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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth 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 on 23 November 2016 at 2.30 pm for the following purposes:

AGENDA

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

2. To approve the payment of Directors' fees amounting to RM181,000 (2015: RM164,000). **Resolution 1**

3. To re-elect Y. Bhg. Dato' Kalsom binti Abd. Rahman who retires by rotation in accordance with Article 98 of the Company's Articles of Association. **Resolution 2**

4. To consider and, if thought fit, pass the following resolutions pursuant to Section 129(6) of the Companies Act, 1965 as Ordinary Resolutions:

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Tan Sri William H.J. Cheng be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 3**

   "THAT pursuant to Section 129(6) of the Companies Act, 1965, Mr Lin Chung Dien be and is hereby re-appointed Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 4**

5. To re-appoint Auditors to hold office until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 5**

6. Special Business

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

6.1 Retention of Independent Non-Executive Director

   "THAT subject to the passing of Resolution 2, Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served as an independent non-executive Director of the Company for more than nine (9) years, be and is hereby retained as an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 6**

6.2 Retention of Independent Non-Executive Director

   "THAT subject to the passing of Resolution 4, Mr Lin Chung Dien who would have served as an independent non-executive Director of the Company for nine (9) years by February 2017, be and is hereby retained as an independent non-executive Director of the Company to hold office until the next annual general meeting of the Company." **Resolution 7**

6.3 Authority to Directors to Issue Shares

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 8**

6.4 Proposed Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 31 October 2016 ("Related Parties") which has been despatched to the shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 9**

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

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

(ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

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

whichever is the earlier; and

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution which shall include, without limitation, taking any action which the Directors may, in their absolute discretion deem fit, to recover any sums due to the Company under the said transactions or to settle the same."

6.5 Proposed Renewal of Authority for Share Buy-Back

"THAT, subject to the Companies Act, 1965, the provisions of the Articles of Association of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and the approvals of all relevant authorities, the Company be and is hereby authorised to buy back such number of ordinary shares of RM1.00 each in the Company ("Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that: **Resolution 10**

(i) the aggregate number of shares bought back and/or held by the Company does not exceed 10% of the total issued and paid-up capital of the Company at any point of time provided always that in the event the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellation of shares, sale of shares on the market of Bursa Securities or distribution of treasury shares to shareholders as dividend in respect of shares bought back under the previous shareholders' mandates for share buy-back which were obtained at the previous Annual General Meetings held on or before 23 November 2015, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed 10% of the total issued and paid-up capital of the Company; and

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

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

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

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

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

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

whichever occurs first; and

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

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

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

By Order of the Board

WONG PHOOI LIN
WONG PO LENG
Secretaries

Kuala Lumpur
31 October 2016

Notes:

1. *Agenda Item 1*

   This item of the Agenda is meant for discussion only. The provisions of Section 169 of the Companies Act, 1965 require that the Directors' Report and the Audited Financial Statements be laid before the Company at its Annual General Meeting. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

2. *Proxy*

   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 16 November 2016 shall be eligible to attend the Meeting.*

   - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*

     Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

   - *The instrument of proxy shall be deposited at the Office of the Registrar of the Company, Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting.*

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

3. *Circular to Shareholders dated 31 October 2016 ("Circular")*

   Details on the following are set out in the Circular enclosed together with the 2016 Annual Report:

   (i) Part A - Proposed Shareholders' Mandate for Recurrent Related Party Transactions

   (ii) Part B - Proposed Renewal of Authority for Share Buy-Back

4. *Resolutions 6 and 7*

   The Board assisted by the Nomination Committee, has assessed the independence of Y. Bhg. Dato' Kalsom binti Abd. Rahman who has served on the Board as an independent non-executive Director of the Company for more than nine (9) years and Mr Lin Chung Dien who would have served on the Board as an independent non-executive Director for nine (9) years by February 2017, and has recommended that the approval of the shareholders be sought to retain Dato' Kalsom and Mr Lin as independent non-executive Directors as they possess the following attributes necessary in discharging their roles and functions as independent non-executive Directors of the Company:

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

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

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

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

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

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

5. *Resolution 8*

   This approval will allow the Company to procure the renewal of the general mandate ("General Mandate") which will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid-up capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 23 November 2015 which will lapse at the conclusion of this Annual General Meeting.

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

6. *Resolution 9*

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

7. *Resolution 10*

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

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of the Directors standing for re-appointment at the Thirty-Fourth Annual General Meeting of the Company are set out in the Directors' Profile on pages 7 to 9 of the 2016 Annual Report.

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman)* Mr Chan Ho Wai *(Executive Director)* Ms Cheng Hui Ya, Serena *(Executive Director)* Y. Bhg. Dato' Kalsom binti Abd. Rahman Y. Bhg. Dato' Eow Kwan Hoong Mr Lin Chung Dien
Secretaries	:	Ms Wong Phooi Lin Ms Wong Po Leng
Company No	:	82056-X
Registered Office	:	Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel No : 03-21420155 Fax No : 03-21413448 Website : www.lion.com.my/lionfib
Share Registrar	:	Secretarial Communications Sdn Bhd Level 13, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	:	Deloitte Level 16, Menara LGB 1 Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur
Principal Bankers	:	CIMB Bank Berhad Bank Muamalat Malaysia 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 73, was appointed to the Board on 15 January 1991 and has been the Chairman since 27 August 1997.

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

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

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

- Chairman of Lion Diversified Holdings Berhad
- Chairman and Managing Director of Parkson Holdings Berhad

He is also the Chairman and Managing Director of Lion Corporation Berhad, the Chairman of ACB Resources Berhad, and a Founding Trustee of The Community Chest, a company limited by guarantee established by the private sector for charity purposes.

Tan Sri William Cheng has a direct shareholding of 400 ordinary shares of RM1.00 each in the Company ("LFIB Shares") and an indirect interest in 170,361,979 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 131 of this Annual Report. He also has interests in certain companies which conduct similar business with the Group in the plantation sector.

Tan Sri William Cheng's daughter, Ms Cheng Hui Ya, Serena and his brother-in-law, Mr Chan Ho Wai are the Executive Directors of the Company, and his nephew, Y. Bhg. Tan Sri Cheng Yong Kim, is a major shareholder of the Company.

Tan Sri William Cheng attended five (5) of the six (6) Board Meetings of the Company held during the financial year ended 30 June 2016.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, male, aged 60, was appointed an Executive Director of the Company on 1 August 2008. He is also a member of the Remuneration Committee of the Company.

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

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

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

Mr Chan attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2016.

Cheng Hui Ya, Serena
Executive Director

Ms Cheng Hui Ya, Serena, a Malaysian, female, aged 30, was appointed an Executive Director of the Company on 24 August 2015.

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

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

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

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

Ms Cheng attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2016.

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

Y. Bhg. Dato' Kalsom binti Abd. Rahman, a Malaysian, female, aged 68, was appointed to the Board on 23 August 2004. She is also the Chairman of the Company's Audit and Risk Management Committee and Nomination Committee.

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

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

She was a Director of Malaysian Industrial Development Finance Berhad and its certain subsidiaries from 2001 to March 2016.

Dato' Kalsom's other directorships in public companies are as follows:

- MIDF Property Berhad
- MISC Berhad, a public listed company.

Dato' Kalsom attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2016.

Dato' Eow Kwan Hoong
Independent Non-Executive Director

Y. Bhg. Dato' Eow Kwan Hoong, a Malaysian, male, aged 63, was appointed to the Board on 14 December 2012. He is also the Chairman of the Company's Remuneration Committee and a member of the Audit and Risk Management Committee and Nomination Committee.

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

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

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

Dato' Eow has a direct shareholding of 8,026 ordinary shares of RM1.00 each in the Company.

Dato' Eow attended all six (6) Board Meetings of the Company held during the financial year ended 30 June 2016.

Lin Chung Dien
Independent Non-Executive Director

Mr Lin Chung Dien, a Taiwanese, male, aged 73, 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. 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 of RM1.00 each in the Company.

Mr Lin attended four (4) of the six (6) Board Meetings of the Company held during the financial year ended 30 June 2016.

Save as disclosed above, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past five (5) years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

Ngan Yow Chong
Malaysian, male, 59 years of age

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

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

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

Ng Chin Kwan
Malaysian, male, 59 years of age

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

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

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

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

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

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

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

None of the Key Senior Management has (i) any directorship in public companies and listed issuers; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past five (5) years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Directors ("Board") recognises the importance of practising and maintaining sound corporate governance to direct the businesses and practices of the Group towards enhancing business prosperity, sustainability and on-going value creation for its stakeholders. The Board is fully committed in ensuring that a high standard of corporate governance is practised and maintained throughout the Group as the underlying principles in discharging its roles and responsibilities.

The Board is pleased to present below the Governance Framework and how the Group has applied the guiding principles of good governance and the extent to which it has complied with the Principles and Recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG"). The principles and recommended best practices have been applied consistently throughout the financial year ended 30 June 2016 except where otherwise rationalised herein. The Board has also taken into account the requirements issued by the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and under the various Guides.

Corporate Governance Framework

Board Charter

The Board has established a Board Charter which is available on the Company's website at www.lion.com.my/lionfib. The Board Charter clearly sets out the principal roles of the Board, the demarcation of the roles, functions, responsibilities and powers of the Board, the Board Committees and the Management. It also defines the specific accountabilities and responsibilities of the Board to enhance coordination, communication and facilitation between the Management and the Board and ultimately, to reinforce the overall accountability of both the Board and the Management towards the Company and the stakeholders as well as to serve as reference criteria for the Board in the assessment of its own performance and of its individual Directors. In May 2016, the Board reviewed and approved certain revisions to the Board Charter.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Roles and Responsibilities of the Board

The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders' values. The Board retains full and effective control of the Group's strategic plans, overseeing the conduct of the Group's businesses, setting policies, implementing, reviewing and maintaining an appropriate system of risk, control and compliance management and ensuring the adequacy and integrity of the Group's system of internal control. The Board is also responsible in ensuring financial integrity, setting the Group's risk appetite, reviewing and approving material transactions, related party transactions, capital financing and succession planning, and for the implementation of stakeholders' communications.

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year ended 30 June 2016, six (6) Board Meetings were held and each Director attended at least 50% of the total Board Meetings held during the financial year. Details of attendance and a brief profile of each member of the Board are set out in the Directors' Profile section of this Annual Report.

