LION FOREST INDUSTRIES

LION FOREST INDUSTRIES BERHAD

(82056-X)

Laporan Tahunan

2018

Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 36th Annual General Meeting of Lion Forest Industries Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Thursday, 22 November 2018 at 2.00 pm for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and the Auditors thereon. **Note 1**

2. To approve the payment of Directors' fees amounting to RM190,000 for the financial year ended 30 June 2018 (2017: RM184,000). **Resolution 1**

3. To approve the payment of Directors' benefits of up to RM87,000 for the period commencing from 23 November 2018 until the next annual general meeting of the Company (2017: RM154,500). **Resolution 2**

4. To re-elect the following Directors who retire by rotation in accordance with Article 98 of the Company's Constitution and who being eligible, have offered themselves for re-election:

   (i) Y. Bhg. Dato' Eow Kwan Hoong **Resolution 3**
   (ii) Ms Cheng Hui Ya, Serena **Resolution 4**

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

6. Special Business

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

6.1.1 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 6**

6.1.2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the renewal of the mandate granted by the Shareholders of the Company on 21 November 2017, for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 24 October 2018 ("Related Parties") which has been despatched to the Shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 7**

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

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

(ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 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."

6.2 To consider and, if thought fit, pass the following Special Resolution:

Proposed Adoption of New Constitution of the Company

"THAT the constitution in the form and manner as set out in Appendix I of Part B of the Circular to Shareholders of the Company dated 24 October 2018 be and is hereby approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution of the Company." **Resolution 8**

7. 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
24 October 2018

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. *Circular to Shareholders dated 24 October 2018 ("Circular")*

   Details on the following are set out in the Circular accompanying the 2018 Annual Report:

   (i) Part A - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions
   (ii) Part B - Proposed Adoption of New Constitution of the Company

3. *Resolution 1*

   Fees for the Directors are proposed to be increased to commensurate with the increasing duties and responsibilities of the Directors.

4. *Resolution 2*

   The benefits payable to the Directors of up to RM87,000 for the period commencing from 23 November 2018 (being the day immediately after the 36th Annual General Meeting of the Company ("36th AGM")) until the next annual general meeting of the Company comprise estimated meeting allowance in respect of Directors' attendance at Board and Board Committees 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 6*

   This approval will allow the Company to procure the renewal of the general mandate ("General Mandate") which will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding 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 21 November 2017 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 7*

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

7. *Resolution 8*

   This approval will allow the Company to adopt a new constitution as set out in Appendix I of Part B of the Circular in line with the Companies Act 2016 and the amendments made by Bursa Malaysia Securities Berhad to the Main Market Listing Requirements, and to enhance administrative efficiency.

8. *Directors' Retirement*

   Y. Bhg. Dato Kalsom binti Abd. Rahman and Mr Lin Chung Dien who have served on the Board as independent non-executive Directors of the Company for a cumulative term of more than 9 years have notified the Board that they do not wish to seek re-appointment as independent Directors. Hence, Y. Bhg. Dato Kalsom binti Abd. Rahman and Mr Lin Chung Dien shall retire as Directors of the Company at the conclusion of the 36th AGM.

9. *Proxy*

- *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 13 November 2018 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 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.*

- *If a member appoints 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 1 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 48 hours before the time for holding the Meeting.*

- *Completed Form of Proxy sent through facsimile transmission shall not be accepted.*

CORPORATE INFORMATION

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

DIRECTORS' PROFILE

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

Y. Bhg. Tan Sri William H.J. Cheng, a Malaysian, male, aged 75, was appointed to the Board on 15 January 1991 and has been the Chairman of the Company since 27 August 1997.

Tan Sri William Cheng has more than 45 years of experience in the business operations of the Lion Group encompassing retail, branding, food and beverage, credit financing and money lending services, property development, mining, manufacturing, steel, tyre, motor, agriculture and computer industries.

Tan Sri William Cheng was the President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM") and The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI") from 2003 to 2012 and is now a Life Honorary President of ACCCIM and KLSCCCI. Tan Sri William Cheng was also the President of Malaysia Retailers Association ("MRA") from August 2014 to May 2018 and in June 2018, he was appointed an Honorary President of MRA. He is a Trustee of ACCCIM's Socio-Economic Research Trust, the President of Malaysia Steel Association, and was appointed the Chairman of the Federation of Asia-Pacific Retailers Associations in October 2017.

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

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

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares in the Company ("LFIB Shares") and a deemed interest in 170,186,190 LFIB Shares. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 141 of this Annual Report.

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

Tan Sri William Cheng attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2018.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, male, aged 62, was appointed an Executive Director of the Company on 1 August 2008.

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

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

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

Mr Chan attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2018.

Cheng Hui Ya, Serena
Executive Director

Ms Cheng Hui Ya, Serena, a Malaysian, female, aged 32, was appointed an Executive Director of the Company on 24 August 2015.

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

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

Ms Cheng joined the Lion Group Property Division in 2013 and is part of the team responsible for property development in Malaysia and Cambodia. Her current portfolio as Assistant General Manager - Property since June 2017 involves property and construction business, dealing with construction and building requirements.

Ms Cheng is also a Director of Lion Industries Corporation Berhad, the holding company of the Company.

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

Ms Cheng attended 3 of the 4 Board Meetings of the Company held during the financial year ended 30 June 2018.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, female, aged 70, was appointed to the Board on 23 August 2004. She is also the Chairman of the Audit and Risk Management Committee and Nomination Committee, and a member of the Remuneration Committee of the Company.

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

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

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

Dato' Kalsom is also a Director of Bermaz Auto Berhad, a public listed company and Tashin Holdings Berhad, a public company.

Dato' Kalsom attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2018.

Dato' Eow Kwan Hoong
Independent Non-Executive Director

Y. Bhg. Dato' Eow Kwan Hoong, a Malaysian, male, aged 65, was appointed to the Board on 14 December 2012. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit and Risk Management Committee and Nomination Committee.

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

He began his career as a Cost Accountant with Intel Technology Sdn Bhd in 1979. He later joined Socoil Corporation Sdn Bhd as the Factory Accountant in 1980. In 1982, he joined the Lion Group as Accounts Manager and moved his way up to Group Chief Accountant after serving 17 years in the Lion Group. He then left and joined IRIS Corporation Berhad in 1998 and was its Executive Director from 2002 to September 2016.

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

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

Dato' Eow attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2018.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, male, aged 75, was appointed to the Board on 25 February 2008. He is also a member of the Company's Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

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

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

Mr Lin attended all 4 Board Meetings of the Company held during the financial year ended 30 June 2018.

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 5 years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

Poon Sow Har, Valerie
Malaysian, female, 53 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 for 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.

Cheah Chee Ngen
Malaysian, male, 55 years of age

Mr Cheah Chee Ngen joined the Group on 1 August 2018 as the Executive Director responsible for the Building Materials and Steel Products Division.

Mr Cheah obtained his Diploma in Civil Engineering from the Federal Institute of Technology, Kuala Lumpur in 1985. He started his career as a site supervisor cum clerk of works in Greatwall Construction Sdn Bhd from 1986 to 1988 and later as a credit officer with KCB Finance Berhad (now a part of the Hong Leong Bank Berhad Group). In 1991, he joined Ipmuda Berhad as a Sales Representative and by 1994 he was promoted as the Sales Manager. In September 2000, he assumed the position of General Manager - Sales in charge of the general building material trading in the Central region. From 2008 to 2018, he was a Director - Sales & Marketing of Ipmuda Berhad overseeing the overall sales and marketing of the various products range of the group, new product development as well as creating new agency lines to complement the group's existing wide range of products. His last position held in Ipmuda Berhad before he left was Senior Vice President of Nationwide Sales and Marketing responsible for the overall trading operations of the entire group which included the Central, Northern, Southern regions as well as East Coast and East Malaysia.

Cheong Chee Kheong, Tony
Malaysian, male, 52 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 and Steel Products 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 5 years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board is pleased to present the Corporate Governance ("CG") Overview Statement of the Company for the financial year ended 30 June 2018. This CG Overview Statement is prepared pursuant to paragraph 15.25(1) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

The Board has been guided by the Malaysian Code on Corporate Governance 2017 ("MCCG") in its implementation of CG practices while ensuring compliance with the Listing Requirements and the Companies Act 2016 in addition to monitoring developments in industry practice and other relevant regulations.

The CG Overview Statement provides a summary of the Company's CG practices during the financial year, with reference to the 3 principles, intended outcomes and practices of the MCCG, having considered the Company's structure, processes, business environment and industry practices. The 3 principles under the MCCG:

- Board leadership and effectiveness;
- Effective audit and risk management; and
- Integrity in corporate reporting and meaningful relationship with stakeholders.

This CG Overview Statement should be read together with the CG Report, which is accessible on the Company's website at www.lion.com.my/lionfib. It should also be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Audit and Risk Management Committee Report.

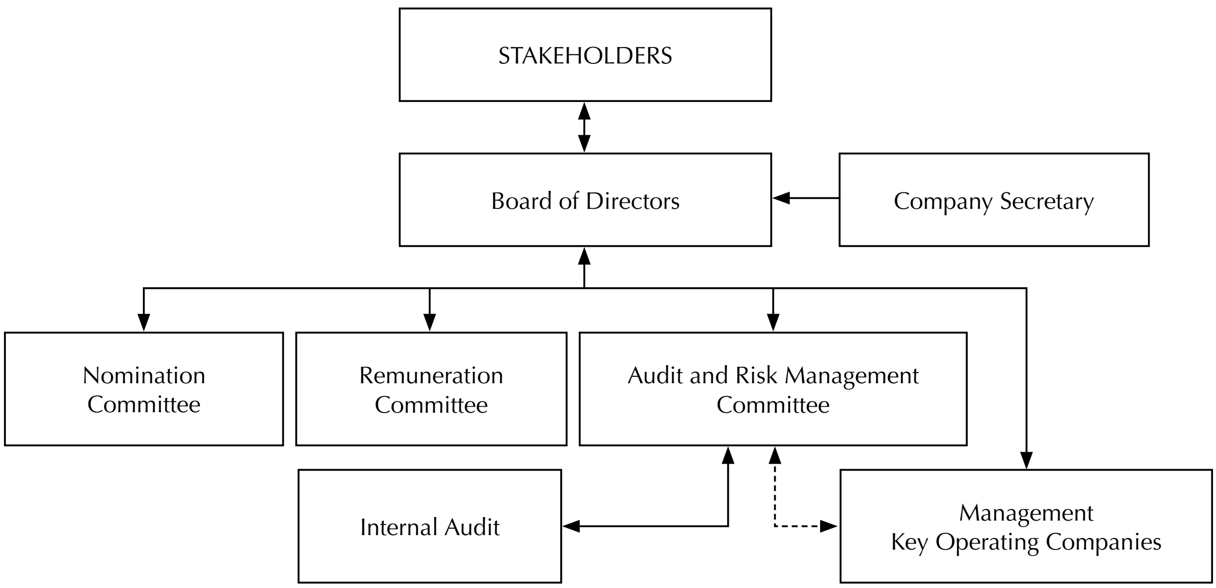
In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes throughout the financial year under review except for the following practices:

- Practice 4.5 : Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 7.2 : Disclosure on a named basis, the remuneration of top 5 senior management.
- Practice 11.2 : Adoption by large companies of integrated reporting based on a globally recognised framework.
- Practice 12.3 : Leveraging technology to facilitate voting in absentia and remote shareholders' participation at general meetings for listed companies with a large number of shareholders or which have meetings in remote locations.

The details on the extent of the application of each CG practice as set out in the MCCG including the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 30 June 2018.

CORPORATE GOVERNANCE FRAMEWORK

The governance structure of the Company where the responsibilities of the Board are delegated to the relevant Board Committees and the Management of the Company are illustrated below:



BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Responsibilities for Leadership and Meeting Objectives and Goals

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 value. 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.

The Chairman is primarily responsible for ensuring Board effectiveness and leading the Board in its collective oversight of management whereas the Executive Directors ("EDs") are responsible for day-to-day management of the Group's businesses and operations including the implementation of business plans, strategies and policies. The distinct and separate roles of the Chairman and EDs with clear division of responsibilities are set out in the Company's Board Charter. The positions of Chairman and EDs are held by different individuals.

The Company Secretaries who have the requisite credentials and qualifications are available and provide support to the Board and Board Committees in ensuring that all of their meetings as well as general meetings are properly convened in accordance with applicable rules and procedures and that the records of this proceedings and resolutions are properly maintained. The Company Secretaries also facilitate the communication of decisions made by the Board and Board Committees to the relevant Management for appropriate actions.

The Directors also have access to the Company Secretaries for advice on their duties and obligations under the Companies Act 2016 and updates on corporate governance matters, statutory and regulatory requirements, and other relevant legislations in addition to administrative matters.

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

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.

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.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary.

Demarcation of Responsibilities between Board, Board Committees, Individual Directors and Management

The Board Charter clearly sets out the composition, roles, responsibilities, powers and processes of the Board, and matters reserved for decision of the Board. In facilitating the discharge of duties by the Board, the Board Charter provides for delegation of responsibilities by the Board to Board Committees via approved Terms of Reference of each Board Committee and the reporting obligations by the Board Committees. The Board Charter sets out responsibilities of the Board to ensure effective interactions between the Management and the Board. The Board Charter also serves as reference criteria for the Board in the assessment of its own performance, individual Directors and the Board Committees. Ultimately, the Board Charter reinforces the overall accountability of both the Board and the Management towards the Company and the stakeholders.

The Board Charter is subject to review by the Board at least once in every 3 years or as and when it becomes necessary to keep it current and in tandem with any new or revision of relevant statutory and regulatory requirements impacting the responsibilities and discharge of duties by the Board. The Company's Board Charter is available on the Company's website for reference.

In assisting the Board to discharge its oversight functions, the Board delegates certain responsibilities to 3 committees, namely the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee. The approved Terms of Reference which regulate the affairs and conduct of these Committees spell out their composition, responsibilities, authorities and duties. The respective Committees report to the Board on matters considered and their recommendations thereon. The Board may also form other committees delegated with specific authorities to act on its behalf whenever required. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The approved Terms of Reference of the respective Committees are available on the Company's website for reference.

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

Commitment to Good Business Conduct and Healthy Corporate Culture

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.

The Group has in place, a Code of Business Ethics and Conduct ("CoBEC") which covers the ethical values and principles of the Group and provides guidance on acceptable behaviour to all Directors and employees of the Group in operating and managing the Group's businesses and affairs. The CoBEC is further supported by other policies which include 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 key policies are available on the Company's website under the section on "Governance".

II. BOARD COMPOSITION

Objectivity in Board Decision Making

The Board comprises 6 Directors, 4 of whom are non-executive. Represented on the Board are 3 independent non-executive Directors, effectively constituting half of the Board and whose presence and participation provide independent advice, views and judgement to bear on the decision-making process of the Group in ensuring that a balanced and unbiased deliberation process is in place to safeguard the interests of all 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.

In accordance with the Company's Constitution, 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 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.

In line with the MCCG, the tenure of an independent Director does not exceed a cumulative term of 9 years. Upon completion of the 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 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 9 years or have exceeded 9 years. The MCCG provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought by the Board through a 2-tier voting process to retain the said Director as an independent Director.

The Board, assisted by the Nomination Committee, assesses the independence of the independent Directors on an annual basis. In addition, the independent Directors affirm their independence annually to the Board.

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates to be appointed to the Board and Board Committees.

In optimising the collective leadership by the Board in providing clear direction and opportunities for the Group, the Board, in its appointments and composition, pays due recognition to the mix of competencies, expected contributions and diversity representation of the Board. The Board, from time to time, undertakes a review of the merit of the appointment criteria in the context of the Group's businesses and strategies for appropriateness. The Board currently has 2 women Directors.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the following criteria:

- Competencies – qualifications, knowledge, industrial experience and expertise, seniority and past achievements;
- Expected contributions – appointment scope, role, commitment level, professionalism and integrity; and
- Diversity representation – appropriateness and the fulfilment of the Board's desired mix of competencies, age, gender and cultural background.

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.

A brief description of each Director's background is presented in the respective profile under Directors' Profile on pages 6 to 8 of this Annual Report.

As an enhancement to its current process of sourcing suitable candidates for the Board, the Nomination Committee may also consider procuring suitable candidates from independent sources, when appropriate and practicable.

The Nomination Committee comprises 3 members, all of whom are independent non-executive Directors. The Nomination Committee is chaired by Y. Bhg. Dato' Kalsom binti Abd. Rahman who is also the Senior Independent Director identified by the Board. The members and the Terms of Reference of the Nomination Committee are presented on page 31 of this Annual Report and are available on the Company's website for reference.

Effectiveness of the Board and Individual Directors

The Nomination Committee reviews and assesses the effectiveness of the Board as a whole 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 on an annual basis.

The assessment criteria for review of performance of the Board, Board Committees and individual Directors are set out in the Board Charter.

Time Commitment

A Director shall notify the Chairman of the Board of his acceptance of any new directorship in public listed companies. In any event, the maximum number of appointments in public listed companies shall be limited to 5 or any other number as set out in the Listing Requirements.

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

Directors' Training

All Directors are 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.

The Board, on a continuing basis, evaluates and determines 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.

In addition, the Company may 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.

Newly appointed Directors, if any, 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.

