LION FOREST INDUSTRIES

LION FOREST INDUSTRIES BERHAD

(82056-X)

Laporan Tahunan

2019

Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 37th Annual General Meeting of Lion Forest Industries Berhad ("37th AGM") will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Tuesday, 26 November 2019 at 2.00 pm for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 and the Reports of the Directors and Auditors thereon. **Note 1**

2. To approve the payment of Directors' fees amounting to RM170,800 for the financial year ended 30 June 2019 (2018: RM190,000). **Resolution 1**

3. To approve the payment of Directors' benefits of up to RM100,000 for the period commencing after the 37th AGM until the next annual general meeting of the Company (2018: RM87,000). **Resolution 2**

4. To re-elect Mr Chan Ho Wai who retires by rotation in accordance with Clause 110 of the Company's Constitution and who being eligible, has offered himself for re-election. **Resolution 3**

5. To re-elect the following Directors who were appointed during the financial year and retire in accordance with Clause 111 of the Company's Constitution and who being eligible, have offered themselves for re-election:

   (i) Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar **Resolution 4**
   (ii) Dr Folk Jee Yoong **Resolution 5**

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

7. Special Business

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

7.1.1 Authority to Directors to Issue Shares

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 7**

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

"THAT approval be and is hereby given for the renewal of the mandate granted by the Shareholders of the Company on 22 November 2018, 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 25 October 2019 ("Related Parties") which has been despatched to the Shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 8**

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

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

(ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

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

whichever is the earlier; and

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

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

Proposed Change of Name of the Company from
"Lion Forest Industries Berhad" to "Lion Posim Berhad"

"THAT the name of the Company be changed from "Lion Forest Industries Berhad" to "Lion Posim Berhad" effective from the date of the Notice of Registration of New Name to be issued by the Companies Commission of Malaysia to the Company ("Proposed Change of Name"). **Resolution 9**

AND THAT the Directors be and are hereby authorised to carry out all necessary formalities in effecting the Proposed Change of Name".

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

By Order of the Board

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

Kuala Lumpur
25 October 2019

Notes:

Proxy

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 20 November 2019 shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(iii) If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.

(iv) 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.

(v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

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

(vii) Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.

1. Audited Financial Statements for the financial year ended 30 June 2019

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. As such, this Agenda item is not a business which requires a resolution to be put to vote by Members.

2. Circular to Shareholders dated 25 October 2019 ("Circular")

Details on the following are set out in the Circular accompanying the 2019 Annual Report:

(i) Part A - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions
(ii) Part B - Proposed Change of Name of the Company from "Lion Forest Industries Berhad" to "Lion Posim Berhad"

3. Resolution 2

The benefits payable to the Directors of up to RM100,000 for the period commencing after the 37th AGM until the next annual general meeting of the Company comprise estimated meeting allowance in respect of Directors' attendance at Board and Board Committees meetings which have been scheduled and those unscheduled, where necessary. The Board is of the view that it is just and equitable for the Directors to be paid the meeting allowance as and when incurred when they discharge their responsibilities and render their services to the Company throughout the relevant period.

4. Resolution 7

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

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 22 November 2018 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.

5. Resolution 8

This approval will allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of 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.

6. Resolution 9

Details on the Proposed Change of Name of the Company from "Lion Forest Industries Berhad" to "Lion Posim Berhad" are set out in Part B of the Circular.

CORPORATE INFORMATION

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

DIRECTORS' PROFILE

Tan Sri Cheng Heng Jem
Non-Independent Non-Executive Chairman

Y. Bhg. Tan Sri Cheng Heng Jem, a Malaysian, male, aged 76, was appointed to the Board on 15 January 1991 and has been the Chairman of the Company since 27 August 1997. He is also a member of the Nomination Committee and Remuneration Committee of the Company.

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

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

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

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

Tan Sri Cheng has a direct shareholding of 400 ordinary shares in the Company ("LFIB Shares") and a deemed interest in 170,186,190 LFIB Shares. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 146 of this Annual Report.

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

Tan Sri Cheng attended all 5 Board Meetings of the Company held during the financial year ended 30 June 2019.

Chan Ho Wai
Executive Director

Mr Chan Ho Wai, a British National, male, aged 63, was appointed an Executive Director of the Company on 1 August 2008.

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

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

Mr Chan is the brother-in-law of Y. Bhg. Tan Sri Cheng Heng Jem, who is 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 5 Board Meetings of the Company held during the financial year ended 30 June 2019.

Cheng Hui Ya, Serena
Executive Director

Ms Cheng Hui Ya, Serena, a Malaysian, female, aged 33, 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 General Manager - Projects since May 2018 involves property and construction business, dealing with construction and building requirements.

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

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

Ms Cheng attended all 5 Board Meetings of the Company held during the financial year ended 30 June 2019.

Dato' Eow Kwan Hoong
Independent Non-Executive Director

Y. Bhg. Dato' Eow Kwan Hoong, a Malaysian, male, aged 66, was appointed to the Board on 14 December 2012. He is also the Chairman of the Audit and Risk Management Committee and Nomination Committee, and a member of the Remuneration Committee of the Company.