Delegation by the Board

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

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

Board Composition, Independence and Diversity Balance

The Board comprises six (6) Directors, four (4) of whom are non-executive. The current Board of three (3) non-independent Directors, including the Chairman and three (3) independent Directors though complies with the Listing Requirements, is however, not in line with the recommendation of the MCCG which recommends that the board must comprise a majority of independent directors where the chairman of the board is not an independent director. Although the Board is satisfied with the current composition of the Board with equal number of independent and non-independent Directors, it will endeavour to appoint a suitable candidate as an additional independent non-executive Director to the Board.

The broad range of experience, skills and knowledge of the Directors effectively facilitate the discharge of the Board's stewardship.

In promoting diversity, gender and opportunities, the Board in its appointments and composition pays due recognition and weightage to the skills, experience and business acumen of the Directors. The Board reviews the appropriate mix of skills, experience and knowledge required of its members, in the context of the needs of the Group's businesses and strategies. The Board reviews its composition and size from time to time for appropriateness and the fulfilment of the gender diversity representation. The Board currently has two (2) female Directors.

Represented on the Board are three (3) independent non-executive Directors who bring their independent advice, views and judgement to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

Code of Ethics

The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("CCM") which can be viewed from the CCM's website at www.ssm.com.my, the provisions of the Companies Act, 1965, and the principles of the MCCG.

The Group has put in place a Code of Ethics covering Code of Business Practice for all Directors and employees of the Group, including the Whistleblower Policy, Competition Policy, Sexual Harassment Policy, Sustainability Policy & Framework, Procurement Policy, Integrity & Fraud Risk Policy and Personal Data Protection Framework of the Group. Such codes and policies are made aware to all Directors and employees and accessible for reference within the Group. The key policies are available on the Company's website at www.lion.com.my/lionfib.

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

Sustainability

The Board in discharging its governance role is guided by the Group's Sustainability Plans/Framework to ensure that the Group's and the Company's business strategies and businesses promote sustainability. This includes due attention and consideration of the Environmental, Social and Governance, and Risks and Compliance aspects of the businesses and operations which underpin its business sustainability. The sustainability activities carried out by the Group are set out in the Sustainability Statement on pages 38 and 39 of this Annual Report. The Governance aspects are set out herein whilst the Risks and Compliance aspects are also set out herein and in the Statement on Risk Management and Internal Control on pages 20 to 22 of this Annual Report.

Supply of Information

The Board, as a whole and its members in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon. Senior Management of the Group are also invited to attend Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order for the Board to arrive at an informed decision.

Besides direct interactions with the Management, external independent professional advisers are also made available at the Company's expense to render their independent views and advice to the Board, whenever deemed necessary and under appropriate circumstances or at the request of the Board.

Company Secretaries

The Company Secretaries advise the Board and its Committees on their duties and obligations, and the appropriate requirements, disclosures and procedures to be complied with in relation thereto. The Company Secretaries are also responsible in ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with.

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

The Company Secretaries update and apprise the Directors on a continuing basis on new and revised requirements to the Listing Requirements.

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

STRENGTHEN COMPOSITION

Nomination Committee

The Nomination Committee comprises three (3) members, all of whom are non-executive independent Directors. The Nomination Committee is chaired by Y. Bhg. Dato' Kalsom binti Abd. Rahman, who is also the senior independent Director identified by the Board. The members and terms of reference of the Nomination Committee are presented on page 28 of this Annual Report and are available for reference on the Company's website at www.lion.com.my/lionfib.

Appointment to the Board and the Effectiveness of the Board

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board and the Board Committees. The Nomination Committee annually reviews and assesses the effectiveness of the Board and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's terms of reference.

The assessment criteria of the Board's evaluation/performance review process as well as the process and criteria to identify and nominate candidates for appointment as a Director, and re-elect and re-appoint existing Directors are set out in the Board Charter.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the competencies, commitment, contribution, performance and board diversity including the appropriateness and the fulfilment of the gender diversity representation, and the required mix of skills, qualifications, expertise and experience, knowledge, professionalism and integrity which would contribute to the overall desired composition of the Board.

The Directors' mix of skills are set out in the respective Director's Profile on pages 7 to 9 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 whereat all the members attended and carried out the following duties in accordance with the terms of reference:

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

(ii) Reviewed the retirement and re-election, and re-appointment of Directors for Board's consideration.

(iii) Reviewed the retention of Y. Bhg. Dato' Kalsom binti Abd. Rahman whose tenure of service as an independent Director has exceeded nine (9) years and Mr Lin Chung Dien whose tenure of service will exceed nine (9) years by February 2017, for recommendation to shareholders for their approval based on the attributes necessary in discharging their roles and functions as an independent Director.

(iv) Reviewed the training needs of the Directors.

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

Re-election, Re-appointment and Retention of Directors

In accordance with the Articles of Association of the Company, one-third (1/3) of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every three (3) years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next annual general meeting following their appointment. The Nomination Committee is responsible for recommending to the Board the re-election of Directors, the re-appointment of those Directors who are over 70 years of age, and the retention of the independent Directors whose tenure of service will exceed nine (9) years or have exceeded nine (9) years, for shareholders' approval at the next annual general meeting.

Directors' Remuneration

The Company has adopted the objective as recommended by the MCCG in determining the remuneration of executive Directors so as to ensure that it attracts and retains the Directors needed to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The responsibilities for developing a formal remuneration policy and determining the remuneration packages of executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The members and terms of reference of the Remuneration Committee are presented on page 28 of this Annual Report.

Directors' fees are recommended by the Board for the approval by shareholders of the Company at the annual general meeting.

For confidentiality, the details of the Directors' remuneration are not disclosed for each individual Director. The transparency and accountability aspects of corporate governance applicable to Directors' remuneration recommended by the best practices of the MCCG are deemed appropriately served by the disclosures in the ensuing paragraphs.

The aggregate remuneration of Directors who served during the financial year ended 30 June 2016 are categorised as follows:

	Fees RM'000	Salaries & Other Emoluments RM'000	Total RM'000
The Group			
Executive Directors[(a)]	37	442	479
Non-executive Directors[(b)]	164	–	164
	201	442	643
The Company			
Executive Directors[(a)]	37	442	479
Non-executive Directors[(b)]	144	–	144
	181	442	623

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

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

Notes:
(a) Including an Executive Director of the Company who was appointed during the financial year
(b) Including Directors who are also Directors of a wholly-owned subsidiary of the Company

REINFORCE INDEPENDENCE

Assessment of Independent Directors and Board Performance Evaluation

The Board observes the recommendation by the MCCG in ensuring that the independent Directors bring independent and objective judgement to the Board deliberations. Accordingly, the Board assisted by the Nomination Committee assesses the independent Directors on an annual basis. In addition, the independent Directors affirm their independence annually to the Board. The Board with the assistance of the Nomination Committee also assesses the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director, including independent Directors, on an annual basis. All assessments and evaluations carried out by the Nomination Committee in discharging its duties were also properly documented.

In line with the MCCG, the Board has adopted a nine (9)-year policy for independent Directors. The tenure of an independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent Director may continue to serve on the Board subject to the Director being re-designated as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval.

Based on the assessment carried out for the financial year ended 30 June 2016, the Board was satisfied with the level of independence of the independent non-executive Directors and their ability to act in the best interest of the Company. The Board was also satisfied that the Board and the Board Committees have discharged their duties and responsibilities effectively and that the Board composition in terms of size, gender diversity, the balance between executive, non-executive and independent Directors, and mix of skills and experience was adequate.

The Roles and Functions of Chairman and EDs

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

FOSTER COMMITMENT

Time Commitment

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

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

Directors' Training

All members of the Board have attended Bursa Securities' Mandatory Accreditation Programme ("MAP").

The Directors are also encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates.

During the financial year, the Directors had attended the following breakfast series, briefing session and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities and prospects in various industries and countries, risk management and internal controls, management, entrepreneurship and leadership, regulatory updates and requirements, finance, and sustainability covering community, environment, marketplace and workplace:

Name of Directors	Programmes
Tan Sri William H.J. Cheng	• Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom" • Parkson Retail Asia Limited In-house Directors' Training on "Continuing Listing Obligations of the Singapore Exchange Securities Trading Limited" • Parkson Retail Group Limited In-house Directors' Training on "Environmental, Social and Governance"
Chan Ho Wai	• Bursa Malaysia in collaboration with Iclif – CG Breakfast Series with Directors – "Bringing the Best Out in Boardrooms" • Bursa Malaysia ASEAN Cap10 Sustainability Series – Sustainability Symposium: Responsible Business. Responsible Investing • Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom"
Cheng Hui Ya, Serena	• Bursa Malaysia ASEAN Cap10 Sustainability Series – Sustainability Symposium: Responsible Business. Responsible Investing • Deloitte – "New Auditor Reporting: Why it matters to you" • Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom"

Name of Directors	Programmes
Dato' Kalsom binti Abd. Rahman	• Bank Negara Malaysia – Capital Market Director Programme • Deloitte – "New Auditor Reporting: Why it matters to you" • MISC Berhad In-house Directors' Training on: (i) The Companies Bill 2015 (ii) Directors and Officers Liability Insurance (iii) Outlook of Offshore Business, and Tankers & Gas Carriers – Trends and Technology Impacting the Future of Shipping • Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom" • MSWG-Institutional Investor Council Governance Week 2016 – "Stewardship Matters - for Long Term Sustainability"
Dato' Eow Kwan Hoong	• Bursa Malaysia in collaboration with Iclif – CG Breakfast Series with Directors – "Bringing the Best Out in Boardrooms" • Lion Group In-house Directors' Training on Finance for Non Finance – "Finance Language in the Boardroom"
Lin Chung Dien	• Taiwan Corporate Governance Association: Risk Management, Internal Control and Information Management Practices

In addition, the Company would arrange site visits for the Directors, whenever necessary, to enhance their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

The Directors are also updated and apprised on a continuing basis by the Company Secretaries on new and revised requirements to the Listing Requirements ("Continuing Updates").

The Board, after having undertaken an assessment of the training needs of each Director, views the aforementioned Programmes attended by the Directors, and the Continuing Updates provided to the Directors, as adequate to enhance the Directors' skills and knowledge to carry out their duties as Directors.

The Board will, on a continuing basis, evaluate and determine the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to sustain their active participation in board deliberations and effectively discharge their duties.

Newly appointed Directors are required to attend a familiarisation programme. This includes meeting key senior management to be briefed on the core businesses and operations of the Group. It also serves as a platform to establish effective channel of communication and interaction with Management.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

The Board aims to present a balanced and clear assessment of the Group's position, financial performance and future prospects to the Company's stakeholders through the annual financial statements, quarterly financial reports and corporate announcements which are in accordance with the Listing Requirements. The Board discusses and reviews the recommendations proposed by the Audit 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 supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit and Risk Management Committee comprises three (3) members, all of whom are independent Directors. The terms of reference and the main works undertaken by the Audit and Risk Management Committee for the financial year under review are set out in the Audit and Risk Management Committee Report on pages 23 to 27 of this Annual Report.

