (2nd Edition), nor is the Statement factually inaccurate.

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

AUDIT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

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

  Ms Yap Soo Har
  (Independent Non-Executive Director)

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

- **Secretaries**

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

- **Membership**

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

- **Meetings and Minutes**

  The Audit Committee shall meet at least four (4) times annually and the Chief Internal Auditor and the Chief Accountant 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 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 Committee Meeting were recorded and tabled for confirmation and adoption at the next Audit Committee Meeting and subsequently presented to the Board for notation. The Chairman of the Audit Committee shall report on each meeting to the Board.

TERMS OF REFERENCE

The Board had on 29 August 2017 reviewed the Terms of Reference of the Audit 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 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 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 Committee assessment annually to assess its effectiveness in carrying out the duties.

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

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, six (6) Audit Committee Meetings were held at which full attendance were recorded for all the members. The Chief Internal Auditor and the Chief Accountant were also present at all the meetings.

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

The main works undertaken by the Audit Committee for the financial year are as follows:

- **Financial Results**

  Reviewed the quarterly interim unaudited financial statements and the annual audited financial statements of the Group prior to submission to the Board for its consideration and approval focusing particularly on changes in or implementation of significant accounting policies and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB"), significant matters highlighted including financial reporting 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 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 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 22 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 RM429,100 for the Internal Audit Function to effectively carry out its audit plan for the financial year ending 30 June 2018.

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

- **External Audit**

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

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

(e) Recommended to the Board the re-appointment of the External Auditors and their remuneration.

(f) Reviewed and discussed the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the financial year ended 30 June 2017 amounted to RM17,000.

(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 Committee together with the Risk Management Committee:

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

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

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

- **Related Party Transactions**

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

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

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

  Review on RRPTs by the Internal Auditors were reported to the Audit 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.

- **Material Transactions**

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

INTERNAL AUDIT FUNCTION

The Internal Audit Function is undertaken by the Group Management Audit Department ("GMA Department") 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 Committee. The Audit 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 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 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 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 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 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 RM397,514.

NOMINATION COMMITTEE

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

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

Ms Yap Soo Har
(Independent Non-Executive Director)

Terms of Reference :

- To recommend to the Board, candidates for directorships in Lion Industries Corporation Berhad
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or 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 : Mr Chong Jee Min
(Independent Non-Executive Director)

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

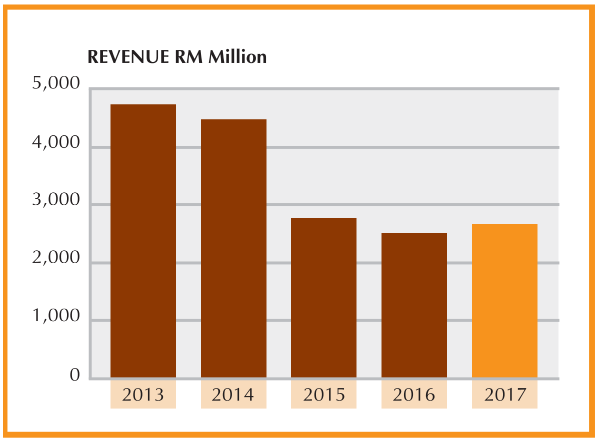
Ms Yap Soo Har
(Independent Non-Executive Director)

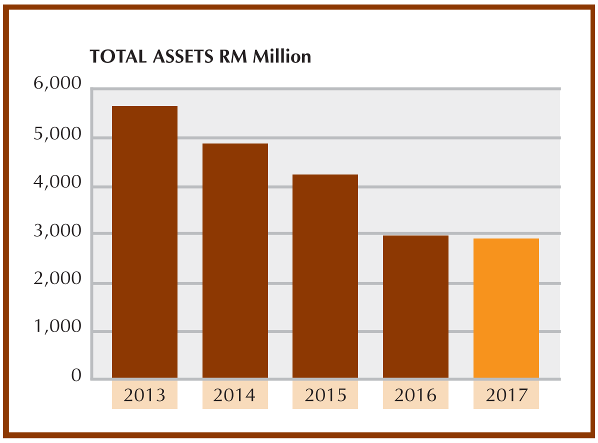
Terms of Reference :

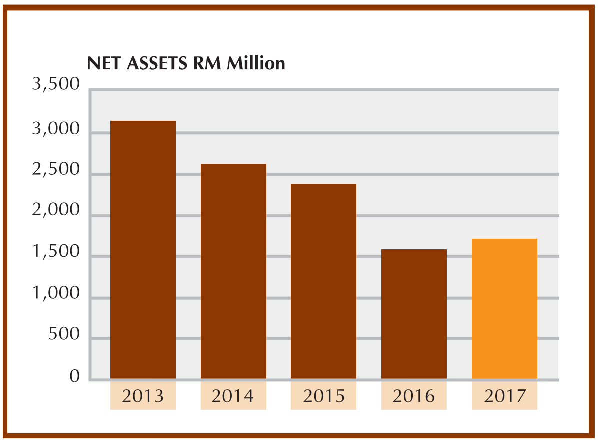
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

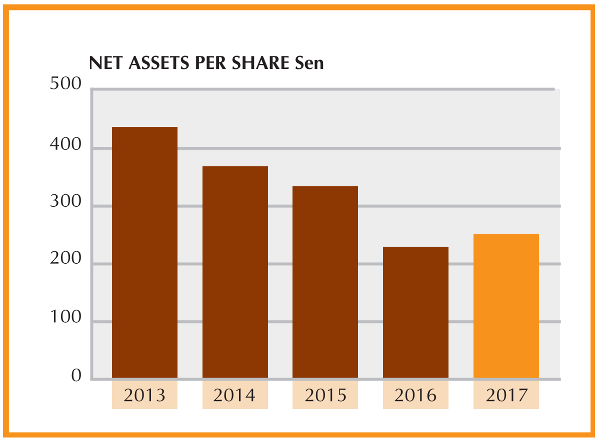
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2013	2014	2015	2016	2017
Revenue	(RM'000)	4,748,470	4,482,351	2,782,413	2,514,921	2,667,492
Profit/(Loss) before tax	(RM'000)	(30,377)	(580,786)	(278,853)	(852,536)	107,442
Profit/(Loss) after tax	(RM'000)	(31,604)	(578,386)	(287,866)	(905,805)	113,465
Net Profit/(Loss) attributable to owners of the Company	(RM'000)	(34,497)	(505,946)	(254,821)	(796,477)	105,311
Total assets	(RM'000)	5,662,078	4,878,403	4,258,388	2,979,866	2,912,489
Net assets	(RM'000)	3,153,208	2,644,668	2,380,848	1,596,051	1,708,680
Total borrowings	(RM'000)	842,995	682,494	540,671	351,668	236,090
Earnings/(Loss) per share	(Sen)	(4.8)	(70.6)	(35.6)	(113.5)	15.4
Net assets per share	(Sen)	439	369	333	230	251
Dividends:						
Rate	(Sen)	1.0	–	–	–	–
Amount	(RM'000)	7,177	–	–	–	–





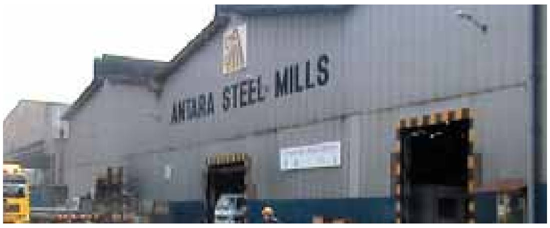




THE GROUP'S BUSINESSES

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

Amsteel Mills, Klang



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

- The Promenade at Bandar Bayan Baru, Penang, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza have been completed and handed over to purchasers.
- *The Promenade di Bandar Bayan Baru, Pulau Pinang terdiri daripada 336 unit suite perkhidmatan dengan 37 unit kedai butik gaya hidup dan plaza jalanan telah diserahkan kepada pembeli.*

- The recently launched HI-REV 8020 ultra-thin fully synthetic energy-efficiency 0W-20 engine oil is formulated from ultra-high quality base fluids and robust additive technology. It is designed to meet or exceed specification required by ILSAC GF-5 and offers superb cold-start protection, excellent thermal stability and exceptional low temperature fluidity for ultimate protection and lubrication in modern Energy-Efficient Vehicles (EEV).
- *HI-REV 8020 yang baru dilancarkan adalah minyak enjin 0W-20 ultra-cair sintetik sepenuhnya yang cekap tenaga dirumuskan daripada bendalir asas berkualiti ultra-tinggi dan teknologi tambahan yang jitu. Ia direka untuk memenuhi atau melepasi spesifikasi yang ditetapkan oleh ILSAC GF-5 dan menawarkan perlindungan mula sejuk yang hebat, kestabilan termal yang sangat baik dan suhu kecairan luar biasa untuk perlindungan dan pelinciran yang unggul bagi Kenderaan Cekap Tenaga (EEV) moden.*

PENYATA PENGERUSI

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

PRESTASI KEWANGAN

Tahun kewangan 2017 merupakan satu tempoh yang menggalakkan bagi industri keluli tempatan setelah terjejas teruk akibat kemasukan secara besar-besaran keluli import yang dijual pada harga murah dalam pasaran negara sejak bertahun-tahun lamanya. Di sebalik keadaan pasaran yang mencabar, pengenaan duti perlindungan oleh Kerajaan terhadap bar keluli konkrit yang diperkuat, rod dawai keluli dan lingkaran bar berbunga pada bulan April 2017 membolehkan para pengilang keluli tempatan menguasai semula bahagian pasaran mereka daripada produk-produk yang diimport. Para pengilang keluli tempatan juga semakin lega apabila China memutuskan untuk mengurangkan pengeluaran dan eksport kelulinya mulai separuh kedua tahun 2016.

Berikutan persekitaran operasi pengeluaran keluli kembali positif dengan menyaksikan jumlah jualan lebih tinggi dan margin keuntungan bertambah baik, Kumpulan mencatatkan peningkatan perolehan sebanyak 6% kepada RM2,667 juta daripada RM2,515 juta yang dicatatkan pada tahun kewangan sebelumnya. Kumpulan mencatatkan keuntungan sebelum cukai sebanyak RM107.4 juta bagi tahun kewangan ini berbanding kerugian sebanyak RM852.5 juta setahun lalu.

Sehingga 30 Jun 2017, aset bersih Kumpulan mengukuh kepada RM1,709 juta atau RM2.51 sesaham. Kumpulan berada pada kedudukan tunai bersih berbanding kedudukan hutang bersih dalam tahun kewangan yang lalu.

PROSPEK

Di peringkat domestik, ketentuan akhir yang dibuat oleh Kerajaan untuk mengenakan duti perlindungan bagi bar keluli konkrit yang diperkuat dan rod dawai keluli memberikan persekitaran perniagaan yang lebih adil kepada para pengilang keluli tempatan untuk tempoh selama 3 tahun mulai bulan April 2017. Meskipun begitu, di sebalik perlindungan yang diberikan itu, persekitaran operasi perniagaan keluli terus mencabar memandangkan terdapatnya persaingan sengit dalam kalangan pengilang keluli tempatan dan peningkatan harga bahan mentah. Kumpulan akan sentiasa berwaspada dan peka terhadap perubahan pasaran dan meneruskan usaha untuk meningkatkan prestasi operasi, dan dengan demikian, perniagaan Kumpulan pada tahun kewangan akan datang dijangka kekal memuaskan.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin juga mengucapkan setinggi-tinggi penghargaan kepada para pemegang saham, pelanggan, pembiaya kewangan, sekutu perniagaan dan pihak berkuasa kerajaan dan pengawal selia yang dihargai atas sokongan dan keyakinan mereka terhadap Kumpulan sepanjang tempoh yang mencabar ini.

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

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

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

CHAIRMAN'S STATEMENT

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

FINANCIAL PERFORMANCE

Financial year 2017 has been an encouraging year for the local steel industry which had suffered from the severe impact of the influx of cheap steel into the country for years. Despite the prevailing challenging market conditions, the safeguard duties imposed by the Government on steel reinforcing bars, steel wire rods and deformed bar in coils in April 2017 have enabled the local steel millers to regain their market share from imports. It was additional relief for the local steel millers when China decided to reduce its steel production and exports starting from the second half of 2016.

With the operating environment for steel operations turning positive with higher sales tonnage and improved profit margin, the Group saw its revenue increased 6% to RM2,667 million from RM2,515 million recorded in the previous financial year. The Group posted a profit before tax of RM107.4 million for the year as against a loss of RM852.5 million a year ago.

As at 30 June 2017, the Group's net assets were strengthened at RM1,709 million or RM2.51 per share. The Group turned to a net cash position from a net debt position in the last financial year.

PROSPECTS

On the domestic front, the final determination of safeguard duties for both steel reinforcing bars and steel wire rods would provide a more equitable business environment for the local steel millers for a period of 3 years commencing from April 2017. Nevertheless, despite the safeguard being out in place, the operating environment for the steel business remains challenging in view of the stiff competition amongst the local steel millers and rising raw material prices.

The Group will stay vigilant and responsive to market changes and continue with its efforts to improve operating performance and thus the Group's businesses in the next financial year are anticipated to remain satisfactory.

ACKNOWLEDGEMENT

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

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

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

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

主席报告

我谨代表董事部，欣然提呈金狮工业有限公司截止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

对于多年遭受廉价钢铁涌入我国而蒙受严重影响的本地钢铁业而言，2017会计年度是令人鼓舞的一年。尽管市场情况充满挑战，政府在2017年4月对螺纹钢筋、钢线材以及变形钢卷征收保障措施税，促使本地钢铁业者能从入口钢铁市场重获份额。中国决定从2016下半年开始减少钢铁的产量与出口量，更使本地钢铁业者松了一口气。

由于钢铁业的营业环境转为正面，销售吨数增加以及赚幅改善，本集团的营业收入增加6%，从上一个会计年度的25亿1千500万令吉增加到本会计年度的26亿6千700万令吉。本集团在本会计年度取得1亿740万令吉的税前盈利，上一个会计年度亏损则为8亿5千250万令吉。

在2017年6月30日，本集团的净资产增值至17亿900万令吉，或每股2.51令吉。本集团从上一个会计年度的净债务转为净现金。

展望

在国内市场，最终实施的螺纹钢筋和钢线材保障措施税，将为本地钢铁厂提供比较公平的商业环境。这项措施将从2017年4月开始为期三年。无论如何，尽管实施保障措施税，钢铁业的营业环境仍然充满挑战，这是由于本地的钢铁业者之间竞争激烈，以及原料价格上涨。

本集团将保持警惕，对市场变化做出相对反应，並将继续致力于改善营业环境，因此，预料本集团将在下一个会计年度提呈令人满意的业绩。

鸣谢

我谨代表董事部，真诚感谢我们所有尊贵的股东、客户、供应商、金融家、商业伙伴、各政府单位，感谢他们在这些充满挑战的时期继续给予本集团支持与合作，以及对本集团有信心。

我也要深切赞扬和感谢董事们，这一年来给予宝贵的指导、支持和贡献。

最后，我衷心感谢管理层和所有雇员对本集团的奉献与承诺。

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Consolidated Statement of Profit or Loss	2017 RM'000	2016 RM'000	Change
Revenue	**2,667,492**	2,514,921	6%
Profit/(Loss) from operations	**142,801**	(17,289)	>100%
Profit/(Loss) before tax	**107,442**	(852,536)	>100%
Profit/(Loss) after tax	**113,465**	(905,805)	>100%
Consolidated Statement of Financial Position			
Total assets	**2,912,489**	2,979,866	-2%
Deposits, cash and bank balances	**337,948**	318,071	6%
Total liabilities	**1,038,995**	1,228,166	-15%
Total borrowings	**236,090**	351,668	-33%
Net assets	**1,708,680**	1,596,051	7%

For the financial year under review, the Group posted a 6% higher revenue of RM2,667 million compared with RM2,515 million recorded in the same period last year. This was mainly due to the higher revenue registered by our steel division. The Group recorded an operating profit of RM142.8 million compared with a loss of RM17.3 million a year ago mainly due to the improved performance of our steel division.