During the financial year, the Directors had attended the following briefings, seminars, conferences, summits, workshops and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities, investment 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, financial and accounting knowledge and updates, sustainability covering community, environment, marketplace and workplace, fraud, corruption and cybersecurity risks, technology and innovation:

Name of Directors	**Programme**
Tan Sri William H.J. Cheng	• 18th Asia-Pacific Retailers Convention and Exhibition (APRCE) 2017 – Transformation, Creativity and Beyond • Parkson Retail Asia Limited In-House Directors' Training: Briefing on the updates of the Singapore Companies Act, Cap 50 and the Singapore Exchange Securities Trading Limited Listing Rules • Lion Group In-House Directors' Training: Global Trade Developments and Update on Merger Control and Competition Risks • Malaysia Retailers Association – Retail Conference: "Retail Transformation, Creativity & Beyond - A Diverse Perspective" • Parkson Retail Group Limited In-House Directors' Training: Notifiable Transactions and Connected Transactions pursuant to Hong Kong Listing Rules • Intercontinental Group of Department Stores ("IGDS") – 70th IGDS General Assembly & 6th Global Department Stores Summit in London: "The Power of Luxury Redefined"
Chan Ho Wai	• Implementation of Sustainability for Public Listed Companies Directors and Corporate Governance Requirement – Annual Report 2018
Cheng Hui Ya, Serena	• Bursa Malaysia in collaboration with the Securities Commission Malaysia – Corporate Governance Briefing Sessions: "Malaysian Code on Corporate Governance Reporting and Corporate Governance Guide" • Smart Cities : Re-Imagining Smart Solutions in Today's Digital Age - "Progressing towards Inclusive, Sustainable and Greener Hybrid Cities for Social and Territorial Cohesion" • Lion Group In-House Directors' Training: Global Trade Developments and Update on Merger Control and Competition Risks
Dato' Kalsom binti Abd. Rahman	• Bursa Malaysia – Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Lion Group In-House Directors' Training: Global Trade Developments and Update on Merger Control and Competition Risks
Dato' Eow Kwan Hoong	• Bursa Malaysia – Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • Bursa Malaysia – Case Study Workshop for Independent Directors: "Rethinking - Independent Directors: A New Frontier"
Lin Chung Dien	• Taiwan Corporate Governance Association – "How to Strengthen Corporate Governance through Fraud Detection, Prevention and Whistleblowing Establishment"

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 ("Continuing Updates").

The Board, after having undertaken an assessment, viewed that the Directors, having attended the Programmes and having been updated and apprised with the Continuing Updates, had adequately met the training needs of each of the Directors towards enhancing his skills and knowledge to carry out his duties as a Director.

III. REMUNERATION

Level and Composition of Remuneration that Attract and Retain Talents

The Company has a clear process for setting the remuneration of Directors 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 the remuneration of the EDs to the Remuneration Committee whose members and Terms of Reference are presented on page 32 of this Annual Report and are available on the Company's website for reference.

Remuneration Factoring in Individual and Company's Performance

Details of the remuneration of the Directors for the financial year ended 30 June 2018 are as follows:

The Group and The Company

	Fees RM'000	Meeting Allowance RM'000	Salaries & Bonuses RM'000	Total RM'000
Executive Directors				
Chan Ho Wai	20	4	492	516
Cheng Hui Ya, Serena	20	3	–	23
Non-executive Directors				
Tan Sri William H.J. Cheng	25	4	–	29
Dato' Kalsom binti Abd. Rahman	45	11	–	56
Dato' Eow Kwan Hoong	40	11	–	51
Lin Chung Dien	40	12	–	52
	190	45	492	727

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

Effective and Independent Audit and Risk Management Committee

The Board affirms its responsibility for the presentation of 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 Audit and Risk Management Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Board discusses and reviews the recommendations proposed by the Audit and Risk Management Committee prior to the adoption of the quarterly financial results and the annual audited financial statements of the Group and of the Company, including timely and quality disclosure through appropriate corporate disclosure policies and procedures adopted.

The Audit and Risk Management Committee comprises 3 members, all of whom are independent Directors and are financially literate. The Chairman of the Audit and Risk Management Committee is elected among the members of the Committee who is not the Chairman of the Board. The Terms of Reference and the main works undertaken by the Audit and Risk Management Committee for the financial year under review are set out in the Audit and Risk Management Committee Report on pages 25 to 29 of this Annual Report.

The Board has established a formal and transparent relationship with the External Auditors through the Audit and Risk Management Committee. The Audit and Risk Management Committee evaluates the performance and assesses the suitability, objectivity and independence of the External Auditors based on the policies and procedures which are in place. The Audit and Risk Management Committee also 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.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Informed Decisions on Level of Risks and Implementation of Controls in Pursuit of Objectives

The Board has the oversight responsibility of the adequacy and effectiveness of the Group's system of internal controls which comprises the governance, risks and controls aspects. The Board believes that effective maintenance of the system is important to help the Group to achieve its various objectives at many levels and having considered the risks that the Group faces whilst balancing out the interest of its many stakeholders and protecting the Group's assets and investments.

The Board fulfils its oversight function of risk management and internal control system via the Audit and Risk Management Committee. An approved Enterprise Risk Management ("ERM") Framework which was developed based on ISO31000:2009 is in place and provides guidance to both the Board and Management on the risk management reporting structure and governance, processes, assessment methodologies and tools. The Management of key operating companies adopt and apply the prescribed methodologies to identify, evaluate, treat, control, track and report the Strategic, Business, Financial and Operational Risks based on the risk appetite set. In addition to the ERM Framework, the Group has in place an approved Compliance Framework for management of Compliance Risks which are recognised as part of Operational Risks under the ERM Framework.

The Internal Audit Function 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 and provide confirmation of the effectiveness of internal control and risk assessment process by the respective Head of Key Operating Companies ("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.

An overview of the Board's responsibility, the state and descriptions of the key components of the Group's system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management is set out in the Statement on Risk Management and Internal Control on pages 18 to 24 of this Annual Report.

Effectiveness of Governance, Risk Management and Internal Control System

The Board has established an Internal Audit Function within the Group to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the Audit and Risk Management Committee to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently. The Internal Audit Function is led by the Group Chief Internal Auditor who reports directly to the Audit and Risk Management Committee. The Internal Auditors attend all meetings of the Audit and Risk Management Committee. The Audit and Risk Management Committee's review of the scope of work, budget, reports by the Internal Audit Function and the detailed description of the Internal Audit Function are provided in the Audit and Risk Management Committee Report on pages 29 and 30 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 20 in the Statement on Risk Management and Internal Control and page 29 in the Audit and Risk Management Committee Report of this Annual Report, respectively.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Continuous Communication between the Company and Stakeholders to Facilitate Mutual Understanding of Objectives and Expectations

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

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

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

The Company's website provides easy access to corporate information, Board Charter, Terms of Reference of Board Committees, key policies, annual reports and company announcements pertaining to the Group and its activities.

The Board has identified the Company Secretaries to whom concerns may be conveyed and who would bring the same to the attention of the senior independent non-executive Director.

II. CONDUCT OF GENERAL MEETINGS

Participation by Shareholders and Informed Voting Decisions

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

The annual general meetings and other meetings of Shareholders 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") acknowledges the importance of maintaining a sound system of internal control to safeguard the interests of stakeholders (including shareholders' investments) and the Group's assets. The Board is pleased to present the Statement on Risk Management and Internal Control of the Group (excluding associated companies, as the Board does not have full management control over their operations) which was prepared with reference to the applicable statutory requirements and regulatory guidelines including:

- Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers;
- Corporate Disclosure Guide and Corporate Governance Guide (3rd Edition); and
- Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Board Responsibility

The Board affirms its overall responsibility for the Group's internal control system and for reviewing the adequacy and effectiveness of this system which covers governance, enterprise risk management, financial, strategy, organisational, operational, regulatory and compliance controls. However, in view of the inherent limitations in any system, such system of internal control can only provide reasonable and not absolute assurance against material misstatements, frauds or losses and unforeseen emerging risks.

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

Key Components of Internal Control System

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

1. **Integrity and Ethical Values**

    - A Code of Business Ethics and Conduct ("CoBEC") which sets out the principles to guide employees' conduct to the highest standards of personal and corporate integrity. The CoBEC covers areas such as conflict of interest, use of company assets, confidentiality of proprietary information, acceptance of gifts and business courtesies, prohibition of kickbacks as well as provisions which cover personal data protection, competition, anti-money laundering and anti-terrorism financing. The CoBEC is published on the Company's website at www.lion.com.my/lionfib.

    - 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 value. 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 overseeing the implementation of stakeholders communication.

- The Board delegates to the Executive Directors ("EDs"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The EDs may delegate aspects of their authorities and powers but remain accountable to the Board for the Company's performance and are required to report regularly to the Board on the progress being made by the Company's business units and operations. Delegation of responsibilities and accountability by the EDs further down the structure of the Group is communicated and formalised via respective operational structure and organisational chart as well as the authority matrix.

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

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

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

3. Organisation Structure

- An operational structure and organisational chart which defines the lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability.

- The authority matrix outlines the decision areas and the persons empowered to requisite, authorise and approve the expenditure/commitment. Delegated authority carries with it the obligation to exercise sound judgement, good business sense and accountability.

4. Frameworks, Policies and Procedures

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

- A Group Procurement/Tender Policy which provides a fairly standardised, uniform and consistent set of controls by promoting accountability, ownership and transparency. This increases the ability of the Group to develop a pool of reliable and competent vendors through proper governance, selection of appropriate procurement method and vendor management.

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

- Other key policies such as Competition Policy and Sexual Harassment Policy which complement the Group's CoBEC. 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 and the management of the material Economic, Environmental and Social risks and opportunities as well as stakeholders engagement.

5. **Planning, Monitoring and Reporting**

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

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

6. **Internal Audit**

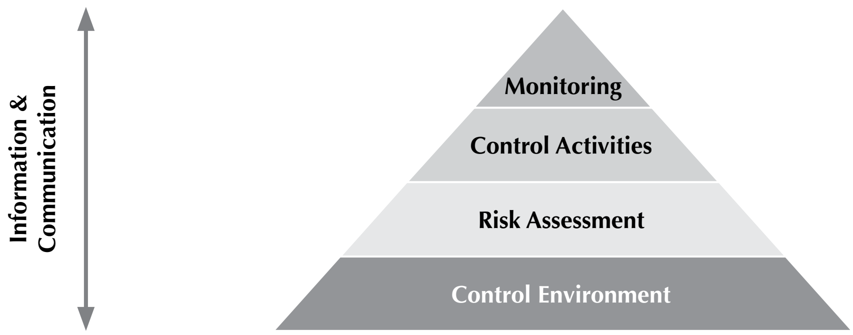
- Internal Audit Charter that is approved by the ARMC articulates the purpose, responsibility and authority of the GIA function as well as the nature of assurance activities provided by the function.

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

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

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

- The GIA assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework. The following 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.

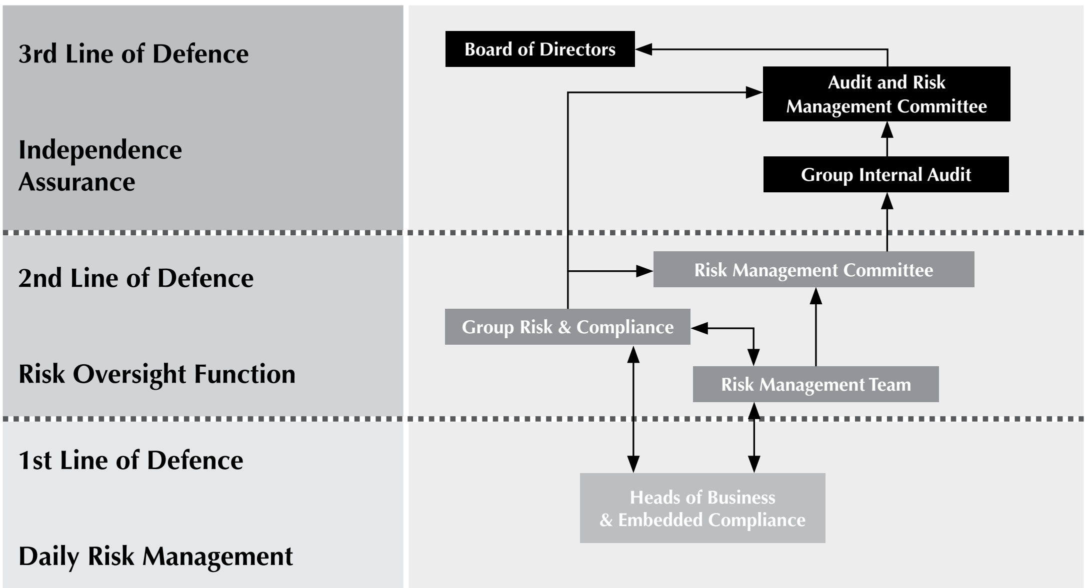
- The ERM Framework provides guidelines on the risk governance, risk management process, risk reporting and generic tools to be used by the Group. The design of the risk governance structure therein is premised on 3 lines of defence concept with clear functional responsibilities and accountabilities 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 Heads of KOC, in their half-yearly updates and reporting of respective CPS and Corporate Risk Scorecard ("CRS"), provided confirmation that the risk management process with regard to identification of material issues together with relevant controls and management actions have been adequately complied with.

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

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

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



- The Group employs a Risk Universe Listing to facilitate identification of risk across 4 risk themes which are Strategic, Business, Financial and Operational as shown in the illustration below:

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 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.

- Joint review of existing operational practices and selected policies or procedures for possible and appropriate control enhancements. Such exercises may result in revision of relevant policies or procedures, new policies or procedures, introduction of control tools such as standard templates/forms and even development of special purpose automated process.

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

9. Safety and Hazards Management

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

- A Crisis Management and Communication Policy and process established under the Corporate Communications Function to guide the handling of external communications in the event of any crisis/disaster.

10. Information and Communication Technology/Management Information System

- A quarterly IT Steering Committee meeting is held where all IT Managers from various operating companies meet. It is a platform which enables collaboration among the operating companies, sharing of experiences and consolidation of standard IT platforms.

- A set of Group IT Policies is in place to govern the operations of IT within the Group. Due to the diversity of businesses, each operating company has its own set of IT Policy adopting the standard Group IT Policy wherever possible and adding policies that are peculiar to the business they are in.

- The Group Human Resources Management System runs off a cloud infrastructure where a single system is used across the Lion Group of Companies. Cloud infrastructure is hosted offsite to protect the sensitivity of data and is supported by a hot Disaster Recovery site to enable quick recovery of data in the event of data losses. An annual Disaster Recovery test is carried out to ensure service quality as per the agreed Service Level Agreement (SLA).

- As part of the Lion Group Cyber Security Strategy, the Group has issued Cyber Security Policy to be adopted by all its operating companies.

11. 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.

- A yearly exercise to ensure the adequacy and renewal of the Group's Directors' and Officers' Liability insurance.

12. 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.

- The oversight by the Board and its engagement with the management in the handling of reported wrongdoings are also set out in the Integrity & Fraud Risk Policy.

Risk Management Process

The KOCs' CPS which are prepared every financial year are updated on a half-yearly basis to provide a clear and proper context within which performance-related risks are to be identified, analysed and managed in line with the respective KOCs' strategic direction and business objectives. Key Performance Indicators ("KPI") were assigned to these objectives and their performance were tracked by the KPI owners under the supervision of the Heads of the KOCs.

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

The risk owners were responsible to ensure preventative, detective and corrective controls were in place to address these risks. Gaps in controls and continual improvements were implemented through management action plans. This process was executed by the RMTs and documented in the CRS.

The GRC conducted review of the risk profiles, either focusing on specific risk issues or the completeness of the risk assessment process for selected risk profiles. The results of the review were communicated to the administrators of risk scorecards and/or Heads of KOCs for improvement and implementation.

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

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

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

Conclusion

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

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

Review by External Auditors

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scopes set out in Audit and Assurance Practice Guide ("AAPG 3"): 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 2018, 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 (3rd Edition), nor is the Statement factually inaccurate.

AAPG 3 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 AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

  Mr Lin Chung Dien
  (Independent Non-Executive Director)

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

- **Secretaries**

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

- **Membership**

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

- **Meetings and Minutes**

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

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

TERMS OF REFERENCE

The Terms of Reference of the Audit and Risk Management Committee which are in line with the provisions of the Listing Requirements, the Malaysian Code on Corporate Governance 2017 and other best practices are available for reference on the Company's website at www.lion.com.my/lionfib.

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, 5 Audit and Risk Management Committee Meetings were held. Except for Mr Lin Chung Dien who was absent for 1 Meeting, full attendance were recorded for all other members. The Chief Internal Auditor and the Chief Accountant were also present at all the Meetings.

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

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

- **Financial Results**

  Reviewed the quarterly interim unaudited financial statements and the annual audited financial statements of the Group prior to submission to the Board for its consideration and approval focusing particularly on changes in or implementation of significant accounting policies and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB"), significant matters highlighted including financial reporting matters, unusual events, transactions, judgements made by Management and other legal requirements, and the main factors contributing to the financial performance of the Group in terms of revenue and earnings.

  Discussed with Management and External Auditors, and had obtained reasonable assurances that all changes in significant accounting policies had been implemented; applicable accounting standards approved by MASB, provisions of the Companies Act 2016 and requirements under the Listing Requirements had been complied with; significant matters highlighted by the External Auditors including financial reporting matters, unusual events or transactions had been appropriately addressed; judgements made by Management had been assessed; and impact of any changes to the accounting policies and new accounting standards had been assessed and adopted, where relevant.

- **Internal Audit**

  (a) Reviewed and approved the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas and ensured that key and high risk areas were audited annually.

  (b) Reviewed the effectiveness of audit programmes, and the adequacy and suitability of the resource requirements and skill levels of the Internal Auditors for the year and assessed the performance of the Internal Audit Function.

  (c) Reviewed the internal audit reports, audit recommendations made and Management's response and actions taken to improve the system of internal control and procedures. Where appropriate, the Audit and Risk Management Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

  Additional audit approach had been included in areas with weaknesses in control as revealed by the Internal Auditors during their previous annual audit reviews.