Directors' Responsibility in Financial Reporting

The Board is responsible for ensuring that the quarterly and annual financial statements are prepared in accordance with the applicable financial reporting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements. The Board is satisfied that for the financial year ended 30 June 2016, the financial statements presented give a true and fair view of the state of affairs, results and cash flows of the Group and of the Company.

Relationship with the External Auditors

The Board has established a formal and transparent relationship with the external auditors through the Audit and Risk Management Committee. The Audit and Risk Management Committee evaluates the performance and assesses the suitability and independence of the external auditors and recommends the re-appointment of the external auditors and their remuneration to the Board. The re-appointment of the external auditors is subject to the approval of shareholders at the annual general meeting whilst their remuneration is determined by the Board. For the financial year, the external auditors met with the Audit and Risk Management Committee twice to discuss matters in relation to their audit review of the Company's financial statements and will attend the annual general meeting of the Company.

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

RECOGNISE AND MANAGE RISKS

Risk Management Framework

The Board regards risk management as an integral part of business operations. A Corporate Risk Management System implementing an Enterprise Risk Management Framework ("CRMS-ERM") was developed, enhanced and documented. The CRMS-ERM Manual sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, treatment, risks appetite setting, control, tracking and monitoring of strategic, business, financial and operational risks.

The Board delegates the oversight of risk management and internal control to the Audit and Risk Management Committee. The Audit and Risk Management Committee is assisted by the Risk Management Committee ("RMC") in overseeing the implementation of the risk management framework via the Corporate Performance Scorecards ("CPS") and the Corporate Risk Scorecards ("CRS"). The Risk Management Team of each key operating company together with the RMC reports the CPS and CRS to the Audit and Risk Management Committee on a half-yearly basis. The detailed processes of risk management are described in the Statement on Risk Management and Internal Control on pages 20 to 22 of this Annual Report.

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

Internal Control

The Board has overall responsibility in maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding the interests of stakeholders including shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 20 to 22 of this Annual Report.

Internal Audit Function

The Board has established an internal audit function within the Group. The internal audit function is led by a Chief Internal Auditor who reports directly to the Audit and Risk Management Committee. The internal auditors attend all meetings of the Audit and Risk Management Committee and the detailed internal audit function is set out in the Audit and Risk Management Committee Report on pages 23 to 27 of this Annual Report.

Compliance Function

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

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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

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

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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

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

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board of Directors ("Board") acknowledges the importance of maintaining a sound system of internal control to safeguard the interests of stakeholders (including shareholders' investments) and the Group's assets. Guided by the *Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers*, Corporate Disclosure Guide and Corporate Governance Guide (2nd Edition), the Board is pleased to present the Statement on Risk Management and Internal Control of the Group (excluding associated companies, as the Board does not have control over their operations) pursuant to the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Board Responsibility

The Board affirms its overall responsibility for the Group's system of risk management and internal control which is key to managing principal risks which may impede the achievement of the Group's corporate and business objectives, consistent with the requirements of Principle 6 of the Malaysian Code on Corporate Governance 2012. This responsibility includes reviewing the adequacy and integrity of this system which covers enterprise risk management, financial, organisational, operational and compliance controls. However, in view of the inherent limitations in any system, such system of internal control can only provide reasonable and not absolute assurance against material misstatements, frauds or losses and unforeseen emerging risks.

The Board regards risk management as an integral part of business operations and confirms that the Management will continue to undertake the process of identifying, evaluating and managing significant risks. The Board delegates the oversight of risk management and internal control to the Audit and Risk Management Committee.

Management Responsibility

The Management is responsible for implementing the framework, policies and procedures on risk and internal control approved by the Board.

The Risk Management Committee ("RMC") continues to play a pivotal role in overseeing the implementation of the risk management framework, periodically reviewing the risk management processes and ensuring that on-going measures taken were adequate to manage, address or mitigate the identified risks and reporting the status to the Audit and Risk Management Committee.

Risk Management Process

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

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

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

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

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

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

Key Elements of Risk Management and Internal Control

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

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

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

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

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

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

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

- A Corporate Risk Management System encompassing an Enterprise Risk Management Framework (CRMS-ERM) that sets out in a comprehensive manner the process adopted by the Group towards risk identification, evaluation, control and monitoring as well as in determining the Group's risks appetite.

- Compliance Risk Self-Assessment (CRSA) with mitigations identified to address breaches or material non-compliance.

- Updates and tracking of CPS which are developed based on balanced scorecard approach and CRS of operating companies with appropriate performance and risk indicators via an automated and web-based tool, namely Q-Radar system.

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

- A compliance programme reviewed by the Audit and Risk Management Committee on an annual basis addressing key compliance areas of statutory and regulatory requirements, codes and internal ethics/standards/policies and procedures. Periodically reported by the Compliance Function to the Compliance Committee to monitor and address on-going changes and implementations in the legislative and regulatory requirements affecting the Group.

- A formalised groupwide integrity framework that accentuates the Group's commitment to uphold integrity in all manner of conduct by its employees at all times in their interaction with various stakeholders, both internal and external. This framework includes Integrity & Fraud Risk Policy which interphases with many of the existing policies adopted within the Group and also addresses fraud reporting and investigation.

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

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

- A Code of Business Practices which sets out the principles to guide employees' conduct to the highest standards of personal and corporate integrity. The code covers areas such as conflict of interest, use of company assets, confidentiality of proprietary information, acceptance of gifts and business courtesies as well as prohibition of kickbacks.

- A Whistleblower Policy providing the channels to report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. The implementation of this policy enables the Group to address such concerns that may adversely affect the reputation and interests of the Group more effectively.

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

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

- Development and enhancements to existing operations and safety and hazards action plans of operating companies for business resilience and robustness in contingencies, crisis management and disaster recovery management.

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

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

Conclusion

The Board is of the view that the system of risk management and internal control in place throughout the Group is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group's operations.

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

Review by External Auditors

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

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

- **Members**

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

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

  Mr Lin Chung Dien
  (Independent Non-Executive Director)

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

- **Secretaries**

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

- **Membership**

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

- **Meetings and Minutes**

  The Audit and Risk Management Committee shall meet at least four (4) times annually and the Executive Director, the Chief Internal Auditor and the Chief Accountant are invited to attend the meetings. A majority of independent Directors present shall form a quorum. The Audit and Risk Management Committee shall meet with the external auditors without the executive Board members 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 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, seven (7) Audit and Risk Management Committee Meetings were held. Except for Mr Lin Chung Dien who was absent for three (3) Meetings, the other members attended all the seven (7) Meetings held in the financial year.

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 issues, significant and unusual events, significant judgements made by Management and other legal requirements, and the main factors contributing to the financial performance of the Group in terms of revenue and earnings.

  Discussed with Management and external auditors, and had obtained reasonable assurances that all changes in significant accounting policies had been implemented; applicable accounting standards approved by MASB, provisions of the Companies Act, 1965 and requirements under the Listing Requirements had been complied with; significant matters highlighted by the external auditors including financial reporting issues, significant and unusual events or transactions had been appropriately addressed; significant judgements made by Management had been assessed; and impact of any changes to the accounting policies and new accounting standards had been assessed and adopted, where relevant.

- **Internal Audit**

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

  (b) Reviewed the effectiveness of audit programmes, and the adequacy and suitability of the resource requirements and skill levels of the internal auditors for the year and assessed the performance of the internal audit function.

  (c) Reviewed the internal audit reports, audit recommendations made and Management's response to these recommendations and actions taken to improve the system of internal control and procedures recommendations. Where appropriate, the Audit 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.

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

  (e) Reviewed the risk and control profile changes of the annual Risk Management and Internal Control – Self-Assessment ratings submitted by the respective operations management. The internal auditors would validate the ratings during their audit review, and adjustments to the ratings, if any, would be made accordingly and reported to the Audit 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 investigative reports tabled during the year and ensured appropriate remedial actions/measures were taken.

(h) Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the external auditors is set out on pages 20 to 22 of this Annual Report.

(i) 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.

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

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

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

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

(e) Recommended to the Board the re-appointment of the external auditors and their remuneration.

(f) Reviewed and discussed the non-audit fees in respect of services rendered by the external auditors. The non-audit fees for the financial year ended 30 June 2016 amounted to RM5,000.

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

- **Corporate Governance**

(a) Monitored on a half-yearly basis the implementation progress and shortfall, if any, of the Compliance Program/Work Plan for the financial year ended 30 June 2016 ("2016 Compliance Program/Work Plan"). The 2016 Compliance Program/Work Plan identified for implementation, the necessary policies, procedures, processes, awareness and competencies training to be used as management tools and support to give the reasonable assurance of due compliance, compliance risk management, updating and reviewing of existing and new compliance across the laws, regulatory requirements, standards/code of ethics and internal policies and procedures of all the key operating companies and functions.

The Audit and Risk Management Committee noted the formalisation of a Group Personal Data Protection Framework which formed part of the 2016 Compliance Program/Work Plan as part of the improvement initiative in meeting the requirements of the Personal Data Protection Act 2010.

(b) Ensured that processes or channels of identifying, reporting and addressing non-compliances/breaches of regulatory and/or statutory requirements, and internal policies and procedures were available and reported vide a half-yearly Compliance Risk Self-Assessment declaration by the Heads of Business, Finance Managers and Group Accountants, Company Secretaries and Group Tax. The Audit and Risk Management Committee monitored the completion of agreed management actions to rectify the incidents and where necessary, controls to minimise recurrence.

- **Risk Management**

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

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

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

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

- **Related Party Transactions**

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

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

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

INTERNAL AUDIT FUNCTION

The Internal Audit Function is undertaken by the Group Management Audit Department ("GMA Department"). Its principal activity is to perform regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively.

The purpose, authority and responsibility of the Internal Audit Function as well as the nature of the assurance activities provided by the function are articulated in the Internal Audit Charter approved by the Audit and Risk Management Committee.

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

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

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

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with set policies and procedures
- Identification of opportunities to improve the operations and processes
- Investigations and special audit reviews

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

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

The total cost incurred in managing the internal audit function of the Group for the financial year was RM252,000.