The Group shared a lower loss of RM8.6 million from the associated companies and a joint venture compared with RM35.1 million in the previous year. Lower loss was mainly contributed by two associated companies, namely Lion Asiapac Limited and Angkasa Amsteel Pte Ltd with profit recorded for the financial year under review.

Overall, the Group posted a profit before tax of RM107.4 million against a loss of RM852.5 million a year ago which included impairment losses on receivables of RM607.0 million and property, plant and equipment of RM193.1 million.

As at 30 June 2017, the Group's total assets decreased by 2% to RM2,912 million from RM2,980 million a year ago whilst the Group's total liabilities were reduced by a greater quantum of 15% from RM1,228 million to RM1,039 million. As a result, the Group's net assets increased 7% to RM1,709 million and net assets per share increased by RM0.21 to RM2.51 from RM2.30 last year. The Group turned to a net cash position from a net debt position last year.

REVIEW OF OPERATIONS

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

Steel

	2017 RM Million	2016 RM Million	Change
Revenue	**2,299**	1,836	25%
Profit/(Loss)	**124.2**	(142.5)	>100%

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

Long Products (Billets, Steel Bars & Wire Rods)

Our long products business is spearheaded by Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd. Amsteel Mills Sdn Bhd owns two steel plants located at Bukit Raja, Klang and Banting while Antara Steel Mills Sdn Bhd owns a long steel plant in Pasir Gudang, Johor.

Malaysia's apparent steel consumption increased by 2.5% from 10.0 million metric tons in 2015 to 10.3 million metric tons in 2016. The local production of steel bars and wire rods increased by 3.9% to 3.4 million metric tons. In contrast, imports of steel bars and wire rods decreased by 26.6% to 1.85 million metric tons. (Source: South East Asia Iron and Steel Institute Statistical Yearbook)

The Steel Division achieved a commendable result for financial year 2017 after suffering losses for years. Our Steel Division and the other local steel millers had benefited from the efforts of China in cutting back its excess steel production which led to lower export of steel products to Malaysia.

It was further relief for the local steel millers when the Government imposed the final determination of safeguard duties for both steel reinforcing bars and steel wire rods for a period of 3 years commencing from April 2017. The trade measures imposed by the Government had led to lower steel imports. This had helped the local steel millers to regain market share from imports and secure a reasonable profit margin.

With the improved market conditions, the long products business posted a higher revenue of RM1.6 billion compared with RM1.4 billion a year ago. Coupled with higher profit margin, the long products business posted a profit of RM76 million against a loss of RM111 million last year. The improved results were mainly contributed by our plant in Bukit Raja, Klang whilst the plant in Banting had temporarily ceased operation and the Johor plant was partially shut down.

Our Johor plant resumed operation in September 2017 quarter. We will also resume our operation in Banting plant should market conditions continue to improve. The local steel demand is expected to pick up in the next financial year as infrastructure and mega projects are in progressively upward trend.

We will stay vigilant and responsive to market changes and continue with efforts to further improve our operational efficiency.

Hot Briquetted Iron ("HBI")

HBI is a steel scrap supplement produced from iron ore pellet and is used in the production of high purity steel. The HBI produced by Antara Steel Mills Sdn Bhd at its plant located in the Federal Territory of Labuan is largely for the export market.

Our HBI operation saw its revenue increased by 57% to RM671 million this year from RM427 million a year ago due to higher sales tonnage and selling price. It recorded an operating profit of RM67 million against a loss of RM33 million last year.

Overall, the Steel Division registered a revenue of RM2.3 billion, which rose by 25% from RM1.8 billion a year ago. The Division posted a profit of RM124 million as against a loss of RM143 million last year after including the result of the inland waterway transportation system ("IWTS") project.

The IWTS project undertaken by the Division to transport raw materials to our steel complex in Banting via Sungai Langat river posted a revenue and an operating loss of RM2 million and RM19 million respectively (2016: Revenue of RM27 million and profit of RM1 million) due to the temporary shutdown of operations by its major customers in Banting.

Property Development

	2017 RM Million	**2016 RM Million**	**Change**
Revenue	**108.2**	161.6	-33%
Profit (included profit from joint venture)	**21.5**	18.1	19%

"The Promenade" project is the main contributor to the performance of the Division. The project at Bandar Bayan Baru, Penang, comprising 336 units of serviced suites with 37 units of lifestyle boutique shops and a street plaza was launched in the previous financial year. The entire development had been completed and handed over in March 2017.

The development project at Taman Malim Jaya, Melaka, comprising 32 units of 2 storey shop office, which was launched last year, had been sold out. The whole development was completed in June 2017.

Building Materials

	2017 RM Million	**2016 RM Million**	**Change**
Revenue	**251.4**	477.9	-47%
Profit	**5.7**	6.3	-9%

Our Building Materials 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.

This year 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

	2017 RM Million	2016 RM Million	Change
Revenue	**81.4**	75.0	9%
Profit	**11.5**	11.1	4%

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.

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. Our steel manufacturing plants are certified under ISO14001 Environmental Management System which is testament of our commitment to prevention of pollution, continual improvement in overall environmental performance, and compliance with all applicable statutory and regulatory requirements. This includes 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. Initiatives by our property projects include landscaping with lush greenery and facilities to promote a green environment. To support our policy commitment, various environmental awareness activities such as *Gotong-Royong* by the staff to clean the surroundings were carried out.

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 suppliers 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 INDUSTRIES CORPORATION 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's principal activities are investment holding and property development.

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 42 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) for the year	113,465	(17,174)
Profit attributable to:		
Owners of the Company	105,311	
Non-controlling interests	8,154	
	113,465	

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.

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

During the current financial year, the Company repurchased a total of 13,168,300 of its issued ordinary shares from the open market at an average price of RM0.39 per share. The total consideration paid for the repurchase including transaction costs was RM5,106,356. 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 37,105,300 treasury shares at a carrying amount of RM13,192,722 as disclosed in Note 28 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 which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

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

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:

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
Tan Sri Cheng Yong Kim
Dato' Kamaruddin @ Abas bin Nordin
Chong Jee Min
Yap Soo Har

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
Chen Xian Ping
Cheng Hui Ya, Serena
Cheng Hui Yen, Natalie
Cheng Theng How
Cheng Toek Waa
Cheng Yong Liang
Cheong Poh Heng
Choo Heng-Ghee
Chuah Say Chin
Dato' Eow Kwan Hoong
Dato' Kalsom binti Abd. Rahman
Dato' Kamaruddin @ Abas bin Nordin
Dato' Teoh Teik Jin
Goh Kok Beng
Haji Mohamad Khalid bin Abdullah
Hu Li Ke
Hu Qing Guo
Jiang Hong Xin
Khoo Chuan Hong
Khor Toong Yee
Koh Yong Heng
Lee Khian Lai
Lee Soon Saam
Lee Whay Keong
Liew Choon Yick
Lim Siong Lin
Lin Chung Dien
Liu Cheng Xu
Loke Shu Sun
Ng Ho Peng
Ong Kek Seng
Ong See Chiaw
Ooi Kim Lai
Pang Fook Fah
Poon Sow Har (appointed on 16 December 2016)
Rahmat bin Ibrahim
Shaikh Markhzan Jalani
Sun Li Zhong
Tan Sri Cheng Heng Jem
Tan Sri Cheng Yong Kim
Teoh Lean Keat
Wang Wing Ying
Yap Chan Mei
Yeo Keng Leong

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)
Ngan Yow Chong (passed away on 7 September 2017)
Teo Chor Pheow (retired on 22 November 2016)
Yeow Teck Chai (retired on 23 November 2016)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	As of 1.7.2016	**Additions**	**Disposals**	**As of 30.6.2017**
Direct interest				
Tan Sri Cheng Yong Kim	9,253,289	–	–	**9,253,289**
Dato' Kamaruddin @ Abas bin Nordin	128,000	–	–	**128,000**
Deemed interest				
Tan Sri Cheng Yong Kim	107,716,340	–	(164,900)	**107,551,440**

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

	Number of Shares			
	As of 1.7.2016	**Additions**	**Disposals**	**As of 30.6.2017**
Tan Sri Cheng Yong Kim				
Direct interest				
Lion Forest Industries Berhad	130	–	–	**130**
Deemed interest				
Holdsworth Investment Pte Ltd	4,500,000	–	(3,150,000)	**1,350,000**
Inspirasi Elit Sdn Bhd	212,500	–	(212,500)	**–**
Lion Forest Industries Berhad	168,960,954	–	(168,914,715)	**46,239**
Lion Group Management Services Sdn Bhd	4,950,000	–	(3,300,000)	**1,650,000**
LLB Enterprise Sdn Bhd	690,000	–	(690,000)	**–**
Marvenel Sdn Bhd	70	–	(70)	**–**
Ototek Sdn Bhd	1,050,000	–	(1,050,000)	**–**
Soga Sdn Bhd	4,525,322	–	(4,525,322)	**–**
Steelcorp Sdn Bhd	99,750	–	(99,000)	**750**
Zhongsin Biotech Pte Ltd	1,000,000	–	(510,000)	**490,000**

Investments in the People's Republic of China	**Currency**	**As of 1.7.2016**	**Additions**	**Disposals**	**As of 30.6.2017**
Tan Sri Cheng Yong Kim					
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 interests in shares in the Company or its related corporations during and at the end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company have interests as disclosed in Note 36 to the financial statements.

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

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.

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 CHENG YONG KIM

DATO' KAMARUDDIN @ ABAS BIN NORDIN

Kuala Lumpur
10 October 2017

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2017, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 162.

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 Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of 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 matter	How the scope of our audit responded to the key audit matter
Impairment of property, plant and equipment As of 30 June 2017, accumulated impairment losses of RM260,618,000 (2016: RM242,618,000) have been provided on the assets located at Banting Plant as well as the assets related to one of its subsidiary companies, Lion Waterway Logistics Sdn Bhd (collectively referred as "these assets"), as a consequence of Banting Plant temporarily stopping production since 2014 and Lion Waterway Logistics Sdn Bhd slowing down its operations as its major customers have temporarily stopped operations since 2016. The recoverable amount of these assets were determined based on the higher of fair value less costs to sell and their value-in-use. In determining the fair value less cost to sell, the Group made reference to the independent valuation report on Banting Plant as well as by determining the future economic benefits to be expected from the continued use of these assets. (Forward)	Our audit procedures in assessing the recoverable amount of these assets include: • The Group engaged an independent external valuer to determine the market value of these assets located at Banting Plant. We have assessed the competence, capabilities and objectivity of the valuer, and verified their qualifications, and challenged the variables and assumptions used by the valuer to determine the market value of the assets located at Banting Plant. • We also evaluated the reasonableness of the assessment prepared by management in respect of the measurement of value-in-use of these assets and the approach used in estimating the future cash flows expected to arise therefrom.

Key audit matter	How the scope of our audit responded to the key audit matter
Significant estimates and judgements were consequently applied by management in determining the recoverable amount of these assets. The key sources of estimation uncertainty relating to the impairment of property, plant and equipment have been disclosed in Notes 4(ii)(e)(i) and (ii) to the financial statements.	• We performed a physical inspection of a selected sample of the assets to ensure the existence and the condition of the respective assets.

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.

Responsibility of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with 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 high level of assurance, but is not 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.

(Forward)

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 the 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 42 to the financial statements.

(Forward)

Other Reporting Responsibilities

The supplementary information set out on page 163 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

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

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

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2019 J
Chartered Accountant

Kuala Lumpur
10 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	**2,667,492**	2,514,921	**2,210**	–
Other income		**75,125**	140,437	**42,946**	18,885
Net changes in inventories		**(29,473)**	(185,181)	**–**	–
Raw materials and consumables used		**(1,876,840)**	(1,495,627)	**–**	–
Purchase of trading merchandise		**(256,158)**	(475,524)	**–**	–
Cost of completed units sold		**(1,003)**	(35,816)	**–**	–
Property development costs	15(b)	**(55,354)**	(73,867)	**–**	–
Staff costs	6	**(160,598)**	(140,277)	**(342)**	(1,331)
Directors' remuneration	7	**(1,388)**	(1,369)	**(1,388)**	(1,369)
Depreciation of property, plant and equipment	12	**(102,044)**	(131,263)	**(374)**	(485)
Amortisation of prepaid land lease payments	14	**(2,176)**	(1,900)	**–**	–
Other expenses		**(99,338)**	(114,245)	**(58,543)**	(13,073)
Investment income	8	**9,562**	21,185	**934**	6,115
Finance costs	9	**(25,006)**	(38,763)	**(2,455)**	(7,993)
Profit/(Loss) from operations	6	**142,801**	(17,289)	**(17,012)**	749
Share in results of:					
Associated companies	17	**(9,288)**	(35,970)	**–**	–
Joint venture	18	**650**	826	**–**	–
Impairment loss on:					
Property, plant and equipment	12	**(18,000)**	(193,132)	**–**	–
Quoted and unquoted investments	19	**(46)**	–	**(162)**	(1,399)
Trade and other receivables	23	**(5,375)**	(606,971)	**–**	–
Provision for indemnity for damages arising from back pay labour claims	33	**(3,300)**	–	**–**	–
Profit/(Loss) before tax		**107,442**	(852,536)	**(17,174)**	(650)
Tax credit/(expense)	10	**6,023**	(53,269)	**–**	–
Profit/(Loss) for the year		**113,465**	(905,805)	**(17,174)**	(650)

(Forward)

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) attributable to:				
Owners of the Company	**105,311**	(796,477)	**(17,174)**	(650)
Non-controlling interests	**8,154**	(109,328)	**–**	–
	113,465	(905,805)	**(17,174)**	(650)

	Note	The Group	
		2017	**2016**
Earnings/(Loss) per ordinary share attributable to owners of the Company (sen):			
Basic and diluted	11	**15.37**	(113.50)

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	**113,465**	(905,805)	**(17,174)**	(650)
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	**11,574**	4,189	**–**	–
Share of other comprehensive income of associated companies	**1,171**	13,665	**–**	–
Net gain/(loss) on fair value changes on available-for-sale financial assets	**1,111**	(8,581)	**11**	(224)
Other comprehensive income/(loss) for the year, net of tax	**13,856**	9,273	**11**	(224)
Total comprehensive income/(loss) for the year	**127,321**	(896,532)	**(17,163)**	(874)

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit/(Loss) attributable to:				
Owners of the Company	**117,736**	(788,786)	**(17,163)**	(874)
Non-controlling interests	**9,585**	(107,746)	**–**	–
	127,321	(896,532)	**(17,163)**	(874)

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

STATEMENTS OF FINANCIAL POSITION

AS OF 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	12	**629,988**	747,392	**1,301**	1,676
Investment properties	13	**578**	1,880	**–**	–
Prepaid land lease payments	14	**59,811**	61,987	**–**	–
Land held for property development	15(a)	**49,508**	32,504	**26**	26
Investment in subsidiary companies	16	**–**	–	**768,323**	185,894
Investment in associated companies	17	**816,381**	789,972	**102,448**	102,448
Investment in joint venture	18	**11,051**	10,401	**–**	–
Long-term investments	19	**12,311**	11,246	**2,338**	2,301
Deferred tax assets	20	**56,456**	55,150	**–**	–
Goodwill	21	**130,443**	130,443	**–**	–
Total Non-Current Assets		**1,766,527**	1,840,975	**874,436**	292,345
Current Assets					
Property development costs	15(b)	**13,209**	35,246	**–**	–
Inventories	22	**372,831**	330,260	**43**	43
Trade receivables	23(a)	**201,972**	213,170	**8**	8
Other receivables, deposits and prepayments	23(b)	**211,135**	232,990	**7,348**	9,554
Accrued billings for property development projects		**–**	7,609	**–**	–
Amount owing by associated companies	24(b)	**314**	17	**–**	–
Amount owing by joint venture	18	**1,480**	1,528	**–**	–
Amount owing by subsidiary companies	24(a)	**–**	–	**495,971**	1,084,970
Deposits, cash and bank balances	25	**337,948**	318,071	**9,693**	7,754
		1,138,889	1,138,891	**513,063**	1,102,329
Assets classified as held for sale	26	**7,073**	–	**–**	–
Total Current Assets		**1,145,962**	1,138,891	**513,063**	1,102,329
Total Assets		**2,912,489**	2,979,866	**1,387,499**	1,394,674

