



LION FOREST INDUSTRIES BERHAD

(82056-X)

Laporan Tahunan

2018

Annual Report

CONTENTS

	Page
Notice of Meeting	1
Corporate Information	5
Directors' Profile	6
Profile of Key Senior Management	9
Corporate Governance Overview Statement	10
Statement on Risk Management and Internal Control	18
Audit and Risk Management Committee Report	25
Nomination Committee	31
Remuneration Committee	32
5 Years Group Financial Highlights	33
The Group's Businesses	34
Chairman's Statement:	
Bahasa Malaysia	35
English	36
Chinese	37
Management Discussion and Analysis	38
Sustainability Statement	40
Financial Statements:	
Directors' Report	46
Independent Auditors' Report	51
Statements of Profit or Loss	55
Statements of Comprehensive Income	56
Statements of Financial Position	57
Statements of Changes in Equity	59
Statements of Cash Flows	61
Notes to the Financial Statements	65
Statement by Directors	137
Declaration by the Director	137
List of Group Properties	138
Analysis of Shareholdings	139
Other Information	142
Form of Proxy	Enclosed

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
Resolution 6

"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."
 - 6.1.2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions
Resolution 7

"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

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 Ipemuda 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 Ipemuda 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 Ipemuda 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.

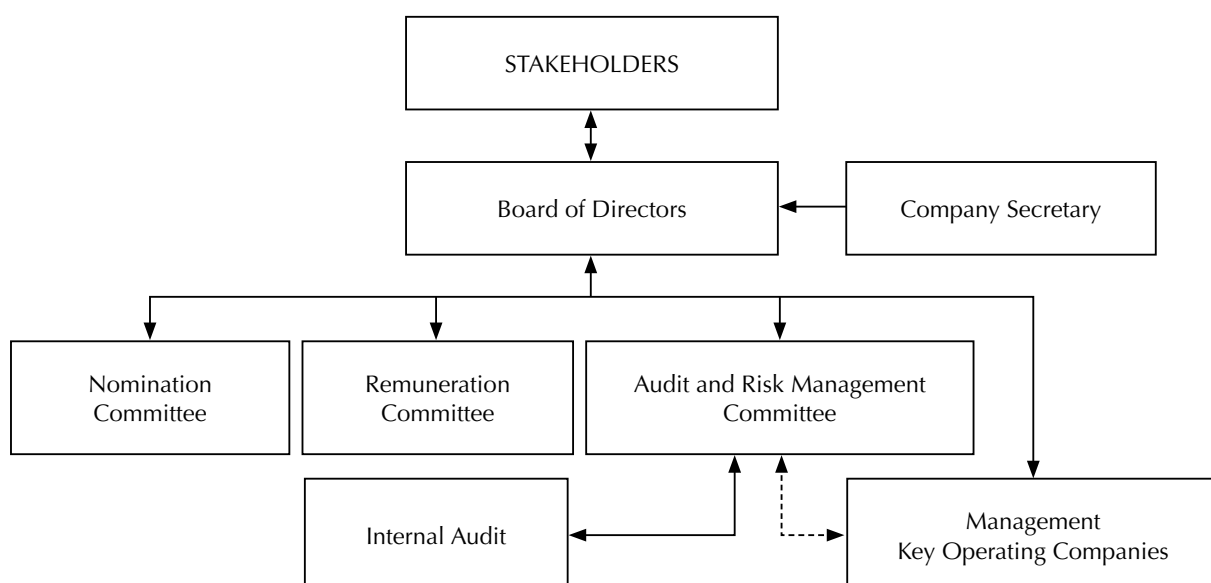
In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes throughout the financial 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Implementation of Sustainability for Public Listed Companies Directors and Corporate Governance Requirement – Annual Report 2018
Cheng Hui Ya, Serena	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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
	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