NOMINATION COMMITTEE

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

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

Mr Lin Chung Dien
(Independent Non-Executive Director)

Terms of Reference :

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

REMUNERATION COMMITTEE

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

Members : Mr Chan Ho Wai
(Non-Independent Executive Director)

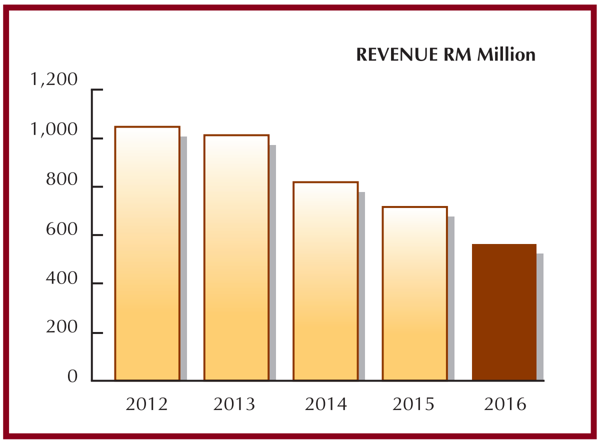
Mr Lin Chung Dien
(Independent Non-Executive Director)

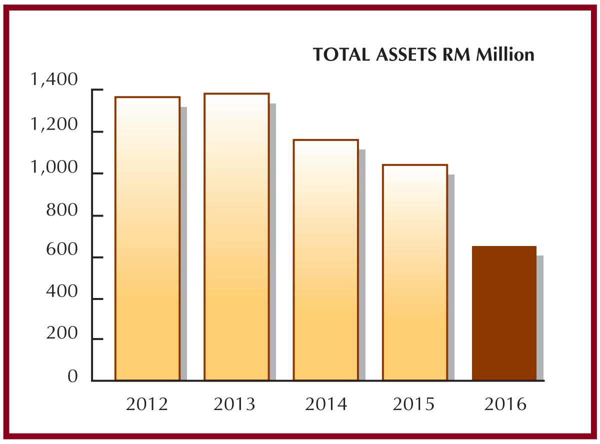
Terms of Reference :

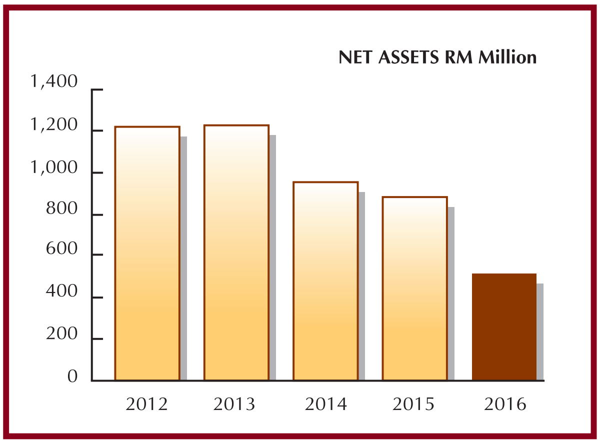
- To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary
- To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

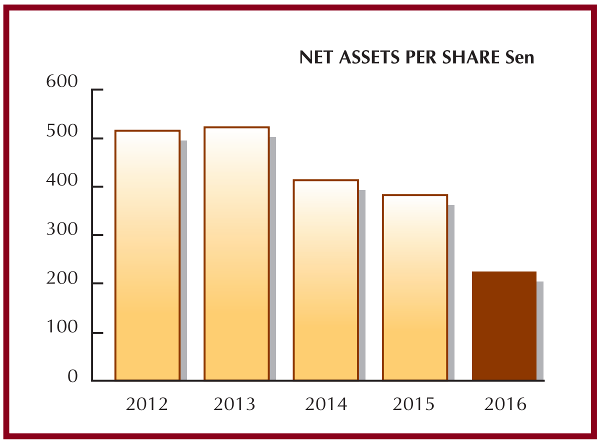
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2012	2013	2014	2015	2016
Revenue	(RM'000)	1,046,090	1,011,304	817,922	721,449	**565,103**
Profit/(Loss) before tax	(RM'000)	25,078	25,638	(236,620)	(93,385)	**(379,870)**
Profit/(Loss) after tax	(RM'000)	10,475	10,885	(250,006)	(104,552)	**(386,871)**
Net profit/(loss) attributable to owners of the Company	(RM'000)	2,762	10,866	(249,339)	(99,968)	**(387,197)**
Total assets	(RM'000)	1,366,432	1,383,260	1,169,710	1,041,831	**647,982**
Net assets	(RM'000)	1,207,203	1,212,023	962,049	887,462	**515,306**
Total borrowings	(RM'000)	20,174	7,441	23,774	22,892	**22,815**
Earnings/(Loss) per share	(Sen)	1.2	4.7	(107.7)	(43.2)	**(168.6)**
Net assets per share	(Sen)	521	523	415	383	**225**
Dividends:						
Rate	(Sen)	12.0	2.0	–	–	**–**
Amount	(RM'000)	27,789	3,474	–	–	**–**









THE GROUP'S BUSINESSES

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

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products under the "*Hi-Rev*" brand including the newly launched *torQe* Superbike Oil, and its line of motor oils that meet the American Petroleum Institute's certification, and automotive components.
- *Posim Petroleum Marketing Sdn Bhd mengedar rangkaian produk berasaskan petroleum di bawah jenama "Hi-Rev" termasuk torQe minyak pelincir motosikal berkuasa tinggi yang baru dilancarkan, serta barisan minyak motor yang menepati persijilan Institut Petroleum Amerika dan komponen automotif.*

- *ACCA KAPPA*, an Italian brand established in 1869, offers a wide range of premium hair brushes, body care products and fragrances.
- *ACCA KAPPA, jenama Itali yang diasaskan pada tahun 1869 menawarkan pelbagai berus rambut premium, produk penjagaan badan dan minyak wangi.*

PENYATA PENGERUSI

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

PRESTASI KEWANGAN

Tahun kewangan 2016 terus memperlihatkan persekitaran perniagaan yang mencabar buat Kumpulan, jika tidak lebih buruk daripada tahun kewangan yang lalu. Suasana ketidaktentuan yang semakin ketara di peringkat global dan dalam negara telah melemahkan sentimen pasaran. Ekonomi negara berkembang pada kadar sederhana lantaran rakyat terus berusaha menyesuaikan perbelanjaan berikutan impak daripada pelaksanaan Cukai Barangan dan Perkhidmatan (" GST") dan peningkatan kos kehidupan.

Dalam menjalankan operasi dengan persekitaran yang mencabar itu, Kumpulan telah mencatatkan perolehan yang lebih rendah sebanyak 22% kepada RM565.1 juta berbanding RM721.4 juta pada tahun kewangan sebelumnya. Keuntungan operasi menyusut sejajar dengan sumbangan keuntungan yang rendah daripada hampir kesemua segmen perniagaan.

Bahagian kerugian kita dalam syarikat-syarikat bersekutu adalah lebih rendah sebanyak RM6.2 juta pada tahun ini (2015:RM47.2 juta) disebabkan oleh kerugian yang dicatatkan oleh Lion Asiapac Limited (yang dimiliki sebanyak 36.68%) dan Suzuki Motorcycle Malaysia Sdn Bhd (dimiliki sebanyak 20%).

Sementara itu, perniagaan pelanggan-pelanggan perdagangan utama kita yang bergiat dalam industri keluli rata terjejas teruk akibat pengeluaran berlebihan keluli dunia yang telah mengakibatkan berlakunya lambakan produk keluli di pasaran tempatan oleh para pengeluar asing sejak beberapa tahun lalu. Selepas mengambilkira keadaan kewangan pelanggan perdagangan yang semakin buruk, Kumpulan telah membuat peruntukan rosot nilai ke atas baki belum terima yang belum dikira sebanyak RM386.7 juta.

Berikutan itu, Kumpulan telah mencatatkan kerugian bersih yang lebih tinggi sebanyak RM386.9 juta pada tahun kewangan dalam kajian (2015:RM104.6 juta). Setakat 30 Jun 2016, aset bersih Kumpulan berjumlah RM515.3 juta atau RM2.25 sesaham.

PERKEMBANGAN KORPORAT

Pada 16 Mei 2016, LFIB telah memuktamadkan pembelian baki saham sebanyak 10.36% dalam Lion AMB Resources Berhad ("Lion AMB") yang belum dipegang oleh LFIB ("Skim Saham") melalui penyusunan skim keahlian mengikut Seksyen 176 Akta Syarikat 1965 bagi pertimbangan bayaran berjumlah RM14.2 juta pada harga saham skim RM0.40 sesaham. Sehubungan itu, Lion AMB menjadi anak syarikat milik penuh LFIB.

KAJIAN OPERASI

Kumpulan pada dasarnya terlibat dalam:
- Perdagangan dan pengagihan bahan binaan dan produk keluli;
- Perkilangan dan pengedaran produk minyak pelincir berasaskan petroleum dan komponen automotif; dan
- Perniagaan-perniagaan lain yang meliputi penyediaan perkhidmatan pengangkutan, pengagihan dan perniagaan runcit produk pengguna, pegangan pelaburan dan lain-lain.

(RM Juta)	**Perolehan**		**Keuntungan/ (Kerugian) Segmen**	
	2016	**2015**	**2016**	**2015**
Bahan Binaan dan Produk Keluli	**477.9**	618.2	**8.7**	15.4
Minyak Pelincir, Produk Petroleum dan Automatif	**75.0**	81.9	**11.1**	12.5
Lain-lain	**12.2**	21.3	**(1.1)**	(5.0)
	565.1	721.4	**18.7**	22.9

("Keuntungan/(Kerugian) Segmen" merujuk kepada untung/(rugi) operasi sebelum faedah, hasil keputusan kewangan syarikat-syarikat bersekutu, cukai pendapatan dan item tidak berulang)

Bahan Binaan dan Produk Keluli

Bahagian perniagaan dan pengedaran bahan binaan menerima kesan langsung daripada perkembangan dalam sektor hartanah di negara ini. Tahun kewangan 2016 merupakan tempoh yang mencabar buat pasaran hartanah berikutan keadaan ekonomi domestik yang lemah kerana sentimen pengguna terus lemah dan terdapatnya amalan perbelanjaan berhemah. Kelembapan dalam pasaran hartanah menjadi ketara pada tahun 2015 dan bertambah buruk pada tahun 2016. Hartanah kediaman dan komersial mengalami pertumbuhan yang agak perlahan apabila dasar pemberian pinjaman diperketatkan dan wujudnya penawaran yang berlebihan atau 'terlebih bina'. Kesemua faktor ini menyebabkan permintaan terhadap bahan binaan menjadi lebih rendah, sekaligus membawa kepada persaingan yang sengit dari kalangan pengedar-pengedar bahan binaan.