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

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

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

Dato' Eow attended all 5 Board Meetings of the Company held during the financial year ended 30 June 2019.

Tan Sri Abd Karim bin Shaikh Munisar
Independent Non-Executive Director

Y. Bhg. Tan Sri Abd Karim bin Munisar, a Malaysian, male, aged 69, was appointed to the Board on 15 February 2019. He is also a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company.

Tan Sri Abd Karim graduated with a Bachelor of Economics (Honours) from University of Malaya. He further obtained an Advanced Diploma in Economic Development (with Distinction) from University of Manchester, United Kingdom and a Masters in Business Administration (Business Finance) from University of Edinburgh Scotland. He also attended an Advance Course in Urban Planning JICA in Tokyo, Japan.

Tan Sri Abd Karim first joined the Malaysian public service in 1974 as the Assistant Director with the Ministry of Finance. From 1975 to 1982, he held various positions in the District Office of various districts in the state of Perak and Pahang which included Assistant State Secretary of Perak (Economy Planning Unit); Assistant District Officer of Kampar and South Kinta, Perak; Chief Assistant State Secretary, Pahang; and Chief Assistant District Officer of Kuantan District Office, Pahang. Between 1982 and 2004, Tan Sri Abd Karim held the position of Deputy Director of Klang Valley Planning Secretariat at the Prime Minister's Department (4 years); Chief Assistant State Secretary of Selangor (Local Government Division) (5 years); First President of Ampang Jaya Municipal Council (6 years); District Officer of Sepang/President of Sepang District Council (5 years); and President of Petaling Jaya Municipal Council (1 year).

During his service with the Government, he created and introduced the Quit Rent Information System (QRAS) for Klang Valley Land Offices to facilitate efficiency in the revenue collections and facilitated the creation of the massive Putrajaya/Cyberjaya/F1 and KLIA project during his tenure as Sepang District Officer and President of Sepang District Council.

After retiring from the Government sector, Tan Sri Abd Karim joined the corporate sector and had held directorships which included President and Chief Executive Officer of Kumpulan Darul Ehsan Berhad; Executive Chairman of Kumpulan Perangsang Selangor Berhad and Kumpulan Hartanah Selangor Berhad; and Chairman of Taliworks Corporation Berhad; and a Director of Syarikat Bekalan Air Selangor Sdn Bhd (Syabas) and Syarikat Pengeluaran Air Selangor Holdings Berhad (Splash), and Chairman of Konsortium ABASS Sdn Bhd.

Tan Sri Abd Karim is currently a Director of MCT Berhad and JAKS Resources Berhad, both public listed companies, and Kingsley EduGroup Ltd., a public company listed on the Hong Kong Stock Exchange.

Tan Sri Abd Karim attended the 3 Board Meetings of the Company held during the financial year ended 30 June 2019 subsequent to his appointment.

Dr Folk Jee Yoong
Independent Non-Executive Director

Dr Folk Jee Yoong, a Malaysian, male, aged 58, was appointed to the Board on 15 February 2019. He is also the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and Nomination Committee of the Company.

Dr Folk received his Bachelor of Business in Accounting and Secretarial Administration from the Curtin University of Technology in Perth, Western Australia; Bachelor of Economics from the University of Western Australia; Master of Commerce in Accounting from the University of Auckland, New Zealand; Doctor of Business Administration from the University of South Australia; and Doctor of Philosophy from the University of Malaya. He is a Fellow of Certified Public Accountant (CPA) Australia and the Malaysian Institute of Accountants. He also holds a Certificate in Investor Relations from the IR Society, United Kingdom.

Dr Folk has over 25 years of experience in academia, corporate finance, restructuring, audit and financial management in diversified industries such as mortgage banking, property development, construction, seafood trawling and processing, pulp and paper, jewellery, office furniture, multi-level marketing, plastic injection moulding, timber plantation and processing, hospitality, and thermovacuum forming. Between 1984 and 1990, he was attached to Deloitte; Haskins & Sells, New Zealand; and McLaren & Stewart, Perth, Australia; amongst other public accounting firms. He has also worked with multi-national firms such as Sinar Mas Group, Raja Garuda Mas Group and Fletcher Challenge Group in various countries such as New Zealand, India and Indonesia. He was also on the Board of various public listed companies which included Parkson Holdings Berhad (2001-2012); Inix Technologies Holdings Berhad (2013-2015); and Parlo Berhad (2014-2019).

Dr Folk is currently an Independent Non-Executive Director of AHB Holdings Berhad, a public listed company and the Chairman of Malaysian Dancesport Berhad, a company limited by guarantee.

Dr Folk has a direct shareholding of 105 ordinary shares in the Company.

Dr Folk attended the 3 Board Meetings of the Company held during the financial year ended 30 June 2019 subsequent to his appointment.