  (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls had been addressed.

  (e) Reviewed the risk and control profile changes of the annual Risk Management and Internal Control – Self-Assessment ratings submitted by the respective operations management. The Internal Auditors had validated the ratings during their audit review, and adjustments to the ratings, if any, had been made accordingly and reported to the Audit and Risk Management Committee.

(f) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders' Mandate and ensured that the transactions were undertaken on an arm's length basis and on normal commercial terms which were consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders.

(g) Reviewed the 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 18 to 24 of this Annual Report.

The Audit and Risk Management 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 Audit and Risk Management 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.

(h) 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.

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

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

- **External Audit**

(a) Reviewed and discussed with External Auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB, and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

(b) Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting issues arising from the external audit and their opinion on the financial statements of the Group and of the Company.

(c) Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management.

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

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

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

(f) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the financial year ended 30 June 2018 amounted to RM6,000.

(g) Convened 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) Conformance to Group policies and procedures

Received and reviewed the status and outcomes of the half-yearly Compliance Risk Self-Assessment ("CRSA") exercises which seek to identify gaps in compliance with regard to applicable laws, regulations, codes, standards 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 Officers and Group Accountants, Company Secretaries, Group Treasury and Group Tax.

(b) 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 2018.

- **Risk Management**

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

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

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

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

- **Related Party Transactions**

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

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

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

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

The Management had given assurance to the Audit and Risk Management 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, graduated with a Bachelor of Accounting (Hons) from Universiti Malaya in 1985 and is 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, food and beverage, credit financing and money lending services, property development, mining, manufacturing, steel, agriculture and computer industries.

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

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

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

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

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

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

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

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

An annual assessment for evaluating the adequacy and effectiveness of the Internal Audit Function was carried out in 2018.

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

The Audit and Risk Management Committee was also satisfied that the Internal Audit Function, backed by 9 staff of managerial/senior executive level who possessed the relevant qualification and experience, had adequate resources to fulfill 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 RM274,000.

NOMINATION COMMITTEE

Chairman	:	Y. Bhg. Dato' Kalsom binti Abd. Rahman *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Dato' Eow Kwan Hoong *(Independent Non-Executive Director)* Mr Lin Chung Dien *(Independent Non-Executive Director)*

Terms of Reference :

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

NOMINATION COMMITTEE REPORT

The Nomination Committee comprises 3 members, all of whom are non-executive independent Directors. The Nomination Committee is chaired by Y. Bhg. Dato' Kalsom binti Abd. Rahman who is also the Senior Independent Director identified by the Board.

Appointment to the Board and the Effectiveness of the Board

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board and the Board Committees. 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.

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.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the competencies, expected contributions and diversity representation covering the qualifications, knowledge, industrial experience and expertise, seniority and past achivements, appointment scope, role, commitment level, professionalism and integrity, and the appropriateness and the fulfilment of the Board's desired mix of competencies, age, gender and cultural background which would contribute to the overall desired composition of the Board.

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

Activities of the Nomination Committee for the Financial Year

The Nomination Committee met once since the date of the last Annual Report and all the members attended the Meeting.

The Nomination Committee had carried out the following duties for the financial year in accordance with the Terms of Reference:

(i) Reviewed and enhanced the process of the annual evaluation of the effectiveness of the Board as a whole, the Board Committees and the contribution of each of the individual Directors and Audit and Risk Management Committee members following which:

  (a) forms for performance evaluation of the Board as a whole and of the Directors (Peer and Self Assessment) had been enhanced; and

  (b) new evaluation forms were adopted to assess the level of financial literacy of Audit and Risk Management Committee members and performance of the Audit and Risk Management Committee as a whole.

(ii) Reviewed and assessed the performance and effectiveness of the Board and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms adopted by the Nomination Committee, and made the appropriate recommendation to the Board.

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

(iv) Reviewed the assessment of the financial literacy of each of the members of the Audit and Risk Management Committee and was satisfied that all members are financially literate and able to understand matters under the purview of the Audit and Risk Management Committee including financial reporting process.

(v) Reviewed the retirement by rotation of Y. Bhg. Dato' Eow Kwan Hoong and Ms Cheng Hui Ya, Serena and recommended their re-election for Board's consideration.

(vi) Discussed the vacancies arising from the retirement of Y. Bhg. Dato' Kalsom binti Abd. Rahman and Mr Lin Chung Dien whose tenure of service as independent Directors had exceeded 9 years and the appointment of new independent Directors in due course.

(vii) Reviewed the training needs of the Directors and was satisfied that the Directors having attended the relevant training programmes as well as having been updated and apprised on a continuing basis by the Company Secretaries on new and revised statutory and regulatory requirements, had adequately met the training needs of each of the Directors towards enhancing his skills and knowledge to carry out his duties as a Director.

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

REMUNERATION COMMITTEE

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

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

Mr Lin Chung Dien
(Independent Non-Executive Director)

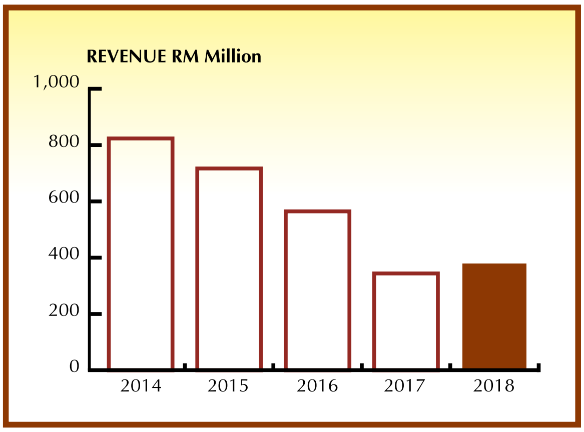
Terms of Reference :

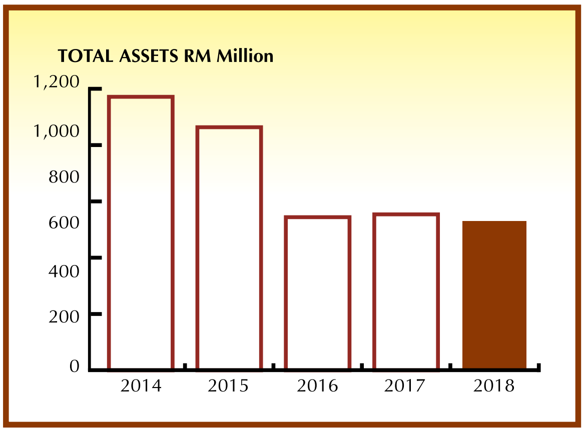
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary

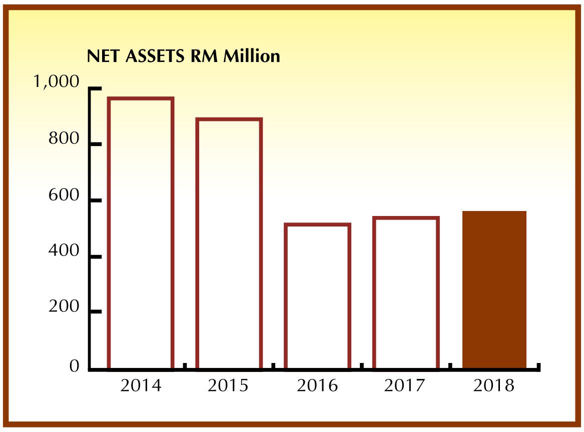
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

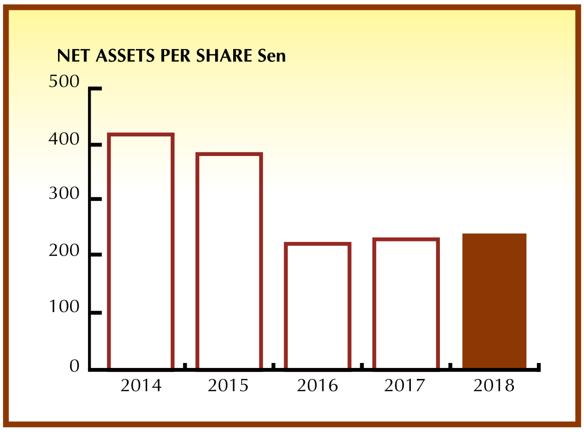
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2014	2015	2016	2017	2018
Revenue	(RM'000)	817,922	721,449	565,103	339,658	380,474
Profit/(Loss) before tax	(RM'000)	(236,620)	(93,385)	(379,870)	16,716	22,840
Profit/(Loss) after tax	(RM'000)	(250,006)	(104,552)	(386,871)	14,759	19,229
Net profit/(loss) attributable to owners of the Company	(RM'000)	(249,339)	(99,968)	(387,197)	14,746	19,228
Total assets	(RM'000)	1,169,710	1,041,831	647,982	657,055	637,336
Net assets	(RM'000)	962,049	887,462	515,306	536,297	547,816
Total borrowings	(RM'000)	23,774	22,892	22,815	23,889	405
Earnings/(Loss) per share	(Sen)	(107.7)	(43.2)	(168.6)	6.5	8.4
Net assets per share	(Sen)	415	383	225	235	240









THE GROUP'S BUSINESSES

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

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products under "HI-REV" & "T-TRAX" brands which meet specifications required by American Petroleum Institute (API), Japanese Automotive Standards Organization (JASO) and European Automobile Manufacturers' Association (ECEA). It recently launched torQe PRO 5W-40 Fully Synthetic Premium Motor Oil (right) for exceptional performance in engine lubrication and protection against thermal stress to maintain excellent performance in high power densities engines.
- *Posim Petroleum Marketing Sdn Bhd mengedarkan pelbagai produk berasaskan petroleum di bawah jenama "HI-REV" & "T-TRAX" yang memenuhi spesifikasi yang ditetapkan oleh American Petroleum Institute (API), Japanese Automotive Standards Organization (JASO) dan European Automobile Manufacturers' Association (ECEA). Baru-baru ini ia melancarkan torQe PRO 5W-40 Fully Synthetic Premium Motor Oil (kanan) untuk prestasi terbaik pelinciran dan perlindungan enjin daripada tekanan thermal bagi mengekalkan prestasi cemerlang enjin berketumpatan kuasa tinggi.*

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

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Forest Industries Berhad ("LFIB" atau "Syarikat") bagi tahun kewangan berakhir pada 30 Jun 2018.

PRESTASI KEWANGAN

Bagi Tahun Kewangan 2018, Kumpulan mencatat pendapatan 12% lebih tinggi sebanyak RM380.5 juta berbanding dengan RM339.7 juta yang dicatatkan pada tahun kewangan lalu. Peningkatan ini disumbangkan terutamanya oleh perniagaan bahan binaan dan perniagaan minyak pelincir kita. Keuntungan operasi bagaimanapun merosot 11% kepada RM12.8 juta daripada RM14.3 juta pada tahun lepas berikutan campuran jualan yang berbeza.

Perniagaan bahan binaan terus beroperasi dalam persekitaran perniagaan yang mencabar kerana ia berkait rapat dengan sektor pembinaan dan pembangunan hartanah yang masih suram disebabkan keadaan pasaran yang lemah dan syarat pinjaman lebih ketat dikenakan oleh institusi-institusi kewangan ke atas pembeli hartanah. Perniagaan minyak pelincir kita mengekalkan momentumnya dalam mencapai pertumbuhan jualan.

Kumpulan mencatatkan keuntungan sebelum cukai lebih tinggi sebanyak RM22.8 juta berbanding RM16.7 juta pada tahun kewangan lalu. Pelupusan keseluruhan 20% ekuiti kepentingan dalam Suzuki Motor Malaysia Sdn Bhd, sebuah syarikat bersekutu, telah menyumbang sebanyak RM10.2 juta kepada keuntungan Kumpulan bagi tahun kewangan dalam kajian.

Aset bersih Kumpulan bertambah baik kepada RM547.8 juta daripada RM536.3 juta pada tahun sebelumnya dengan aset bersih sesaham dicatatkan pada RM2.40, meningkat sebanyak 5 sen berbanding tahun sebelumnya.

PROSPEK

Dalam jangka masa terdekat, persekitaran operasi diramal kekal mencabar berikutan keadaan pasaran semasa dan ketidakpastian yang ada. Perniagaan bahan binaan kita terus berdepan cabaran dari pasaran hartanah manakala perniagaan minyak pelincir, produk petroleum dan produk automotif dijangka terus menyumbang hasil yang positif kepada Kumpulan bagi tahun kewangan akan datang dengan portfolio pasaran dan produk yang lebih luas.

Kumpulan akan sentiasa terus berwaspada dan mengambil langkah-langkah yang proaktif untuk mendepani cabaran-cabaran ini. Kita akan terus menyelaras strategi kita dalam mengembangkan perniagaan dan memberi tumpuan kepada pelanggan bagi meningkatkan keuntungan dalam jangka panjang.

LEMBAGA PENGARAH

Dalam Mesyuarat Agung Tahunan akan datang, Y. Bhg. Dato' Kalsom binti Abd. Rahman dan Encik Lin Chung Dien yang mana kedua-duanya telah berkhidmat dalam Lembaga Pengarah selama lebih daripada 9 tahun, telah memaklumkan kepada Lembaga Pengarah hasrat mereka untuk tidak dilantik semula sebagai Pengarah Bebas Syarikat. Y. Bhg. Dato' Kalsom juga berkhidmat sebagai Pengerusi Jawatankuasa Audit dan Pengurusan Risiko serta Jawatankuasa Penamaan, dan ahli Jawatankuasa Imbuhan manakala Encik Lin berkhidmat sebagai ahli bagi Jawatankuasa Audit dan Pengurusan Risiko, Jawatankuasa Penamaan dan Jawatankuasa Imbuhan Syarikat. Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada kedua-dua Y. Bhg. Dato' Kalsom dan Encik Lin atas sumbangan mereka yang tidak ternilai sepanjang tempoh menjadi Pengarah Syarikat dan ahli Jawatankuasa tersebut.

PENGHARGAAN

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

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

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

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad ("LFIB" or "the Company") for the financial year ended 30 June 2018.

FINANCIAL PERFORMANCE

For Financial Year 2018, the Group achieved a 12% higher revenue of RM380.5 million compared with RM339.7 million recorded in the last financial year. The increase was mainly contributed by both our building materials trading and lubricant businesses. Profit from operations however declined 11% to RM12.8 million from RM14.3 million last year due to different sales mix.

The building materials business continued to operate in a challenging business environment as it is closely linked to the construction and property development sectors that had remained soft due to the weak market conditions and tighter lending from financial institutions for property purchasers. Our lubricant business maintained its momentum in achieving sales growth.

The Group registered higher profit before tax of RM22.8 million over RM16.7 million in the last financial year. The disposal of the entire 20% equity interest in Suzuki Motor Malaysia Sdn Bhd, an associated company, contributed a gain of RM10.2 million to the Group's profit for the financial year under review.

The Group's net assets improved to RM547.8 million from RM536.3 million in the preceding year with net assets per share registering at RM2.40, an increase of 5 sen over the preceding year.

PROSPECTS

In the near term, the operating environment is anticipated to remain challenging in view of the prevailing market conditions and uncertainties. Our building materials business continues to face challenges from the property market whilst our lubricants, petroleum and automotive products businesses are expected to continue to contribute positive results to the Group for the next financial year with a broader market and products portfolio.

The Group will remain vigilant and take proactive steps to meet these challenges. We will continue to align our strategies to expand our businesses and be more customer centric in order to grow the profit in the long term.

BOARD OF DIRECTORS

At the forthcoming Annual General Meeting, Y. Bhg. Dato' Kalsom binti Abd. Rahman and Mr Lin Chung Dien, both of whom, having served on the Board for more than 9 years, have informed the Board that they do not wish to seek re-appointment as Independent Directors of the Company. Y. Bhg. Dato' Kalsom has also served as the Chairman of the Audit and Risk Management Committee and Nomination Committee, and a member of the Remuneration Committee while Mr Lin has served as a member of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee of the Company. On behalf of the Board, I would like to express my sincere appreciation to Y. Bhg. Dato' Kalsom and Mr Lin for their invaluable contributions during their tenure as Directors of the Company and as members of the respective Board Committees.