(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	27	**1,250,536**	717,909	**1,250,536**	717,909
Reserves	28	**458,144**	878,142	**(222,971)**	331,926
Equity attributable to owners of the Company		**1,708,680**	1,596,051	**1,027,565**	1,049,835
Non-controlling interests	16	**164,814**	155,649	**–**	–
Total Equity		**1,873,494**	1,751,700	**1,027,565**	1,049,835
Non-Current and Deferred Liabilities					
Long-term borrowings	29	**–**	59,622	**–**	–
Finance lease payables	30	**10,282**	27,795	**–**	–
Hire-purchase obligations	31	**657**	1,321	**–**	41
Deferred tax liabilities	20	**13,609**	24,113	**–**	–
Total Non-Current and Deferred Liabilities		**24,548**	112,851	**–**	41
Current Liabilities					
Trade payables	32(a)	**397,675**	490,691	**166**	166
Other payables, deposits and accrued expenses	32(b)	**384,429**	347,853	**818**	834
Provisions	33	**3,100**	–	**–**	–
Advance billings of property development projects		**1,834**	11,852	**–**	–
Amount owing to subsidiary companies	24(a)	**–**	–	**343,285**	293,235
Finance lease payables	30	**54,713**	55,484	**–**	–
Hire-purchase obligations	31	**576**	912	**41**	85
Short-term borrowings	34	**169,862**	206,534	**15,624**	50,478
Tax liabilities		**2,258**	1,989	**–**	–
Total Current Liabilities		**1,014,447**	1,115,315	**359,934**	344,798
Total Liabilities		**1,038,995**	1,228,166	**359,934**	344,839
Total Equity and Liabilities		**2,912,489**	2,979,866	**1,387,499**	1,394,674

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

The Group

	Note	Share capital RM'000	← Share premium RM'000	Treasury shares RM'000	Non-distributable reserves Translation adjustment reserve RM'000	Capital reserve RM'000	Equity compensation reserve RM'000	Fair value reserve RM'000 →	Distributable reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non–controlling interests RM'000	Total equity RM'000
As of 1 July 2016		**717,909**	**532,627**	**(8,086)**	**16,078**	**(7,723)**	**–**	**9,678**	**335,568**	**1,596,051**	**155,649**	**1,751,700**
Profit for the year		–	–	–	–	–	–	–	105,311	105,311	8,154	113,465
Other comprehensive income		–	–	–	10,143	1,171	–	1,111	–	12,425	1,431	13,856
Total comprehensive income for the year		–	–	–	10,143	1,171	–	1,111	105,311	117,736	9,585	127,321
Purchase of treasury shares	28	–	–	(5,107)	–	–	–	–	–	(5,107)	(420)	(5,527)
Transfer of reserve		–	–	–	–	(5,812)	–	–	5,812	–	–	–
Transfer arising from "no par value" regime	27	532,627	(532,627)	–	–	–	–	–	–	–	–	–
As of 30 June 2017		**1,250,536**	**–**	**(13,193)**	**26,221**	**(12,364)**	**–**	**10,789**	**446,691**	**1,708,680**	**164,814**	**1,873,494**

The Company

	Note	Share capital RM'000	Non-distributable reserves: Share premium RM'000	Non-distributable reserves: Treasury shares RM'000	Non-distributable reserves: Fair value reserve RM'000	Non-distributable reserves: Equity compensation reserve RM'000	Non-distributable reserves: Capital reserve RM'000	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2015		717,909	532,627	(2,071)	219	274	5,145	(197,379)	1,056,724
Loss for the year		–	–	–	–	–	–	(650)	(650)
Other comprehensive loss		–	–	–	(224)	–	–	–	(224)
Total comprehensive loss for the year		–	–	–	(224)	–	–	(650)	(874)
Share-based payments		–	–	–	–	(274)	274	–	–
Purchase of treasury shares	28	–	–	(6,015)	–	–	–	–	(6,015)
As of 30 June 2016		717,909	532,627	(8,086)	(5)	–	5,419	(198,029)	1,049,835
As of 1 July 2016		**717,909**	**532,627**	**(8,086)**	**(5)**	**–**	**5,419**	**(198,029)**	**1,049,835**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(17,174)**	**(17,174)**
Other comprehensive income		**–**	**–**	**–**	**11**	**–**	**–**	**–**	**11**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**11**	**–**	**–**	**(17,174)**	**(17,163)**
Purchase of treasury shares	28	**–**	**–**	**(5,107)**	**–**	**–**	**–**	**–**	**(5,107)**
Transfer arising from "no par value" regime	27	**532,627**	**(532,627)**	**–**	**–**	**–**	**–**	**–**	**–**
As of 30 June 2017		**1,250,536**	**–**	**(13,193)**	**6**	**–**	**5,419**	**(215,203)**	**1,027,565**

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	**113,465**	(905,805)
Adjustments for:		
Depreciation of property, plant and equipment	**102,044**	131,263
Inventories written down	**–**	1,307
Tax (credit)/expense recognised in profit or loss	**(6,023)**	53,269
Finance costs	**25,006**	38,763
Allowance for obsolescence of inventories	**4,322**	3,214
Unrealised (gain)/loss on foreign exchange	**(1,440)**	12,529
Impairment loss on:		
Long-term investments	**46**	–
Trade and other receivables	**5,375**	606,971
Property, plant and equipment	**18,000**	193,132
Amortisation of prepaid land lease payments	**2,176**	1,900
Property, plant and equipment written off	**443**	1,824
Bad debts written off	**–**	742
Fair value adjustments on investment properties	**(345)**	161
Share in results of:		
Associated companies	**9,288**	35,970
Joint venture	**(650)**	(826)
Interest income	**(10,567)**	(22,211)
Impairment losses no longer required for:		
Trade and other receivables	**(8,989)**	(1,848)
Long-term investments	**(596)**	(1,253)
Amount owing by associated companies	**–**	(24,465)
Allowance no longer required for obsolescence of inventories	**–**	(3,252)
Gain on disposal of:		
Property, plant and equipment	**(1,040)**	(42)
Associated companies	**–**	(80,482)
Assets classified as held for sale	**–**	(3,132)
Provision for indemnity for damages arising from back pay labour claims	**3,300**	–
Provision for liquidated damages no longer required	**(25)**	(200)
Operating Profit Before Working Capital Changes	**253,790**	37,529
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	**(46,893)**	276,450
Trade and other receivables, deposits and prepayments	**45,716**	(62,027)
Amount owing by associated companies	**(297)**	24,470
Property development costs	**22,054**	19,635
Amount owing by joint venture	**48**	51
Decrease in trade and other payables, deposits and accrued expenses	**(57,676)**	(150,153)
Cash Generated From Operations	**216,742**	145,955
Tax paid	**(5,518)**	(19,781)
Net Cash From Operating Activities	**211,224**	126,174

(Forward)

The Group	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividends received from associated companies		**3,051**	1,435
Interest received		**10,567**	22,211
Proceeds from redemption of investments		**596**	1,253
Proceeds from disposal of:			
Property, plant and equipment		**2,674**	1,078
Associated companies		**–**	80,482
Assets classified as held for sale		**–**	6,520
Additions to:			
Property, plant and equipment		**(4,163)**	(11,682)
Associated companies		**(42,064)**	(5,677)
Acquisition of non-controlling interests		**–**	(14,102)
Increase in land held for property development		**(17,021)**	(199)
Indemnity paid for litigation claim against a former subsidiary company		**(200)**	–
Net Cash (Used In)/From Investing Activities		**(46,560)**	81,319
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in cash and cash equivalents - restricted		**643**	955
Repayment of:			
Long-term borrowings		**(60,000)**	(60,000)
Short-term borrowings		**(32,151)**	(115,838)
Finance lease liabilities		**(18,284)**	(6,503)
Hire-purchase obligations		**(1,000)**	(720)
Interest and profit element paid		**(24,632)**	(38,389)
Purchase of treasury shares		**(5,527)**	(7,823)
Net Cash Used In Financing Activities		**(140,951)**	(228,318)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**23,713**	(20,825)
Effect of foreign exchange differences		**1,324**	(848)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**271,942**	293,615
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**296,979**	271,942

(Forward)

The Company	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(17,174)**	(650)
Adjustments for:		
Finance costs	**2,455**	7,993
Unrealised (gain)/loss on foreign exchange	**(370)**	1,549
Depreciation of property, plant and equipment	**374**	485
Impairment loss on long term investments	**162**	1,399
Impairment loss on amount owing by subsidiary companies	**12,764**	–
Interest income	**(1,013)**	(6,192)
Dividend income	**(2,210)**	–
Impairment losses on amount owing by subsidiary companies no longer required	**(32,135)**	(18,470)
Gain on disposal of property, plant and equipment	**(1)**	(37)
Impairment loss on long term investments no longer required	**(188)**	–
Impairment losses on investment in subsidiary companies	**43,738**	4,651
Impairment losses on investment in subsidiary company no longer required	**(10,225)**	–
Provision for liquidated damages no longer required	**–**	(66)
Operating Loss Before Working Capital Changes	**(3,823)**	(9,338)
Movements in working capital:		
Decrease in trade and other receivables, deposits and prepayments	**2,359**	4,841
Decrease in trade and other payables, deposits and accrued expenses	**(16)**	(276)
Cash Used In Operations	**(1,480)**	(4,773)
Tax refunded	**–**	54
Tax paid	**(153)**	–
Net Cash Used In Operating Activities	**(1,633)**	(4,719)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividend income received	**2,210**	–
Interest income received	**1,013**	524
(Increase)/Decrease in amount owing by subsidiary companies	**(7,202)**	25,609
Purchase of property, plant and equipment	**–**	(83)
Proceeds from disposal of property, plant and equipment	**2**	38
Net Cash (Used In)/From Investing Activities	**(3,977)**	26,088

(Forward)

The Company	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of:			
Borrowings		**(34,818)**	(115,945)
Hire-purchase obligations		**(85)**	(81)
Finance costs paid		**(2,455)**	(7,993)
Purchase of treasury shares		**(5,107)**	(6,015)
Increase in cash and cash equivalents - restricted		**(91)**	(85)
Increase in amount owing to subsidiary companies		**50,050**	108,865
Net Cash From/(Used In) Financing Activities		**7,494**	(21,254)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,884**	115
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**161**	46
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**2,045**	161

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's principal activities are investment holding and property development.

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 42.

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 10 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 Financial Reporting Standards ("FRS") and the provisions of the Companies Act 2016 in Malaysia.

Malaysian Financial Reporting Standards

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

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

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

Malaysian Financial Reporting Standards (continued)

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

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

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

Adoption of New and Revised Financial Reporting Standards and Amendments

In the current financial year, the Group and the Company adopted all the new and revised and amendments FRSs issued by the Malaysian Accounting Standards Board ("MASB") and effective for financial periods beginning on or after 1 July 2016:

FRS 14	Regulatory Deferral Accounts
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and FRS 138	Classification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRSs	Annual Improvements to FRSs 2012 - 2014 Cycle

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

New and Revised Standards, Amendments and Issues Committee Interpretations ("IC Interpretation") in issue but not yet effective

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

FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)[2]
Amendments to FRSs	Annual Improvements to FRSs 2014-2016 Cycle[1 or 2]
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to FRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*[2]
Amendments to FRS 107	Disclosure Initiative[1]
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to FRS 140	Transfers of Investment Property[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[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.

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

New and Revised Standards, Amendments and Issues Committee Interpretations ("IC Interpretation") in issue but not yet effective (continued)

The Directors anticipate that the abovementioned Standards, Amendments and IC Interpretation 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, Amendments and IC Interpretation 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, where the Group and the Company are currently in the process of assessing the impact of adoption of these standards.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

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

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

Basis of Consolidation

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

- has power over the investee;

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

Business Combinations

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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 FRS 139 or FRS 137 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

Investment in Subsidiary Companies

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

Investment in Associated Companies and Joint Venture

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies and Joint Venture (continued)

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

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

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

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

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

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

Revenue and Revenue Recognition

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

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

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

Revenue and Revenue Recognition (continued)

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

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

(i) **Steel Division**

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

(ii) **Property Development Division**

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

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

Rental income - on accrual basis.

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

(iii) **Building Materials Division**

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

(iv) **Other Divisions**

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

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

Foreign Currency

(i) **Functional and Presentation Currencies**

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency (continued)

(ii) **Foreign Currency Transactions**

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

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

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

Employee Benefits

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

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

(ii) **Defined Contribution Plans**

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

(iii) **Equity Compensation Benefits**

The Group's 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 equity amount is recognised in the equity compensation reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

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

Income Tax

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

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

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

The annual depreciation rates are as follows:

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

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

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

Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 38 to 81 years (2016: 39 to 82 years).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

Leases

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

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

Property, Plant and Equipment under Finance Leases

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

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

Property, Plant and Equipment under Hire-Purchase Arrangement

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

Land held for Property Development

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

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

Land held for Property Development (continued)

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

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

Non-Current Assets Classified as Held for Sale

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

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

Goodwill on Consolidation

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

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

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

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

Property Development Activities

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Development Activities (continued)

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

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

Inventories

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

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

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

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

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

Islamic Securities Programme ("Sukuk")

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

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

Provisions

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

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

Segment Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent Liabilities

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

Financial Guarantee Contracts

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

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

Financial Instruments

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

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

Financial Assets

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

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 through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

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

Financial Assets (continued)

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

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

Held-to-maturity investments

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

Loans and receivables

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

AFS investments

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

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

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

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

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

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

Financial Assets (continued)

Impairment of financial assets

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

(a) Loans and receivables

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

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

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

(b) AFS investments

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

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

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

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

(c) Held-to-maturity investments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Derecognition of financial assets

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

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities and Equity Instruments (continued)

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of Receivables

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

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

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

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

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Trade receivables		
Megasteel Sdn Bhd ("Megasteel")	**542,903**	542,903
Lion DRI Sdn Bhd ("Lion DRI")	**156,211**	157,576
	699,114	700,479
Less: Accumulated impairment losses	**(699,114)**	(700,479)
Net	**–**	–
Other receivables		
Megasteel	**48,558**	48,558
Lion DRI	**37,900**	37,900
Graimpi Sdn Bhd ("Graimpi")	**272,180**	272,180
	358,638	358,638
Less: Accumulated impairment losses	**(358,638)**	(358,638)
	–	–
Concentration of credit risk	**–**	–

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 operations in the previous 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.

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)

<u>Recovery of Deposits Paid</u>

As disclosed in Note 23(b)(iii), 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.

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Non-Current Assets

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Land held for property development	**1,319**	2,425	**–**	–
Property development costs	**16,604**	15,498	**–**	–
Long-term investments	**71,561**	72,157	**–**	–
Investment in associated companies	**12,655**	12,655	**–**	–
Investment in subsidiary companies	**–**	–	**212,975**	179,462

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

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

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

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

(ii) Key sources of estimation uncertainty (continued)

(b) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the VIU of the cash-generating units to which goodwill has been allocated. The VIU calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2016: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 21.

(c) Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group amounts to RM56,456,000 (2016: RM55,150,000).