Selain itu, perniagaan Bahagian ini juga terjejas berikutan kelembapan dalam pasaran hartanah, perniagaan pengedaran bar keluli kita terutamanya bar penulangan keluli buatan tempatan, juga berdepan dengan persaingan dari negara-negara asing, terutamanya China. Penawaran berlebihan keluli sejagat dan kebanjiran keluli import pada harga lambakan yang berterusan ke dalam negara ini telah mengakibatkan kilang-kilang keluli tempatan mengurangkan pengeluaran serta menutup beberapa barisan pengeluaran mereka dan terpaksa berdepan dengan kenaikan kos operasi domestik yang menyusutkan lagi margin mereka.

Bagaimanapun, Bahagian ini akan sentiasa mengawasi dan peka terhadap sebarang perubahan dalam pasaran serta menumpukan usaha untuk mengekalkan kos sambil menjalin hubungan yang erat dengan pembekal-pembekal dan rakan perniagaan untuk memastikan Bahagian ini kekal menguntungkan dalam persekitaran yang mencabar.

Minyak Pelincir, Produk Petroleum dan Automotif

Tahun kewangan 2016 menyaksikan pelbagai cabaran yang dihadapi oleh Bahagian Minyak Pelincir. Kesan pelaksanaan GST, dan juga persekitaran operasi perniagaan yang lemah terus mempengaruhi corak pembelian bengkel-bengkel kenderaan, di mana mereka membuat pegangan stok yang rendah supaya perniagaan mereka menjadi lebih cekap.

Dalam usaha kita untuk kekal berada dalam pasaran yang bersaing sengit dengan bilangan persaing yang ramai, kita akan meneruskan strategi perniagaan yang menumpukan kepada hubungan yang baik dengan rakan-rakan perniagaan kita. Kita menitikberatkan hubungan koloborasi yang erat dengan pelanggan yang menjadi 'rakan perniagaan kita' dan menyedari cabaran bagi mereka mengekalkan operasi supaya berdaya saing. Sehubungan itu, kita telah menerapkan pelbagai sokongan pakatan perniagaan untuk membantu mereka memantapkan perniagaan dan meraih keuntungan. Pada masa yang sama, kita akan sentiasa mengikuti perubahan trend atau arah aliran barangan dan perkhidmatan yang diperlukan dalam segmen automatif lepas pasaran sambil mengekalkan kecekapan pengeluaran dan operasi.

Pada bulan Januari 2016, kita telah memperluaskan rangkaian produk minyak pelincir motosikal *Hi-Rev* kita dan memperkenalkan *torQe*, mengandungi Ester Plus, yang dimajukan khusus untuk kegunaan motosikal berkuasa tinggi atau superbikes. *torQe* mempunyai kelebihan iaitu 'Formula Penstabil Kepanasan' atau 'Heat Stabilizer Formula' yang mengurangkan tekanan haba yang biasanya dihadapi oleh enjin motosikal berkuasa besar dan ianya sepadan dengan enjin-enjin lain yang menggunakan penyejukan udara atau penyejukan cecair serta klac kering atau basah. Kehadiran *torQe* dalam segmen minyak pelincir motosikal mewah dijangka akan mengukuhkan jenama *Hi-Rev* dalam pasaran minyak enjin motosikal.

Perniagaan minyak pelincir kita akan terus menerokai peluang-peluang di luar pasaran domestik dan kita kini aktif mencari rakan-rakan perniagaan yang berpotensi dan membangunkan pasaran untuk memajukan jenama minyak pelincir buatan tempatan ini. Dalam tahun kewangan, kita telah melantik dan mendekati para pengedar tempatan yang baharu dan pemasar di pelbagai negara. Dalam melangkah ke hadapan, kita akan menjalin kerjasama erat dengan rangkaian pengedaran ini untuk membangunkan model perniagaan yang efektif bagi tempoh jangka panjang.

Lain-lain

Kumpulan juga terlibat dalam menyediakan perkhidmatan pengangkutan dan pengedaran produk penjagaan kecantikan premium.

Operasi pengangkutan kita mencatatkan penguncupan sebanyak 51% dalam perolehan berbanding setahun lalu dan kerugian sebanyak RM1.6 juta disebabkan oleh penurunan dalam permintaan perkhidmatan pengangkutan daripada kilang-kilang keluli tempatan.

Sebagai pengedar eksklusif *ACCA KAPPA*, satu jenama Itali yang diasaskan pada tahun 1869 dan menawarkan rangkaian produk seperti berus rambut premium, produk penjagaan tubuh dan haruman, kita akan terus meningkatkan kesedaran jenama dan saluran pengedaran untuk memantapkan jualan supaya dapat bersaing dalam pasarannya yang tersendiri.

PROSPEK

Tinjauan pasaran bagi tahun kewangan yang akan datang dijangka kekal mencabar berikutan ketidaktentuan yang membelenggu keadaan ekonomi global dan tempatan. Ekonomi global masih lembap manakala sentimen pasaran tempatan dalam jangka masa terdekat kekal rendah memandangkan keadaan Ringgit Malaysia dan harga komoditi yang tidak menentu. Pasaran hartanah pula terus menjadi lesu.

Namun begitu, Kumpulan akan sentiasa berwaspada dan mengambil langkah-langkah proaktif untuk menangani cabaran ini dengan usaha berterusan bagi menerokai dan mengenal pasti bidang pertumbuhan baharu, mengembangkan rangkaian perniagaan termasuk di luar negara, dan mengawal kos untuk mengekalkan prestasi operasi dan berdaya saing.

PENGHARGAAN

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

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

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

TAN SRI WILLIAM H.J. CHENG
Pengerusi

CHAIRMAN'S STATEMENT

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

FINANCIAL PERFORMANCE

The business environment for the Financial Year 2016 ("FY2016") continued to be as challenging, if not more so than the last financial year. The increase in uncertainties on both the global and domestic fronts had weakened market sentiments considerably. The domestic economy grew moderately amid households continuing to make expenditure adjustments in response to the impact of the Goods and Services Tax (GST) and rising living cost.

Operating in such a challenging environment, the Group registered 22% lower revenue of RM565.1 million compared with RM721.4 million recorded in the last financial year. Profit from operations declined accordingly with lower profit contribution from almost all the business segments.

Our share in the losses of the associated companies was lower at RM6.2 million this year (2015: RM47.2 million), attributable to losses recorded by both Lion Asiapac Limited (36.68% owned) and Suzuki Motorcycle Malaysia Sdn Bhd (20% owned).

Meanwhile, the businesses of our major trade customers involved in the flat steel industry had been severely affected by the global steel glut that had led to rampant dumping of steel products in the local market by foreign steel producers for the past several years. After considering the deteriorating financial position of these trade customers, the Group made a provision to impair the remaining outstanding receivables not earlier impaired, of RM386.7 million.

As a result, the Group recorded a higher net loss of RM386.9 million for the financial year under review (2015: RM104.6 million). As at 30 June 2016, the Group's net assets stood at RM515.3 million or RM2.25 per share.

CORPORATE DEVELOPMENT

On 16 May 2016, LFIB completed the acquisition of the remaining 10.36% shares in Lion AMB Resources Berhad ("Lion AMB") not already held by LFIB ("Scheme Share") by way of a members' scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 for a total cash consideration of RM14.2 million at RM0.40 per Scheme Share. Consequent thereupon, Lion AMB became a wholly-owned subsidiary of LFIB.

REVIEW OF OPERATIONS

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

(RM Million)	Revenue		Segment Profit/(Loss)	
	2016	**2015**	**2016**	**2015**
Building Materials and Steel Products	**477.9**	618.2	**8.7**	15.4
Lubricants, Petroleum and Automotive Products	**75.0**	81.9	**11.1**	12.5
Others	**12.2**	21.3	**(1.1)**	(5.0)
	565.1	721.4	**18.7**	22.9

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

Building Materials and Steel Products

The Division's business of trading and distribution of building materials is directly influenced by the property sector in the country. FY2016 had been a challenging year for the property market in light of the softened local economy with persistently poor consumer sentiment and cautious spending. The slowdown in the property market became apparent in 2015 with further softening in 2016. The residential and commercial properties witnessed considerable slowdown as bank lending policies tightened and were in an "over built" situation. All these factors had translated to lower demand for building materials and keener competition among the building materials distributors.

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

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

Lubricants, Petroleum and Automotive Products

FY2016 posed many challenges to the lubricant division. The effects of GST implementation, compounded by the weak business operating environment continued to adversely influence workshops buying patterns, resulting in lower stock holding at their end as they sought to conduct their businesses more efficiently.

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

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

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

Others

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

Our transportation operations registered a contraction of 51% in revenue as compared with a year ago and a loss of RM1.6 million due to the decline in demand for transportation services by the local steel mills.

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

PROSPECTS

The market outlook for the next financial year is anticipated to remain challenging in view of the prevailing uncertainties affecting the global and local economies. The global economy remains sluggish while local market sentiment in the near term remains low as Ringgit Malaysia and commodities prices stay volatile whilst the property market continues to be lethargic.

Nonetheless, the Group will stay vigilant and take proactive steps to meet these challenges with on-going efforts to explore and identify new growth areas, expand business network including overseas, and contain costs to sustain operating performance and be competitive.