APPRECIATION

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

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

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨此代表董事部，欣然提呈金狮森林工业有限公司(Lion Forest Industries Berhad) 截至2018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

在2018会计年度，本集团的收入增加12%，达到3亿8千050万令吉，上一个会计年度的收入是3亿3千970万令吉。收入增加，主要是由于建筑材料的业务和润滑油业务都作出贡献。而营业利润却减少11%，从上一年度的1千430万令吉减少到今年度的1千280万令吉，主要是由于不同的销售组合造成的。

建筑材料的业务，持续在挑战性的环境下运作，因为它和建筑业与产业发展业密切关连，而建筑业和产业发展业仍然疲软，这是由于市场情况仍然疲弱，以及金融机构收紧房屋贷款条件。我们的润滑油业务保持动力，取得销售增长。

本集团在本会计年度的税前盈利增加到2千280万令吉，上一个年度的税前盈利是1千670万令吉。我们把在联号铃木汽车马来西亚私人有限公司的20%股权全部出售，在本会计年度为本集团取得1千020万令吉的盈利。

本集团的净资产增加到5亿4千780万令吉，上一个年度是5亿3千630万令吉。而每股的净资产是2.40令吉，比上一年度增加5仙。

展望

在近期内，由于目前的市场情况以及不确定因素，本集团的营运环境预测会继续充满挑战。我们的建筑材料业务继续面对来自产业市场的挑战。而我们的润滑油、石油产品和汽车产品的业务配合更广阔的市场和产品组合，继续在下一个会计年度对本集团的业绩作出正面贡献。

本集团将保持警惕，并积极主动应付这些挑战。我们将调整策略以扩展业务，并更加注重以客为尊，以便能长期的取得利润增长。

董事部

在即将召开的常年大会中，两位任期超过9年的董事Y. Bhg. Dato’ Kalsom binti Abd. Rahman和林忠典先生将无意寻求重新被委任为独立董事。Y. Bhg. Dato’ Kalsom也担任审计和风险管理委员会的主席以及提名委员会的主席，也是薪酬委员会的委员。林先生则是审计和风险管理委员会、提名委员会以及薪酬委员会的委员。我谨代表董事部，真诚的感谢他们两人，在担任本公司的董事和本公司的上述委员会的委员期间，作出宝贵的贡献。

鸣谢

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

我也至诚感谢董事部成员，感谢他们给予珍贵的指导、支持和贡献。

最后，我真诚感谢管理层和职员们对本集团的奉献。

主席
丹斯里锺廷森

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Consolidated Statement of Profit or Loss	**2018 RM'000**	**2017 RM'000**	**Change**
Revenue	**380,474**	339,658	12%
Profit from operations	**12,794**	14,299	-11%
Profit before tax	**22,840**	16,716	37%
Profit after tax	**19,229**	14,759	30%

Consolidated Statement of Financial Position	**2018 RM'000**	**2017 RM'000**	**Change**
Total assets	**637,336**	657,055	-3%
Fixed deposits, cash and bank balances	**109,092**	90,006	21%
Total liabilities	**89,520**	120,001	-25%
Bank borrowings	**405**	23,889	-98%
Net assets	**547,816**	536,297	2%

	Revenue			**Segment Profit/(Loss)**		
Segment Results	**2018 RM'000**	**2017 RM'000**	**Change**	**2018 RM'000**	**2017 RM'000**	**Change**
Building materials and steel products	**292,640**	251,428	16%	**1,314**	2,390	-45%
Lubricant, petroleum and automotive products	**84,541**	81,389	4%	**9,719**	11,348	-14%
Others	**3,293**	6,841	-52%	**(2,869)**	(4,261)	-33%
	380,474	339,658	12%	**8,164**	9,477	-14%

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

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

For the financial year 2018, revenue of the Group's revenue rose by 12% to RM380.5 million compared with that registered in the preceding year's corresponding period, largely due to the higher sales of building materials and lubricants.

On 14 September 2017, the Group completed the disposal of its entire 20% equity interest in Suzuki Motorcycle Malaysia Sdn Bhd, an associated company, with a gain of RM10.2 million.

The Group registered a higher profit before tax of RM22.8 million compared with RM16.7 million in the same period last year. The Group's net assets per share as at 30 June 2018 increased by 5 sen to RM2.40.

Building Materials and Steel Products Division recorded a 16% higher revenue of RM292.6 million arising mainly from the higher sales of steel bars to the local construction and property development sectors. The Division, however, posted a lower profit as compared to a year ago mainly due to the different sales mix.

Lubricants, Petroleum and Automotive Products Division posted a 4% growth in revenue to RM84.5 million mainly driven by higher sales of lubricants equipped with comprehensive marketing programs. However, the Division recorded a lower profit of RM9.7 million mainly due to different sales mix.

Other businesses included primarily the transportation business and investment holding. These activities collectively contributed a lower revenue of RM3.3 million following the cessation of the transportation business during the financial year, compared with RM6.8 million recorded in the same period a year ago. These businesses recorded a lower loss of RM2.9 million mainly due to the gain on disposal of trucks by the transportation business.

REVIEW OF OPERATIONS

Building Materials and Steel Products

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

The Division registered a 16% growth in revenue at RM292.6 million mainly attributable to higher sales of steel bars to the local construction and property development sectors. Despite the higher revenue, the Division continued to face challenges for the financial year under review in light of no obvious signs of improvement in the property market. The overall property market continued to be lethargic. Property developers were cautious in initiating new launches as consumer sentiments remained soft due to a tightened bank lending policy. Competition among the building material distributors remained intense. This situation is expected to remain unchanged in the near term.

Operating in a rapidly evolving business environment, the Division will always stay vigilant and responsive to market changes. The Division stresses on innovation, offering high quality products to meet the ever changing demands of customers, and forging closer relationships with suppliers and trading partners. Barring unforeseen circumstances, the Division remains positive on its operating performance in the long run.

Lubricants, Petroleum and Automotive Products

The Division witnessed an active financial year in 2018 of escalating prices in feed stock supplies coupled with a soft market for lubricants in the segments that we operate. Nevertheless, the Division recorded improved revenue over the previous year.

The domestic market for automotive lubricants remained a buyer's market. Vehicle owners continued to be cautious in their spending behaviour, opting for delay in oil change and seeking price-friendly products to meet their needs. Our workshops operators and business partners faced numerous challenges in their business operations and had to rigorously compete by offering value-for-money products and good service to their customers.

In this regard, we are focussed on maintaining close rapport with our workshops operators and ensuring that our products are relevant to their businesses, and are preferred over our competitors'. Many on-ground and off-site programs, including social media activities were actively implemented to attract customers to our workshops' premises.

This year we participated actively in motorsports activities both in motorcycle and car racing in 7 different championships in the Asia Pacific region. We started the race season with several wins in the *Asia Road Racing Championship* – two first placing wins in the Underbone series, in Thailand's Chang International Circuit and Japan's Suzuka International Circuit. We also bagged several podium wins in the Malaysia Superbike Championship in Sepang. As the season gets busier in the second half of 2018, we anticipate more victories from our race teams.

The uptrend base oil prices in the fourth quarter of the previous year continued its upward momentum in the financial year under review, and had adversely increased the cost of new buy-in of raw materials. We mitigated part of the impact of this cost escalation by locking-in higher volumes of base oil purchase in anticipation of rising prices. This was made possible by close support from key suppliers and the availability of storage facilities within our vicinity. Consequently, our margins erosion was reduced to a manageable level given that we were unable to pass on such impact to our customers.

Moving forward, we continue to identify key growth segments in the business and expect further progress in our existing business operations.

Others

The transportation business ceased operation in November 2017. The disposal of its trucks contributed a gain of RM1.9 million to the Group's results.

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

SUSTAINABILITY STATEMENT

The Group has embraced the values of corporate responsibility and elements of sustainability management since the early days of its operations. These values are reflected in our core values, policy statements and work practices across our operations and contribute to the development of the Group's Sustainability Framework. The Group is cognisant of the 3 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 2018 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. Recognising the importance of embedding sustainability management and considerations in our business strategy to reduce risks and take advantage of business opportunities, we continued to set standards and frameworks and adopt innovative means to sustain and amplify our sustainability efforts. We have taken steps to incorporate standard disclosures in accordance to the Global Reporting Initiatives ("GRI") reporting guidelines and Bursa Malaysia Berhad's 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.

- **Product Responsibility**

  We are committed to providing products that meet regulatory, safety and quality standards to fulfil customers' requirements and ensure that our suppliers share the same philosophy. The quality management system we have in place is designed to monitor and control the processes from planning and development to production and after-sales service in order to comply with all the stipulated standards.

- **Customer Satisfaction**

  Customer support and loyalty is critical to the success of our business. Hence, we strive to put customers at the forefront of everything we do whilst we aim to provide quality products and premium, value-adding services to our dealers and customers. Product knowledge and service skills training are part of our routine training programmes to ensure that our employees provide excellent quality services to our customers. We place high priority on customer engagement and interaction through customer appreciation dinners and gatherings to show our appreciation for their support, and have various customer feedback channels including conducting customer satisfaction surveys for our business improvement.

- **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. Vendors' qualification/credentials are carefully vetted before being admitted into our list of qualified suppliers. 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 as a guideline prescribing a set of principles to be adhered by all vendors and 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

- **System Efficiency**

  We strive to achieve the highest efficiency in our operating systems and technology to support our daily business activities across our Group; where our IT resources provide daily support services to ensure our systems run smoothly and are risk-protected. We also ensure that the connectivity with our subsidiaries and business partners through emails, mobile and web-based communications are maintained and risk-protected at all times. Continuous constructive feedbacks and suggestions have enabled our IT resources to improve and fine-tune business processes and upgrade specific IT facilities to provide quality and timely services.

- **Privacy and Data Protection**

  We continuously strive to ensure the confidentiality and protection of customers' 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 5 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. The 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 develop and progress 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.

- **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. Our employees are encouraged to observe and maintain a safe and healthy workplace. "No Smoking Zone" and "Reverse Car Parking" are some of the initiatives that are supported and practiced by our employees in our workplace.

  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. Wearing of protective gear is strictly required in our plant and warehouse. 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.

- **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 recreational activities/pursuits. Such engagements address both work and social requirements of our employees.

- **Work-Life Balance**

  A balanced work-life desired by most employees proved to be an important factor for recruitment and retention of employees. As such, the Group strives to provide a working environment that promotes work-life balance for its employees with initiatives such as sports, fitness and recreational activities as well as organising various healthy lifestyle campaigns and programmes to promote healthier living.

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 and we are committed to taking proactive measures to preserve the environment for future generations whilst meeting the needs of our stakeholders.

- **Efficient Energy and Water Consumption and Waste Management**

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

- **Promoting Green and Environmental Friendly Products**

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

- **Prudent Use of Paper Practices**

  We acknowledge that the environmental impact of paper usage is significant. Our approach is to avoid unnecessary paper consumption and waste generation, where possible and appropriate. We always look at ways to reduce paper usage and encourage the usage of electronic platforms such as social media, SMS and email as efficient alternative modes of communication with our dealers and customers and for our day-to-day internal operations, and to use recycled paper to print any document where 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 organises fundraising 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 to 12 students based on their academic performance, extra-curricular activities and leadership qualities. Todate, the Foundation has sponsored a total of 448 students through various sponsorship programmes worth RM10.4 million.

For the 9th consecutive year, students from 5 schools had staged calligraphy demonstrations and Chinese orchestra performances at 9 participating Parkson stores in the Klang Valley over 3 weekends in January 2018 prior to the Lunar New Year, and successfully raised RM258,792.36 from the sale of their calligraphy pieces. The Lunar New Year Calligraphy Exhibition and Charity Sale in Parkson stores initiated in 2010, has raised a total of RM2,145,396.66 to assist needy students in these schools.

Under the annual Parkson Cares Educare programme organised together with Lion-Parkson Foundation, Parkson stores act as collection centres throughout Malaysia, for the public to contribute items such as school bags, shoes, uniforms, stationery and other schooling necessities for needy students nationwide. This programme, in collaboration with Yayasan Maha Karuna started in 2001 and every year, 5,000 school children from 200 government schools and orphanages benefit from these donations.

Home for Special Children

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 in 2012 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, Datuk Wira 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, and an old folks home is almost completed.

All in, todate a total of RM34.9 million has been contributed to 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.

Todate, the Fund has disbursed a total of RM8.3 million being sponsorship of medical treatment to 921 individuals and for purchase of medical equipment and dialysis machines as well as medicine for medical camps.

Other Youth Development Initiatives

The Group also participated in various youth development programmes with the local institutes of higher learning to encourage youths to acquire various life skills that will assist them in their personal and future career growth and development.

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 Internal newsletter 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, email, social media Sales, promotions, road shows and related 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

2018

For The Financial Year Ended 30 June 2018

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	22,840	38,458
Income tax expense	(3,611)	(1,640)
Profit for the year	19,229	36,818
Profit attributable to:		
Owners of the Company	19,228	
Non-controlling interests	1	
	19,229	

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the gain on disposal of an associated company and waiver of amount owing to subsidiary companies as disclosed in the statements of profit or loss, Note 6 and Note 22 to the financial statements.

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

As of 30 June 2018, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747, as disclosed in Note 24 to the financial statements.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

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

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

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

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

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

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

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities 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 when they fall due.

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

DIRECTORS

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

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

LIST OF DIRECTORS OF SUBSIDIARY COMPANIES

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

Chan Ho Wai
Chan Poh Lan
Cheng Hui Yen, Natalie
Cheng Hui Ya, Serena (appointed on 15 January 2018)
Cheng Theng How
Chuah Say Chin
Goh Kok Beng
Haji Mohamad Khalid bin Abdullah
Koo Chuan Hong
Chai Kian Chong (resigned with effect from 25 April 2018)
Chai Voon Choy (ceased on 24 August 2018)
Chen Kwong Fatt (resigned with effect from 25 April 2018)
Cheong Poh Heng (ceased on 24 August 2018)
Choo Heng-Ghee (ceased on 5 February 2018)
Lee Kian Lai (resigned with effect from 27 April 2018)
Liew Choon Yick (ceased on 24 August 2018)
Lim Siong Lin (ceased on 24 August 2018)
Loke Shu Sun (passed away on 25 June 2018)
Ng Chin Kwan (resigned with effect from 24 July 2017)
Ng Ho Peng (ceased on 24 August 2018)
Ngan Yow Chong (passed away on 7 September 2017)
Ong See Chiaw (ceased on 5 February 2018)
Rahmat bin Ibrahim (resigned with effect from 25 April 2018)
Shaikh Markhzan Jalani (resigned with effect from 5 March 2018)
Yap Chan Mei (resigned with effect from 21 May 2018)
Yeo Keng Leong (resigned with effect from 15 March 2018)
Khor Toong Yee
Koh Yong Heng
Lee Soon Saam
Lee Whay Keong
Ooi Kim Lai
Poon Sow Har
Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Wang Wing Ying

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	As of 1.7.2017	**Additions**	**Disposals**	**As of 30.6.2018**
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Dato' Eow Kwan Hoong	8,026	–	–	8,026
Lin Chung Dien	7,060	–	–	7,060
Deemed interest				
Tan Sri William H.J. Cheng	170,360,979	–	(174,789)	170,186,190

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

	Number of ordinary shares			
	As of 1.7.2017	Additions	Disposals	As of 30.6.2018
Tan Sri William H.J. Cheng				
Direct interest				
Lion Industries Corporation Berhad	216,865,498	–	–	216,865,498

	Number of ordinary shares			
	As of 1.7.2017	Additions	Disposals	As of 30.6.2018
Tan Sri William H.J. Cheng				
Deemed interest				
Holdsworth Investment Pte Ltd	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	212,500	–	–	212,500
Lion Industries Corporation Berhad	40,741,411	–	(1,249,091)	39,492,320
Lion Group Management Services Sdn Bhd	5,000,000	–	–	5,000,000
LLB Enterprise Sdn Bhd	690,000	–	–	690,000
Marvenel Sdn Bhd	100	–	–	100
Soga Sdn Bhd	4,525,322	–	–	4,525,322
Steelcorp Sdn Bhd	99,750	–	–	99,750
Zhongsin Biotech Pte Ltd	1,000,000	–	–	1,000,000

Investments in the People's Republic of China	**Currency**	**As of 1.7.2017**	**Additions**	**Disposals**	**As of 30.6.2018**
Deemed interest					
Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	USD	10,878,944	–	–	10,878,944

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

HOLDING COMPANIES

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

AUDITORS

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

AUDITORS' REMUNERATION

The remuneration of the auditors for the financial year ended 30 June 2018 is as disclosed in Note 6 to the financial statements.