(d) Depreciation of Property, Plant and Equipment

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

(e) Impairment of Property, Plant and Equipment

(i) As of 30 June 2017, the Directors have made a further impairment assessment on the steel making plant of a subsidiary company located at Banting ("the Banting plant"), which has temporarily stopped production since the previous financial years. The recoverable amount of the plant, which consists of land and buildings and plant and machinery, was determined based on fair value less cost to sell, by a reference to the latest valuation carried out by an independent firm of professional valuers in July 2017. The basis of fair value less cost to sell for the said assets was determined as follows:

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

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

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

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

(ii) Key sources of estimation uncertainty (continued)

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

The Directors believe that the chosen valuation method is appropriate in determining the recoverable amounts of the Banting plant.

Premised on the above, the Group has recognised an impairment loss of RM18,000,000 (2016: RM127,840,000) for the financial year on these assets as the carrying amount of these assets exceeded their estimated recoverable amount. The Directors are of the opinion that the carrying amount of the Banting plant is RM291,850,000, net of accumulated impairment loss of RM189,879,000 (2016: RM356,802,000, net of accumulated impairment loss of RM171,879,000) is recoverable.

(ii) During the previous financial year, major customers of Lion Waterway Logistics Sdn Bhd ("Lion Waterway") (a subsidiary of the Company), Lion DRI and Megasteel had temporarily stopped operations.

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

Premised on the above, the Group has recognised an impairment loss of RM65,292,000 in the previous financial year on these assets as the carrying amount of certain of these assets exceeded their estimated recoverable amount. The Directors are of the opinion that the carrying amount of RM55,861,000, net of accumulated impairment loss of RM65,292,000 (2016: carrying amount of RM70,350,000 net of accumulated impairment loss of RM65,292,000) is recoverable.

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**
Sale of goods	**2,536,994**	2,303,379	**–**	–
Revenue from:				
Property development	**88,737**	110,502	**–**	–
Sale of land under development and completed property units	**6,815**	44,313	**–**	–
Gross rental income	**1,553**	1,426	**–**	–
Service rendered	**33,393**	55,301	**–**	–
Gross dividend income from associated companies	**–**	–	**2,210**	–
	2,667,492	2,514,921	**2,210**	–

6. PROFIT/(LOSS) FROM OPERATIONS

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impairment losses no longer required for:				
Long-term investments	**596**	1,253	**188**	–
Trade and other receivables (Note 23)	**8,989**	1,848	**–**	–
Amount owing by associated companies (Note 24(b))	**–**	24,465	**–**	–
Allowance for obsolescence of inventories no longer required	**–**	3,252	**–**	–
Inventories written down	**–**	(1,307)	**–**	–
Allowance for obsolescence of inventories	**(4,322)**	(3,214)	**–**	–
Property, plant and equipment written off	**(443)**	(1,824)	**–**	–
Impairment losses on amount owing by subsidiary companies no longer required (Note 24(a))	**–**	–	**32,135**	18,470
Impairment losses on amount owing by subsidiary companies (Note 24(a))	**–**	–	**(12,764)**	–
Impairment losses on investment in subsidiary companies (Note 16)	**–**	–	**(43,738)**	(4,651)
Impairment losses on investment in subsidiary companies no longer required (Note 16)	**–**	–	**10,225**	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	**(828)**	(809)	**(125)**	(125)
Over/(Under)provision in prior years	**3**	(9)	**–**	(5)
Other auditors:				
Current year	**(49)**	(70)	**–**	–
Bad debts recovered	**70**	43	**–**	–
Provision for liquidated damages no longer required	**25**	200	**–**	66
Rental income from premises	**2,268**	932	**–**	–
Rental expense of:				
Premises	**(2,087)**	(1,473)	**–**	–
Plant, machinery and equipment	**(4,003)**	(5,769)	**–**	–
Jetties and leasehold land	**(4,817)**	(4,817)	**–**	–
Bad debts written off	**–**	(742)	**–**	–
Gain on disposal of:				
Property, plant and equipment	**1,040**	42	**1**	37
Associated company	**–**	80,482	**–**	–
Assets classified as held for sale	**–**	3,132	**–**	–
Gain/(Loss) on foreign exchange (net):				
Realised	**7,940**	15,747	**(648)**	(4,708)
Unrealised	**1,440**	(12,529)	**370**	(1,549)
Fair value adjustments on investment properties (Note 13)	**345**	(161)	**–**	–
Interest income from Housing Development Accounts	**1,005**	1,026	**79**	77

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

Analysis of staff costs is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries, bonuses and allowances	**146,013**	126,973	**327**	1,231
Defined contribution plans	**14,585**	13,304	**15**	100
	160,598	140,277	**342**	1,331

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

	The Group	
	2017 RM'000	2016 RM'000
Salaries, bonuses and allowances	**3,516**	3,349
Defined contribution plans	**330**	317
	3,846	3,666

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group and of the Company as disclosed in Note 7, otherwise than in cash from the Group amounted to RM59,907 (2016: RM57,531).

7. DIRECTORS' REMUNERATION

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

	The Group and The Company	
	2017 RM'000	2016 RM'000
Executive Director:		
Fee	**25**	25
Salary and other emoluments	**992**	992
Defined contribution plans	**118**	118
	1,135	1,135
Non-executive Directors:		
Fees	**210**	191
Other emoluments	**43**	43
Total	**1,388**	1,369

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM107,398 (2016: RM108,227).

8. INVESTMENT INCOME

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from:				
Fixed deposits	**5,465**	8,640	**150**	218
Related parties	**1,681**	5,267	**–**	–
Subsidiary companies	**–**	–	**512**	5,668
Associated company	**–**	6,261	**–**	–
Others	**2,416**	1,017	**272**	229
	9,562	21,185	**934**	6,115

9. FINANCE COSTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Term loans	**5,319**	7,624	**2,063**	7,624
Security deposits received from customers	**1,719**	1,564	**–**	–
Bills payable	**665**	632	**–**	–
Bank overdrafts	**549**	850	**384**	354
Finance lease and hire-purchase	**4,691**	8,447	**4**	7
Product financing liabilities	**–**	2,956	**–**	–
Others	**6,609**	8,644	**4**	8
Profit element on Sukuk	**5,454**	8,046	**–**	–
	25,006	38,763	**2,455**	7,993

10. TAX CREDIT/(EXPENSE)

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Estimated tax payable:				
Current year	**(16,328)**	(19,138)	**–**	–
Overprovision in prior years	**10,541**	17,979	**–**	–
	(5,787)	(1,159)	**–**	–
Deferred taxation (Note 20):				
Current year	**6,479**	(52,073)	**–**	–
Over/(Under)provision in prior years	**5,331**	(37)	**–**	–
	11,810	(52,110)	**–**	–
Total tax credit/(expense)	**6,023**	(53,269)	**–**	–

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit/(Loss) before tax	**107,442**	(852,536)	**(17,174)**	(650)
Tax (expense)/credit at statutory tax rate of 24% (2016: 24%)	**(25,786)**	204,609	**4,122**	156
Tax effects of:				
Non-taxable income	**5,828**	19,476	**10,644**	5,818
Non-deductible expenses	**(12,392)**	(71,816)	**(11,772)**	(5,243)
Tax effect on share in results of associated companies and joint venture	**(2,073)**	(8,435)	**–**	–
Deferred tax assets not recognised	**–**	(216,497)	**(2,994)**	(731)
Realisation of deferred tax assets previously not recognised	**24,574**	1,452	**–**	–
Over/(Under)provision in prior years:				
Income tax	**10,541**	17,979	**–**	–
Deferred taxation	**5,331**	(37)	**–**	–
	6,023	(53,269)	**–**	–

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the year of assessment 2017.

11. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic earnings/(loss) per share

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

	2017 RM'000	2016 RM'000
Profit/(Loss) attributable to owners of the Company	**105,311**	(796,477)

	2017 '000	2016 '000
Weighted average number of ordinary shares in issue	**693,973**	715,023
Less: Effect of treasury shares	**(8,659)**	(13,281)
	685,314	701,742

	2017	2016
Basic earnings/(loss) per share (sen)	**15.37**	(113.50)

(b) Diluted earnings/(loss) per share

The basic and diluted earnings/(loss) per share are the same for 2017 and 2016 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

12. PROPERTY, PLANT AND EQUIPMENT

The Group

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

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	COST								
	As of 1 July 2016 RM'000	Additions RM'000	Disposals RM'000	Transfer from investment properties (Note 13) RM'000	Write-offs RM'000	Reclass-ification RM'000	Transfer to assets held for sale (Note 26) RM'000	Exchange differences RM'000	As of 30 June 2017 RM'000
Freehold land	77,101	–	–	–	–	–	–	–	**77,101**
Freehold buildings	305,155	–	–	–	–	–	–	–	**305,155**
Buildings under long lease	114,398	–	–	–	–	–	(1,657)	–	**112,741**
Buildings under short lease	466	–	–	–	–	–	–	–	**466**
Plant, machinery and equipment	1,502,768	1,534	(1,539)	–	–	–	–	815	**1,503,578**
Prime movers and trailers	24,996	–	(4,265)	–	–	–	–	–	**20,731**
Motor vehicles	17,236	–	(1,014)	–	–	–	–	33	**16,255**
Furniture and office equipment	70,191	603	(9)	–	(81)	–	–	1	**70,705**
Computer equipment	6,359	221	(51)	–	(31)	–	–	1	**6,499**
Floating cranes	87,616	–	–	–	–	–	–	–	**87,616**
Tug boats and barges	74,179	–	–	–	–	–	–	–	**74,179**
Infrastructure	107,100	–	–	–	–	–	–	–	**107,100**
Renovations	1,892	–	–	–	–	–	–	–	**1,892**
Construction work-in-progress	140,153	1,805	(92)	–	(430)	–	–	–	**141,436**
Total	2,529,610	4,163	(6,970)	–	(542)	–	(1,657)	850	**2,525,454**

(Forward)

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

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED DEPRECIATION								
	As of 1 July 2016 RM'000	**Charge for the year RM'000**	**Disposals RM'000**	**Transfer from investment properties (Note 13) RM'000**	**Write-offs RM'000**	**Reclass-ification RM'000**	**Transfer to assets held for sale (Note 26) RM'000**	**Exchange differences RM'000**	**As of 30 June 2017 RM'000**
Freehold land	–	–	–	–	–	–	–	–	**–**
Freehold buildings	189,319	13,501	–	–	–	–	–	–	**202,820**
Buildings under long lease	91,763	2,050	–	–	–	–	(1,596)	–	**92,217**
Buildings under short lease	466	–	–	–	–	–	–	–	**466**
Plant, machinery and equipment	1,020,692	66,411	(828)	–	–	–	–	217	**1,086,492**
Prime movers and trailers	17,042	1,640	(3,441)	–	–	–	–	–	**15,241**
Motor vehicles	13,495	1,144	(1,003)	–	–	–	–	18	**13,654**
Furniture and office equipment	53,899	3,198	(21)	–	(67)	–	–	–	**57,009**
Computer equipment	4,859	418	(43)	–	(32)	–	–	–	**5,202**
Floating cranes	42,811	6,659	–	–	–	–	–	–	**49,470**
Tug boats and barges	53,841	6,918	–	–	–	–	–	–	**60,759**
Infrastructure	49,980	–	–	–	–	–	–	–	**49,980**
Renovations	1,433	105	–	–	–	–	–	–	**1,538**
Construction work-in-progress	–	–	–	–	–	–	–	–	**–**
Total	1,539,600	102,044	(5,336)	–	(99)	–	(1,596)	235	**1,634,848**

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED IMPAIRMENT LOSSES					NET BOOK VALUE	
	As of 1 July 2015 RM'000	Charge for the year RM'000	As of 30 June 2016 RM'000	Charge for the year RM'000	As of 30 June 2017 RM'000	As of 30 June 2017 RM'000	As of 30 June 2016 RM'000
Freehold land	1,754	–	1,754	–	**1,754**	**75,347**	75,347
Freehold buildings	–	28,299	28,299	–	**28,299**	**74,036**	87,537
Buildings under long lease	–	–	–	–	**–**	**20,524**	22,635
Plant, machinery and equipment	478	66,843	67,321	18,000	**85,321**	**331,765**	414,755
Prime movers and trailers	3,215	–	3,215	–	**3,215**	**2,275**	4,739
Motor vehicles	–	–	–	–	**–**	**2,601**	3,741
Furniture and office equipment	–	–	–	–	**–**	**13,696**	16,292
Computer equipment	–	–	–	–	**–**	**1,297**	1,500
Floating cranes	–	–	–	–	**–**	**38,146**	44,805
Tug boats and barges	–	–	–	–	**–**	**13,420**	20,338
Infrastructure	–	57,120	57,120	–	**57,120**	**–**	–
Renovations	–	–	–	–	**–**	**354**	459
Construction work-in-progress	44,039	40,870	84,909	–	**84,909**	**56,527**	55,244
Total	49,486	193,132	242,618	18,000	**260,618**	**629,988**	747,392

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

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

	COST				
	As of 1 July 2016 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	As of 30 June 2017 RM'000
Motor vehicles	678	–	–	–	**678**
Furniture and office equipment	1,622	–	(10)	–	**1,612**
Computer equipment	3,499	–	(4)	–	**3,495**
Renovations	1,007	–	–	–	**1,007**
Total	6,806	–	(14)	–	**6,792**

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

	ACCUMULATED DEPRECIATION					NET BOOK VALUE
	As of 1 July 2016 RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	As of 30 June 2017 RM'000	As of 30 June 2017 RM'000
Motor vehicles	676	–	–	–	**676**	**2**
Furniture and office equipment	1,433	36	(10)	–	**1,459**	**153**
Computer equipment	2,461	237	(3)	–	**2,695**	**800**
Renovations	560	101	–	–	**661**	**346**
Total	5,130	374	(13)	–	**5,491**	**1,301**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) As of 30 June 2017, the Group has recognised an impairment loss of RM18,000,000 (2016: RM193,132,000) in respect of the assets located at Banting plant as well as the assets related to one of its subsidiary companies, Lion Waterway Logistics Sdn Bhd ("Lion Waterway"), as a result of the said Banting plant has temporarily stopped productions since previous years and the major customers of Lion Waterway have temporarily stopped operations in previous year. The said impairment loss was determined based on the assumptions as disclosed in Notes 4(ii)(e)(i) and (ii), respectively.

(b) As of 30 June 2017, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM216.5 million (2016: RM274.9 million) have been charged as collateral to certain financial institutions for the finance lease payables and borrowings granted to the Group (Notes 29, 30 and 34).

(c) Included in property, plant and equipment of the Group and of the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM50,089,000 (2016: RM63,522,000) and RM2,000 (2016: RM2,000) respectively.

13. INVESTMENT PROPERTIES

	The Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**1,880**	2,165
Fair value adjustments during the year (Note 6)	**345**	(161)
Transfer to property, plant and equipment (Note 12)	**–**	(124)
Transfer to assets classified as held for sale (Note 26)	**(1,647)**	–
At end of year	**578**	1,880

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

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

The rental income earned by the Group from its investment properties amounted to RMNil (2016: RM5,475). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the financial year amounted to RMNil (2016: RM601).

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM10,848 (2016: RM13,897).

As of 30 June 2017, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair values totalling RMNil (2016: RM1,284,000) have been charged as collaterals to certain local banks for the bank overdrafts and other credit facilities granted to the Group (Note 34).

Investment properties amounting to RM285,362 (2016: RM1,284,000) for the Group are held under leasehold interest.

14. PREPAID LAND LEASE PAYMENTS

	The Group 2017 RM'000	2016 RM'000
Cost:		
At beginning of year	**103,355**	83,749
Transfer from property, plant and equipment (Note 12)	**–**	19,606
At end of year	**103,355**	103,355
Cumulative amortisation:		
At beginning of year	**41,368**	37,710
Amortisation for the year	**2,176**	1,900
Transfer from property, plant and equipment (Note 12)	**–**	1,758
At end of year	**43,544**	41,368
Net book value	**59,811**	61,987

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

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

As of 30 June 2017, certain parcels of leasehold land of the Group with carrying values totalling RM17.0 million (2016: RM17.8 million) have been charged as collateral to certain financial institutions for the borrowings granted to the Group (Note 34).