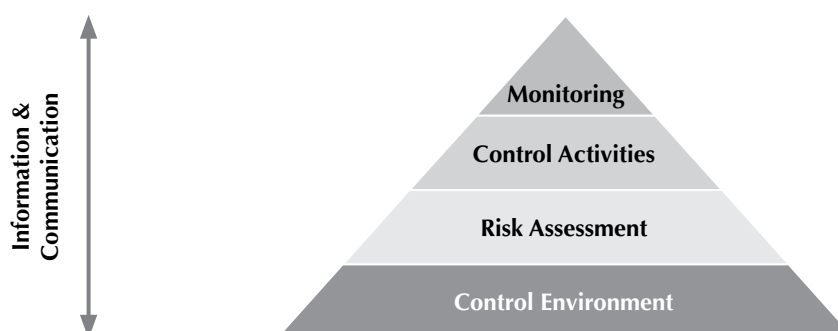
- A set of Group level internal policies and procedures which is maintained centrally and accessible to employees via the intranet. The policies and procedures at both Group level and business or operational level are regularly reviewed for updates to resolve operational deficiencies and to meet new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

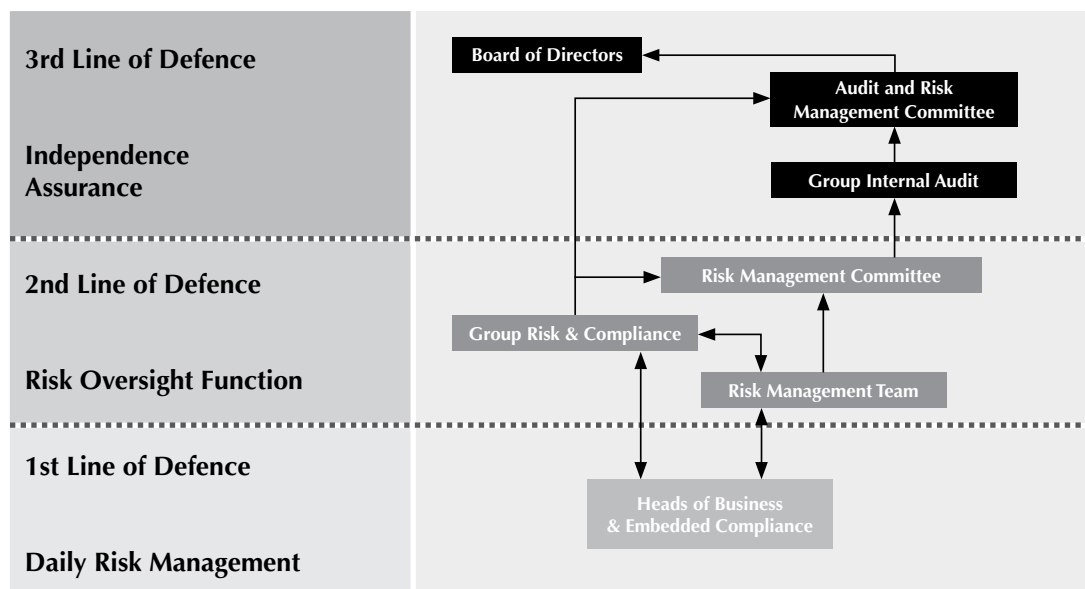
- Internal Audit Charter that is approved by the ARMC articulates the purpose, responsibility and authority of the GIA function as well as the nature of assurance activities provided by the function.
- Annual Audit Plan that is approved by the ARMC provides a basis for audit engagements which also considers 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:



- 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 <i>(Independent Non-Executive Director)</i>
Members	:	Y. Bhg. Dato' Eow Kwan Hoong <i>(Independent Non-Executive Director)</i> Mr Lin Chung Dien <i>(Independent Non-Executive Director)</i>
Terms of Reference	:	<ul style="list-style-type: none"> 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 achievements, 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:

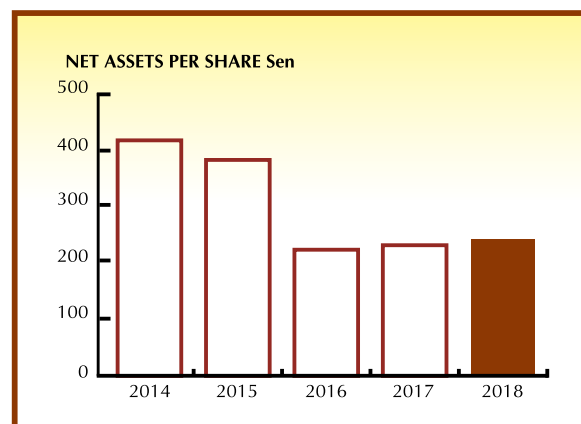
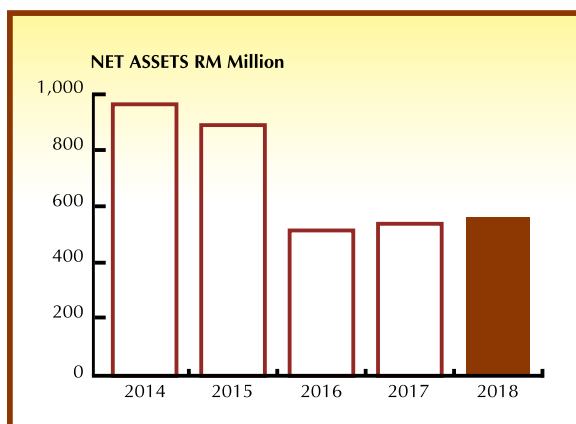
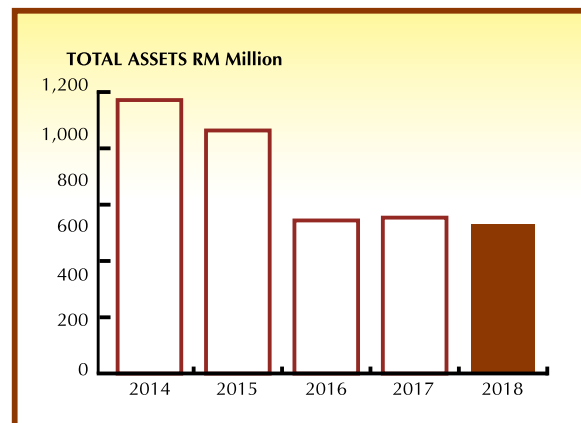
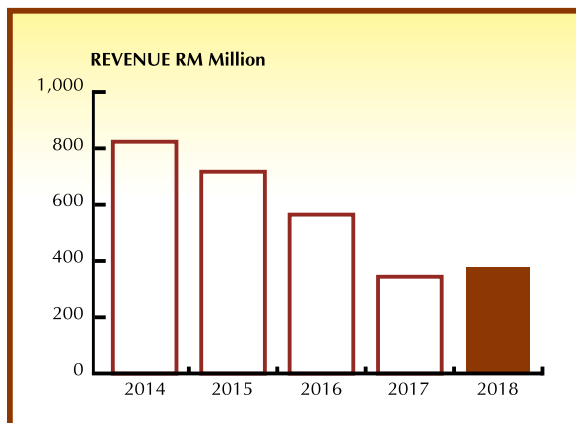
- (i) Reviewed and enhanced the process of the annual evaluation of the effectiveness of the Board as a whole, the Board Committees and the contribution of each of the individual Directors and Audit and Risk Management Committee members following which:
 - (a) forms for performance evaluation of the 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	:	<ul style="list-style-type: none"> • 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 PENERUS

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 Imbuan manakala Encik Lin berkhidmat sebagai ahli bagi Jawatankuasa Audit dan Pengurusan Risiko, Jawatankuasa Penamaan dan Jawatankuasa Imbuan 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联，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

	2018 RM'000	2017 RM'000	Change
Consolidated Statement of Profit or Loss			
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			
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%

Segment Results	Revenue			Segment Profit/(Loss)		
	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. To date, 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, to date 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.