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
8 October 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position as of 30 June 2018 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 136.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matters	*How the matter was addressed in the audit*
Assessment of investment properties	
As disclosed in Note 20(b)(ii) to the financial statements, the Group has in prior years paid deposits totalling USD25,733,000, equivalent to RM110,461,000 for the purpose of an agricultural project in Cambodia. During the current year, the amounts for freehold land and economic land concession amounting to USD25,733,000, equivalent to RM103,980,000, were reclassified to investment properties. The Directors have made an assessment of the revised plan to realise the freehold land and economic land concession. The assessment of investment properties is considered a key audit matter in view that significant judgement is required to be exercised by the Directors to determine the manner in which the recovery could be made and the amounts that could be realised. The significant judgement made by the Directors in this respect is disclosed in Note 4(i)(c) to the financial statements.	Our audit procedures performed in this area included, among others: • Read and considered agreements and relevant documentation relating to the acquisition of land and economic land concession in Cambodia; • Inquired of management about plans for the properties and evaluated the possible impact on the realisation of the freehold land and economic land concession; • The Group engaged independent valuers to determine the market value of the properties. We made comparison of the carrying amount against the values determined by the independent valuers to evaluate whether impairment has been incurred; • We assessed the competency, capabilities and objectivity of the valuers and verified their qualifications and challenged the variables and assumptions used in the valuations. • We have also assessed the adequacy and appropriateness of the disclosures in the financial statements.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

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

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

8 October 2018

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Revenue	5	**380,474**	339,658	**10,800**	11,028
Other operating income		**15,451**	17,630	**33,899**	26,767
Changes in inventories of finished goods and trading merchandise		**(680)**	792	**–**	–
Raw materials and consumables used		**(36,370)**	(35,290)	**–**	–
Purchase of trading merchandise		**(299,505)**	(256,158)	**–**	(26)
Staff costs	6	**(21,433)**	(20,156)	**(1,604)**	(1,691)
Directors' remuneration	6	**(727)**	(684)	**(727)**	(678)
Depreciation of:					
Property, plant and equipment	10	**(3,734)**	(5,145)	**–**	(1)
Investment properties	11	**(18)**	(18)	**(18)**	(18)
Gain/(Loss) on foreign exchange:					
Realised		**340**	1,960	**–**	3
Unrealised		**(335)**	352	**1,520**	(1,651)
Other operating expenses		**(20,669)**	(28,642)	**(2,625)**	(2,379)
Profit from operations	6	**12,794**	14,299	**41,245**	31,354
Finance costs	7	**(496)**	(907)	**(1)**	(3)
Share in results of associated companies		**1,463**	17,667	**–**	–
Gain on disposal of an associated company	22	**10,231**	–	**–**	–
Provision for indemnity for damages arising from back pay labour claims	27	**(1,152)**	(3,300)	**(1,152)**	(3,300)
Impairment losses on:					
Quoted investments		**–**	(11,043)	**–**	(10,144)
Investment in subsidiary companies	12	**–**	–	**(1,634)**	(34,153)
Profit/(Loss) before tax		**22,840**	16,716	**38,458**	(16,246)
Income tax expense	8	**(3,611)**	(1,957)	**(1,640)**	(2,782)
Profit/(Loss) for the year		**19,229**	14,759	**36,818**	(19,028)
Profit/(Loss) attributable to:					
Owners of the Company		**19,228**	14,746	**36,818**	(19,028)
Non-controlling interests		**1**	13	**–**	–
Profit/(Loss) for the year		**19,229**	14,759	**36,818**	(19,028)
Earnings per ordinary share attributable to owners of the Company (sen)					
Basic	9	**8.44**	6.47		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) for the year	**19,229**	14,759	**36,818**	(19,028)
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss	**–**	–	**–**	–
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences arising from foreign operations	**(9,556)**	6,634	**–**	–
Transfer of other reserves to profit or loss upon disposal of an associated company	**1,384**	–	**–**	–
Net gain/(loss) on available-for-sale financial assets:				
- Fair value changes	**648**	31	**560**	–
- Transfer to profit or loss upon disposal	**(184)**	–	**–**	–
Other comprehensive (loss)/income for the year	**(7,708)**	6,665	**560**	–
Total comprehensive income/(loss) for the year	**11,521**	21,424	**37,378**	(19,028)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	**11,519**	21,411	**37,378**	(19,028)
Non-controlling interests	**2**	13	**–**	–
Total comprehensive income/(loss) for the year	**11,521**	21,424	**37,378**	(19,028)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**18,877**	24,553	**4,777**	4,777
Investment properties	11	**104,609**	578	**560**	578
Investment in subsidiary companies	12	**–**	–	**270,471**	271,646
Investment in associated companies	13	**44,305**	46,660	**–**	–
Other investments	14	**34,211**	33,837	**32,483**	31,923
Intangible assets	15	**–**	–	**–**	–
Goodwill on consolidation	16	**–**	–	**–**	–
Deferred tax assets	17	**7,514**	6,944	**–**	–
Total Non-Current Assets		**209,516**	112,572	**308,291**	308,924
Current Assets					
Inventories	19	**18,482**	16,946	**–**	–
Trade receivables	20(a)	**80,053**	88,569	**–**	–
Other receivables, deposits and prepayments	20(b)	**14,792**	128,505	**198**	4,294
Amount owing by subsidiary companies	12(a)	**–**	–	**25,650**	444
Amount owing by immediate holding company	18	**95,405**	101,906	**–**	–
Amount owing by other related companies	18	**105,819**	108,839	**98,123**	92,239
Tax recoverable		**4,177**	4,347	**–**	62
Fixed deposits, cash and bank balances	21	**109,092**	90,006	**8,944**	6,771
		427,820	539,118	**132,915**	103,810
Asset classified as held for sale	22	**–**	5,365	**–**	–
Total Current Assets		**427,820**	544,483	**132,915**	103,810
Total Assets		**637,336**	657,055	**441,206**	412,734

(Forward)

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	23	**920,902**	920,902	**920,902**	920,902
Reserves	24	**(373,086)**	(384,605)	**(524,901)**	(562,279)
Equity attributable to owners of the Company		**547,816**	536,297	**396,001**	358,623
Non-controlling interests		**–**	757	**–**	–
Total Equity		**547,816**	537,054	**396,001**	358,623
Non-Current and Deferred Liabilities					
Hire-purchase payables	25	**42**	97	**–**	–
Deferred tax liabilities	17	**697**	697	**280**	280
Total Non-Current and Deferred Liabilities		**739**	794	**280**	280
Current Liabilities					
Trade payables	26(a)	**16,212**	23,182	**–**	–
Other payables and accrued expenses	26(b)	**67,595**	67,883	**15,070**	15,349
Provision	27	**3,489**	3,100	**3,489**	3,100
Amount owing to other related companies	18	**807**	1,211	**115**	341
Amount owing to subsidiary companies	12(b)	**–**	–	**25,955**	35,003
Hire-purchase payables	25	**54**	145	**–**	38
Bank borrowings	28	**309**	23,647	**–**	–
Tax liabilities		**315**	39	**296**	–
Total Current Liabilities		**88,781**	119,207	**44,925**	53,831
Total Liabilities		**89,520**	120,001	**45,205**	54,111
Total Equity and Liabilities		**637,336**	657,055	**441,206**	412,734

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

The Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Non-distributable reserves					→				
As of 1 July 2016	231,572	689,330	(1,857)	44,847	382	280	65	(449,313)	515,306	744	516,050
Profit for the year	–	–	–	–	–	–	–	14,746	14,746	13	14,759
Other comprehensive income for the year	–	–	–	6,634	–	–	31	–	6,665	–	6,665
Total comprehensive income	–	–	–	6,634	–	–	31	14,746	21,411	13	21,424
Purchase of treasury shares	–	–	(420)	–	–	–	–	–	(420)	–	(420)
Transfer arising from "no par value" regime (Note 23)	689,330	(689,330)	–	–	–	–	–	–	–	–	–
Transfer to accumulated losses	–	–	–	–	(382)	(280)	–	662	–	–	–
As of 30 June 2017	920,902	–	(2,277)	51,481	–	–	96	(433,905)	536,297	757	537,054
As of 1 July 2017	**920,902**	**–**	**(2,277)**	**51,481**	**–**	**–**	**96**	**(433,905)**	**536,297**	**757**	**537,054**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,228**	**19,228**	**1**	**19,229**
Other comprehensive (loss)/income for the year	**–**	**–**	**–**	**(8,173)**	**–**	**–**	**464**	**–**	**(7,709)**	**1**	**(7,708)**
Total comprehensive (loss)/income	**–**	**–**	**–**	**(8,173)**	**–**	**–**	**464**	**19,228**	**11,519**	**2**	**11,521**
Dividend paid to non-controlling interest of a subsidiary company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(300)**	**(300)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(459)**	**(459)**
As of 30 June 2018	**920,902**	**–**	**(2,277)**	**43,308**	**–**	**–**	**560**	**(414,677)**	**547,816**	**–**	**547,816**

(Forward)

		Non-distributable reserves					
The Company	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Fair value reserve RM'000**	**Capital reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
As of 1 July 2016	231,572	689,330	(1,857)	–	382	(541,356)	378,071
Total comprehensive loss for the year	–	–	–	–	–	(19,028)	(19,028)
Purchase of treasury shares	–	–	(420)	–	–	–	(420)
Transfer arising from "no par value" regime (Note 23)	689,330	(689,330)	–	–	–	–	–
Transfer to accumulated losses	–	–	–	–	(382)	382	–
As of 30 June 2017	920,902	–	(2,277)	–	–	(560,002)	358,623
As of 1 July 2017	**920,902**	**–**	**(2,277)**	**–**	**–**	**(560,002)**	**358,623**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**36,818**	**36,818**
Other comprehensive income for the year	**–**	**–**	**–**	**560**	**–**	**–**	**560**
Total comprehensive income	**–**	**–**	**–**	**560**	**–**	**36,818**	**37,378**
As of 30 June 2018	**920,902**	**–**	**(2,277)**	**560**	**–**	**(523,184)**	**396,001**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

The Group	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**19,229**	14,759
Adjustments for:		
Impairment losses on:		
Trade and other receivables	**5,018**	4,947
Investment properties	**578**	–
Property, plant and equipment	**225**	–
Income tax expense recognised in profit or loss	**3,611**	1,957
Share in results of associated companies	**(1,463)**	(17,667)
Depreciation of:		
Property, plant and equipment	**3,734**	5,145
Investment properties	**18**	18
Finance costs	**496**	907
Impairment losses on quoted investments	**–**	11,043
Allowance for slow-moving and obsolete inventories	**359**	55
Gain on disposal of an associated company	**(10,231)**	–
Gain on disposal of quoted investments	**(184)**	–
Interest income	**(9,207)**	(10,831)
Impairment losses no longer required for trade and other receivables	**(3,627)**	(3,245)
Gain on disposal of property, plant and equipment	**(2,895)**	(876)
Unrealised loss/(gain) on foreign exchange	**335**	(352)
Impairment losses no longer required for unquoted investments	**(74)**	(32)
Dividend income from unquoted investments	**(286)**	(237)
Provision for indemnity for damages arising from back pay labour claims	**1,152**	3,300
Operating Profit Before Working Capital Changes	**6,788**	8,891
(Increase)/Decrease in:		
Inventories	**(1,895)**	(1,916)
Trade receivables	**7,125**	6,658
Other receivables, deposits and prepayments	**3,509**	6,297
Amount owing by immediate holding company	**6,511**	19,058
Amount owing by other related companies	**8,806**	(16,389)
(Decrease)/Increase in:		
Trade payables	**(6,970)**	(16,552)
Other payables and accrued expenses	**(3,164)**	6,139
Cash Generated From Operations	**20,710**	12,186
Interest received	**1,302**	2,654
Income tax refunded	**184**	357
Income tax paid	**(3,919)**	(5,404)
Net Cash From Operating Activities	**18,277**	9,793

(Forward)

The Group	Note	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under fixed deposits pledged		**27,430**	(2,656)
Amount owing by immediate holding company		**(10)**	(1)
Amount owing by other related companies		**(5,786)**	13,955
Interest received from:			
Fixed deposits with licensed banks		**2,021**	2,242
Other related companies		**5,884**	5,935
Proceeds from disposal of an associated company		**17,054**	–
Proceeds from disposal of property, plant and equipment		**6,989**	2,338
Dividend income received from:			
An associated company		**448**	465
Unquoted investments		**286**	237
Proceeds from disposal of quoted investments		**274**	–
Proceeds from redemption of other investments		**74**	32
Purchase of property, plant and equipment		**(2,833)**	(1,224)
Acquisition of non-controlling interests		**(459)**	–
Indemnity paid for litigation claim against a former subsidiary company		**(763)**	(200)
Investment in quoted shares		**–**	(42,064)
Net Cash From/(Used in) Investing Activities		**50,609**	(20,941)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in:			
Bank borrowings		**(21,024)**	(182)
Amount owing to other related companies		**(404)**	(3,671)
Finance costs paid		**(496)**	(907)
Repayment of hire-purchase payables		**(146)**	(252)
Dividend paid to non-controlling shareholders of a subsidiary company		**(300)**	–
Purchase of treasury shares		**–**	(420)
Net Cash Used In Financing Activities		**(22,370)**	(5,432)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**46,516**	(16,580)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**61,678**	78,258
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	**108,194**	61,678

<u>Addition of investment properties</u>

	Note	2018 RM'000	2017 RM'000
Investment properties were acquired by the following mean:			
Other payables	11	**647**	–

(Forward)

The Company	**2018** **RM'000**	**2017** **RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	**36,818**	(19,028)
Adjustments for:		
Finance costs	**1**	3
Unrealised (gain)/loss on foreign exchange	**(1,520)**	1,651
Income tax expense recognised in profit or loss	**1,640**	2,782
Impairment losses on:		
Investment in subsidiary companies	**1,634**	34,153
Quoted investments	**–**	10,144
Depreciation of:		
Property, plant and equipment	**–**	1
Investment properties	**18**	18
Dividend income	**(10,800)**	(11,000)
Interest income	**(6,258)**	(6,555)
Waiver of amount owing to subsidiary companies	**(25,920)**	(18,483)
Gain on disposal of property, plant and equipment	**(87)**	–
Provision for indemnity for damages arising from back pay labour claims	**1,152**	3,300
Operating Loss Before Working Capital Changes	**(3,322)**	(3,014)
Decrease in:		
Trade receivables	**–**	75
Other receivables, deposits and prepayments	**4,096**	117
(Decrease)/Increase in:		
Trade payables	**–**	(9)
Other payables and accrued expenses	**(279)**	45
Cash Generated From/(Used In) Operations	**495**	(2,786)
Income tax paid	**(1,282)**	(1,825)
Net Cash Used In Operating Activities	**(787)**	(4,611)

(Forward)

The Company	Note	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under fixed deposits pledged		**–**	3
Amount owing by other related companies		**(5,884)**	14,065
Amount owing by subsidiary companies		**(25,206)**	(499)
Dividend received from subsidiary companies		**10,100**	11,000
Interest received from:			
Fixed deposits with licensed banks		**206**	293
Other related companies		**5,884**	5,935
Other receivables		**168**	327
Proceeds from disposal of property, plant and equipment		**87**	–
Additions to investment in a subsidiary company		**(459)**	–
Investment in quoted shares		**–**	(42,064)
Indemnity paid for litigation claim against a former subsidiary company		**(763)**	(200)
Purchase of property, plant and equipment		**–**	(1)
Net Cash Used In Investing Activities		**(15,867)**	(11,141)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**19,093**	7,086
Amount owing to other related companies		**(227)**	341
Repayment of hire-purchase payables		**(38)**	(60)
Purchase of treasury shares		**–**	(420)
Finance costs paid		**(1)**	(3)
Net Cash From Financing Activities		**18,827**	6,944
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,173**	(8,808)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**6,771**	15,579
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	**8,944**	6,771

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. GENERAL INFORMATION

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

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

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 8 October 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of new and amended Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 July 2017.

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRSs 2014 - 2016 Cycle

The adoption of these new and amended MFRSs did not result in significant changes on the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company other than the disclosure under Amendments to MFRS 107, as disclosed in Notes 25 and 28.

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

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

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

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) [1]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) [1]
MFRS 16	Leases [2]
MFRS 17	Insurance Contracts [4]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts [1]
Amendments to MFRS 9	Prepayment features with Negative Compensation [2]
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement [2]
Amendments to MFRS 128	Long-term Interest in Associates and Joint Venture [2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]
Amendments to MFRS 140	Transfers of Investment Property [1]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration [1]
IC Interpretation 23	Uncertainty Over Income Tax Treatments [2]

Annual Improvements to MFRSs 2014 - 2016 Cycle [1]

Annual Improvements to MFRSs 2015 - 2017 Cycle [2]

Amendments to References to the Conceptual Framework [3]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted provided MFRS 15 is also applied.
3 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
5 Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The Directors anticipate that the abovementioned MFRSs, amendments to MFRSs and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as further discussed below.

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

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

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by International Accounting Standard Board ("IASB") in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB – MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost ("AC") at the end of subsequent accounting periods.

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instruments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effect of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

MFRS 9 Financial Instruments (continued)

The Directors have preliminary assessed the following for its MFRS 9 adoption:

Financial assets	30.06.2018 RM'000	Classification under MFRS 139	MFRS 9
Group			
Available-for-sale investments	**34,211**	AFS	FVTOCI
Trade receivables	**80,053**	L&R	AC
Other receivables and refundable deposits	**13,423**	L&R	AC
Amount owing by immediate holding company	**95,405**	L&R	AC
Amount owing by other related companies	**105,819**	L&R	AC
Fixed deposits, cash and bank balances	**109,092**	L&R	AC
Company			
Available-for-sale investments	**32,483**	AFS	FVTOCI
Other receivables and refundable deposits	**114**	L&R	AC
Amount owing by subsidiary companies	**25,650**	L&R	AC
Amount owing by other related companies	**98,123**	L&R	AC
Fixed deposits, cash and bank balances	**8,944**	L&R	AC

The Group and the Company expect to apply the simplified approach and record lifetime expected losses on all receivables.

Apart from the impact arising from the expected credit loss model on impairment and providing more extensive disclosures on the Group's and the Company's financial instruments, the Directors do not anticipate that the application of MFRS 9 will have a significant impact on the financial position and/or financial performance of the Group and of the Company.

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

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

Step 1 : Identify the contract(s) with a customer
Step 2 : Identify the performance obligations in the contract
Step 3 : Determine the transaction price
Step 4 : Allocate the transaction price to the performance obligations in the contract
Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In June 2016, the MASB issued Clarifications to MFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors have specifically considered MFRS 15's guidance on contract medication arising from variation orders, identifying performance obligations, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of service to the customer and the timing of the related payments.

Based on the preliminary assessment, the Group estimates that the impact of the revenue allocation to each recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

The Directors intend to use the full retrospective method of transition to MFRS 15. Apart from providing more extensive disclosures on the Group's revenue transactions, the Directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

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

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

MFRS 16 Leases

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset as a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The Directors anticipate that the application of MFRS 16 may have an impact on the amounts reported and disclosures made in the financial statements of the Group. However, it is not practical to provide a reasonable estimate of the effect of the MFRS 16 until the Group completes a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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

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

Basis of Consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

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

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

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

Business Combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies (continued)

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

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

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

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

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

Revenue and Revenue Recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

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

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity.

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

Foreign Currency Conversion

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Conversion (continued)

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

Impairment of Assets

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

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

Non-Current Assets Classified as Held for Sale

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

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

Intangible Assets

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

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

Goodwill on Consolidation

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

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

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

Inventories

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

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

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

Provisions

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

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

Segment Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent Liabilities

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

Financial Instruments

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

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

<u>Financial Assets</u>

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

<u>Effective interest method</u>

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

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

<u>Financial assets at FVTPL</u>

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets at FVTPL (continued)

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

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

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

Held-to-maturity investments

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

AFS financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition of financial assets

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

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

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

Financial Instruments (continued)

Financial liabilities at FVTPL (continued)

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

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

The Group and the Company derecognised financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or expired.