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year:				
Land costs	**29,806**	31,804	**13**	13
Development costs	**5,123**	5,852	**13**	13
	34,929	37,656	**26**	26
Costs incurred:				
Development costs	**17,021**	199	**–**	–
Costs transferred to property development costs (Note 15(b))				
Land costs	**(1,047)**	(1,998)	**–**	–
Development costs	**(76)**	(928)	**–**	–
	(1,123)	(2,926)	**–**	–
At end of year:				
Land costs	**28,759**	29,806	**13**	13
Development costs	**22,068**	5,123	**13**	13
	50,827	34,929	**26**	26
Accumulated impairment losses:				
At beginning of year	**(2,425)**	(4,535)	**–**	–
Transferred to property development costs (Note 15(b))	**1,106**	2,110	**–**	–
At end of year	**(1,319)**	(2,425)	**–**	–
Net	**49,508**	32,504	**26**	26

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

(b) **Property Development Costs**

	The Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year:		
Land costs	**62,631**	60,633
Development costs	**173,947**	119,237
	236,578	179,870
Costs incurred:		
Development costs	**37,549**	54,232
Transfer to completed unit for sale	**(4,249)**	(450)
Transferred from land held for property development (Note 15(a))		
Land costs	**1,047**	1,998
Development costs	**76**	928
	1,123	2,926
At end of year:		
Land costs	**63,678**	62,631
Development costs	**207,323**	173,947
	271,001	236,578
Costs recognised as expenses in profit or loss:		
Previous years	**(185,834)**	(111,967)
Current year	**(55,354)**	(73,867)
	(241,188)	(185,834)
Accumulated impairment losses:		
At beginning of year	**(15,498)**	(13,388)
Transferred from land held for property development (Note 15(a))	**(1,106)**	(2,110)
At end of year	**(16,604)**	(15,498)
Net	**13,209**	35,246

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

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Interest expense on term loan	**–**	44

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2017 RM'000	2016 RM'000
Shares quoted in Malaysia:		
At beginning and end of year	**42,232**	42,232
Unquoted shares in Malaysia:		
At cost	**309,495**	309,495
Addition	**615,942**	–
Deemed capital contribution	**13,629**	13,629
	939,066	323,124
Accumulated impairment losses	**(212,975)**	(179,462)
	726,091	143,662
Total	**768,323**	185,894
Market value of quoted shares	**25,723**	27,528

Movements in the accumulated impairment losses are as follows:

	The Company 2017 RM'000	2016 RM'000
At beginning of year	**179,462**	174,811
Impairment losses recognised during the year (Note 6)	**43,738**	4,651
Impairment losses no longer required (Note 6)	**(10,225)**	–
At end of year	**212,975**	179,462

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that accumulated impairment losses of RM212,975,000 (2016: RM179,462,000) is deemed adequate in respect of investment in subsidiary companies.

As of 30 June 2017, the investment in a quoted subsidiary company of the Company with carrying value of RM41,973,000 (2016: RM41,973,000) has been pledged as collateral to certain financial institutions for the borrowings granted to the Company (Note 34).

During the financial year, certain subsidiary companies issued 615,942,855 new ordinary shares amounting to RM615,942,855. The Company subscribed 100% of the new ordinary shares issued by these subsidiary companies. The said subscription of shares was satisfied through capitalisation of amount owing by subsidiary companies to the Company.

16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Composition of the Group

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

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiary companies		Number of non wholly-owned subsidiary companies	
		2017	**2016**	**2017**	**2016**
Property development	Malaysia	**7**	7	**2**	2
Manufacture and sale and distribution of steel products	Malaysia	**–**	–	**3**	3
Manufacture and sale and distribution of other products	Malaysia	**–**	–	**6**	6
Investment and development in agriculture	Cambodia	**–**	–	**23**	23
Investment holding	British Virgin Islands	**–**	–	**25**	26
Others	Malaysia	**26**	27	**23**	23
Others	Other countries	**–**	–	**7**	9
		33	34	**89**	92

Non-Controlling Interests in Subsidiary Companies

On 16 May 2016, Lion Forest Industries Berhad ("LFIB") completed the acquisition of the remaining 10.36% equity interest in Lion AMB Resources Berhad ("Lion AMB") not already held by LFIB ("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 LFIB.

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

	Percentage of ownership interests held by NCI	Profit/(Loss) allocated to NCI RM'000	Accumulated NCI RM'000
2017			
LFIB	**26%**	**3,823**	**139,041**
Other individually immaterial subsidiary companies with NCI		**4,331**	**25,773**
		8,154	**164,814**
2016			
LFIB	26%	(101,386)	134,931
Other individually immaterial subsidiary companies with NCI		(7,942)	20,718
		(109,328)	155,649

16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Non-Controlling Interests in Subsidiary Companies (continued)

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

	LFIB	
	2017	**2016**
	RM'000	**RM'000**
Non-current assets	**112,572**	72,289
Current assets	**544,483**	575,693
Non-current liabilities	**(794)**	(2,028)
Current liabilities	**(119,207)**	(129,904)
Total equity	**537,054**	516,050
Equity attributable to owners of the Company	**536,297**	515,306
Non-controlling interests	**757**	744
	537,054	516,050
Revenue	**339,658**	565,103
Profit/(Loss) for the year	**14,759**	(386,871)
Profit/(Loss) attributable to:		
Owners of the Company	**14,746**	(387,197)
Non-controlling interests	**13**	326
	14,759	(386,871)
Other comprehensive income attributable to:		
Owners of the Company	**6,665**	6,845
Non-controlling interests	**–**	149
	6,665	6,994
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**21,411**	(380,352)
Non-controlling interests	**13**	475
	21,424	(379,877)
Net cash inflow/(outflow) from:		
Operating activities	**9,793**	(38,056)
Investing activities	**(20,941)**	26,985
Financing activities	**(5,432)**	(4,616)
Net cash outflow	**(16,580)**	(15,687)

17. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
At cost:				
Quoted investments	**239,501**	197,437	**64,394**	64,394
Unquoted investments	**139,641**	139,641	**38,054**	38,054
	379,142	337,078	**102,448**	102,448
Share in post-acquisition results and reserves less dividends received	**455,259**	465,549	**–**	–
Accumulated impairment losses	**(12,655)**	(12,655)	**–**	–
	821,746	789,972	**–**	–
Reclassified as asset held for sale (Note 26)	**(5,365)**	–	**–**	–
	816,381	789,972	**102,448**	102,448
Market value of quoted investments	**209,230**	222,877	**38,335**	54,619

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

2017	**Parkson RM'000**	**Other individually immaterial associated companies RM'000**	**Total RM'000**
Summarised financial information			
Proportion of the Group's effective ownership interest	28%		
Assets and Liabilities			
Current assets	**4,329,847**	**518,566**	**4,848,413**
Non-current assets	**5,427,298**	**118,580**	**5,545,878**
Current liabilities	**(4,899,811)**	**(110,557)**	**(5,010,368)**
Non-current liabilities	**(1,008,607)**	**(12,126)**	**(1,020,733)**
Non-controlling interests	**(1,457,413)**	**–**	**(1,457,413)**
Net assets	**2,391,314**	**514,463**	**2,905,777**
Results			
Revenue	**3,964,024**	**340,223**	**4,304,247**
(Loss)/Profit for the year	**(113,411)**	**64,503**	**(48,908)**
Other comprehensive income for the year	**89,444**	**–**	**89,444**
Total comprehensive (loss)/income for the year	**(23,967)**	**64,503**	**40,536**
Group's share of (loss)/profit of associated companies	**(32,299)**	**23,011**	**(9,288)**
Dividend received from associated companies	**–**	**3,051**	**3,051**
Reconciliation of net assets to carrying amount			
Group's share of net assets	**681,046**	**134,404**	**815,450**
Other adjustments	**931**	**–**	**931**
Carrying amount in the statements of financial position	**681,977**	**134,404**	**816,381**

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

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

	The Group	
	2017 RM'000	2016 RM'000
Share of net assets (excluding goodwill)	**442,734**	440,576
Share of goodwill of associated companies	**373,647**	349,396
	816,381	789,972

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**(26,739)**	(59,227)
Current year	**–**	663
Disposal during the year	**–**	31,825
At end of year	**(26,739)**	(26,739)

As of 30 June 2017, the investment in quoted associated companies of the Group and of the Company with costs amounting to RM118,846,000 and RM64,394,000 (2016: RM118,846,000 and RM64,394,000) respectively have been pledged as collateral to certain financial institutions for the borrowings granted to the Group (Note 34).

18. INVESTMENT IN JOINT VENTURE

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares:		
At cost	**125**	125
Share in post-acquisition results less dividend received	**10,926**	10,276
	11,051	10,401

Details of the joint venture are as follows:

Name of Joint Venture	**Financial Year End**	**Country of Incorporation**	**Effective Percentage Ownership 2017 %**	**Effective Percentage Ownership 2016 %**	**Principal Activity**
Mergexcel Property Development Sdn Bhd	31 March	Malaysia	**49**	49	Property development

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

18. INVESTMENT IN JOINT VENTURE (continued)

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

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Assets and Liabilities		
Current assets	**36,085**	37,731
Non-current assets	**116**	131
Current liabilities	**(1,585)**	(4,420)
Net assets	**34,616**	33,442
Results		
Revenue	**–**	–
Profit for the year	**1,174**	1,494
Group's share of profit of joint venture	**650**	826
Reconciliation of net assets to carrying amount		
Group's share of net assets	**19,150**	18,500
Other adjustments	**(8,099)**	(8,099)
Carrying amount in the statements of financial position	**11,051**	10,401

The above profit for the year including the following:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Depreciation of property, plant and equipment	**15**	15
Interest income	**1,378**	866
Finance cost	**–**	(9)

Amount owing by joint venture arose mainly from advances granted and payments made on behalf of the joint venture. The said amount is interest-free (2016: interest-free) and repayable on demand.

19. LONG-TERM 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				
Quoted investments in Malaysia:				
At fair value				
Shares	**10,686**	9,618	**1,876**	1,831
Warrants	**–**	46	**–**	19
	10,686	9,664	**1,876**	1,850
Quoted investments outside Malaysia:				
Shares – at fair value	**250**	207	**62**	51
Unquoted investments:				
Shares – at cost	**1,375**	1,375	**400**	400
	12,311	11,246	**2,338**	2,301
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, adjusted for accretion of interest	**71,561**	72,157	**–**	–
Less: Accumulated impairment losses	**(71,561)**	(72,157)	**–**	–
	–	–	**–**	–
Total	**12,311**	11,246	**2,338**	2,301

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have recognised an impairment loss amounting to RM46,000 (2016: RMNil) and RM162,000 (2016: RM1,399,000) in profit or loss of the Group and of the Company respectively.

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

20. DEFERRED TAX ASSETS/(LIABILITIES)

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

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
At beginning of year	**31,037**	83,147	**–**	–
Transfer to/(from) profit or loss (Note 10):				
Property, plant and equipment	**82,657**	16,619	**(61)**	(78)
Others	**(8,236)**	14,811	**–**	–
Unused tax losses and unabsorbed capital allowances	**(62,611)**	(83,540)	**61**	78
	11,810	(52,110)	**–**	–
At end of year	**42,847**	31,037	**–**	–

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

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**56,456**	55,150	**–**	–
Deferred tax liabilities	**(13,609)**	(24,113)	**–**	–
	42,847	31,037	**–**	–

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets				
Temporary differences arising from others	**29,280**	37,699	**–**	–
Unused tax losses and unabsorbed capital allowances	**44,888**	107,499	**252**	324
	74,168	145,198	**252**	324
Offsetting	**(17,712)**	(90,048)	**(252)**	(324)
Deferred tax assets (after offsetting)	**56,456**	55,150	–	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**25,280**	107,937	**252**	324
Others	**6,041**	6,224	**–**	–
	31,321	114,161	**252**	324
Offsetting	**(17,712)**	(90,048)	**(252)**	(324)
Deferred tax liabilities (after offsetting)	**13,609**	24,113	**–**	–

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

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Temporary differences arising from:				
Trade and other receivables	**970,059**	969,855	**–**	–
Property, plant and equipment	**(402)**	146	**–**	–
Property development activities	**737**	2,864	**–**	–
Others	**151,169**	252,844	**–**	–
Unused tax losses and unabsorbed capital allowances	**245,014**	243,260	**73,531**	61,055
	1,366,577	1,468,969	**73,531**	61,055

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

21. GOODWILL

	The Group	
	2017 RM'000	**2016 RM'000**
Goodwill on consolidation:		
At beginning and end of year	**131,644**	131,644
Cumulative impairment loss:		
At beginning and end of year	**(1,201)**	(1,201)
Net	**130,443**	130,443

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on an estimated growth rate of 5% (2016: 5%) per annum. The pre-tax discount rate used is 8% (2016: 8%) per annum.

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

22. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property:				
Completed units for sale	**6,130**	2,884	**43**	43
Products at cost:				
Raw materials	**128,215**	82,434	**–**	–
Finished goods	**69,173**	99,530	**–**	–
General and consumable stores	**143,715**	124,901	**–**	–
Trading merchandise	**10,832**	9,948	**–**	–
Goods-in-transit	**46,251**	37,857	**–**	–
	398,186	354,670	**–**	–
Less: Allowance for obsolescence of inventories	**(31,485)**	(27,294)	**–**	–
	366,701	327,376	**–**	–
Net	**372,831**	330,260	**43**	43

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

Certain of the Group's inventories with carrying values totalling RM143.4 million (2016: RM141.3 million) have been pledged as collateral to certain financial institutions for the borrowings granted to the Group (Note 34).

23. 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	**934,536**	947,961	**8**	8
Less: Accumulated impairment losses	**(732,564)**	(734,791)	**–**	–
	201,972	213,170	**8**	8
Net	**201,972**	213,170	**8**	8

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

The credit period granted to customers ranges from 30 to 90 days (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.

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

(a) **Trade receivables (continued)**

The Group has trade receivables amounting to RM30.3 million (2016: RM35.8 million) that are past due at the end of the reporting period but against which the Group has not recognised impairment losses as the amounts are still considered recoverable.

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	**171,668**	177,379	**8**	8
31 - 60 days past due but not impaired	**12,744**	15,774	**–**	–
61 - 90 days past due but not impaired	**6,829**	14,187	**–**	–
91 - 120 days past due but not impaired	**1,248**	3,147	**–**	–
More than 120 days past due but not impaired	**9,483**	2,683	**–**	–
	201,972	213,170	**8**	8
Past due and impaired	**732,564**	734,791	**–**	–
Total trade receivables	**934,536**	947,961	**8**	8

Movements in the accumulated impairment losses are as follows:

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	**734,791**	316,264
Impairment loss recognised during the year	**5,375**	421,582
Amount recovered during the year	**(7,248)**	(1,696)
Amount written off during the year	**(354)**	(1,359)
At end of year	**732,564**	734,791

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

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

(a) Trade receivables (continued)

As of 30 June 2017, the Group has trade receivables due from the following two major related parties, Megasteel and Lion DRI which have been fully impaired in the previous year:

	The Group	
	2017	2016
	RM'000	RM'000
Megasteel	**542,903**	542,903
Lion DRI	**156,211**	157,576
	699,114	700,479
Less: Accumulated impairment losses	**(699,114)**	(700,479)
Net	**–**	–

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

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**160,132**	186,766	**8**	8
United States Dollar	**39,134**	24,732	**–**	–
Singapore Dollar	**2,706**	1,672	**–**	–
	201,972	213,170	**8**	8

As of 30 June 2017, the trade receivables of the Group amounting to RM35.2 million (2016: RM23.1 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Note 34).