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

PROFILE OF KEY SENIOR MANAGEMENT

Poon Sow Har, Valerie
Malaysian, female, 54 years of age

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

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

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

Cheah Chee Ngen
Malaysian, male, 56 years of age

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

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

Cheong Chee Kheong, Tony
Malaysian, male, 53 years of age

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board is pleased to present the Corporate Governance ("CG") Overview Statement of the Company for the financial year ended 30 June 2019. This CG Overview Statement is prepared pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

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

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

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

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

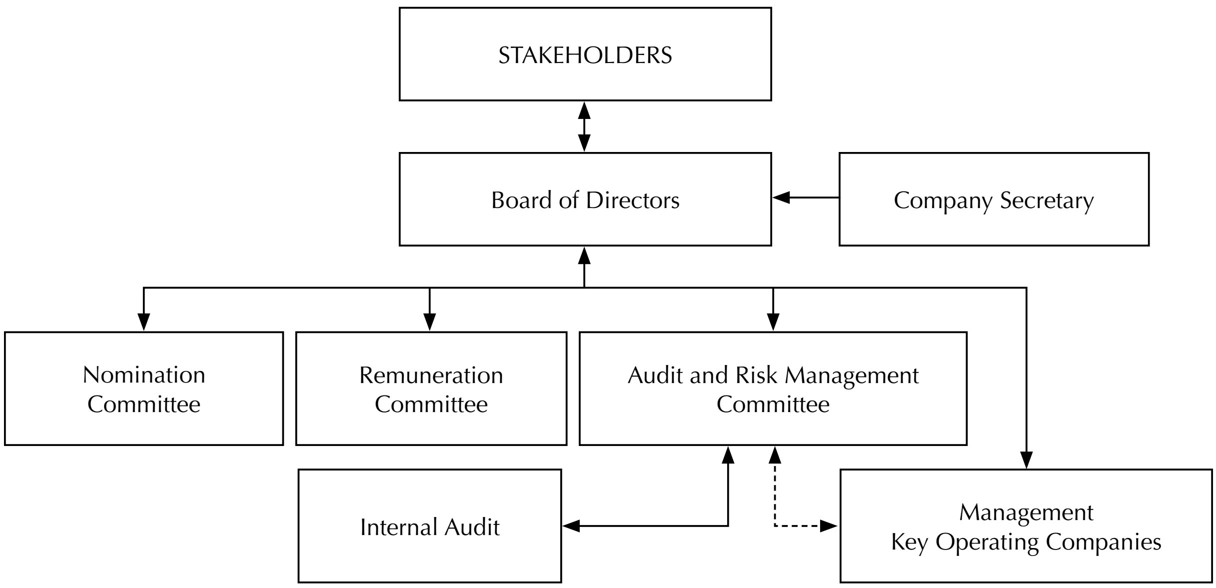
In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year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

- Practice 4.5 : Company's policies on gender diversity, its targets and measures to meet those targets.
- Practice 4.6 : Utilising independent sources to identify suitably qualified candidates in identifying candidates for appointment of directors.
- Practice 7.2 : Disclosure on a named basis, the remuneration of top 5 senior management.
- Practice 11.2 : Adoption by large companies of integrated reporting based on a globally recognised framework.
- Practice 12.3 : Leveraging technology to facilitate voting in absentia and remote shareholders' participation at general meetings for listed companies with a large number of shareholders or which have meetings in remote locations.

The details on the extent of the application of each CG practice as set out in the MCCG including the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 30 June 2019.

CORPORATE GOVERNANCE FRAMEWORK

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



BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Responsibilities for Leadership and Meeting Objectives and Goals

The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders value. The Board is primarily responsible for overseeing the implementation of strategies and plans by the Management, overseeing the conduct of the Group's businesses, monitoring the implementation of appropriate systems to manage principal risks, reviewing the adequacy and integrity of the Group's system of internal controls, and ensuring effective communications with stakeholders.

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

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

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

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

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

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year, 5 Board Meetings were held.

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

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

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

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

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

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

Commitment to Good Business Conduct and Healthy Corporate Culture

The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("CCM") which can be viewed from the CCM's website at www.ssm.com.my, the provisions of the Companies Act 2016, and the principles of the MCCG.

The Group has in place, a Code of Business Ethics and Conduct ("CoBEC") which covers the ethical values and principles of the Group and provides guidance on acceptable behaviour to all Directors and employees of the Group in operating and managing the Group's businesses and affairs. The CoBEC is further supported by other policies which include the Whistleblower Policy, Competition Policy, Sexual Harassment Policy, Sustainability Policy & Framework, Procurement Framework, Integrity & Fraud Risk Policy and Personal Data Protection Framework of the Group. The key policies are available on the Company's website under the section "Governance".

II. BOARD COMPOSITION

Objectivity in Board Decision Making

During the financial year, the Board comprises 6 Directors, 4 of whom are non-executive. Represented on the Board are 3 independent non-executive Directors, effectively constituting half of the Board and whose presence and participation provide independent advice, views and judgement to bear on the decision-making process of the Group in ensuring that a balanced and unbiased deliberation process is in place to safeguard the interests of all stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

In accordance with the Company's Constitution, 1/3 of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every 3 years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the Shareholders at the next annual general meeting following their appointment.