To date, 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	<u>19,229</u>	<u>36,818</u>
Profit attributable to:		
Owners of the Company	19,228	
Non-controlling interests	1	
	<u>19,229</u>	

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	Khor Toong Yee
Chan Poh Lan	Koh Yong Heng
Cheng Hui Yen, Natalie	Lee Soon Saam
Cheng Hui Ya, Serena (appointed on 15 January 2018)	Lee Whay Keong
Cheng Theng How	Ooi Kim Lai
Chuah Say Chin	Poon Sow Har
Goh Kok Beng	Tan Sri William H.J. Cheng
Haji Mohamad Khalid bin Abdullah	Tan Sri Cheng Yong Kim
Koo Chuan Hong	Wang Wing Ying
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)	

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:

	As of 1.7.2017	Number of ordinary shares		As of 30.6.2018
		Additions	Disposals	
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:

	As of 1.7.2017	Number of ordinary shares		As of 30.6.2018
		Additions	Disposals	

Tan Sri William H.J. Cheng

Direct interest

Lion Industries Corporation Berhad	216,865,498	–	–	216,865,498
------------------------------------	-------------	---	---	-------------

	As of 1.7.2017	Number of ordinary shares		As of 30.6.2018
		Additions	Disposals	

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.

<i>Key audit matters</i>	<i>How the matter was addressed in the audit</i>
<p>Assessment of investment properties</p> <p>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.</p> <p>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.</p> <p>The Directors have made an assessment of the revised plan to realise the freehold land and economic land concession.</p> <p>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.</p> <p>The significant judgement made by the Directors in this respect is disclosed in Note 4(i)(c) to the financial statements.</p>	<p>Our audit procedures performed in this area included, among others:</p> <ul style="list-style-type: none"> • 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		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	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)				
<u>Items that will not be reclassified subsequently to profit or loss</u>	-	-	-	-
<u>Items that may be reclassified subsequently to profit or loss</u>				
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		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	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		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	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	Non-distributable reserves				Attributable to owners of the Company			Non-controlling interests RM'000	Total equity 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	Company RM'000			
As of 1 July 2016	231,572	689,330	(1,857)	44,847	382	280	65	(449,313)	515,306	744	516,050	
Profit for the year	-	-	-	-	-	-	-	14,746	14,746	13	14,759	
Other comprehensive income for the year	-	-	-	6,634	-	-	31	-	6,665	-	6,665	
Total comprehensive income	-	-	-	6,634	-	-	31	14,746	21,411	13	21,424	
Purchase of treasury shares	-	-	(420)	-	-	-	-	-	(420)	-	(420)	
Transfer arising from "no par value" regime (Note 23)	689,330	(689,330)	-	-	-	-	-	-	-	-	-	
Transfer to accumulated losses	-	-	-	-	(382)	(280)	-	662	-	-	-	
As of 30 June 2017	920,902	-	(2,277)	51,481	-	-	96	(433,905)	536,297	757	537,054	
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)

The Company	Non-distributable reserves						Total equity RM'000
	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	
As of 1 July 2016							
Total comprehensive loss for the year	231,572	689,330	(1,857)	-	382	(541,356)	378,071
Purchase of treasury shares	-	-	(420)	-	-	(19,028)	(19,028)
Transfer arising from "no par value" regime (Note 2.3)	689,330	(689,330)	-	-	-	-	(420)
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

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	2017
	RM'000	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
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Cash Generated From/(Used In) Operations	495	(2,786)
Income tax paid	(1,282)	(1,825)
	<hr/>	<hr/>
Net Cash Used In Operating Activities	(787)	(4,611)
	<hr/> <hr/>	<hr/> <hr/>

(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		<u>(15,867)</u>	<u>(11,141)</u>
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		<u>18,827</u>	<u>6,944</u>
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	<u>8,944</u>	<u>6,771</u>

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
	<hr/> <hr/>		
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
	<hr/> <hr/>		

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.