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other receivables	**436,399**	466,331	**7,353**	9,711
Less: Accumulated impairment losses	**(388,069)**	(389,813)	**(948)**	(948)
	48,330	76,518	**6,405**	8,763
Tax recoverable	**18,087**	10,974	**242**	89
Refundable deposits	**119,097**	111,968	**701**	702
Prepayments	**25,621**	33,530	**–**	–
	211,135	232,990	**7,348**	9,554

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

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

Movements in the accumulated impairment losses are as follows:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At beginning of year	**389,813**	204,813	**948**	948
Impairment losses recognised during the year	**–**	185,389	**–**	–
Amount recovered during the year	**(1,741)**	(152)	**–**	–
Amount written off during the year	**(3)**	(237)	**–**	–
At end of year	**388,069**	389,813	**948**	948

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

As of 30 June 2017, the Group has other receivables due from the following three major related parties, Megasteel, Lion DRI and Graimpi:

	The Group	
	2017 RM'000	**2016 RM'000**
Other receivables		
Megasteel	**48,558**	48,558
Lion DRI	**37,900**	37,900
Graimpi	**272,180**	272,180
	358,638	358,638
Less: Accumulated impairment losses	**(358,638)**	(358,638)
	–	–

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

(i) As of 30 June 2017, other receivables, deposits and prepayments of the Group with carrying values of RM12.9 million (2016: RM19.5 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Note 34).

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

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

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

(a) RM272.2 million (2016: RM272.2 million) due from Graimpi, representing debts novated from Lion DRI, which bore interest at 8.85% per annum in the previous years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM272.2 million (2016: RM272.2 million) on the said outstanding receivables due from Graimpi.

(b) RM4.1 million (2016: RM4.2 million) due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, represents a reimbursement for amounts incurred by the Group pursuant to the share sale agreement entered into between Akurjaya and LFIB for the disposal of the entire equity interest in Lion Agriculture (Indonesia) Sdn Bhd together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% (2016: 1%) above base lending rate per annum.

During the current 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.

(c) RM48.6 million (2016: RM48.6 million) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM48.6 million (2016: RM48.6 million) on the said outstanding receivables due from Megasteel.

(d) RM37.9 million (2016: RM37.9 million) due from Lion DRI, are unsecured, interest-free and repayable on demand.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM37.9 million (2016: RM37.9 million) on the said outstanding receivables due from Lion DRI.

(iii) Included in refundable deposits of the Group are refundable deposits totalling USD25.7 million equivalent to RM110.5 million (2016: USD25.7 million equivalent to RM103.4 million) 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 agriculture project in Cambodia.

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Ringgit Malaysia	**84,036**	118,763	**7,348**	9,554
United States Dollar	**122,909**	111,497	**–**	–
Chinese Renminbi	**3,232**	2,340	**–**	–
Singapore Dollar	**29**	13	**–**	–
Others	**929**	377	**–**	–
	211,135	232,990	**7,348**	9,554

24. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company 2017 RM'000	The Company 2016 RM'000
Amount owing by subsidiary companies	**630,777**	1,239,147
Less: Accumulated impairment losses	**(134,806)**	(154,177)
Net	**495,971**	1,084,970
Amount owing to subsidiary companies	**343,285**	293,235

Movement in the accumulated impairment losses is as follows:

	The Company 2017 RM'000	The Company 2016 RM'000
At beginning of year	**154,177**	172,647
Impairment losses recognised during the year (Note 6)	**12,764**	–
Impairment losses on amount owing by subsidiary companies no longer required (Note 6)	**(32,135)**	(18,470)
At end of year	**134,806**	154,177

Amount owing by subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is either interest-free or bears interest at 8% (2016: 8%) per annum and repayable on demand.

Amount owing to subsidiary companies which arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is interest-free (2016: interest-free) and repayable on demand.

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

	The Company 2017 RM'000	The Company 2016 RM'000
Ringgit Malaysia	**495,951**	1,084,957
United States Dollar	**20**	13
	495,971	1,084,970

24. RELATED COMPANY TRANSACTIONS (continued)

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

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

	The Company	
	2017	**2016**
	RM'000	**RM'000**
Ringgit Malaysia	**334,449**	272,617
Singapore Dollar	**–**	11,782
Chinese Renminbi	**8,836**	8,836
	343,285	293,235

(b) **Amount owing by associated companies**

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Amount owing by associated companies	**314**	17
Less: Accumulated impairment losses	**–**	–
Net	**314**	17

Movement in the accumulated impairment losses is as follows:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**–**	24,465
Amount recovered during the year (Note 6)	**–**	(24,465)
At end of year	**–**	–

Amount owing by associated companies, which arose from trade and advances, bears interest at 8% per annum (2016: bore interest at 8% per annum) and repayable on demand.

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

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Singapore Dollar	**314**	17

25. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks and financial institutions:				
Restricted	**34,933**	36,847	**2,886**	2,795
Unrestricted (Note 35)	**119,415**	97,689	**1,000**	300
	154,348	134,536	**3,886**	3,095
Housing Development Accounts (Note 35)	**72,299**	73,136	**4,033**	3,955
Cash and bank balances:				
Restricted	**1,375**	104	**101**	101
Unrestricted (Note 35)	**109,926**	110,295	**1,673**	603
	337,948	318,071	**9,693**	7,754

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

Included in deposits with licensed banks and financial institutions, and cash and bank balances are the amount totalling RM36.3 million (2016: RM37.0 million) and RM3.0 million (2016: RM2.9 million) of the Group and of the Company, respectively, which have been earmarked for the purposes of repayment of the borrowings and pledged as collaterals for bank guarantees granted.

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks and financial institutions	**1.03% to 6.15%**	1.03% to 6.15%	**2.70% to 2.90%**	2.70% to 2.90%

Deposits of the Group and of the Company have an average maturity of 182 days (2016: 182 days) and 365 days (2016: 365 days) respectively.

25. DEPOSITS, CASH AND BANK BALANCES (continued)

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**242,714**	248,421	**9,693**	7,754
Chinese Renminbi	**27,346**	25,749	**–**	–
United States Dollar	**67,337**	43,888	**–**	–
Singapore Dollar	**480**	13	**–**	–
Others	**71**	–	**–**	–
	337,948	318,071	**9,693**	7,754

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

26. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**–**	3,388
Transfer from property, plant and equipment (Note 12)	**61**	–
Transfer from investment properties (Note 13)	**1,647**	–
Transfer from investment in associated companies (Note 17)	**5,365**	–
Disposals	**–**	(3,388)
At end of year	**7,073**	–

On 14 April 2017, Lion AMB Resources Berhad, a wholly-owned subsidiary company of Lion Forest Industries Berhad, 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.

Antara Steel Mills Sdn Bhd ("Antara"), a subsidiary company of the Company, is actively seeking potential buyers to dispose of 2 parcels of commercial land within the next 12 months. The property located on the leasehold land was previously partially self-occupied by the staff of Antara. No impairment loss was recognised on reclassification on the land held for sale as of 30 June 2017 as the Directors of Antara expect that the fair value (estimated based on recent quotation raised by potential buyers) less costs to sell is higher than the carrying amount.

In prior year, Antara had completed the disposal of the investment properties and property, plant and equipment with a third party purchaser for a cash consideration of RM6,519,937, which had resulted in a gain of RM3,132,000 as disclosed in Note 6.

27. SHARE CAPITAL

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

	The Group and The Company			
	2017		2016	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Authorised:				
Ordinary shares*	–	–	1,000,000	1,000,000
Issued and fully paid:				
Ordinary shares:				
At beginning of year	**717,909**	**717,909**	717,909	717,909
Transfer from share premium	–	**532,627**	–	–
At end of year	**717,909**	**1,250,536**	717,909	717,909

* 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 have 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 in a manner as specified by the Act.

28. RESERVES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable reserves:				
Share premium	–	532,627	–	532,627
Treasury shares	**(13,193)**	(8,086)	**(13,193)**	(8,086)
Capital reserve	**(12,364)**	(7,723)	**5,419**	5,419
Fair value reserve	**10,789**	9,678	**6**	(5)
Translation adjustment reserve	**26,221**	16,078	–	–
	11,453	542,574	**(7,768)**	529,955
Retained earnings/ (Accumulated losses)	**446,691**	335,568	**(215,203)**	(198,029)
	458,144	878,142	**(222,971)**	331,926

28. RESERVES (continued)

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 current financial year, the Company repurchased a total of 13,168,300 (2016: 21,050,600) of its issued ordinary shares from the open market at an average price of RM0.39 (2016: RM0.29) per share. The total consideration paid for the repurchase including transaction costs was RM5,106,356 (2016: RM6,015,362). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As of 30 June 2017, the Company held 37,105,300 treasury shares at a carrying amount of RM13,192,722.

Capital reserve

Capital reserve, which arose from share options lapsed, reclassified from equity compensation reserve and share of other reserves in Lion Forest Industries Berhad, a public listed subsidiary company, and associated companies.

Equity compensation reserve

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

Fair value reserve

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

Translation adjustment reserve

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

29. LONG-TERM BORROWINGS

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Islamic Securities ("Sukuk")		
Outstanding principal	**60,000**	120,000
Debts issuance cost	**(381)**	(755)
	59,619	119,245
Less : Portion due within one year (Note 34)	**(59,619)**	(59,623)
Non-current portion	**–**	59,622
Total non-current portion	**–**	59,622

The non-current portion is repayable as follows:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Financial years ending 30 June:		
2018	**–**	59,622

The Sukuk is denominated in Ringgit Malaysia and bears profit at rates ranging from 4.02% to 4.62% (2016: 4.02% to 4.62%) per annum.

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

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

29. LONG-TERM BORROWINGS (continued)

Islamic Securities ("Sukuk") (continued)

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

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

The Sukuk is secured by the following:

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

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

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

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

(v) Corporate guarantee from the Company.

30. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of Minimum lease payment	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amounts payable under finance lease:				
Within one year	**56,581**	60,049	**54,713**	55,484
In the second to third year inclusive	**10,589**	29,970	**10,282**	27,795
	67,170	90,019	**64,995**	83,279
Less: Future finance charges	**(2,175)**	(6,740)	**NA**	NA
Present value of lease payables	**64,995**	83,279	**64,995**	83,279
Less: Amount due within the next 12 months (shown under current liabilities)			**(54,713)**	(55,484)
Non-current portion			**10,282**	27,795

30. FINANCE LEASE PAYABLES (continued)

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

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

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 10.30% (2016: 9.25% to 10.30%) per annum.

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

31. HIRE-PURCHASE OBLIGATIONS

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total outstanding	**1,328**	2,454	**42**	131
Less: Interest-in-suspense	**(95)**	(221)	**(1)**	(5)
Principal outstanding	**1,233**	2,233	**41**	126
Less: Portion payable within one year (shown under current liabilities)	**(576)**	(912)	**(41)**	(85)
Non-current portion	**657**	1,321	**–**	41

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial years ending 30 June:				
2018	**–**	664	**–**	41
2019 and thereafter	**657**	657	**–**	–
	657	1,321	**–**	41

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.46% to 5.58% (2016: 2.46% to 5.58%) and 2.47% to 2.50% (2016: 2.47% to 2.50%) per annum, respectively.

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

(a) Trade payables

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Trade payables	**390,042**	482,437	**139**	139
Retention monies	**7,633**	8,254	**27**	27
	397,675	490,691	**166**	166

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2016: 30 to 60 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**368,702**	474,556	**166**	166
United States Dollar	**20,160**	3,938	**–**	–
Singapore Dollar	**7,554**	10,072	**–**	–
Chinese Renminbi	**267**	–	**–**	–
Others	**992**	2,125	**–**	–
	397,675	490,691	**166**	166

(b) Other payables, deposits and accrued expenses

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other payables and deposits	**181,060**	142,455	**458**	454
Accrued expenses	**203,369**	205,398	**360**	380
	384,429	347,853	**818**	834

Included in other payables of the Group, is an amount of RM12.1 million (2016: RM12.1 million) representing security deposits received from customers, which bear interest at 9.50% (2016: 9.50%) per annum and have repayment periods ranging from 1 to 90 days (2016: 1 to 90 days).

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**379,614**	343,225	**818**	834
United States Dollar	**–**	12	**–**	–
Chinese Renminbi	**4,664**	4,472	**–**	–
Others	**151**	144	**–**	–
	384,429	347,853	**818**	834

33. PROVISIONS

	The Group	
	2017	**2016**
	RM'000	**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 of Lion Forest Industries Berhad ("LFIB") ("Disposal") in 2007, LFIB 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 38.

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.

34. SHORT-TERM BORROWINGS

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short-term loans from financial institutions - Secured	**10,963**	45,781	**10,963**	45,781
Bank overdrafts - Secured (Note 35)	**4,661**	9,178	**4,661**	4,697
Bills payable	**94,619**	91,952	**–**	–
Portion of Sukuk due within one year - Secured (Note 29)	**59,619**	59,623	**–**	–
	169,862	206,534	**15,624**	50,478

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

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

The short-term borrowings of the Group and of the Company bear interest at rates ranging from 2.50% to 8.35% (2016: 3.18% to 9.85%) and 4.33% to 8.35% (2016: 4.33% to 8.86%) per annum, respectively.

34. SHORT-TERM BORROWINGS (continued)

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**146,733**	170,673	**15,624**	36,735
United States Dollar	**23,129**	35,861	**–**	13,743
	169,862	206,534	**15,624**	50,478

35. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances (unrestricted) (Note 25)	**109,926**	110,295	**1,673**	603
Deposits with licensed banks and financial institutions (unrestricted) (Note 25)	**119,415**	97,689	**1,000**	300
Housing Development Accounts (Note 25)	**72,299**	73,136	**4,033**	3,955
Bank overdrafts (Note 34)	**(4,661)**	(9,178)	**(4,661)**	(4,697)
	296,979	271,942	**2,045**	161

36. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS

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

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

		The Company	
Name of Company	Nature	2017 RM'000	2016 RM'000
Subsidiary companies			
Inspirasi Elit Sdn Bhd	Sales commission	**26**	67
	Administrative fee income	**76**	95
Amsteel Mills Sdn Bhd	Interest income	**512**	5,668

Sales and purchase of goods and services and interest

		The Group	
Name of Company	Nature	2017 RM'000	2016 RM'000
Megasteel Sdn Bhd	Sale of goods	–	115,984
	Purchase of goods, raw materials and consumables	**4,835**	90,406
	Provision of transportation services	–	7,663
	Rental income	–	744
	Interest income	–	4,932
	Provision of training services	**47**	158
Angkasa Amsteel (M) Sdn Bhd	Sale of goods	**15,237**	24,653
Lion DRI Sdn Bhd	Sale of goods	–	21,127
	Provision of transportation services	**59**	20,245
	Purchase of raw materials	**2,040**	61,549
	Rental income	–	181
Akurjaya Sdn Bhd	Interest income	**327**	335
Secomex Manufacturing (M) Sdn Bhd	Purchase of gas	–	103
	Rental of equipment	–	8
LAP Trading & Marketing Pte Ltd	Late payment interest charged	–	744
Lion Blast Furnace Sdn Bhd	Rental income	–	296
	Purchase of goods	**1,863**	1,016
Bright Steel Sdn Bhd	Sale of goods	**2,351**	9,639
	Purchase of goods	**159**	119

36. RELATED COMPANIES AND PARTY TRANSACTIONS (continued)

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

		The Group	
Name of Company	**Nature**	**2017 RM'000**	**2016 RM'000**
Lion Tooling Sdn Bhd	Purchase of toolings	**1,587**	1,292
	Provision of engineering services	**165**	405
Parkson Corporation Sdn Bhd	Sale of goods	**1,540**	5,142
	Provision of training services	**15**	31
Compact Energy Sdn Bhd	Purchase of consumables	**12,992**	15,836
	Rental income	**213**	366
Lion Tin Sdn Bhd	Rental income	**187**	177
Lion Steelworks Sdn Bhd	Purchase of goods	**113**	97

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Receivables:				
Included in trade receivables	**702,528**	707,582	**–**	–
Included in other receivables	**367,217**	397,115	**3,339**	5,594
Payables:				
Included in trade payables	**8,935**	12,653	**–**	–
Included in other payables	**17,471**	14,909	**56**	87

The outstanding balances with related parties are either interest-free or bear interest at 8.00% (2016: either interest-free or bore interest at 8.00%) per annum and repayable on demand.