In line with the MCCG, the tenure of an independent Director does not exceed a cumulative term of 9 years. Upon completion of the 9 years, an independent Director may continue to serve on the Board as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval.

The Nomination Committee is responsible for recommending to the Board the re-election of Directors and the retention of the independent Directors whose tenure of service will exceed 9 years or have exceeded 9 years. The MCCG provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought by the Board through a 2-tier voting process to retain the said Director as an independent Director.

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

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

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

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

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

The process and criteria to identify and nominate candidates for appointment as a Director, and re-election and re-appointment of existing Directors are set out in the Board Charter.

A brief description of each Director's background is presented in the respective profile under Directors' Profile on pages 5 to 8 of this Annual Report.

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

The Nomination Committee comprises 4 members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Y. Bhg. Dato' Eow Kwan Hoong, an independent Director. The composition and the Terms of Reference of the Nomination Committee are presented on page 32 of this Annual Report and are available on the Company's website for reference.

Effectiveness of the Board and Individual Directors

The Nomination Committee reviews and assesses the performance and effectiveness of the Board as a whole and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's Terms of Reference on an annual basis.

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

<u>Time Commitment</u>

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

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

<u>Directors' Training</u>

All Directors are encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates by engaging in continuous professional development and where appropriate, on financial literacy.

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

The Directors are kept up-to-date with market developments and related issues through Board discussion meetings with Management. In addition, the Company may arrange site visits for the Directors, whenever necessary, to enhance their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

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

During the financial year, the Directors had attended the following seminars, conferences, briefings and breakfast series organised by Bursa Malaysia Berhad, and training programmes ("Programmes") on topics/subjects in relation to corporate governance, business opportunities, investment and prospects in various industries and countries, risk management and internal controls, economic and regional issues, board, management, entrepreneurship and leadership, statutory and regulatory updates and requirements, financial and accounting knowledge and updates, sustainability covering community, environment, marketplace and workplace, fraud, corruption and cybersecurity risks, and technology and innovation:

Name of Directors	**Programme**
Tan Sri Cheng Heng Jem	• Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points
Chan Ho Wai	• Minority Shareholder Watchdog Group (MSWG) with support of Bursa Malaysia – Advocacy Programme on CG Assessment using the Revised ASEAN CG Scorecard Methodology • Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points
Cheng Hui Ya, Serena	• Briefing by Bursa Malaysia – "ESG Engagement for the FTSE4Good Bursa Malaysia Index" • Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points • Perdana Leadership Foundation CEO Forum 2019
Dato' Eow Kwan Hoong	• Bursa Malaysia – Breakfast Series: "Non-Financials - Does it Matter?" • Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points • Bursa Malaysia & Deloitte – Corporate Governance Advocacy Programme: Cyber Security in the Boardroom - "Accelerating from Acceptance to Action"

Name of Directors	Programme
Tan Sri Abd Karim bin Shaikh Munisar	• Bursatra Sdn Bhd – Common Offences & Pitfalls to avoid under the Companies Act 2016
Dr Folk Jee Yoong	• Malaysian Institute of Accountants (MIA) - Cybersecurity Risk • Code of Ethics – A Key to Public Trust • Malaysian Institute of Accountants (MIA) - Transformative LEAN Financial Performance Indicators • IFRS Update: Recent Standards and Future Developments • Management Budget Seminar 2019 • Securities Commission Malaysia (SC) - Companies of the Future - The Role for Boards • Malaysian Institute of Accountants (MIA) - ACCA Business and Economic Outlook Report 2019 • Lion Group In-House Directors' Training on: (i) Corporate Liability & Directors' Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points • Cryptocurrency 101 and the New Regulation

The Directors are also updated and apprised on a continuing basis by the Company Secretaries on new and/or revised regulatory and statutory requirements ("Continuing Updates").

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

III. REMUNERATION

Level and Composition of Remuneration that Attract and Retain Talents

The Company has a formal remuneration policy for the Board of Directors and senior management respectively to ensure that it attracts and retains experienced and well qualified Directors and senior management to manage the Company's and the Group's business and operations effectively. Directors do not participate in decisions regarding their own remuneration. The Board continued to apply the criteria set for determining the remuneration packages of executive Directors whilst the recommendation made by the Board on the non-executive Directors' fees for approval by Shareholders at the Company's annual general meeting was reflective of the market competitiveness and responsibilities undertaken by the Directors.

The Board delegates the oversight of the remuneration of the EDs to the Remuneration Committee. The composition and the Terms of Reference of the Remuneration Committee are presented on page 33 of this Annual Report and are available on the Company's website for reference.