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

(a) Impairment of Receivables

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

As of 30 June 2018, the Group has trade and other receivables due from three major related parties namely Megasteel Sdn Bhd ("Megasteel"), Lion DRI Sdn Bhd ("Lion DRI") and Graimpi Sdn Bhd ("Graimpi"):

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Trade receivables	**382,004**	382,256
Other receivables	**279,038**	279,038
	661,042	661,294
Less: Accumulated impairment losses	**(661,042)**	(661,294)
Net	**–**	–

In view of Megasteel had temporarily stopped operation since previous financial years and 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, the Directors are of the opinion that full impairment losses need to be made on these outstanding amounts.

(b) Impairment of available-for-sale investments

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

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

As at 30 June 2018, the amount of accumulated impairment loss recognised for the available-for-sale investments was RM11,043,000 and RM10,144,200 (2017: RM11,043,000 and RM10,144,200) for the Group and for the Company respectively.

(c) Assessment of Investment Properties

As disclosed in Note 11, the Group has investment properties, which comprise mainly freehold land and economic land concession ("ELC") in Cambodia of RM104,049,000. Significant judgement is exercised in determining the manner in which the recovery of the said investment properties could be made and the amounts that could be realised. The amount expected to be recovered for the said investment properties was determined based on the fair value less cost to sell, by references to the latest valuations carried out by independent firms of professional valuers in July 2018. An impairment loss of RM578,000 has been made for the freehold land during the financial year.

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Non-Current Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2018, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Property, plant and equipment	**225**	3,216	**–**	–
Investment properties	**578**	–	**–**	–
Investment in subsidiary companies	**–**	–	**413,587**	411,953
Other investments	**52,885**	52,959	**–**	–
Intangible assets	**304**	304	**–**	–
Goodwill on consolidation	**191**	191	**–**	–

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

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

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

(b) Depreciation of Property, Plant and Equipment

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

The Group and the Company review the remaining useful lives of property, plant and equipment at the end of each reporting period and ensure consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

(c) Deferred Tax Assets

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

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Sales of goods	**377,722**	333,425	**–**	28
Services rendered	**2,752**	6,233	**–**	–
Gross dividend income from subsidiary companies	**–**	–	**10,800**	11,000
	380,474	339,658	**10,800**	11,028

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income on:				
Fixed deposits with licensed banks	**2,021**	2,242	**206**	293
Other receivables	**168**	327	**168**	327
Advances to other related company	**5,884**	5,935	**5,884**	5,935
Others	**1,134**	2,327	**–**	–
Impairment losses no longer required for trade and other receivables	**3,627**	3,245	**–**	–
Gain on disposal of:				
Property, plant and equipment	**2,895**	876	**87**	–
Quoted investments	**184**	–	**–**	–
Waiver of amount owing to subsidiary companies	**–**	–	**25,920**	18,483
Dividend income from unquoted investments	**286**	237	**–**	–
Impairment losses no longer required for unquoted investments	**74**	32	**–**	–
Rental income from:				
Investment properties rented to:				
Subsidiary companies	**–**	–	**7**	7
Third party	**–**	–	**5**	–
Others	**1,999**	1,107	**–**	–
Bad debts recovered	**14**	70	**–**	8

6. PROFIT FROM OPERATIONS (continued)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impairment losses on:				
Trade and other receivables	**(5,018)**	(4,947)	**–**	–
Investment properties	**(578)**	–	**–**	–
Property, plant and equipment	**(225)**	–	**–**	–
Hire of plant and machinery	**(5)**	(354)	**–**	–
Rental of premises payable to:				
Third parties	**(351)**	(368)	**–**	–
Subsidiary company	**–**	–	**(14)**	(14)
Directors' remuneration	**(727)**	(684)	**(727)**	(678)
Auditors' remuneration:				
Statutory audit:				
Auditors of the Company:				
Current year	**(180)**	(169)	**(70)**	(65)
Over/(Under)provision in prior years	**6**	1	**(5)**	(2)
Other auditors	**(43)**	(49)	**–**	–
Non-audit services	**(6)**	(6)	**(6)**	(6)
Allowance for slow-moving and obsolete inventories	**(359)**	(55)	**–**	–

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM2,303,000 and RM146,000 (2017: RM2,154,000 and RM175,000), respectively.

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fees				
Executive Directors	**40**	40	**40**	40
Non-executive Directors	**150**	150	**150**	144
	190	190	**190**	184
Salaries and other emoluments				
Executive Directors	**499**	458	**499**	458
Non-executive Directors	**38**	36	**38**	36
	537	494	**537**	494
	727	684	**727**	678

7. FINANCE COSTS

Finance costs represent:

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Interest expense on:				
Hire-purchase	**9**	20	**1**	3
Other borrowings	**487**	887	**–**	–
	496	907	**1**	3

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Estimated tax payable:				
Current	**(4,683)**	(6,150)	**(1,437)**	(1,281)
Over/(under)provision in prior years	**502**	1,822	**(203)**	(1,501)
	(4,181)	(4,328)	**(1,640)**	(2,782)
Deferred tax (Note 17):				
Current	**570**	1,245	**–**	–
Overprovision in prior years	**–**	1,126	**–**	–
	570	2,371	**–**	–
	(3,611)	(1,957)	**(1,640)**	(2,782)

8. INCOME TAX EXPENSE (continued)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before tax	**22,840**	16,716	**38,458**	(16,246)
Tax at applicable tax rate of 24%	**(5,482)**	(4,012)	**(9,230)**	3,899
Tax effects of:				
Non-deductible expenses	**(2,055)**	(6,055)	**(315)**	(11,040)
Non-taxable income	**3,131**	1,378	**8,108**	5,860
Tax effect on share in results of associated companies	**352**	4,240	**–**	–
Deferred tax assets not recognised	**–**	(517)	**–**	–
Realisation of deferred tax assets previously not recognised	**(59)**	61	**–**	–
Over/(Under) provision in prior years:				
Income tax	**502**	1,822	**(203)**	(1,501)
Deferred tax	**–**	1,126	**–**	–
	(3,611)	(1,957)	**(1,640)**	(2,782)

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unutilised tax credits which would give rise to net deferred tax asset are recognised to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2018, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Temporary differences arising from:		
Trade and other receivables	**659,494**	659,494
Property, plant and equipment	**32**	32
Others	**21**	21
Unused tax losses and unabsorbed capital allowances	**5,195**	4,949
	664,742	664,496

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

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2018 RM'000	2017 RM'000
Profit attributable to owners of the Company	**19,228**	14,746

	2018 '000	2017 '000
Weighted average number of ordinary shares in issue	**227,827**	228,624
Effect of treasury shares	**–**	(679)
Adjusted weighted average number of ordinary shares	**227,827**	227,945

	2018	2017
Basic earnings per share (sen)	**8.44**	6.47

(b) Diluted earnings per share

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

10. PROPERTY, PLANT AND EQUIPMENT

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

The Group	**COST** **As of 1 July 2017 RM'000**	**Additions RM'000**	**Disposals RM'000**	**Write-off RM'000**	**Currency translation RM'000**	**As of 30 June 2018 RM'000**
Freehold land	**4,777**	**–**	**–**	**–**	**–**	**4,777**
Freehold buildings	**8,422**	**42**	**–**	**–**	**–**	**8,464**
Plant and machinery	**29,255**	**2,079**	**(3,650)**	**–**	**(709)**	**26,975**
Office equipment	**1,147**	**92**	**(49)**	**(2)**	**(2)**	**1,186**
Furniture and fittings	**2,477**	**25**	**(16)**	**–**	**–**	**2,486**
Motor vehicles	**3,028**	**534**	**(966)**	**–**	**(28)**	**2,568**
Prime movers and trailers	**20,731**	**–**	**(18,437)**	**–**	**–**	**2,294**
Office renovation	**694**	**–**	**–**	**–**	**–**	**694**
Computer equipment	**2,678**	**61**	**(1)**	**–**	**–**	**2,738**
	73,209	**2,833**	**(23,119)**	**(2)**	**(739)**	**52,182**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	As of 1 July 2016 RM'000	Charge for the year RM'000	ACCUMULATED DEPRECIATION Disposals RM'000	Write-off RM'000	Currency translation RM'000	As of 30 June 2017 RM'000
Freehold land	–	–	–	–	–	–
Freehold buildings	2,574	167	–	–	–	2,741
Plant and machinery	16,326	2,647	(749)	–	218	18,442
Office equipment	1,076	86	(5)	(15)	–	1,142
Furniture and fittings	1,961	191	–	(5)	–	2,147
Motor vehicles	2,639	255	(183)	–	19	2,730
Prime movers and trailers	17,042	1,640	(3,441)	–	–	15,241
Office renovation	684	4	–	–	–	688
Computer equipment	2,222	155	(38)	(31)	1	2,309
	44,524	5,145	(4,416)	(51)	238	45,440

The Group	As of 1 July 2017 RM'000	Charge for the year RM'000	ACCUMULATED DEPRECIATION Disposals RM'000	Write-off RM'000	Currency translation RM'000	As of 30 June 2018 RM'000
Freehold land	**–**	**–**	**–**	**–**	**–**	**–**
Freehold buildings	**2,741**	**167**	**–**	**–**	**–**	**2,908**
Plant and machinery	**18,442**	**2,530**	**(1,758)**	**–**	**(257)**	**18,957**
Office equipment	**1,142**	**30**	**(48)**	**(2)**	**–**	**1,122**
Furniture and fittings	**2,147**	**205**	**(12)**	**–**	**(1)**	**2,339**
Motor vehicles	**2,730**	**222**	**(613)**	**–**	**(24)**	**2,315**
Prime movers and trailers	**15,241**	**431**	**(13,378)**	**–**	**–**	**2,294**
Office renovation	**688**	**4**	**–**	**–**	**–**	**692**
Computer equipment	**2,309**	**145**	**–**	**–**	**(1)**	**2,453**
	45,440	**3,734**	**(15,809)**	**(2)**	**(283)**	**33,080**

	ACCUMULATED IMPAIRMENT LOSSES				NET BOOK VALUE	
The Group	As of 1 July 2016/ 30 June 2017/ 1 July 2017/ RM'000	Addition RM'000	Disposals RM'000	As of 30 June 2018 RM'000	As of 30 June 2018 RM'000	As of 30 June 2017 RM'000
Freehold land	**–**	**–**	**–**	**–**	**4,777**	4,777
Freehold buildings	**–**	**–**	**–**	**–**	**5,556**	5,681
Plant and machinery	**–**	**225**	**–**	**225**	**7,793**	10,813
Office equipment	**–**	**–**	**–**	**–**	**64**	5
Furniture and fittings	**–**	**–**	**–**	**–**	**147**	330
Motor vehicles	**–**	**–**	**–**	**–**	**253**	298
Prime movers and trailers	**3,216**	**–**	**(3,216)**	**–**	**–**	2,274
Office renovation	**–**	**–**	**–**	**–**	**2**	6
Computer equipment	**–**	**–**	**–**	**–**	**285**	369
	3,216	**225**	**(3,216)**	**225**	**18,877**	24,553

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	As of 1 July 2017 RM'000	Addition RM'000	Disposal RM'000	As of 30 June 2018 RM'000
Freehold land	**4,777**	**–**	**–**	**4,777**
Office equipment	**222**	**–**	**–**	**222**
Furniture and fittings	**393**	**–**	**–**	**393**
Motor vehicles	**558**	**–**	**(379)**	**179**
Office renovation	**256**	**–**	**–**	**256**
Computer equipment	**201**	**–**	**–**	**201**
	6,407	**–**	**(379)**	**6,028**

The Company	ACCUMULATED DEPRECIATION							NET BOOK VALUE	
	As of 1 July 2016 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2017/ 1 July 2017 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2018 RM'000	As of 30 June 2018 RM'000	As of 30 June 2017 RM'000
Freehold land	–	–	–	**–**	**–**	**–**	**–**	**4,777**	4,777
Office equipment	222	–	–	**222**	**–**	**–**	**222**	**–**	–
Furniture and fittings	392	1	–	**393**	**–**	**–**	**393**	**–**	–
Motor vehicles	558	–	–	**558**	**–**	**(379)**	**179**	**–**	–
Office renovation	256	–	–	**256**	**–**	**–**	**256**	**–**	–
Computer equipment	224	–	(23)	**201**	**–**	**–**	**201**	**–**	–
	1,652	1	(23)	**1,630**	**–**	**(379)**	**1,251**	**4,777**	4,777

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

	The Group 2018 RM'000	2017 RM'000
Motor vehicles	**–**	198

11. INVESTMENT PROPERTIES

	The Group			
	Freehold land RM'000	Freehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Cost:				
As of 1 July 2016/30 June 2017	**–**	**906**	**–**	**906**
Addition	**–**	**–**	**647**	**647**
Transferred from other receivables, deposits and prepayments	**48,047**	**–**	**55,933**	**103,980**
As of 30 June 2018	**48,047**	**906**	**56,580**	**105,533**
Accumulated depreciation:				
As of 1 July 2016	–	310	–	310
Charge for the year	–	18	–	18
As of 30 June 2017	**–**	**328**	**–**	**328**
Charge for the year	**–**	**18**	**–**	**18**
As of 30 June 2018	**–**	**346**	**–**	**346**
Accumulated impairment loss:				
As of 1 July 2016/30 June 2017	**–**	**–**	**–**	**–**
Addition	**578**	**–**	**–**	**578**
As of 30 June 2018	**578**	**–**	**–**	**578**
Net book value				
As of 30 June 2017	–	578	–	578
Net book value				
As of 30 June 2018	**47,469**	**560**	**56,580**	**104,609**
Fair value	**47,469**	**865**	**Note a**	

11. INVESTMENT PROPERTIES (continued)

	The Company	
	2018 RM'000	2017 RM'000
Cost:		
At beginning and end of year	**906**	906
Accumulated depreciation:		
At beginning of year	**328**	310
Charge for the year	**18**	18
At end of year	**346**	328
Net book value	**560**	578
Fair value	**865**	865

The income earned by the Company from the rental of investment properties to subsidiary companies amounted to RM7,200 (2017: RM7,200).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM3,143 (2017: RM633). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM7,705 (2017: RM10,215).

The fair value of investment properties is estimated by reference to market evidence of transaction prices for similar properties and the latest valuation carried out by independent firm of professional valuers in July 2018.

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

<u>Note a</u>

Work-in-progress comprises mainly economic land concession ("ELC") in Cambodia. The lease agreements for the ELC which determine the lease period of the land have yet to be obtained. The fair value of the ELC are not reasonably determinable until the ELC are converted into leasehold land. Based on the market evidence of transaction prices for leasehold land by the independent firm of professional valuers in July 2018, the Directors have concluded there is no impairment of ELC.

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2018	**2017**
	RM'000	**RM'000**
Unquoted shares - at cost	**329,058**	328,599
Capital contribution	**355,000**	355,000
Less: Accumulated impairment losses	**(413,587)**	(411,953)
Net	**270,471**	271,646

Movement in the accumulated impairment losses

	The Company	
	2018	**2017**
	RM'000	**RM'000**
At beginning of year	**411,953**	377,800
Addition	**1,634**	34,153
At end of year	**413,587**	411,953

(a) Amount owing by subsidiary companies

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

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

(b) Amount owing to subsidiary companies

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

During the financial year, an amount owing to certain subsidiary companies of RM25,920,000 (2017: RM18,483,000) has been waived by the subsidiary companies.

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

	The Company	
	2018	**2017**
	RM'000	**RM'000**
Ringgit Malaysia	**1,630**	9,149
United States Dollar	**24,325**	25,854
	25,955	35,003

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

	Profit allocated to NCI RM'000	Accumulated NCI RM'000
2018		
Other individually immaterial subsidiary companies	**1**	**–**
2017		
Other individually immaterial subsidiary companies	13	757

The subsidiary companies are as follows:

Name of companies	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Gama Harta Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Lion AMB Resources Berhad #	Malaysia	**100.00**	100.00	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Ototek Sdn Bhd	Malaysia	**100.00**	70.00	Dormant
Posim EMS Sdn Bhd	Malaysia	**100.00**	100.00	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of building materials and steel products
Posim Petroleum Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of petroleum products
Singa Logistics Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of transportation services

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	**100.00**	100.00	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary company of Intra Inspirasi Sdn Bhd				
Beijing Youshi Trading Co Ltd # (Dissolved on 5 February 2018)	People's Republic of China	**–**	100.00	Dormant
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
Alpha Deal Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Bright Triumph Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Brilliant Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Classy Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Distinct Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Dynamic Shine Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Elite Harvest Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Elite Image Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Eminent Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Eminent Prosper Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Grand Ray Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Great Zone Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Harvest Boom Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Jade Harvest International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Jade Power Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Mile Treasure Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Pinnacle Treasure Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Sky Yield Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Superb Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Superb Reap Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Ultra Strategy Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Up Reach Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Subsidiary companies of BVI Companies				
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Brilliant Elite (Cambodia) Co., Limited ^ (Dissolved on 9 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Classy Elite (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Distinct Harvest (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Double Merits (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Dynamic Shine (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
Elite Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Elite Image (Cambodia) Co., Ltd ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Prosper (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Grand Ray (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Great Zone (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Green Choice (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Harvest Boom (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
Jade Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Jade Power (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Mile Treasure (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Sky Yield (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Superb Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Superb Reap (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Ultra Strategy (Cambodia) Co., Ltd ^ (Dissolved on 24 August 2018)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Up Reach (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of Lion AMB Resources Berhad				
AMB Harta (L) Limited	Malaysia	**100.00**	100.00	Treasury business
AMB Harta (M) Sdn Bhd #	Malaysia	**100.00**	100.00	Managing of debts novated from Lion AMB 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	**100.00**	100.00	Investment holding
CeDR Corporate Consulting Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of training services
Subsidiary companies of AMB Venture Sdn Bhd				
Chrome Marketing Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Range Grove Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Seintasi Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	**100.00**	100.00	Provision of management services
Subsidiary companies of Seintasi Sdn Bhd				
Willet Investment Pte Ltd # (Dissolved on 8 January 2018)	Singapore	**–**	100.00	Investment holding

\# The financial statements of these companies are audited by auditors other than the auditors of the Company.