37. SEGMENTAL INFORMATION

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

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

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

(a) Business Segments:

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

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

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

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

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2017

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Profit or Loss						
Revenue						
External revenue	2,205,741	108,203	251,428	102,120	–	2,667,492
Inter-segment revenue	93,619	–	–	17,307	(110,926)	–
Total revenue	2,299,360	108,203	251,428	119,427	(110,926)	2,667,492
Results						
Segment results	124,178	20,895	5,716	7,456	–	158,245
Finance costs	(21,249)	(2,850)	(8)	(899)	–	(25,006)
Share in results of:						
Associated companies	6,453	–	–	(15,741)	–	(9,288)
Joint venture	–	650	–	–	–	650
Investment income	1,824	2,800	1,453	3,485	–	9,562
Provision for indemnity for damages arising from back pay labour claims	–	–	–	(3,300)	–	(3,300)
Impairment losses on:						
Quoted investment	(10)	(19)	–	(17)	–	(46)
Property, plant and equipment	(18,000)	–	–	–	–	(18,000)
Trade and other receivables	(428)	–	(4,779)	(168)	–	(5,375)
Profit before tax						107,442
Tax credit						6,023
Profit for the year						113,465

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2017

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	1,393,141	245,498	122,929	248,946	–	2,010,514
Investment in associated companies and joint venture	79,545	11,051	–	736,836	–	827,432
Unallocated corporate assets						74,543
Consolidated Total Assets						2,912,489
Segment liabilities	779,763	30,465	38,701	174,199	–	1,023,128
Unallocated liabilities						15,867
Consolidated Total Liabilities						1,038,995
Other Information						
Capital expenditure	2,830	60	234	1,039	–	4,163
Depreciation and amortisation	98,163	894	154	5,009	–	104,220
Other non-cash expenses/ (income)	19,277	(13)	3,268	(6,912)	–	15,620

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2016

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

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2016

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

37. SEGMENTAL INFORMATION (continued)

(b) Geographical Segments:

The Group operates in two main geographical areas:

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

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

	Revenue	
	2017	**2016**
	RM'000	**RM'000**
Malaysia	**1,966,929**	2,036,021
Other countries	**700,563**	478,900
	2,667,492	2,514,921

	Total assets		Capital expenditure	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**2,719,671**	2,812,513	**4,163**	11,671
Other countries	**192,818**	167,353	**–**	11
	2,912,489	2,979,866	**4,163**	11,682

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

Information about major customers

Revenue of the Group for the current financial year amounting to RM0.1 million (2016: RM165.2 million) from the Steel Division and the Building Materials Division are derived from two related parties.

38. CONTINGENT LIABILITIES

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

	The Company	
	2017	**2016**
	RM'000	**RM'000**
Unsecured:		
Subsidiary company	**60,000**	120,000

38. CONTINGENT LIABILITIES (continued)

(b) As part of the term for the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company of Lion Forest Industries Berhad ("LFIB") ("Disposal"), LFIB 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 33.

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

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

38. CONTINGENT LIABILITIES (continued)

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.
(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 LFIB, after consultation with SFI's lawyers.

39. CAPITAL COMMITMENTS

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

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Purchase of property, plant and equipment:		
Approved and contracted for	**34,057**	30,713
Approved but not contracted for	**22,529**	28,533
	56,586	59,246

40. LEASE COMMITMENTS

As of 30 June 2017, lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Within one year	**11,562**	9,434
Within two to five years	**32,601**	33,412
After five years	**1,815**	1,964
	45,978	44,810

41. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going-concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2016.

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

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

Gearing Ratio

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Debt (i)	**236,090**	351,668	**15,665**	50,604
Cash and cash equivalents (excluding bank overdrafts)	**(301,640)**	(281,120)	**(6,706)**	(4,858)
Net (cash)/debt	**(65,550)**	70,548	**8,959**	45,746
Equity (ii)	**1,873,494**	1,751,700	**1,027,565**	1,049,835
Debt to equity ratio	**N/A***	4.03%	**0.87%**	4.36%

* Group is in net cash position, thus debt to equity ratio is not applicable.

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

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

Significant accounting policies

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

41. FINANCIAL INSTRUMENTS (continued)

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	**12,311**	11,246	**2,338**	2,301
Loans and receivables:				
Trade receivables	**201,972**	213,170	**8**	8
Other receivables and refundable deposits	**167,427**	188,486	**7,106**	9,465
Amount owing by subsidiary companies	**–**	–	**495,971**	1,084,970
Amount owing by associated companies	**314**	17	**–**	–
Amount owing by joint venture	**1,480**	1,528	**–**	–
Deposits, cash and bank balances	**337,948**	318,071	**9,693**	7,754
Financial liabilities				
Other financial liabilities:				
Finance lease payables	**64,995**	83,279	**–**	–
Hire-purchase obligations	**1,233**	2,233	**41**	126
Trade payables	**397,675**	490,691	**166**	166
Other payables, deposits and accrued expenses	**384,429**	347,853	**818**	834
Amount owing to subsidiary companies	**–**	–	**343,285**	293,235
Borrowings	**169,862**	266,156	**15,624**	50,478

Financial Risk Management Objectives and Policies

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

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

41. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

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

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

	The Group		The Company	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
2017				
United States Dollar	**229,380**	**43,289**	**20**	**–**
Chinese Renminbi	**30,578**	**4,931**	**–**	**8,836**
Singapore Dollar	**3,529**	**7,554**	**–**	**–**
Others	**1,000**	**1,143**	**–**	**–**
	264,487	**56,917**	**20**	**8,836**
2016				
United States Dollar	180,117	39,811	13	13,743
Chinese Renminbi	28,089	4,472	–	8,836
Singapore Dollar	1,715	10,072	–	11,782
Others	377	2,269	–	–
	210,298	56,624	13	34,361

Foreign currency sensitivity analysis

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

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar	**(18,609)**	(14,031)	**(2)**	1,373
Chinese Renminbi	**(2,565)**	(2,362)	**884**	884
Singapore Dollar	**403**	836	**–**	1,178
	(20,771)	(15,557)	**882**	3,435

41. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's profit or loss before tax for the year ended 30 June 2017 would increase or decrease by as follows:

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Floating rate liabilities				
Bank overdrafts	**23**	46	**23**	23
Bills payable	**473**	460	**–**	–
Borrowings	**55**	229	**55**	229
	551	735	**78**	252

Credit risk

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

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

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

Liquidity risk

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

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

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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

The Group 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	**397,675**	**–**	**–**	**–**	**397,675**	**–**
Other payables, deposits and accrued expenses	**372,326**	**–**	**–**	**–**	**372,326**	**–**
Interest bearing:						
Other payables, deposits and accrued expenses	**12,103**	**–**	**–**	**–**	**12,103**	**9.50**
Hire-purchase obligations	**610**	**357**	**361**	**–**	**1,328**	**2.46 – 5.58**
Finance lease payables	**56,581**	**10,589**	**–**	**–**	**67,170**	**9.25 – 10.30**
Bank borrowings:						
Bank overdrafts	**4,661**	**–**	**–**	**–**	**4,661**	**3.18 – 9.85**
Bills payable	**94,619**	**–**	**–**	**–**	**94,619**	**3.69 – 8.35**
Borrowings	**73,335**	**–**	**–**	**–**	**73,335**	**4.33 – 8.20**
	1,011,910	**10,946**	**361**	**–**	**1,023,217**	

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

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The 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:						
Trade payables	**166**	**–**	**–**	**–**	**166**	**–**
Other payables, deposits and accrued expenses	**818**	**–**	**–**	**–**	**818**	**–**
Amount owing to subsidiary companies	**343,285**	**–**	**–**	**–**	**343,285**	**–**
Interest bearing:						
Hire-purchase obligations	**42**	**–**	**–**	**–**	**42**	**2.47 – 2.50**
Bank overdrafts	**4,661**	**–**	**–**	**–**	**4,661**	**8.35**
Borrowings	**10,963**	**–**	**–**	**–**	**10,963**	**4.33 – 8.20**
	359,935	**–**	**–**	**–**	**359,935**	

The Company 2016	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	166	–	–	–	166	–
Other payables, deposits and accrued expenses	834	–	–	–	834	–
Amount owing to subsidiary companies	293,235	–	–	–	293,235	–
Interest bearing:						
Hire-purchase obligations	88	43	–	–	131	2.47 – 2.50
Bank overdrafts	4,697	–	–	–	4,697	8.35
Borrowings	45,781	–	–	–	45,781	4.33 – 8.20
	344,801	43	–	–	344,844	

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

41. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

2017	The Group Carrying amount RM'000	 Fair value RM'000	The Company Carrying amount RM'000	 Fair value RM'000
Financial assets				
Loan and receivables:				
Trade and other receivables	**250,302**	**250,302** ^	**6,413**	**6,413**
Financial liabilities				
Finance lease payables	**64,995**	**66,262** *	**–**	**–**
Hire-purchase obligations	**1,233**	**1,271** *	**41**	**41** *
Borrowings	**169,862**	**169,862** *	**15,624**	**15,624** *

2016	The Group Carrying amount RM'000	 Fair value RM'000	The Company Carrying amount RM'000	 Fair value RM'000
Financial assets				
Loan and receivables:				
Trade and other receivables	289,688	289,688 ^	8,771	8,771
Financial liabilities				
Finance lease payables	83,279	86,617 *	–	–
Hire-purchase obligations	2,233	2,404 *	126	126 *
Borrowings	266,156	266,156 *	50,478	50,478 *

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

^ The fair values of these financial instruments are estimated using discounted cash flow analysis based on the weighted average cost of capital of the Group.

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

41. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments that are measured at fair value in the statements of financial position at the end of the reporting period are as follows:

	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
The Group				
2017				
Financial Assets				
Quoted investments	**10,936**	**–**	**–**	**10,936**
2016				
Financial Assets				
Quoted investments	9,871	–	–	9,871
The Company				
2017				
Financial Assets				
Quoted investments	**1,938**	**–**	**–**	**1,938**
2016				
Financial Assets				
Quoted investments	1,901	–	–	1,901

41. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Fair value of financial instruments that are not measured at fair value in the statements of financial position at the end of the reporting period (but fair value disclosures are required) are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2017				
Financial Assets				
Trade and other receivables	**–**	**–**	**250,302**	**250,302**
Financial Liabilities				
Finance lease payables	**–**	**–**	**66,262**	**66,262**
Hire-purchase obligations	**–**	**–**	**1,271**	**1,271**
Borrowings	**–**	**–**	**169,862**	**169,862**
The Group				
2016				
Financial Assets				
Trade and other receivables	–	–	289,688	289,688
Financial Liabilities				
Finance lease payables	–	–	86,617	86,617
Hire-purchase obligations	–	–	2,404	2,404
Borrowings	–	–	266,156	266,156
The Company				
2017				
Financial Asset				
Trade and other receivables	**–**	**–**	**6,413**	**6,413**
Financial Liabilities				
Hire-purchase obligations	**–**	**–**	**41**	**41**
Borrowings	**–**	**–**	**15,624**	**15,624**
2016				
Financial Asset				
Trade and other receivables	–	–	8,771	8,771
Financial Liabilities				
Hire-purchase obligations	–	–	126	126
Borrowings	–	–	50,478	50,478

42. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

Name of company	Country of incorporation	Percentage ownership 2017 %	Percentage ownership 2016 %	Principal activities
* Amble Legacy Sdn Bhd	Malaysia	**100**	100	Investment holding
* Crest Wonder Sdn Bhd	Malaysia	**100**	100	Investment holding
Lion Courts Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
Lion Forest Industries Berhad	Malaysia	**74[a]**	74[a]	Investment holding, trading and distribution of building materials, and trading of steel products
Lion Group Management Services Sdn Bhd	Malaysia	**52[b]**	52[b]	Provision of management services
* Lion Metal Industries Sdn Bhd	Malaysia	**100**	100	Provision of storage facilities
* Lion Motor Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Enterprise Sdn Bhd	Malaysia	**69**	69	Dormant
LLB Harta (L) Limited	Malaysia	**100**	100	Treasury business
LLB Harta (M) Sdn Bhd	Malaysia	**100**	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies
LLB Nominees Sdn Bhd	Malaysia	**100**	100	Investment holding
* LLB Steel Industries Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Strategic Holdings Berhad	Malaysia	**100**	100	Dormant
* LLB Venture Sdn Bhd	Malaysia	**100**	100	Dormant
Malim Courts Property Development Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
* Matrix Control Sdn Bhd	Malaysia	**100**	100	Ceased operations
Mcken Sdn Bhd	Malaysia	**100**	100	Ceased operations
* Slag Aggregate Sdn Bhd	Malaysia	**100**	100	Investment holding
Sucorp Enterprise Sdn Bhd	Malaysia	**100**	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary company of Amble Legacy Sdn Bhd				
* Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	People's Republic of China	**95**	95	Property development
Subsidiary company of Crest Wonder Sdn Bhd				
Oriental Shield Sdn Bhd	Malaysia	**100**	100	Dormant
Subsidiary company of Lion Motor Venture Sdn Bhd				
* Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	People's Republic of China	**56**	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Subsidiary companies of LLB Nominees Sdn Bhd				
* Holdsworth Investment Pte Ltd	Singapore	**70**	70	Investment holding
* Zhongsin Biotech Pte Ltd	Singapore	**51**	51	Investment holding
Subsidiary company of LLB Steel Industries Sdn Bhd				
* Steelcorp Sdn Bhd	Malaysia	**99**	99	Investment holding
Subsidiary company of LLB Venture Sdn Bhd				
Marvenel Sdn Bhd	Malaysia	**70**	70	Dormant
Subsidiary companies of Malim Courts Property Development Sdn Bhd				
Berkat Timor Sdn Bhd	Malaysia	**100**	100	Dormant
Inspirasi Elit Sdn Bhd	Malaysia	**85**	85	Property development
JOPP Builders Sdn Bhd	Malaysia	**100**	100	Dormant
LLB Bina Sdn Bhd	Malaysia	**100**	100	Ceased operations
LLB Damai Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Indah Permai Sdn Bhd	Malaysia	**100**	100	Property development
LLB Suria Sdn Bhd	Malaysia	**100**	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of Malim Courts Property Development Sdn Bhd (continued)				
PM Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Soga Sdn Bhd	Malaysia	**98**	98	Property development
Sumber Realty Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	Malaysia	**100**	100	Dormant
Subsidiary company of Sucorp Enterprise Sdn Bhd				
Kisan Agency Sdn Bhd	Malaysia	**100**	100	Property development
Subsidiary company of LLB Damai Holdings Sdn Bhd				
Worldwide Unilink Education and Consultancy Sdn Bhd (Dissolved on 24 November 2016)	Malaysia	**–**	100	Ceased operations
Subsidiary companies of PM Holdings Sdn Bhd				
Citibaru Sendirian Berhad	Malaysia	**100**	100	Dormant
Malim Jaya (Melaka) Sdn Bhd	Malaysia	**100**	100	Property development
Subsidiary company of Soga Sdn Bhd				
Batu Pahat Enterprise Sdn Berhad	Malaysia	**100**	100	Dormant
Subsidiary company of Steelcorp Sdn Bhd				
Amsteel Mills Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of steel bars and wire rods
Subsidiary companies of Sumber Realty Sdn Bhd				
Seri Lalang Development Sdn Bhd	Malaysia	**100**	100	Ceased operations
Projek Jaya Sdn Bhd	Malaysia	**100**	100	Investment holding
Sharikat Pengangkutan East West Sdn Bhd	Malaysia	**100**	100	Dormant