Remuneration Factoring in Individual and Company's Performance

Details of the Directors' remuneration paid or payable to all Directors of the Company for the financial year ended 30 June 2019 are as follows:

	Fees RM'000	Meeting Allowance RM'000	Salaries & Bonuses RM'000	Total RM'000
Executive Directors				
Chan Ho Wai	20	5	517	542
Cheng Hui Ya, Serena	20	5	–	25
Non-executive Directors				
Tan Sri Cheng Heng Jem	25	5	–	30
Dato' Eow Kwan Hoong	42	12	–	54
Tan Sri Abd Karim bin Shaikh Munisar (1)	15	6	–	21
Dr Folk Jee Yoong (1)	15	6	–	21
Dato' Kalsom binti Abd. Rahman (2)	18	6	–	24
Lin Chung Dien (2)	16	8	–	24
	171	53	517	741

There were no services rendered by the Directors of the Company to the subsidiary companies.

Notes:

(1) Appointed on 15 February 2019
(2) Retired on 22 November 2018

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

Effective and Independent Audit and Risk Management Committee

The Board affirms its responsibility for the presentation of a balanced and clear assessment of the Group's position, financial performance and future prospects to the Company's stakeholders through the annual financial statements, quarterly financial reports and corporate announcements which are in accordance with the Listing Requirements.

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

During the financial year, the Audit and Risk Management Committee comprises 3 members, all of whom are independent Directors and are financially literate. The Chairman of the Audit and Risk Management Committee is elected among the members of the Committee who is not the Chairman of the Board. The Terms of Reference and the main works undertaken by the Audit and Risk Management Committee for the financial year under review are set out in the Audit and Risk Management Committee Report on pages 26 to 31 of this Annual Report.

The Board has established a formal and transparent relationship with the External Auditors through the Audit and Risk Management Committee. The Audit and Risk Management Committee evaluates the performance and assesses the suitability, objectivity and independence of the External Auditors based on the policies and procedures which are in place. The Audit and Risk Management Committee also recommends the re-appointment of the External Auditors and their remuneration to the Board. The re-appointment of the External Auditors is subject to the approval of Shareholders at the annual general meeting whilst their remuneration is determined by the Board.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

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

The Internal Audit Function assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework and provide confirmation of the effectiveness of internal control and risk assessment process by the respective Head of Key Operating Companies ("KOC") and Head of accounts and finance of the KOC (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.

An overview of the Board's responsibility, the state and descriptions of the key components of the Group's system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management is set out in the Statement on Risk Management and Internal Control on pages 19 to 25 of this Annual Report.

Effectiveness of Governance, Risk Management and Internal Control System

The Board has established an Internal Audit Function within the Group to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the Audit and Risk Management Committee to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently. The Internal Audit Function is led by the Group Chief Internal Auditor who reports directly to the Audit and Risk Management Committee. The Internal Auditors attend all meetings of the Audit and Risk Management Committee. The Audit and Risk Management Committee's review of the scope of work, budget, reports by the Internal Audit Function and the detailed description of the Internal Audit Function are provided in the Audit and Risk Management Committee Report on pages 30 and 31 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 21 in the Statement on Risk Management and Internal Control and page 30 in the Audit and Risk Management Committee Report of this Annual Report, respectively.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

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

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

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

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

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

The Board has identified the Company Secretaries to whom concerns may be conveyed and who would bring the same to the attention of the EDs.

II. CONDUCT OF GENERAL MEETINGS

Participation by Shareholders and Informed Voting Decisions

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Board Responsibility

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

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

Key Components of Internal Control System

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

1. **Integrity and Ethical Values**

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

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

2. **Authority and Responsibility**

   - The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders value. The Group's business strategic directions are also reflected in the respective key operating companies' ("KOCs") Corporate Performance Scorecard ("CPS") which are reviewed half-yearly. The Board retains full and effective control of the Group's strategic plans, overseeing the conduct of the Group's businesses, setting policies, implementing, reviewing and maintaining an appropriate system of risk, control and compliance management and ensuring the adequacy and integrity of the Group's system of internal control. The Board is also responsible in ensuring financial integrity, setting the Group's risk appetite, reviewing and approving material transactions, related party transactions, capital financing and succession planning, and overseeing the implementation of stakeholder communication.

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

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

  – Audit and Risk Management Committee
  – Nomination Committee
  – Remuneration Committee

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

3. Organisation Structure

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

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

4. Frameworks, Policies and Procedures

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

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

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

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

- A Group Sustainability Framework and Plan which provides the roadmap to enhance Governance and the management of the material Economic, Environmental and Social risks and opportunities as well as stakeholders engagement.

5. Planning, Monitoring and Reporting

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

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

6. Internal Audit

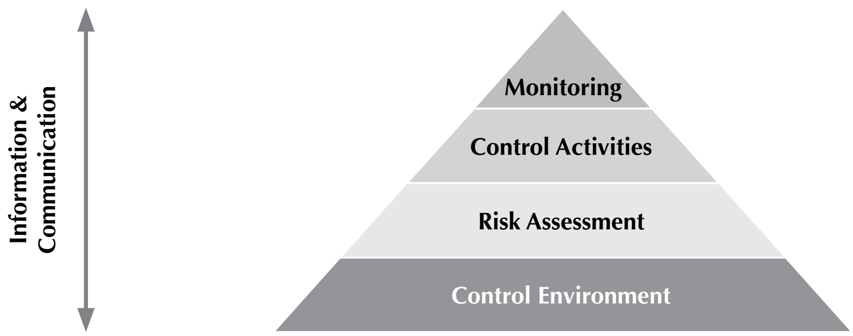
- Internal Audit Charter that is approved by the ARMC articulates the purpose, responsibility and authority of the GIA function as well as the nature of assurance activities provided by the function.