ACKNOWLEDGEMENT

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

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

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

TAN SRI WILLIAM H.J. CHENG
Chairman

主席报告

我谨代表董事部，提呈金狮森林工业有限公司(Lion Forest Industries Berhad)截至2016年6月30日会计年度的常年报告和经审核财务报告。

财务表现

2016会计年度的经营环境，和上一个会计年度一样，仍然充满挑战，甚至有过之而无不及。全球和本地环境的不确定因素增加，大大的削弱了市场情绪。国内经济取得中度增长。与此同时，为应付消费税以及生活费用上涨的影响，家庭继续对开支进行调整。

本集团在这种充满挑战的环境之下经营，营业额只有5亿6千510万令吉，比上一个会计年度的7亿2千140万令吉减少22%。这样一来，营业利润相应减少，几乎每一项业务的利润都减少。

我们在本会计年度所分占联号的亏损减少到620万令吉(2015会计年度：亏损4千720万令吉)，主要是来自 Lion Asiapac Limited (本集团拥有36.68%股权) 和 Suzuki Motorcycle Malaysia Sdn Bhd (本集团拥有20%股权) 的亏损。

另一方面，我们涉及平板钢工业的主要贸易客户，受到全球性钢铁过剩的严重影响。这种过剩，导致在过去几年中，外国的钢铁生产者在本地市场大举倾销钢铁产品。在考虑到这些贸易客户的财务状况恶化之下，本集团为他们的3亿8千670万令吉剩余应收账款作出了减值准备。

因此, 本公司在本会计年度蒙受更高的净亏损，达到3亿8千690万令吉 (2015会计年度净亏损：1亿460万令吉)。在2016年6月30日，本集团的净资产是5亿1千530万令吉或每股2.25令吉。

企业发展

在2016年5月16日，金狮森林工业有限公司完成收购本集团尚未持有的 Lion AMB Resources Berhad (“Lion AMB”) 的10.36%股权 (称为 “计划股”)，收购方式是根据1965年公司法第176条的股东处理方案进行，收购总值是1 千420万令吉，即每一股计划股0.40令吉。此后，Lion AMB 成为金狮森林工业有限公司独资子公司。

业务检讨

本集团主要从事以下的业务：
- 经销和分销建筑材料和钢铁产品；
- 制造和经销润滑油、石油基产品与汽车部件；以及
- 其他业务，主要包括提供运输服务，经销和零售消费品，投资控股以及其他。

（百万零吉）	营业额		组别利润/（亏损）	
	2016	**2015**	**2016**	**2015**
建筑材料和钢铁产品	**477.9**	618.2	**8.7**	15.4
润滑油， 石油基产品和汽车部件	**75.0**	81.9	**11.1**	12.5
其他	**12.2**	21.3	**(1.1)**	(5.0)
	565.1	721.4	**18.7**	22.9

(“组别利润/(亏损)”，是指在还未把利息、分占联号公司的业绩、所得税开支和一次过的项目计算在内的营业利润/(亏损))

建筑材料和钢铁产品

本组经销和分销建筑材料的业务，直接受到国内房地产的影响。2016会计年度对于房地产市场是充满挑战的一年，因为国内经济疲软，消费情绪差，人们更谨慎花钱。在2015年度，房地产市场明显放缓，在2016年度进一步软化。住宅和商业用房地产见证到明显的放缓，因为银行收紧贷款政策，以及出现 “建筑过剩” 的现象。这一切因素造成对建筑材料的需求减少，以及建筑材料供应商之间竞争激烈。

这组的业务除了受到房地产市场放缓的影响之外，我们的钢条贸易业 (主要涉及本地制造的钢筋) 也遭遇到外国同行 (尤其是来自中国) 的竞争。全球的钢铁供应过剩，以及入口的钢铁继续以倾销价格涌入我国，造成本地钢铁厂削减产量和关闭一些生产线。本地钢铁厂还面对国内成本上涨的问题，导致他们的赚幅收窄。

无论如何，本组会对市场的变化提高警觉和作出对应，并集中于降低成本和与供应商及贸易伙伴建立密切关系，以确保本组在挑战性的环境中仍然取得盈利。

润滑油、石油基产品与汽车部件

2016会计年度对润滑油组带来许多挑战。在政府实施消费税的影响，加上疲弱的营业环境，继续对修车厂的购买形态产生不利影响，导致他们减少囤货，因为他们寻求更加有效率的经营。

为了能在众多润滑油商家参与的高度竞争的市场中占一席之地，我们必须延续我们的商业策略，即集中于和我们的商业伙伴搞好关系。我们和我们的客户 (同时也是商业伙伴) 的密切合作对我们很重要，我们也了解，他们在维持业务的竞争力仍然面临挑战。在这方面，我们通过各种商业联盟支持，以协助他们扩展业务和取得盈利。与此同时，我们对汽车修配用的零部件市场所需求的产品和服务的趋势改变保持警觉，同时保持我们的生产和营运能力。

在2016年1月，我们扩展我们的*Hi-Rev*电单车润滑油产品系列，推介*torQe* (它含*Ester Plus*)，这是特别为超级电单车而研发的润滑油。*torQe*的特点是拥有一种特别的“热量稳定剂配方”，能减少任何大容量的电单车引擎所面对的热量压力，适合供从用空气冷却到用液体冷却以及使用干或湿的离合器的各种引擎使用。随着*torQe*进入优质电单车润滑油的领域，预料我们的*Hi-Rev*品牌的地位会在电单车引擎油市场进一步加强。

我们的润滑油业务将继续探讨国外的市场，我们积极在潜在的和发展中的市场寻找商业伙伴，以使我们在国内开拓的润滑油品牌取得增长。在本会计年度，我们在海外委任当地的分销商和与当地的销售商接洽，在未来，我们会和这些分销网络密切接触，以便在长期内发展有效的商业模式。

其他

本集团也提供运输服务，以及分销优质美容产品。与一年前比较，我们的运输业的营业收入缩减达51%，蒙受160万令吉的亏损，这是由于本地的钢铁厂对运输服务的需求减少。

我们独家销售的*ACCA KAPPA* 产品，是1869年就建立的意大利品牌，提供一系列优质的发刷、护肤产品以及香水。我们将继续提高其产品意识和扩大分销管道以扩大我们的销售能力，以便在利基市场竞争。

展望

由于处在全球经济和本地经济不确定因素的影响下，下一个会计年度的市场展望预料将继续充满挑战。全球经济仍然疲软，而近期内本地的市场情绪保持低迷，因为令吉汇率和原产品价格仍然波动不定，而房地产市场仍然欲振乏力。

无论如何，本集团将继续保持警觉，和采取积极主动步骤应付这些挑战。我们持续努力，探讨和鉴定新的成长领域，扩大商业网络 (包括海外)，以及抑制成本，以便经营业绩能够持续，以及保持竞争力。

鸣谢

我谨代表董事部，真诚感谢所有我们尊贵的客户、供应商、金融家、商业伙伴、各政府单位以及股东们，感谢他们继续给予本集团支持与合作，以及对本集团具有信心。

我也要深切赞扬和感谢董事们，给予宝贵的指导、支持与贡献。

最后，我衷心感谢各阶层的所有雇员对本集团的奉献、承诺与服务。

主席
丹斯里锺廷森

SUSTAINABILITY STATEMENT

The Group is working towards a more comprehensive Sustainability reporting based on the Global Reporting Initiative (GRI) to address the challenges, opportunities and interests of our workplace, marketplace, community and the environment. This reflects our commitment towards good corporate governance and the sustainability of our business operations.

Community

Corporate Social Responsibility is an integral part of our business ethos with the Group ever mindful of its role as a corporate citizen in contributing to society while enhancing the bottom-line and stakeholders' value. The Group is focused on helping the community to advance through education and medical care via the two Foundations established by Lion Group of Companies of which the Group is a member.

The Lion-Parkson Foundation disburses funds for various needs such as education, charity and scientific research; and every year, offers scholarships to undergraduates in the local universities. It also participates in the yearly Educare programme whereby school necessities such as school bags, uniforms and shoes are collected and distributed to 5,000 students nationwide. The Foundation had organised a charity run in November 2015 to raise funds for the construction of phases 2 and 3 of the Home for Handicapped and Mentally Disabled Children in Selangor.

The Lion Group Medical Assistance Fund provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery, purchase of medical equipment and medication. The Fund also sponsors community health programmes such as medical camps, and the purchase of dialysis machines for Dialysis Centres providing subsidised treatment to those suffering from kidney failure.

The companies within the Group also support the local community wherein they operate by participating in charity programmes and fundraising drives to assist those in need.

Environment

The Group continues to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimise the use of resources and promote energy efficiency. The Group's operations comply with the environmental laws and regulations governing the industries in which it operates. This includes wastes management and introduction of more efficient and energy-saving products and processes such as 5S management techniques by our manufacturing, trading and transportation operations. Our building materials division is promoting and selling a variety of Green Building Index products in its range of cement, ceiling boards and aerated blocks.

The 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.

Marketplace

The Group is committed to continuously improve the attributes of efficiency, governance and integrity in all its business conduct. We have reinforced corporate values and good business ethics through the formalisation of policies and frameworks namely Integrity & Fraud Risk, Group Procurement, Code of Business Practices, Competition, Whistleblower and Group Personal Data Protection which also seek to reach out to stakeholders in the marketplace via increased transparency with the policies published on our corporate website.

Workplace

We recognise our employees as key assets, hence managing talent at all levels is a key priority. Our Human Resource (HR) policies and guidelines comply with all relevant legislations and have been designed to ensure that our workplace embraces diversity, inclusion, equality and innovation. Above all, we expect honesty, integrity and respect to be exhibited in our dealings and interactions within and outside the Group.

The Group's efforts to attract, develop, motivate and retain its employees are pursued within the ambit of five HR strategic focus areas or pillars – Talent Management, Rewards, Capability Building, HR Operational Excellence and Employee Engagement.

The following are key highlights of our efforts to create a healthy and conducive workplace:

- **Talent Acquisition**

  We assess applicants for employment in our Group of Companies based on objective criteria regardless of their ethnic background, gender, age, religion, disability or any factors which do not have bearing on job requirements. Lion-Parkson Foundation's scholarship programme builds a healthy pipeline of talent for our businesses.

- **Talent Management**

  We take stock of talent requirements for our businesses to allow high-potential employees the opportunities to be developed and progressed to senior and challenging roles at the Company and Group level. This will also serve to retain and cross-pollinate key talents within the Group.

- **Capability Building**

  We provide learning and development opportunities in respect of technical, functional and behaviour competencies for our employees in line with their job requirements and career aspirations. Learning interventions are delivered on-the-job, via formal class training and continuing education.

- **Rewards and Performance**

  We review and implement remuneration practices that are externally competitive and internally fair and equitable. Our reward process is closely linked to performance management process; our employees can expect to receive salary adjustments and bonus awards which directly relate to their performance and contributions.

- **HR Operational Excellence**

  We continue to streamline, standardise and simplify our HR policies and processes in line with the requirements of our global organisation. We trust that with our recently implemented LionPeople Global HR Information System (HRIS), it will take our people management agenda to the next level.

- **Employee Engagement**

  We espouse the requirement to engage and listen to our employees in order to create a conducive, happy and productive workplace. We create forums to enable effective employee engagement such as town-halls, "lunch & learn", festival open houses, sports and recreation activities/pursuits. Such engagements address both work and social requirements of our employees.

- **Safety & Health in the Workplace**

  The safety and health of our employees is vital to our businesses, hence we actively promote a safe and healthy culture. We ensure training and equipments are in place to prevent accidents and injuries at all times. Workplace incidents are taken seriously; they are investigated and appropriate actions taken to prevent recurrence.

- **Employee Code of Conduct**

  We appraise our employees on the Group's Code of Conduct and the need to conduct business at the highest ethical standards. We adopt zero tolerance to bribery and corrupt practices or behaviours that may bring disrepute to the Group or its employees.