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2017 %	Percentage ownership 2016 %	Principal activities
Subsidiary companies of Amsteel Mills Sdn Bhd				
Amsteel Mills Marketing Sdn Bhd	Malaysia	**100**	100	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	Malaysia	**100**	100	Ceased operations
Antara Steel Mills Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of steel and related products
# Lion Waterway Logistics Sdn Bhd	Malaysia	**100**	100	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	Malaysia	**100**	100	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2017)
Subsidiary companies of Lion Forest Industries Berhad				
Gama Harta Sdn Bhd	Malaysia	**100**	100	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100**	100	Investment holding
^ Jadeford International Limited	British Virgin Islands	**100**	100	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	**100**	100	Investment holding
* Lion AMB Resources Berhad	Malaysia	**100**	100	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100**	100	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	**100**	100	Investment holding
Ototek Sdn Bhd	Malaysia	**70**	70	Dormant
Posim EMS Sdn Bhd	Malaysia	**100**	80	Provision of energy management and conservation services

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of Lion Forest Industries Berhad (continued)				
Posim Marketing Sdn Bhd	Malaysia	**100**	100	Trading and distribution of building materials and steel products
Posim Petroleum Marketing Sdn Bhd	Malaysia	**100**	100	Trading and distribution of petroleum products
* Singa Logistics Sdn Bhd	Malaysia	**100**	100	Provision of transportation services
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	**100**	100	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**	100	Dormant
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
^ Alpha Deal Group Limited	British Virgin Islands	**100**	100	Investment holding
^ Bright Triumph Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Brilliant Elite Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Classy Elite Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Distinct Harvest Limited	British Virgin Islands	**100**	100	Investment holding
^ Double Merits Enterprise Limited	British Virgin Islands	**100**	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
^ Dynamic Shine Holdings Limited	British Virgin Islands	**100**	100	Investment holding
^ Elite Harvest Group Limited	British Virgin Islands	**100**	100	Investment holding
^ Elite Image Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Eminent Elite Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Eminent Prosper Limited	British Virgin Islands	**100**	100	Investment holding
^ Grand Ray Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Great Zone Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Green Choice Holdings Limited	British Virgin Islands	**100**	100	Investment holding
^ Harvest Boom Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Jade Harvest International Limited	British Virgin Islands	**100**	100	Investment holding
^ Jade Power Holdings Limited	British Virgin Islands	**100**	100	Investment holding
^ Mile Treasure Limited	British Virgin Islands	**100**	100	Investment holding
^ Pinnacle Treasure Limited	British Virgin Islands	**100**	100	Investment holding
^ Radiant Elite Holdings Limited	British Virgin Islands	**100**	100	Investment holding
^ Sky Yield Group Limited	British Virgin Islands	**100**	100	Investment holding
^ Superb Harvest Limited	British Virgin Islands	**100**	100	Investment holding
^ Superb Reap Limited	British Virgin Islands	**100**	100	Investment holding
^ Ultra Strategy Limited	British Virgin Islands	**100**	100	Investment holding
^ Up Reach Limited	British Virgin Islands	**100**	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of BVI Companies				
^ Bright Triumph (Cambodia) Co., Limited	Cambodia	**100**	100	Investment and development in agriculture
^ Brilliant Elite (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Classy Elite (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Distinct Harvest (Cambodia) Co., Ltd	Cambodia	**100**	100	Investment and development in agriculture
^ Double Merits (Cambodia) Co., Limited	Cambodia	**100**	100	Investment and development in agriculture
^ Dynamic Shine (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Elite Harvest (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Elite Image (Cambodia) Co., Ltd (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Eminent Elite (Cambodia) Co., Ltd	Cambodia	**100**	100	Investment and development in agriculture
^ Eminent Prosper (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Grand Ray (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
^ Great Zone (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Green Choice (Cambodia) Co., Limited	Cambodia	**100**	100	Investment and development in agriculture
^ Harvest Boom (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Jade Harvest (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Jade Power (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Mile Treasure (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Radiant Elite (Cambodia) Co., Ltd	Cambodia	**100**	100	Investment and development in agriculture
^ Sky Yield (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Superb Harvest (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Superb Reap (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Ultra Strategy (Cambodia) Co., Ltd (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Up Reach (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of Lion AMB Resources Berhad				
AMB Harta (L) Limited	Malaysia	**100**	100	Treasury business
* AMB Harta (M) Sdn Bhd	Malaysia	**100**	100	Managing of debts novated from Lion AMB Resources Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Berhad and certain of its subsidiary companies
* AMB Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
* CeDR Corporate Consulting Sdn Bhd	Malaysia	**100**	100	Provision of training services
Subsidiary companies of AMB Venture Sdn Bhd				
* Chrome Marketing Sdn Bhd	Malaysia	**100**	100	Investment holding
* Lion Tyre Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
* Range Grove Sdn Bhd	Malaysia	**100**	100	Investment holding
* Seintasi Sdn Bhd	Malaysia	**100**	100	Investment holding
^ AMB Aerovest Limited (Dissolved on 4 May 2017)	British Virgin Islands	–	100	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
* Shanghai AMB Management Consulting Co Ltd	People's Republic of China	**100**	100	Provision of management services
Subsidiary companies of Seintasi Sdn Bhd				
* Willet Investment Pte Ltd	Singapore	**100**	100	Investment holding
* Lion AMB Holdings Pte Ltd (Dissolved on 4 October 2016)	Singapore	–	100	Investment holding
* Lion Rubber Industries Pte Ltd (Dissolved on 4 October 2016)	Singapore	–	100	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.

[a] 20% held by the Company and 54% held by Amsteel Mills Sdn Bhd.

[b] 35% held by Sucorp Enterprise Sdn Bhd and 17% held by Posim Petroleum Marketing Sdn Bhd.

The auditors' report on the financial statements of the subsidiary company include a material uncertainty related to going-concern in view of its capital deficiency positions at the end of the reporting period. The financial statements of the subsidiary company have been prepared on a going-concern basis as its ultimate holding company has undertaken to continue to provide financial support to the subsidiary company.

43. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of company	Financial year-end	Country of incorporation	Percentage ownership 2017 %	Percentage ownership 2016 %	Principal activities
Angkasa Amsteel Pte Ltd	30 June	Singapore	**50**	50	Manufacturing and distribution of fabricated steel reinforcement bars
Renor Pte Ltd	30 June	Singapore	**40**	40	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	**41**	41	Captive insurance business
Parkson Holdings Berhad	30 June	Malaysia	**28**	23	Investment holding
Lion Titco Resources Sdn Bhd	30 June	Malaysia	**40**	40	Processing of steel slag and metal extraction
Lion Corporation Berhad	30 June	Malaysia	**21**	21	Investment holding
Lion Asiapac Limited	30 June	Singapore	**37**	37	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd (Disposed of on 14 September 2017)	31 March	Malaysia	**20**	20	Investment holding

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

SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

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

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

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total (accumulated losses)/retained earnings of the Company and its subsidiary companies				
Realised	**(28,261)**	(125,967)	**(215,573)**	(196,480)
Unrealised	**22,533**	478	**370**	(1,549)
	(5,728)	(125,489)	**(215,203)**	(198,029)
Total retained earnings from associated companies and joint venture				
Realised	**446,953**	442,415	**–**	–
Unrealised	**1,151**	14,327	**–**	–
	448,104	456,742	**–**	–
Consolidation adjustments	**4,315**	4,315	**–**	–
Total retained earnings/ (accumulated losses)	**446,691**	335,568	**(215,203)**	(198,029)

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act 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 163, 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 CHENG YONG KIM

**DATO' KAMARUDDIN @
ABAS BIN NORDIN**

Kuala Lumpur
10 October 2017

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

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

TAN SRI CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 10th day of October, 2017

Before me,

W530
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/ Last Revaluation
1.	Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	12.1 hectares	Land	For future development	13.8	June 1991
2.	PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	0.5 hectares	Land	Property under development	1.4	June 1991
3.	Lot 11233 HS(D) 54584 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land	For future development	0.1	June 1991
4.	Mukim 17 North East District Baru Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land	Property under development	49.5	June 1991
5.	PT 3494 Mukim of Bukit Raja Klang Selangor Darul Ehsan	Leasehold 9.11.2085	24.0 hectares	Industrial land and buildings	Office and factory (40)	21.4	22 October 1994
6.	PT 17631 Mukim of Bukit Raja Klang Selangor Darul Ehsan	Leasehold 29.10.2091	2,880 sq metres	Industrial land and buildings	Office and factory (40)	0.6	22 October 1994
7.	PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang Selangor Darul Ehsan	Leasehold 21.10.2088	2.9 hectares	Industrial land and buildings	Office and factory (22)	6.0	22 October 1994
8.	Lot 2320, 2323B, 2582 & 2584 Mukim of Tanjung Dua Belas District of Kuala Langat Selangor Darul Ehsan	Freehold	69.4 hectares	Industrial land and buildings	Office and factory (12-17)	145.0	1996
9.	Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold			Office and factory		
	- PLO 417, Jalan Gangsa Satu	17.6.2052	6.3)	Industrial land	(26)	7.4)	
	- PLO 218, Jalan Gangsa Satu	26.12.2056	4.4)	and buildings	(22)	10.6)	September
	- PLO 277, Jalan Gangsa Satu	29.9.2038	6.5) hectares		(39)	6.4)	2002

	Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
10.	PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land and buildings	Warehouse (22)	3.7	September 2002
11.	Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	3,080.8 sq metres	Apartments/ flats	Rental (23)	1.7	June 2017
12.	PT3501, HS(D) 24277 Mukim of Kapar Klang Selangor Darul Ehsan	Leasehold 22.10.2088	3.2 hectares	Industrial land and building	Office and factory (28)	22.0	January 2013
13.	Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (23)	10.4	March 2003
14.	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	March 2003
15.	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	March 2003
16.	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	March 2003
17.	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	July 2004

ANALYSIS OF SHAREHOLDINGS

Share Capital as at 30 September 2017

Total Number of Issued Shares	:	717,909,365
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	2,977	17.24	123,766	0.02
100 to 1,000	5,281	30.58	3,062,922	0.45
1,001 to 10,000	6,748	39.08	27,397,269	4.02
10,001 to 100,000	1,905	11.03	60,098,284	8.83
100,001 to less than 5% of issued shares	353	2.04	367,365,451	53.96
5% and above of issued shares	4	0.03	222,756,373	32.72
	17,268	100.00	680,804,065	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 Cheng Heng Jem	216,865,498	31.85	39,449,302	5.79
2. Tan Sri Cheng Yong Kim	9,253,289	1.36	106,029,327	15.57
3. Dynamic Horizon Holdings Limited	74,472,627	10.94	31,556,700	4.64
4. Lembaga Tabung Haji	44,152,700	6.49	–	–

Note:

[(a)] *Excluding a total of 37,105,300 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.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	86,650,000	12.73
2.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	49,000,000	7.20
3.	Lembaga Tabung Haji	44,152,700	6.49
4.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	42,953,673	6.31
5.	RHB Nominees (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited	29,789,051	4.38
6.	AMSEC Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Cheng Heng Jem	25,000,000	3.67
7.	Dynamic Horizon Holdings Limited	23,016,176	3.38
8.	ABB Nominee (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited	21,667,400	3.18
9.	Lion Diversified Holdings Berhad	21,612,162	3.17
10.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	11,816,000	1.74
11.	LDH Management Sdn Bhd	9,935,200	1.46
12.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Siak Hwee (E-BPT)	9,704,600	1.43
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ooi Chin Hock (8058312)	9,268,600	1.36
14.	Cheng Yong Kim	9,234,539	1.36
15.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Siak Hwee (E-BPT)	7,790,300	1.14
16.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Morgan Stanley & Co. LLC (Client)	7,326,700	1.08
17.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	6,330,122	0.93
18.	Ooi Chin Hock	6,144,600	0.90
19.	Amanahraya Trustees Berhad PMB Shariah Aggressive Fund	5,948,300	0.87
20.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Ann Huat	5,291,800	0.78
21.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon for Acadian Emerging Markets Small Cap Equity Fund, LLC	4,552,900	0.67
22.	Citigroup Nominees (Asing) Sdn Bhd UBS AG	3,662,000	0.54
23.	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	3,659,953	0.54
24.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	3,495,000	0.51
25.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Australiansuper	3,494,300	0.51
26.	Amanvest (M) Sdn Bhd	3,292,226	0.48
27.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Boon Huat	2,752,800	0.40
28.	Tan See Teik	2,692,100	0.40
29.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeong Chin Ran (E-BPJ)	2,627,900	0.39
30.	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASM Asia Recovery (Master) Fund	2,313,000	0.34

Note:

[a] *Excluding a total of 37,105,300 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 Cheng Yong Kim	9,253,289	1.36	106,302,349	15.61
Dato' Kamaruddin @ Abas bin Nordin	128,000	0.02	–	–

Related Corporations

Tan Sri Cheng Yong Kim

	Direct Interest		Deemed Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Holdsworth Investment Pte Ltd	–	–	1,350,000	30.00
Lion Forest Industries Berhad ("LFIB")	130	Negligible[(b)]	46,239	0.02[(b)]
Lion Group Management Services Sdn Bhd	–	–	1,650,000	33.00
Steelcorp Sdn Bhd	–	–	750	0.75
Zhongsin Biotech Pte Ltd	–	–	490,000	49.00

Notes:

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

(b) *Excluding a total of 3,745,000 shares in LFIB bought back by LFIB 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 Lion Forest Industries Berhad, ("LFIB"), a subsidiary of the Company, and Tan Sri Cheng Heng Jem who is the Chairman of LFIB and a major shareholder of LFIB and the Company, for the acquisition by LFIB from Tan Sri Cheng Heng Jem of 56 million ordinary shares in Parkson Holdings Berhad representing 5.18% of the voting shares in Parkson Holdings Berhad, for a cash consideration of RM42 million.

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to External Auditors by the Group and Company for the financial year was RM17,000 and RM8,000 respectively (RM22,500 and RM8,000 respectively 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
Steel related		
(i) Sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Corporation Berhad Group ("LCB Group")	2,351
	LTC Corporation Limited Group	15,237
		17,588
(ii) Purchase of scrap iron, gases and other related products and services	LCB Group	4,994
	Lion Asiapac Limited Group ("LAP Group")	12,992
	Lion Diversified Holdings Berhad Group ("LDHB Group")	3,903
		21,889
(iii) Purchase of tools, dies and spare parts	ACB Resources Berhad Group	1,587
(iv) Provision of storage, leasing and rental of properties, management and support, and other related services	LAP Group	213
(v) Provision of transportation and other related services	LDHB Group	59

Notes:

- "Group" includes subsidiary and associated companies.
- The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

I.C. No./Company No. ....

of ....

being a member of LION INDUSTRIES CORPORATION BERHAD, hereby appoint ....

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the 87th 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 23 November 2017 at 9.00 am and at any adjournment thereof.

RESOLUTIONS	**FOR**	**AGAINST**
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Mr Chong Jee Min as Director		
4. To re-appoint Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin as Director		
5. To re-appoint Messrs Deloitte PLT as Auditors		
6. Retention of Mr Chong Jee Min as an Independent Non-Executive Director		
7. Authority to Directors to Issue Shares		
8. Proposed Shareholders' Mandate for Recurrent Related Party Transactions		

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 16 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 INDUSTRIES CORPORATION BERHAD (415-D)
Level 14, Lion Office Tower
No. 1 Jalan Nagasari
50200 Kuala Lumpur
Wilayah Persekutuan

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