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

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

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

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



7. **Risk Management**

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

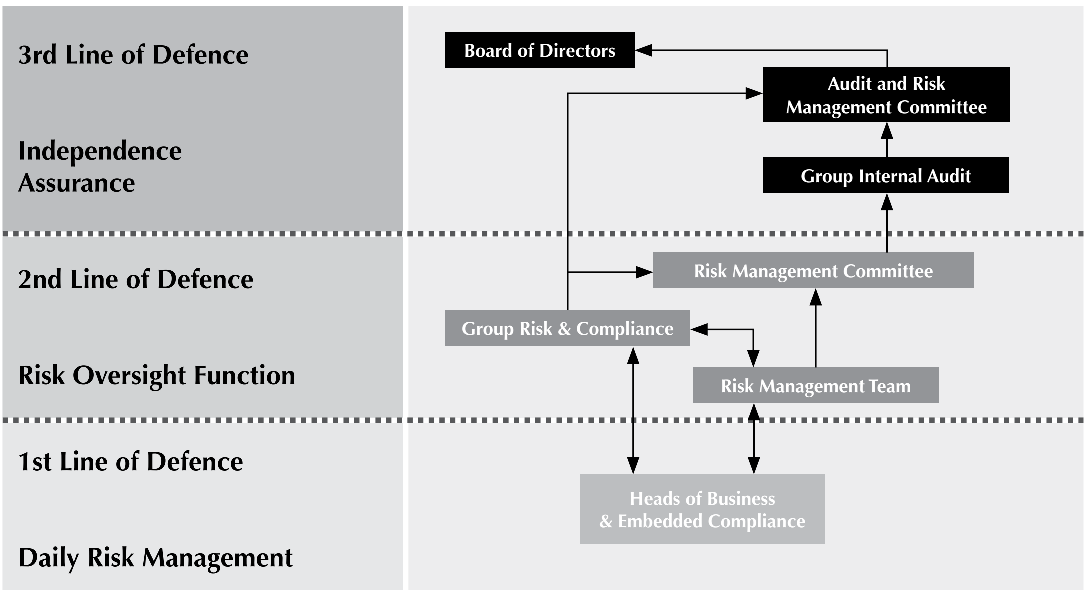
- The ERM Framework provides guidelines on the risk governance, risk management process, risk reporting and generic tools to be used by the Group. The design of the risk governance structure therein is premised on 3 lines of defence concept with clear functional responsibilities and accountabilities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

  – The first line of defence under the framework is found at the KOCs level where the Head of each KOC assumes the overall accountability for the respective KOC's risk management implementation. Each KOC's Heads of department would provide support to the Head of KOC and supervision of risk management practices in key processes under their respective areas of responsibilities. The Heads of KOC, in their half-yearly updates and reporting of respective CPS and Corporate Risk Scorecard ("CRS"), provided confirmation that the risk management process with regard to identification of material issues together with relevant controls and management actions have been adequately complied with.

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

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

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



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

RISK UNIVERSE

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

8. Compliance Management

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

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

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

9. Safety and Hazards Management

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

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

- Emergency Management Plan (EMP) developed for manufacturing operation includes measures for safety and security of personnel, property and facilities that mitigate the damage of potential emergency events such as fire, explosion, accident, major chemical spillage, radioactive leakage and other related incidents.

10. Information and Communication Technology/Management Information System

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

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

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

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

11. Insurance

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

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

12. Whistle-Blowing

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

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

Risk Management Process

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

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

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

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

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

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

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

Conclusion

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

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

Review by External Auditors

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scopes set out in Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the financial year ended 30 June 2019, and reported to the Board that nothing has come to their attention that has caused them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, Corporate Disclosure Guide and Corporate Governance Guide (3rd Edition), nor is the Statement factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and for no other purposes or parties.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION

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

- **Members**

  Y. Bhg. Dato' Eow Kwan Hoong (Elected as Chairman on 26 February 2019)
  (Chairman, Independent Non-Executive Director)

  Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar (Appointed as a member on 15 February 2019)
  (Independent Non-Executive Director)

  Dr Folk Jee Yoong (Appointed as a member on 15 February 2019)
  (Independent Non-Executive Director)

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

- **Secretaries**

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

- **Membership**

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

- **Meetings and Minutes**

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

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

TERMS OF REFERENCE

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

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, 5 Audit and Risk Management Committee Meetings were held. The attendance of each member was as follows:

Name of Members	Attendance
Y. Bhg. Dato' Eow Kwan Hoong	5/5
Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar	3/3[a]
Dr Folk Jee Yoong	3/3[a]
Y. Bhg. Dato' Kalsom binti Abd. Rahman[b]	2/2
Mr Lin Chung Dien[b]	2/2

Notes:

(a) There were 3 meetings held subsequent to appointment.
(b) Retired on 22 November 2018.