Moving Forward

We are committed to promote good corporate governance and sustainability in our business operations. Our corporate website provides more information on our initiatives and efforts to this end.

FINANCIAL STATEMENTS

2016

For The Financial Year Ended 30 June 2016

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies are as disclosed in Note 12 to the financial statements.

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

SUBSEQUENT EVENT

Subsequent event is disclosed in Note 33 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
Loss before tax	(379,870)	(315,724)
Income tax expense	(7,001)	(654)
Loss for the year	(386,871)	(316,378)
(Loss)/Profit attributable to:		
Owners of the Company	(387,197)	
Non-controlling interests	326	
	(386,871)	

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 full impairment losses made on the trade and other receivables as disclosed in Notes 4(i) of the financial statements.

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

During the financial year, the Company repurchased a total of 2,885,000 of its ordinary shares from the open market at an average price of RM0.63 per share. The total consideration paid for the repurchase including transaction costs was RM1,807,196. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As of 30 June 2016, the Company held 2,947,500 treasury shares at a carrying amount of RM1,856,781, as disclosed in Note 23 to the financial statements.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

An ESOS for the benefit of executive and non-executive Directors of the Company and executive employees of the Group implemented on 30 December 2010 for a period of 5 years expired on 29 December 2015. The main features of the ESOS are as disclosed in Note 22 to the financial statements.

No options were granted or exercised pursuant to the ESOS during the financial year.

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

Grant date	Subscription price per share (RM)	Number of Options As of 1.7.2015	Granted	Exercised	Lapsed	As of 30.6.2016
2.12.2014	1.00	2,921,500	–	–	(2,921,500)	–

The exercise period for the above options expired on 29 December 2015.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (continued)

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

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

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

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

As part of the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, the Company agreed to indemnify SFI and the purchasers of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchasers may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the disposal of SFI, as disclosed in Note 29 to the financial statements.

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

DIRECTORS

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

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

In accordance with Article 98 of the Company's Articles of Association, Y. Bhg. Dato' Kalsom binti Abd. Rahman retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election as Director of the Company.

Pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Tan Sri William H.J. Cheng and Mr Lin Chung Dien retire and offer themselves for re-appointment as Directors of the Company to hold office until the next Annual General Meeting.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As of 1.7.2015	**Additions**	**Disposals**	**As of 30.6.2016**
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Dato' Eow Kwan Hoong	8,026	–	–	8,026
Lin Chung Dien	7,060	–	–	7,060
Indirect interest				
Tan Sri William H.J. Cheng	171,261,979	–	(300,000)	170,961,979

In addition, the following Directors are also deemed to have interest in shares in the Company by virtue of the options granted to them pursuant to the ESOS of the Company, which expired on 29 December 2015 as follows:

		Number of options			
	Exercise price	As of 1.7.2015	Granted	Lapsed	As of 30.6.2016
Direct interest					
Dato' Kalsom binti Abd. Rahman	RM1.00	250,000	–	(250,000)	–
Dato' Eow Kwan Hoong	RM1.00	250,000	–	(250,000)	–
Lin Chung Dien	RM1.00	250,000	–	(250,000)	–

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

	Number of ordinary shares of RM1.00 each			
	As of 1.7.2015	Additions	Disposals	As of 30.6.2016
Tan Sri William H.J. Cheng				
Direct interest				
Lion Industries Corporation Berhad	216,865,498	–	–	216,865,498

	Nominal value per ordinary share	Number of shares			
		As of 1.7.2015	Additions	Disposals	As of 30.6.2016
Tan Sri William H.J. Cheng					
Indirect interest					
Holdsworth Investment Pte Ltd	*	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	RM1.00	212,500	–	–	212,500
Lion Industries Corporation Berhad	RM1.00	46,871,111	–	(5,964,800)	40,906,311
Lion Group Management Services Sdn Bhd	RM1.00	2	4,999,998	–	5,000,000
LLB Enterprise Sdn Bhd	RM1.00	690,000	–	–	690,000
Marvenel Sdn Bhd	RM1.00	100	–	–	100
Ototek Sdn Bhd	RM1.00	1,050,000	–	–	1,050,000
Posim EMS Sdn Bhd	RM1.00	800,000	–	–	800,000
Soga Sdn Bhd	RM1.00	4,525,322	–	–	4,525,322
Steelcorp Sdn Bhd	RM1.00	99,750	–	–	99,750
Zhongsin Biotech Pte Ltd	*	1,000,000	–	–	1,000,000

Investment in the People's Republic of China	**Currency**	**As of 1.7.2015**	**Additions**	**Disposals**	**As of 30.6.2016**
Indirect 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

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

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any 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 and/or its subsidiary companies 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.

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

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
5 October 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Financial Statements

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2016 and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 125.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the accounts and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 12 to the financial statements, being accounts that have been included in the financial statements of the Group;

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

(d) The auditors' reports on the accounts of the subsidiary companies were not subject to any qualification and did not include any adverse comment made under Section 174(3) of the Act.

Other Matter

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

Other Reporting Responsibilities

The supplementary information set out in page 126 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Company are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

DELOITTE
AF 0080
Chartered Accountants

KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN
Partner - 2903/11/17 (J)
Chartered Accountant

Kuala Lumpur
5 October 2016

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
Revenue	5	**565,103**	721,449	**66,020**	82,536
Other operating income		**19,448**	18,439	**13,858**	12,311
Changes in inventories of finished goods and trading merchandise		**145**	(2,408)	**–**	–
Raw materials and consumables used		**(30,216)**	(29,745)	**–**	–
Purchase of trading merchandise		**(475,524)**	(620,091)	**(3,763)**	(79,214)
Staff costs	6	**(20,402)**	(23,603)	**(2,478)**	(1,922)
Depreciation of:					
Property, plant and equipment	10	**(6,070)**	(5,543)	**(73)**	(78)
Investment properties	11	**(18)**	(18)	**(18)**	(18)
Gain/(Loss) on foreign exchange:					
Realised		**865**	(91)	**–**	–
Unrealised		**253**	2,116	**(1,474)**	(3,406)
Other operating expenses		**(28,631)**	(31,061)	**(806)**	(2,202)
Profit from operations	6	**24,953**	29,444	**71,266**	8,007
Finance costs	7	**(786)**	(783)	**(6,551)**	(6,649)
Share in results of associated companies		**(6,156)**	(47,151)	**–**	–
Settlement arising from litigation claim against a former subsidiary company	26	**–**	(70,000)	**–**	(70,000)
Net impairment losses on trade and other receivables	20	**(397,176)**	(3,620)	**(3,439)**	(559)
Impairment losses on:					
Quoted investments		**(705)**	(1,211)	**–**	–
Unquoted investments		**–**	(64)	**–**	–
Investment in subsidiary companies		**–**	–	**(377,000)**	–
Loss before tax		**(379,870)**	(93,385)	**(315,724)**	(69,201)
Income tax expense	8	**(7,001)**	(11,167)	**(654)**	(1,739)
Loss for the year		**(386,871)**	(104,552)	**(316,378)**	(70,940)
(Loss)/Profit attributable to:					
Owners of the Company		**(387,197)**	(99,968)	**(316,378)**	(70,940)
Non-controlling interests		**326**	(4,584)	–	–
Loss for the year		**(386,871)**	(104,552)	**(316,378)**	(70,940)
Loss per ordinary share attributable to owners of the Company (sen)	9				
Basic		**(168.63)**	(43.17)		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	The Group		The Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loss for the year	**(386,871)**	(104,552)	**(316,378)**	(70,940)
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss	**–**	–	**–**	–
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences arising from foreign operations	**7,018**	25,343	**–**	–
Net loss on available-for-sale financial assets:				
Fair value changes	**(24)**	(15)	**–**	–
Transfer to profit or loss upon disposal	**–**	(54)	**–**	–
Other comprehensive income for the year	**6,994**	25,274	**–**	–
Total comprehensive loss for the year	**(379,877)**	(79,278)	**(316,378)**	(70,940)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	**(380,352)**	(75,660)	**(316,378)**	(70,940)
Non-controlling interests	**475**	(3,618)	**–**	–
Total comprehensive loss for the year	**(379,877)**	(79,278)	**(316,378)**	(70,940)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**29,325**	34,107	**4,777**	4,850
Investment properties	11	**596**	614	**596**	614
Investment in subsidiary companies	12	**–**	–	**253,917**	261,815
Investment in associated companies	13	**33,945**	39,435	**–**	–
Other investments	14	**2,785**	2,664	**3**	3
Trade receivables	20(a)	**–**	166,245	**–**	–
Other receivables	20(b)	**–**	148,024	**–**	–
Intangible assets	15	**–**	–	**–**	–
Goodwill on consolidation	16	**–**	–	**–**	–
Deferred tax assets	17	**5,638**	4,126	**–**	–
Total Non-Current Assets		**72,289**	395,215	**259,293**	267,282
Current Assets					
Inventories	19	**15,085**	13,544	**–**	–
Trade receivables	20(a)	**98,663**	117,686	**75**	3,464
Other receivables and prepayments	20(b)	**126,415**	126,275	**4,411**	4,794
Amount owing by subsidiary companies	12(a)	**–**	–	**51,827**	479,995
Amount owing by immediate holding company	18	**120,963**	130,251	**–**	–
Amount owing by other related companies	18	**106,405**	136,262	**106,304**	135,974
Tax recoverable		**4,232**	2,250	**1,018**	314
Fixed deposits, cash and bank balances	21	**103,930**	120,348	**15,582**	32,186
Total Current Assets		**575,693**	646,616	**179,217**	656,727
Total Assets		**647,982**	1,041,831	**438,510**	924,009

(Forward)

	Note	The Group 2016 RM'000	The Group 2015 RM'000	The Company 2016 RM'000	The Company 2015 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	**231,572**	231,572	**231,572**	231,572
Reserves	23	**283,734**	655,890	**146,499**	464,685
Equity attributable to owners of the Company		**515,306**	887,462	**378,071**	696,257
Non-controlling interests		**744**	24,375	**–**	–
Total Equity		**516,050**	911,837	**378,071**	696,257
Non-Current and Deferred Liabilities					
Hire-purchase payables	24	**266**	384	**38**	98
Deferred tax liabilities	17	**1,762**	1,210	**280**	280
Total Non-Current and Deferred Liabilities		**2,028**	1,594	**318**	378
Current Liabilities					
Trade payables	25(a)	**39,734**	38,732	**9**	8,527
Other payables and accrued expenses	25(b)	**62,096**	61,305	**15,303**	15,263
Provision	26	**–**	–	**–**	–
Amount owing to other related companies	18	**4,882**	5,408	**–**	58
Amount owing to subsidiary companies	12(b)	**–**	–	**44,749**	203,468
Hire-purchase payables	24	**228**	195	**60**	58
Bank borrowings	27	**22,321**	22,313	**–**	–
Tax liabilities		**643**	447	**–**	–
Total Current Liabilities		**129,904**	128,400	**60,121**	227,374
Total Liabilities		**131,932**	129,994	**60,439**	227,752
Total Equity and Liabilities		**647,982**	1,041,831	**438,510**	924,009