^ The financial statements of these companies are examined for the purpose of consolidation.

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

During the financial year, the Company completed the acquisition of the remaining 30% equity interest in Ototek Sdn Bhd for a cash consideration of RM459,000. Consequently, Ototek Sdn Bhd became a wholly-owned subsidiary company of the Company.

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

13. INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2018	**2017**
	RM'000	**RM'000**
At cost:		
Quoted investment outside Malaysia	**83,486**	83,486
Unquoted investments	**3,212**	15,289
	86,698	98,775
Share of post-acquisition results and reserves less dividends received	**(42,393)**	(46,750)
	44,305	52,025
Reclassified as asset held for sale (Note 22)	**–**	(5,365)
	44,305	46,660
Market value of quoted investment outside Malaysia	**43,948**	42,585

The associated companies are as follows:

Name of companies	Financial Year-end	Country of incorporation	Percentage ownership 2018 %	Percentage ownership 2017 %	Principal activities
Lion Asiapac Limited #	30 June	Singapore	**36.68**	36.68	Investment holding
Renor Pte Ltd #	30 June	Singapore	**20.00**	20.00	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd # (Disposed of on 14 September 2017)	31 March	Malaysia	**–**	20.00	Investment holding

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

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

2018	LAP RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised of financial information			
Proportion of the Group's percentage ownership	**36.68%**		
Assets and liabilities			
Non-current assets	**10,645**	**–**	**10,645**
Current assets	**242,414**	**–**	**242,414**
Non-current liabilities	**(662)**	**–**	**(662)**
Current liabilities	**(8,385)**	**–**	**(8,385)**
Net assets	**244,012**	**–**	**244,012**
Results			
Revenue	**36,719**	**5,463**	**42,182**
Profit for the year	**3,785**	**380**	**4,165**
Group's share of profit of associated companies	**1,387**	**76**	**1,463**
Dividend received from associated companies	**448**	**–**	**448**
Reconciliation of net assets to carrying amount			
Group's share of net assets	**89,505**	**–**	**89,505**
Other adjustments on equity	**(45,200)**	**–**	**(45,200)**
Carrying amount in the statements of financial position	**44,305**	**–**	**44,305**

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

The Group's share in results of an associated company which is under winding-up was recognised to the extent of the carrying amount of the investment. The cumulative and current year's unrecognised share of losses are as follows:

	The Group 2018 RM'000	2017 RM'000
At beginning and end of year	**26,739**	26,739

Amount owing by an associated company is as follows:

	The Group 2018 RM'000	2017 RM'000
Amount owing by an associated company	**–**	1,606
Less: Accumulated impairment losses	**–**	(1,606)
Net	**–**	–

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Movement in the accumulated impairment losses		
At beginning of year	**1,606**	1,606
Written off	**(1,606)**	–
At end of year	**–**	1,606

14. OTHER INVESTMENTS

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Available-for-sale investments				
At fair value:				
Quoted investments in Malaysia:				
Shares	**32,480**	31,920	**32,480**	31,920
Quoted investments outside Malaysia:				
Shares	**–**	186	**–**	–
	32,480	32,106	**32,480**	31,920
At cost:				
Unquoted investments	**1,731**	1,731	**3**	3
	34,211	33,837	**32,483**	31,923
Held-to-maturity investments				
At amortised cost:				
Unquoted bonds (at cost, adjusted for accretion of interest)	**52,885**	52,959	**–**	–
Less: Accumulated impairment losses	**(52,885)**	(52,959)	**–**	–
	–	–	**–**	–
Total	**34,211**	33,837	**32,483**	31,923
Market value of quoted investments:				
In Malaysia	**32,480**	31,920	**32,480**	31,920
Outside Malaysia	**–**	186	**–**	–

Investment in unquoted bonds of the Group bears yield-to-maturity at 4.75% (2017: 4.75%) per annum.

In 2017, the Group and the Company recognised an impairment loss amounting to RM11,043,000 and RM10,144,000 respectively in respect of quoted investments designated as available-for-sale financial assets due to significant and prolonged decline in the fair values of these investments below their costs.

15. INTANGIBLE ASSETS

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Cost:		
At beginning and end of year	**500**	500
Accumulated amortisation:		
At beginning and end of year	**(196)**	(196)
Accumulated impairment losses:		
At beginning and end of year	**(304)**	(304)
	–	–

16. GOODWILL ON CONSOLIDATION

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Goodwill on consolidation:		
At beginning and end of year	**191**	191
Accumulated impairment losses:		
At beginning and end of year	**(191)**	(191)
	–	–

17. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**6,247**	3,876	**(280)**	(280)
Transfer from/(to) profit or loss (Note 8):				
Property, plant and equipment	**570**	1,163	**–**	–
Inventories	**–**	(13)	**–**	–
Other payables and accrued expenses	**–**	1,221	**–**	–
	570	2,371	**–**	–
At end of year	**6,817**	6,247	**(280)**	(280)

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

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets	**7,514**	6,944	**–**	–
Deferred tax liabilities	**(697)**	(697)	**(280)**	(280)
	6,817	6,247	**(280)**	(280)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax assets				
Temporary differences arising from:				
Property, plant and equipment	**852**	282	**–**	–
Inventories	**302**	302	**–**	–
Other payables and accrued expenses	**6,507**	6,507	**–**	–
	7,661	7,091	**–**	–
Offsetting	**(147)**	(147)	**–**	–
Deferred tax assets (after offsetting)	**7,514**	6,944	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**826**	826	**262**	262
Other payables and accrued expenses	**18**	18	**18**	18
	844	844	**280**	280
Offsetting	**(147)**	(147)	**–**	–
Deferred tax liabilities (after offsetting)	**697**	697	**280**	280

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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

(a) Amount owing by immediate holding company, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, is interest-free and repayable on demand except for trade amounts which have a credit period of 60 days (2017: 60 days).

(b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (2017: 60 days). The entire amount owing by other related companies of the Group and of the Company are interest-free except for an amount of RM98,123,000 (2017: RM92,239,000) which bears interest at 6.20% (2017: 6.20%) per annum.

As of 30 June 2018, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group, RM98,123,000 (2017: RM92,239,000) is due from a related company, LLB Harta (M) Sdn Bhd, which constitutes approximately 93% (2017: 85%) of the Group's amount owing by other related companies.

(c) Amounts owing to other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2017: 60 days).

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

Name of Companies	Nature	The Company 2018 RM'000	The Company 2017 RM'000
With subsidiary companies:			
Posim Marketing Sdn Bhd	Trade sales	**–**	28
	Rental income	**4**	4
	Management fee income	**770**	1,108
Posim Petroleum Marketing Sdn Bhd	Rental income	**3**	3
	Management fee income	**574**	556
Lion Petroleum Products Sdn Bhd	Rental expenses	**15**	14
	Management fee income	**49**	50
Lion Rubber Industries Sdn Bhd	Waiver of debts	**–**	(18,483)
Ototek Sdn Bhd	Waiver of debts	**(1,528)**	–
Lion AMB Resources Berhad	Waiver of debts	**(24,292)**	–

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

		The Group		The Company	
Name of Companies	**Nature**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	**1,806**	1,599	**–**	–
	Provision of transportation services	**793**	2,512	**–**	–
With other related companies:					
LLB Harta (M) Sdn Bhd	Interest income on advances	**5,884**	5,935	**5,884**	5,935
Lion Group Management Services Sdn Bhd	Management fee expenses	**3,082**	4,659	**1,917**	1,864
Antara Steel Mills Sdn Bhd	Trade sales	**374**	156	**–**	–
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**142,047**	89,680	**–**	–
With related parties					
Parkson Corporation Sdn Bhd	Trade sales	**1,469**	1,814	**–**	**–**
Akurjaya Sdn Bhd	Interest income	**168**	327	**168**	327

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

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

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Receivables:				
Included in trade receivables	**382,754**	383,081	**–**	–
Included in other receivables	**283,271**	287,349	**14**	4,092
Payables:				
Included in trade payables	**410**	410	**–**	–

Compensation of key management personnel

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

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other remuneration	**1,106**	1,625	**772**	1,313
Defined contribution plans	**74**	134	**34**	96
Benefits-in-kind	**7**	38	**1**	31
	1,187	1,797	**807**	1,440

19. INVENTORIES

	The Group	
	2018 RM'000	2017 RM'000
Finished goods	**83**	234
Raw materials	**8,568**	6,462
Trading merchandise	**10,304**	10,832
Others	**967**	674
	19,922	18,202
Less: Allowance for slow-moving and obsolete inventories	**(1,440)**	(1,256)
Net	**18,482**	16,946

During the financial year, inventories amounting to RM175,000 (2017: RM131,000) were written off against allowance for slow-moving and obsolete inventories.

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**482,752**	491,816	**4,345**	4,345
Less: Accumulated impairment losses	**(402,699)**	(403,247)	**(4,345)**	(4,345)
Net	**80,053**	88,569	**–**	–

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

The credit period granted for sale of goods ranges from 30 to 90 days (2017: 30 to 90 days). Impairment losses are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group and the Company have trade receivables totalling RM14,023,000 and RMNil (2017: RM15,415,000 and RMNil) respectively that are past due at the end of the reporting period but against which the Group and the Company have not recognised impairment losses as the amounts are still considered recoverable.

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	**66,030**	73,154	**–**	–
Past due but not impaired	**14,023**	15,415	**–**	–
Past due and impaired	**402,699**	403,247	**4,345**	4,345
	482,752	491,816	**4,345**	4,345
Ageing of past due but not impaired				
1 to 30 days	**9,805**	10,807	**–**	–
31 to 60 days	**3,830**	3,526	**–**	–
61 to 90 days	**116**	120	**–**	–
More than 90 days	**272**	962	**–**	–
	14,023	15,415	**–**	–

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

(a) Trade receivables (continued)

Movement in the accumulated impairment losses

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At beginning of year	**403,247**	400,135	**4,345**	4,345
Addition	**5,018**	4,947	**–**	–
No longer required	**(3,627)**	(1,511)	**–**	–
Written off	**(1,939)**	(324)	**–**	–
At end of year	**402,699**	403,247	**4,345**	4,345

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

As of 30 June 2018, the Group has trade receivables due from two major related parties, Megasteel and Lion DRI as follows:

	The Group	
	2018 RM'000	**2017 RM'000**
Megasteel	**329,997**	330,249
Lion DRI	**52,007**	52,007
	382,004	382,256
Less: Accumulated impairment losses	**(382,004)**	(382,256)
Net	**–**	–

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

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Other receivables	**293,912**	296,933	**47**	4,120
Less: Accumulated impairment losses	**(283,203)**	(283,203)	**–**	–
	10,709	13,730	**47**	4,120
Deposits	**2,834**	112,940	**65**	81
Prepaid expenses	**1,249**	1,835	**86**	93
	14,792	128,505	**198**	4,294

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

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

Movement in the accumulated impairment losses

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At beginning of year	**283,203**	284,937	**–**	–
No longer required	**–**	(1,734)	**–**	–
At end of year*	**283,203**	283,203	**–**	–

* Included in this amount is an impairment loss of RM279,038,000 (2017: RM279,038,000) on the amounts due from Graimpi and Megasteel, both are related parties.

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

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

- RM272,180,000 (2017: RM272,180,000) due from Graimpi representing debts novated from Lion DRI in prior years, which bears interest at 8.85% per annum.

  At the end of the reporting period, the Group recognised an impairment loss amounting to RM272,180,000 (2017: RM272,180,000) on the said outstanding receivables due from Graimpi.

- In 2017, RM4,078,000 due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, represents a reimbursement for amounts incurred by the Group pursuant to the share sale agreement entered into between Akurjaya and the Company for the disposal of the entire equity interest in Lion Agriculture (Indonesia) Sdn Bhd together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% above base lending rate per annum.

  The amount was fully settled during the financial year.

- RM6,858,000 (2017: RM6,858,000) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years. At the end of the reporting period, the Group recognised an impairment loss amounting to RM6,858,000 (2017: RM6,858,000) on the said outstanding receivables due from Megasteel.

(ii) In 2017, included in deposits of the Group were deposits totalling USD25,733,000 (equivalent to RM110,461,000) paid by the Group in prior years mainly for the purposes of the procurement of economic land concession and freehold land in connection with an agricultural project in Cambodia. The amount has been transferred to investment properties as disclosed in Note 11.

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

	The Group	
	2018 RM'000	**2017 RM'000**
Ringgit Malaysia	**295,022**	299,663
United States Dollar	**2,973**	112,045
	297,995	411,708

21. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed banks:				
Restricted	**898**	26,953	**–**	–
Unrestricted	**88,314**	38,848	**6,928**	4,810
	89,212	65,801	**6,928**	4,810
Cash and bank balances:				
Restricted	**–**	1,375	**–**	–
Unrestricted	**19,880**	22,830	**2,016**	1,961
	19,880	24,205	**2,016**	1,961
	109,092	90,006	**8,944**	6,771

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

Fixed deposits with licensed banks earn interest at rates ranging from 1.20% to 2.90% (2017: 1.20% to 2.90%) per annum and have maturity periods ranging from 1 to 365 days (2017: 1 to 366 days).

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

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**82,159**	60,396	**8,933**	6,759
Chinese Renminbi	**25,307**	27,343	**–**	–
United States Dollar	**1,626**	2,229	**11**	12
Others	**–**	38	**–**	–
	109,092	90,006	**8,944**	6,771

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company in the People's Republic of China ("PRC") amounting to RM25,307,000 (2017: RM27,343,000) are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

In 2017, included in the fixed deposits with licensed banks of the said subsidiary company in PRC was an amount of RM26,000,000 secured for banking facilities as disclosed in Note 28.

22. ASSET CLASSIFIED AS HELD FOR SALE

	The Group	
	2018 RM'000	2017 RM'000
Transfer from investment in associated companies (Note 13)	–	5,365

On 14 April 2017, the Group entered into a share sale agreement with Suzuki Motor Corporation to dispose of its entire 20% equity interest in Suzuki Motorcycle Malaysia Sdn Bhd, an associated company, for a cash consideration of RM17,270,000 ("Disposal"). The Disposal was completed on 14 September 2017 which resulted in a gain of RM10,231,000 for the year ended 30 June 2018.

23. SHARE CAPITAL

	The Group and The Company			
	2018		2017	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Issued share capital:				
Ordinary shares:				
At beginning of year	**231,572**	920,902	**231,572**	231,572
Transfer from share premium	**–**	–	**–**	689,330
At end of year	**231,572**	920,902	**231,572**	920,902

In accordance with the requirements of the Companies Act 2016, the amount standing to the credit of the Company's share premium account has become part of the Company's share capital. The change does not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

24. RESERVES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable reserves:				
Treasury shares	**(2,277)**	(2,277)	**(2,277)**	(2,277)
Translation adjustment reserve	**43,308**	51,481	**–**	–
Fair value reserve	**560**	96	**560**	–
Accumulated losses	**(414,677)**	(433,905)	**(523,184)**	(560,002)
	(373,086)	(384,605)	**(524,901)**	(562,279)

24. 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. In 2017, the amount was 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.

As of 30 June 2018, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747.

Translation adjustment reserve

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

Capital reserve

The capital reserve, which arose from share options lapsed, reclassified from equity compensation reserve in prior years. In 2017, the amount was reclassified to accumulated losses.

Capital redemption reserve

The capital redemption reserve, which is not available for the payment of dividends, arose from the redemption of redeemable preference shares by subsidiary companies. In 2017, the amount was reclassified to accumulated losses.

Fair value reserve

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

25. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total outstanding	**102**	257	**–**	39
Less: Interest-in-suspense	**(6)**	(15)	**–**	(1)
Principal portion	**96**	242	**–**	38
Payable as follows:				
Within the next 12 months (shown under current liabilities)	**54**	145	**–**	38
After the next 12 months	**42**	97	**–**	–
	96	242	**–**	38

The interest rates implicit in these hire-purchase obligations range from 2.47% to 4.68% (2017: 2.47% to 4.68%) per annum.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows have been, or future cash flows will be, classified in the Group and the Company's statement of cash flows as cash flow from financing activities.

	1.7.2017 RM	Financing cash flows RM	30.6.2018 RM
The Group			
Hire-purchase payables	**242**	**(146)**	**96**
The Company			
Hire-purchase payables	**38**	**(38)**	**–**

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (2017: 30 to 90 days).

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**14,639**	22,336	**–**	–
United States Dollar	**1,573**	846	**–**	–
	16,212	23,182	**–**	–

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**27,022**	28,955	**10,108**	10,108
Accrued expenses	**24,315**	24,224	**4,962**	5,241
Deferred revenue	**16,258**	14,704	**–**	–
	67,595	67,883	**15,070**	15,349

<u>Deferred revenue</u>

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

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**62,325**	63,659	**15,070**	15,349
Chinese Renminbi	**4,059**	4,222	**–**	–
Others	**1,211**	2	**–**	–
	67,595	67,883	**15,070**	15,349

27. PROVISION

	The Group and The Company	
	2018	**2017**
	RM'000	**RM'000**
Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees:		
At beginning of year	**3,100**	–
Provision during the year	**1,152**	3,300
Utilised during the year	**(763)**	(200)
At end of year	**3,489**	3,100

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

SFI entered into a settlement agreement with certain of SFI's employees for a cash sum of RM762,976 (2017: RM200,156) to settle the claim in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006, as disclosed in Note 30.

A provision for the indemnity loss of RM3,489,000 (2017: RM3,100,000) has been made for the remaining employees.