The Chief Internal Auditor and the Chief Accountant were also present at all the Meetings.

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

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

- **Financial Results**

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

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

- **Internal Audit**

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

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

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

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

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

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

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

(g) Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 19 to 25 of this Annual Report.

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

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

(i) Approved a budget of RM288,000 for the Internal Audit Function to effectively carry out its audit plan for the financial year ended 30 June 2019.

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

- **External Audit**

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

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

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

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

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

(e) Having satisfied with the performance and the assessment on the External Auditors' suitability, objectivity and independence, recommended to the Board the re-appointment of the External Auditors and their remuneration.

(f) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the financial year ended 30 June 2019 of RM6,000 was for the review of Statement on Risk Management and Internal Control.

(g) Met with the External Auditors without executive Board members and Management twice, in August 2018 and May 2019 to discuss matters in relation to their review.

- **Compliance Management**

(a) Conformance to Group policies and procedures

Received and reviewed the status and outcomes of the half-yearly Compliance Risk Self-Assessment ("CRSA") exercises which seek to identify gaps in compliance with regard to applicable laws, regulations, codes, guidelines and standards, market/industry best practices and Group policies and procedures, and discussed the adequacy of measures to address such gaps or non-compliance. The CRSA questionnaire sets and declaration were completed by the identified Heads of Business, Finance Officers of the Key Operating Companies ("KOCs") and Group Accountants, Company Secretaries, Group Tax, Group Treasury and Group Corporate Planning.

(b) Activities of Group Risk and Compliance Department

Monitored on a half-yearly basis the scope of activities and status of implementation as driven and coordinated by the Group Risk and Compliance as set out in the Compliance Program/Work Plan for the financial year ended 30 June 2019.

- **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 KOCs for the financial year via review of the Corporate Performance Scorecards updates on a half-yearly basis. The Audit and Risk Management Committee sought explanation/understanding from the Risk Management Team ("RMT") of KOCs on non-performance.

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

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

- **Related Party Transactions**

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

  (b) Reviewed the renewal of Shareholders' Mandate for 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.

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

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

INTERNAL AUDIT FUNCTION

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

The Group Chief Internal Auditor, Ms Elsie Tan Chitt Loo, graduated with a Bachelor of Accounting (Hons) from Universiti Malaya in 1985 and is a professional member of the Institute of Internal Auditors Malaysia with more than 25 years of internal audit experience in the field of retail, branding, food and beverage, credit financing and money lending services, property development, mining, manufacturing, steel, agriculture and computer industries.

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

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

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

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

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

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

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

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

An annual assessment for evaluating the adequacy and effectiveness of the Internal Audit Function was carried out in 2019.

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

The Audit and Risk Management Committee was also satisfied that the Internal Audit Function, backed by 9 staff of managerial/executive level who possessed the relevant qualification and experience, had adequate resources to fulfil the internal audit plan for the next financial year.

The total cost incurred in managing the Internal Audit Function of the Group for the financial year ended 30 June 2019 was RM286,330.

NOMINATION COMMITTEE

Chairman	:	Y. Bhg. Dato' Eow Kwan Hoong *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Cheng Heng Jem *(Non-Independent Non-Executive Director)*
		Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar *(Independent Non-Executive Director)*
	:	Dr Folk Jee Yoong *(Independent Non-Executive Director)*
Terms of Reference	:	• To recommend to the Board, candidates for directorships in Lion Forest Industries Berhad • To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or major shareholder and from independent sources • To recommend to the Board, Directors to fill the seats on Board Committees • To assist the Board in reviewing on an annual basis, the composition, the required mix of skills, experience, diversity and other qualities, including core competencies which each individual Director including the independent non-executive Director should bring to the Board • To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board • To review the induction and training needs of Directors • To consider other matters as referred to the Committee by the Board from time to time

NOMINATION COMMITTEE REPORT

The Nomination Committee comprises 4 members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Y. Bhg. Dato' Eow Kwan Hoong who is an independent Director.

Appointment to the Board and the Effectiveness of the Board

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board and the Board Committees. As an enhancement to its current process, the Nomination Committee may also consider procuring suitable candidates from independent sources, when required. The Nomination Committee annually reviews and assesses the performance and effectiveness of the Board and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's Terms of Reference.

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

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

The Directors' mix of skills are set out in the respective profile under Directors' Profile on pages 5 to 8 of this Annual Report.

Activities of the Nomination Committee for the Financial Year

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

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

(i) Reviewed and assessed the performance and effectiveness of the Board as a whole and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms adopted by the Nomination Committee, and was satisfied that the Board composition was adequate and in line with the Group's business operations and needs.