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

The Group	Share capital RM'000	Non-distributable reserves: Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Distributable: Retained earnings/ (Accumulated losses) RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As of 1 July 2014	231,572	689,330	–	13,601	–	264	280	158	26,844	962,049	30,897	992,946
Loss for the year	–	–	–	–	–	–	–	–	(99,968)	(99,968)	(4,584)	(104,552)
Other comprehensive income/(loss) for the year	–	–	–	24,377	–	–	–	(69)	–	24,308	966	25,274
Total comprehensive income/(loss)	–	–	–	24,377	–	–	–	(69)	(99,968)	(75,660)	(3,618)	(79,278)
Purchase of treasury shares	–	–	(49)	–	–	–	–	–	–	(49)	–	(49)
Share-based payments	–	–	–	–	118	–	–	–	–	118	–	118
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	1,004	1,004	(2,904)	(1,900)
As of 30 June 2015	231,572	689,330	(49)	37,978	118	264	280	89	(72,120)	887,462	24,375	911,837

(Forward)

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

The Company	Share capital RM'000	← Share premium RM'000	Non-distributable reserves Treasury shares RM'000	Equity compensation reserve RM'000	Capital reserve RM'000 →	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2014	231,572	689,330	–	–	264	(154,038)	767,128
Total comprehensive loss for the year	–	–	–	–	–	(70,940)	(70,940)
Purchase of treasury shares	–	–	(49)	–	–	–	(49)
Share-based payments	–	–	–	118	–	–	118
As of 30 June 2015	231,572	689,330	(49)	118	264	(224,978)	696,257
As of 1 July 2015	**231,572**	**689,330**	**(49)**	**118**	**264**	**(224,978)**	**696,257**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(316,378)**	**(316,378)**
Purchase of treasury shares	**–**	**–**	**(1,808)**	**–**	**–**	**–**	**(1,808)**
Share-based payments	**–**	**–**	**–**	**(118)**	**118**	**–**	**–**
As of 30 June 2016	**231,572**	**689,330**	**(1,857)**	**–**	**382**	**(541,356)**	**378,071**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

The Group	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(386,871)**	(104,552)
Adjustments for:		
Net impairment losses on trade and other receivables	**397,176**	3,620
Income tax expense recognised in profit or loss	**7,001**	11,167
Share in results of associated companies	**6,156**	47,151
Depreciation of:		
Property, plant and equipment	**6,070**	5,543
Investment properties	**18**	18
Finance costs	**786**	783
Impairment losses on:		
Quoted investments	**705**	1,211
Unquoted investments	**–**	64
Allowance for slow-moving and obsolete inventories	**285**	237
Property, plant and equipment written off	**3**	–
Interest income	**(11,690)**	(15,229)
Gain on disposal of:		
Property, plant and equipment	**(570)**	(1,075)
Quoted investments	**–**	(56)
Unrealised gain on foreign exchange	**(253)**	(2,116)
Impairment losses no longer required for unquoted investments	**(71)**	(143)
Dividend income from:		
Quoted investments	**–**	(2)
Unquoted investments	**(380)**	(498)
Settlement arising from litigation claim against a former subsidiary	**–**	70,000
Share-based payments expense	**–**	118
Operating Profit Before Working Capital Changes	**18,365**	16,241
(Increase)/Decrease in:		
Inventories	**(1,826)**	4,566
Trade receivables	**(59,529)**	(39,282)
Other receivables and prepayments	**2,149**	17,234
Amount owing by immediate holding company	**9,287**	33,962
Amount owing by other related companies	**190**	437
Increase/(Decrease) in:		
Trade payables	**1,002**	(33,215)
Other payables and accrued expenses	**1,010**	6,148
Cash Generated (Used In)/From Operations	**(29,352)**	6,091
Interest received	**1,043**	1,482
Income tax refunded	**538**	1,013
Income tax paid	**(10,285)**	(14,916)
Net Cash Used In Operating Activities	**(38,056)**	(6,330)

(Forward)

The Group	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**731**	133,544
Amount owing to ultimate holding company		**–**	(692)
Amount owing by immediate holding company		**1**	14
Amount owing by other related companies		**29,667**	(8,149)
Interest received from:			
Fixed deposits with licensed banks		**3,317**	5,593
Other related companies		**7,330**	8,154
Proceeds from disposal of:			
Property, plant and equipment		**1,598**	5,246
Quoted investments		**–**	75
Dividend income received from:			
An associated company		**452**	384
Quoted investments		**–**	2
Unquoted investments		**380**	498
Proceeds from redemption of other investments		**71**	143
Settlement arising from litigation claim against a former subsidiary		**–**	(85,000)
Purchase of property, plant and equipment		**(1,610)**	(5,465)
Acquisition of non-controlling interests		**(14,102)**	(1,900)
Investment in unquoted shares		**(850)**	–
Net Cash From Investing Activities		**26,985**	52,447
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in:			
Bank borrowings		**(1,411)**	(710)
Amount owing to other related companies		**(526)**	(2,185)
Finance costs paid		**(786)**	(783)
Payment of hire-purchase payables		**(85)**	(172)
Purchase of treasury shares		**(1,808)**	(49)
Net Cash Used In Financing Activities		**(4,616)**	(3,899)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(15,687)**	42,218
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**93,945**	51,727
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**78,258**	93,945

The Company	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(316,378)**	(70,940)
Adjustments for:		
Finance costs	**6,551**	6,649
Unrealised loss on foreign exchange	**1,474**	3,406
Income tax expense recognised in profit or loss	**654**	1,739
Impairment loss on:		
Net trade and other receivables	**3,439**	559
Investment in subsidiary companies	**377,000**	–
Share-based payments expense	**–**	118
Depreciation of:		
Property, plant and equipment	**73**	78
Investment properties	**18**	18
Dividend income	**(62,000)**	(3,000)
Interest income	**(8,605)**	(12,251)
Gain on disposal of other investments	**–**	(13)
Operating Profit/(Loss) Before Working Capital Changes	**2,226**	(73,637)
(Increase)/Decrease in:		
Trade receivables	**(50)**	–
Other receivables and prepayments	**383**	7,298
Increase/(Decrease) in:		
Trade payables	**(8,518)**	(650)
Other payables and accrued expenses	**40**	(4,936)
Cash Used In Operations	**(5,919)**	(71,925)
Income tax refunded	**447**	126
Income tax paid	**(1,805)**	(1,906)
Net Cash Used In Operating Activities	**(7,277)**	(73,705)

(Forward)

The Company	Note	2016 RM'000	2015 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**1,610**	130,757
Amount owing by other related companies		**29,670**	(8,154)
Amount owing by subsidiary companies		**(36,131)**	67,176
Dividend received from subsidiary companies		**4,000**	3,000
Interest received from:			
Fixed deposits with licensed banks		**730**	3,317
Other related companies		**7,330**	8,154
Subsidiary companies		**210**	224
Other receivables		**335**	556
Proceeds from disposal of other investments		**–**	28
Additions to investment in a subsidiary company		**(14,102)**	(1,601)
Net Cash (Used In)/From Investing Activities		**(6,348)**	203,457
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**7,106**	(105,534)
Amount owing to other related companies		**(58)**	58
Payment of hire-purchase payables		**(58)**	(41)
Purchase of treasury shares		**(1,808)**	(49)
Finance costs paid		**(6,551)**	(6,649)
Net Cash Used In Financing Activities		**(1,369)**	(112,215)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(14,994)**	17,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**30,573**	13,036
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**15,579**	30,573

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1. GENERAL INFORMATION

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

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

The principal activities of the subsidiary companies are as disclosed in Note 12.

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

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

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 5 October 2016.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of New and Revised Malaysian Financial Reporting Standards

There are no new or revised MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatorily effective for an accounting period that begins on or after 1 July 2015.

Standards in Issue But Not Yet Effective

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

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[3]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[3]
MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)[3]
MFRS 9	Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)[3]
MFRS 14	Regulatory Deferral Accounts[1]
MFRS 15	Revenue from Contracts with Customers[3]
Clarifications to MFRS 15	Revenue from Contracts with Customers[3]
MFRS 16	Leases[4]
Amendments to MFRS2	Classification and Measurement of Share - based Payment Transactions[3]
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS 9 as issued by IASB in November 2009 and October 2010) and Transition Disclosures[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

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

Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception[1]
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to MFRS 101	Disclosure Initiative[1]
Amendments to MFRS 107	Disclosure Initiative[2]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants[1]
Amendments to MFRS 127	Equity Method in Separate Financial Statements[1]
Amendments to MFRSs	Annual Improvement to MFRSs 2012 - 2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 The effective date has been deferred to a date to be announced by MASB

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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

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

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

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

Basis of Consolidation

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

- has power over the investee;

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

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

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

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

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

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

- rights arising from other contractual arrangements; and

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Business Combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

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

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

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

Investment in Subsidiary Companies

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

Investment in Associated Companies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies (continued)

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

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

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

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

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

Revenue and Revenue Recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

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

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

<u>Current tax</u>

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

<u>Deferred tax</u>

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

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

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

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

Foreign Currency Conversion

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

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

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

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

Foreign Currency Conversion (continued)

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

Impairment of Assets

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

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

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

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

Property, Plant and Equipment

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

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

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

Buildings	2% - 18%
Plant and machinery	3.70% - 25%
Office equipment	18% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	18% - 25%
Prime movers and trailers	15%
Office renovation	20%
Computer equipment	18% - 20%
Chiller max equipment	10%

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

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

Non-Current Assets Classified as Held for Sale

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

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

Intangible Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill on Consolidation

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

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

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

Inventories

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

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

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

Provisions

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

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

Segment Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent Liabilities

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

Financial Instruments

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

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

<u>Financial Assets</u>

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

<u>Effective interest method</u>

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

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

<u>Financial assets at FVTPL</u>

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets at FVTPL (continued)

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

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

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

Held-to-maturity investments

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

AFS financial assets

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

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

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

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