28. BANK BORROWINGS

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Secured		
Revolving credit	**–**	23,129
Unsecured		
Bankers acceptances	**309**	518
	309	23,647

The Company has given corporate guarantees of RM309,000 (2017: RM518,000) to financial institutions for the granting of credit facilities to certain subsidiary companies. The credit facilities bear interest at rates ranging from 4.67% to 5.28% (2017: 5.16% to 5.31%) per annum.

The revolving credit facility pertaining to a subsidiary company was denominated in United States Dollar and secured by a charge on another subsidiary company's fixed deposits with a licensed bank as disclosed in Note 21. The facility bore an average interest rate of 2.50% plus 6 months LIBOR per annum and was fully settled during the financial year.

28. BANK BORROWINGS (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows have been, or future cash flows will be, classified in the Group's statement of cash flows as cash flow from financing activities.

	1.7.2017 RM	Financing cash flows RM	Translation adjustment RM	30.6.2018 RM
The Group				
Bank borrowings	**23,647**	**(21,024)**	**(2,314)**	**309**

29. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2017.

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

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

Gearing Ratio

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Debt (i)	**405**	23,889	**–**	38
Equity (ii)	**547,816**	537,054	**396,001**	358,623
Debt to equity ratio	**0.07%**	4.45%	**N/A**	0.01%

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

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

29. FINANCIAL INSTRUMENTS (continued)

Significant accounting policies

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

Categories of financial instruments

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Financial assets				
Available-for-sale investments	**34,211**	33,837	**32,483**	31,923
Loans and receivables:				
Trade receivables	**80,053**	88,569	**–**	–
Other receivables and refundable deposits	**13,423**	24,749	**114**	4,201
Amount owing by subsidiary companies	**–**	–	**25,650**	444
Amount owing by immediate holding company	**95,405**	101,906	**–**	–
Amount owing by other related companies	**105,819**	108,839	**98,123**	92,239
Fixed deposits, cash and bank balances	**109,092**	90,006	**8,944**	6,771
Financial liabilities				
Other financial liabilities:				
Trade payables	**16,212**	23,182	**–**	–
Other payables and accrued expenses	**51,337**	53,179	**15,070**	15,349
Amount owing to other related companies	**807**	1,211	**115**	341
Amount owing to subsidiary companies	**–**	–	**25,955**	35,003
Hire-purchase payables	**96**	242	**–**	38
Bank borrowings	**309**	23,647	**–**	–

Financial Risk Management Objectives and Policies

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

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

29. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk

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

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

Foreign currency sensitivity analysis

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

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

	The Group		**The Company**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
United States Dollar ("USD")	**634**	1,267	**2,433**	2,585

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

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

Interest rate risk

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

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

29. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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

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

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 30 June 2018, is the carrying amount of these receivables as disclosed in the statements of financial position.

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

Cash flow risk

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

Liquidity risk

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

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

29. FINANCIAL INSTRUMENTS (continued)

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

The Group 2018	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	**16,212**	**–**	**–**	**–**	**16,212**	**–**
Other payables and accrued expenses	**51,337**	**–**	**–**	**–**	**51,337**	**–**
Amount owing to other related companies	**807**	**–**	**–**	**–**	**807**	**–**
	68,356	**–**	**–**	**–**	**68,356**	
Interest bearing:						
Hire-purchase payables	**58**	**28**	**16**	**–**	**102**	**2.47 - 4.68**
Bank borrowings	**309**	**–**	**–**	**–**	**309**	**4.67 - 5.28**
	367	**28**	**16**	**–**	**411**	
	68,723	**28**	**16**	**–**	**68,767**	
2017						
Financial liabilities						
Non-interest bearing:						
Trade payables	23,182	–	–	–	23,182	–
Other payables and accrued expenses	53,179	–	–	–	53,179	–
Amount owing to other related companies	1,211	–	–	–	1,211	–
	77,572	–	–	–	77,572	
Interest bearing:						
Hire-purchase payables	154	58	45	–	257	2.47 - 4.68
Bank borrowings	23,647	–	–	–	23,647	5.16 - 5.31
	23,801	58	45	–	23,904	
	101,373	58	45	–	101,476	

29. FINANCIAL INSTRUMENTS (continued)

The Company 2018	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Other payables and accrued expenses	**15,070**	**–**	**–**	**–**	**15,070**	**–**
Amount owing to subsidiary companies	**25,955**	**–**	**–**	**–**	**25,955**	**–**
Amount owing to other related companies	**115**	**–**	**–**	**–**	**115**	**–**
	41,140	**–**	**–**	**–**	**41,140**	
Interest bearing:						
Hire-purchase payables	**–**	**–**	**–**	**–**	**–**	**–**
	41,140	**–**	**–**	**–**	**41,140**	

2017						
Financial liabilities						
Non-interest bearing:						
Other payables and accrued expenses	15,349	–	–	–	15,349	–
Amount owing to subsidiary companies	35,003	–	–	–	35,003	–
Amount owing to other related companies	341	–	–	–	341	–
	50,693	–	–	–	50,693	
Interest bearing:						
Hire-purchase payables	39	–	–	–	39	2.47 - 4.68
	50,732	–	–	–	50,732	

29. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

	The Group		The Company	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2018				
Financial assets				
Available-for-sale investments:				
Quoted investments	**32,480**	**32,480 ^**	**32,480**	**32,480 ^**
Unquoted investments	**1,731**	**– #**	**3**	**– #**
Financial liability				
Hire-purchase payables	**96**	**101***	**–**	**–**
2017				
Financial assets				
Available-for-sale investments:				
Quoted investments	32,106	32,106 ^	31,920	31,920 ^
Unquoted investments	1,731	– #	3	– #
Financial liability				
Hire-purchase payables	242	252 *	38	39 *

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

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

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

Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2018				
Financial Asset				
Quoted investments	**32,480**	**–**	**–**	**32,480**
2017				
Financial Asset				
Quoted investments	32,106	–	–	32,106
The Company				
2018				
Financial Asset				
Quoted investments	**32,480**	**–**	**–**	**32,480**
2017				
Financial Asset				
Quoted investments	31,920	–	–	31,920

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2018				
Financial Liability				
Hire-purchase payables	**–**	**–**	**101**	**101**
2017				
Financial Liability				
Hire-purchase payables	–	–	252	252
The Company				
2018				
Financial Liability				
Hire-purchase payables	**–**	**–**	**–**	**–**
2017				
Financial Liability				
Hire-purchase payables	–	–	39	39

30. CONTINGENT LIABILITIES

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

Indemnity for back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments. The contingent liabilities in relation to these claims have been reduced from RM18,897,258 to RM13,556,275 after the cash settlement with certain SFI's employees and provision made during the financial year as disclosed in Note 27.

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

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

On 13 July 2017, SFI obtained a restraining order whereby all proceedings including but not limited to all proceedings in the Labour Court shall be restrained and stayed ("Restraining Order"). The Restraining Order is currently valid until 13 October 2018.

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

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

On 14 February 2005, a registered owner of a piece of land ("Plaintiff") filed a claim against SFI for wrongful encroachment and damages for the trespassing of Plaintiff's land. The litigation claim has been completely withdrawn and discontinued without liberty to file afresh with a settlement agreement entered into by SFI and the Plaintiff as full and final settlement of the claim.

Corporate guarantees

	The Company	
	2018	**2017**
	RM'000	**RM'000**
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies (Note 28)	**309**	518

31. CAPITAL COMMITMENTS

As of 30 June 2018, the Group has the following capital commitments in respect of land registration fees:

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Approved but not contracted for	**2,810**	–

32. SEGMENT INFORMATION

Business Segments

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

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

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

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

The Group 2018	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	**292,640**	**84,541**	**3,293**	**–**	**380,474**
Inter-segment sales	**–**	**13**	**33**	**(46)**	**–**
Total revenue	**292,640**	**84,554**	**3,326**	**(46)**	**380,474**
Results					
Segment results	**1,314**	**9,719**	**(2,869)**	**–**	**8,164**
Unallocated expenses					**(1,254)**
Unallocated income					**5,884**
Profit from operations					**12,794**
Finance costs	**(6)**	**(43)**	**(447)**	**–**	**(496)**
Share in results of associated companies	**–**	**–**	**1,463**	**–**	**1,463**
Gain on disposal of an associated company	**–**	**–**	**10,231**	**–**	**10,231**
Provision for indemnity for damages arising from back pay labour claims	**–**	**–**	**(1,152)**	**–**	**(1,152)**
Profit before tax					**22,840**
Income tax expense					**(3,611)**
Profit for the year					**19,229**

32. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2018	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Consolidated Statement of Financial Position					
Segment assets	**215,796**	**81,136**	**184,490**	**–**	**481,422**
Investment in associated companies					**44,305**
Unallocated corporate assets					**111,609**
Consolidated Total Assets					**637,336**
Segment liabilities	**28,783**	**37,937**	**20,981**	**–**	**87,701**
Unallocated corporate liabilities					**1,819**
Consolidated Total Liabilities					**89,520**
Other Information					
Capital expenditure	**411**	**2,409**	**660**	**–**	**3,480**
Depreciation	**180**	**1,748**	**1,824**	**–**	**3,752**
Other non-cash items	**1,519**	**612**	**1,835**	**–**	**3,966**

32. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2017	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	251,428	81,389	6,841	–	339,658
Inter-segment sales	–	7	16	(23)	–
Total revenue	251,428	81,396	6,857	(23)	339,658
Results					
Segment results	2,390	11,348	(4,261)	–	9,477
Unallocated expenses					(1,113)
Unallocated income					5,935
Profit from operations					14,299
Finance costs	(8)	(39)	(860)	–	(907)
Share in results of associated companies	–	–	17,667	–	17,667
Provision for indemnity for damages arising from back pay labour claims	–	–	(3,300)	–	(3,300)
Impairment losses on quoted investments	(185)	(255)	(10,603)	–	(11,043)
Profit before tax					16,716
Income tax expense					(1,957)
Profit for the year					14,759

32. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2017	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Consolidated Statement of Financial Position					
Segment assets	222,937	81,980	200,163	–	505,080
Investment in associated companies					46,660
Unallocated corporate assets					105,315
Consolidated Total Assets					657,055
Segment liabilities	35,602	34,573	47,879	–	118,054
Unallocated corporate liabilities					1,947
Consolidated Total Liabilities					120,001
Other Information					
Capital expenditure	3	1,218	3	–	1,224
Depreciation	154	1,816	3,193	–	5,163
Other non-cash items	3,453	358	1,561	–	5,372

Geographical Segments

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

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

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

32. SEGMENT INFORMATION (continued)

Geographical Segments (continued)

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

	Revenue	
	2018	**2017**
	RM'000	**RM'000**
Malaysia	**379,202**	337,909
Other countries	**1,272**	1,749
	380,474	339,658

	Total assets		Capital expenditures	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**456,091**	464,258	**2,833**	1,224
Singapore	**44,305**	46,660	**–**	–
Other countries	**136,940**	146,137	**647**	–
	637,336	657,055	**3,480**	1,224

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

Information about major customers

Revenue of the Group of approximately RM2,599,000 (2017: RM4,111,000) from the building materials, steel products and lubricants, petroleum and automotive products divisions and transportation services is derived from immediate holding company (2017: immediate holding company).

33. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 21)	**88,314**	38,848	**6,928**	4,810
Cash and bank balances (unrestricted) (Note 21)	**19,880**	22,830	**2,016**	1,961
	108,194	61,678	**8,944**	6,771

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2018 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
8 October 2018

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

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

CHAN HO WAI

Subscribed and solemnly declared by the
abovenamed **CHAN HO WAI** at
KUALA LUMPUR in the **FEDERAL TERRITORY**
on this 8th day of October, 2018.

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2018

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Valuation
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (24)	10.3	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (33)	0.1	13.4.1998
Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (20)	0.3	18.3.1999
50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land and building	2-storey shop office (20)	0.1	17.3.1999
B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (16)	0.1	16.7.2004
Preah Net Preah District Bantey Meanchey Province Cambodia	Freehold	3,375 hectares	Land	Vacant	47.5	13.7.2018

ANALYSIS OF SHAREHOLDINGS

Issued Shares as at 30 September 2018

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

Distribution of Shareholdings as at 30 September 2018

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares[(a)]
Less than 100	991	22.15	26,362	0.01
100 to 1,000	1,227	27.42	819,132	0.36
1,001 to 10,000	1,590	35.53	6,929,983	3.04
10,001 to 100,000	577	12.89	17,710,009	7.77
100,001 to less than 5% of issued shares	85	1.90	38,281,306	16.80
5% and above of issued shares	5	0.11	164,059,940	72.02
	4,475	100.00	227,826,732	100.00

Substantial Shareholders as at 30 September 2018

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

Note:

[(a)] *Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2018.*

Thirty Largest Registered Shareholders as at 30 September 2018

Registered Shareholders		No. of Shares	% of Shares[(a)]
1.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-3	58,632,704	25.74
2.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-1	30,150,000	13.23
3.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-2	30,150,000	13.23
4.	Lion Industries Corporation Berhad	28,850,000	12.66
5.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LI00157M)	16,277,236	7.14
6.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-4	4,700,000	2.06
7.	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	3,287,400	1.44
8.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeoh Joey Keng (E-TSA)	2,576,900	1.13
9.	Citigroup Nominees (Asing) Sdn Bhd GSCO LLC for Blackwell Partners LLC (Series A)	1,944,480	0.85
10.	Lim Boon Liat	1,840,000	0.81
11.	Ng Teng Song	1,787,000	0.78
12.	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CQS - CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,547,364	0.68
13.	Wu Teng Siong	1,099,000	0.48
14.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	811,566	0.36
15.	CIMSEC Nominees (Asing) Sdn Bhd Exempt AN for CQS - CIMB Securities (Singapore) Pte Ltd (Retail Clients)	775,525	0.34
16.	Lion Development (Penang) Sdn Bhd	734,745	0.32
17.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Siak Hwee (E-BPT)	695,400	0.31
18.	Teoh Hooi Bin	632,552	0.28
19.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Qwee Beng	581,800	0.26
20.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Seong	524,300	0.23
21.	Tirta Enterprise Sdn Bhd	494,868	0.22
22.	Lee Yu Yong @ Lee Yuen Ying	475,606	0.21
23.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NJ3F for Discerene Fund LP	455,520	0.20
24.	Ong Sai Hoon	415,000	0.18
25.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Kiam Hsung	384,100	0.17
26.	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Wu Teng Siong	381,000	0.17
27.	Maybank Nominees (Asing) Sdn Bhd Nomura Singapore Limited for Xcess Finance Co Ltd (250251)	376,500	0.17
28.	Pacific & Orient Insurance Co Berhad	369,900	0.16
29.	Lim Ying Ying	340,033	0.15
30.	Gan Tee @ Gan Bon Hor	335,400	0.15

Note:

(a) *Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2018.*

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2018

The Directors' interests in shares in the Company and its related corporations as at 30 September 2018 are as follows:

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

	Direct Interest		Deemed Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Related Corporations				
Tan Sri William H.J. Cheng				
Holdsworth Investment Pte Ltd	–	–	4,500,000	100.00
Inspirasi Elit Sdn Bhd	–	–	212,500	85.00
Lion Industries Corporation Berhad ("LICB")	222,785,449	32.72[b]	33,572,369	4.93[b]
Lion Group Management Services Sdn Bhd	–	–	5,000,000	100.00
LLB Enterprise Sdn Bhd	–	–	690,000	69.00
Marvenel Sdn Bhd	–	–	100	100.00
Soga Sdn Bhd	–	–	4,525,322	98.12
Steelcorp Sdn Bhd	–	–	99,750	99.75
Zhongsin Biotech Pte Ltd	–	–	1,000,000	100.00

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

Notes:

(a) *Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2018.*

(b) *Excluding a total of 37,105,300 shares in LICB bought back by LICB and retained as treasury shares as at 30 September 2018.*

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 2018.

OTHER INFORMATION

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

There were no material contracts entered by the Company and its subsidiaries involving Directors' and major shareholders' interests since the end of the previous financial year or which are still subsisting at the end of the financial year.

(II) NON-AUDIT FEES

The amount of non-audit fees paid to External Auditors for the financial year was RM6,000 (RM6,000 in 2017).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2018 were as follows:

Nature of Recurrent Transactions	Related parties	Amount RM'000
(a) Trading and distribution		
(i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Industries Corporation Berhad Group ("LICB Group")	142,047
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Parkson Holdings Berhad Group ("Parkson Group")	1,728
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LICB Group	2,180
	Lion Asiapac Limited Group	9
		2,189
(b) Others		
(i) Provision of transportation and forwarding services	LICB Group	793
(ii) Sale of consumer products	Parkson Group	640
(iii) Obtaining of management services	LICB Group	3,082

Notes:

(i) "Group" includes subsidiary and associated companies.

(ii) The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

FORM OF PROXY

CDS ACCOUNT NUMBER

			–			–										

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the 36th 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 Thursday, 22 November 2018 at 2.00 pm and at any adjournment thereof.

ORDINARY RESOLUTIONS	**FOR**	**AGAINST**
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Y. Bhg. Dato' Eow Kwan Hoong as Director		
4. To re-elect Ms Cheng Hui Ya, Serena as Director		
5. To re-appoint Messrs Deloitte PLT as Auditors		
6. Authority to Directors to Issue Shares		
7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		
SPECIAL RESOLUTION 8. Proposed Adoption of New Constitution of the Company		

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 2018

No. of shares: ....

Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 13 November 2018 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 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- If a member appoints 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 1 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 48 hours before the time for holding the Meeting.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.

LION FOREST INDUSTRIES BERHAD (82056-X)
Level 14, Lion Office Tower
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Wilayah Persekutuan

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