(ii) Reviewed the term of office and performance of the Audit and Risk Management Committee as a whole and each of its members including an assessment of their financial literacy, and assessed and evaluated the effectiveness of the Audit and Risk Management Committee in conducting its activities in accordance with its Terms of Reference and was satisfied that all members are financially literate and able to understand matters under the preview of the Audit and Risk Management Committee including financial reporting process.

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

(iv) Reviewed the retirement of Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar and Dr Folk Jee Yoong who were appointed during the financial year and recommended their re-election for Board's consideration.

(v) Reviewed the training needs of the Directors and was satisfied that the Directors having attended the relevant training programmes and having been kept up-to-date with market developments and related issues as well as apprised on a continuing basis by the Company Secretaries on new and/or revised statutory and regulatory requirements, had adequately met the training needs of each of the Directors towards enhancing his skills and knowledge to carry out his duties as a Director.

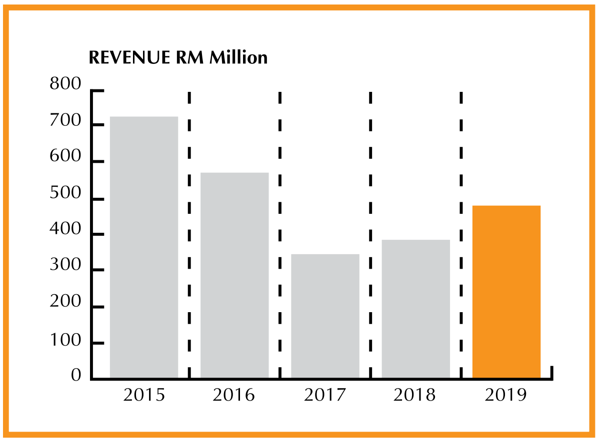
(vi) Approved and recommended for Board's consideration the Nomination Committee Report incorporating the Nomination Committee's activities for inclusion in the Annual Report.

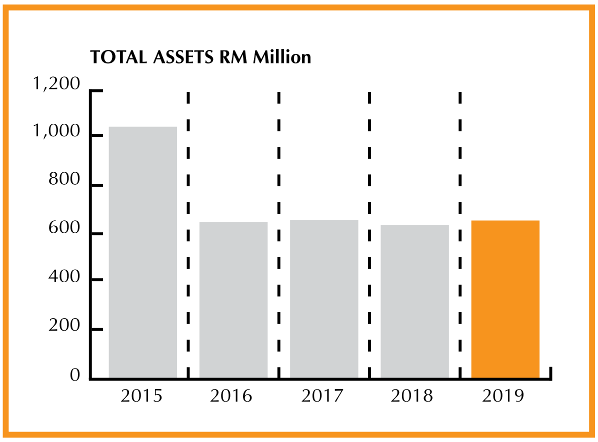
REMUNERATION COMMITTEE

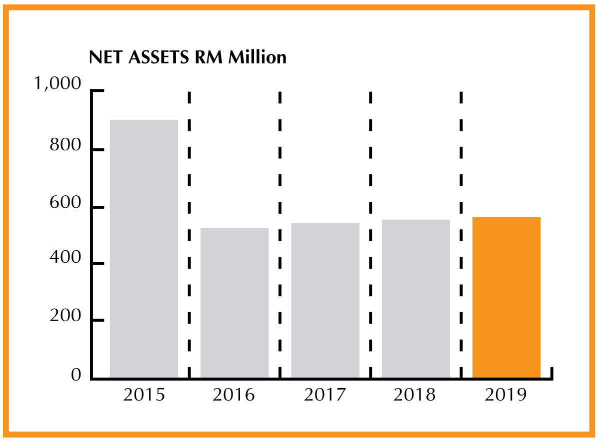
Chairman	:	Dr Folk Jee Yoong *(Independent Non-Executive Director)*
Members	:	Y. Bhg. Tan Sri Cheng Heng Jem *(Non-Independent Non-Executive Director)* Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar *(Independent Non-Executive Director)* Y. Bhg. Dato' Eow Kwan Hoong *(Independent Non-Executive Director)*
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

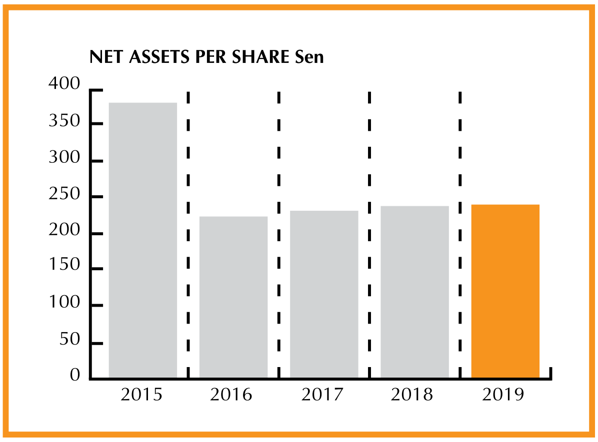
5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		2015	2016	2017	2018	2019
Revenue	(RM'000)	721,449	565,103	339,658	380,474	476,006
Profit/(Loss) before tax	(RM'000)	(93,385)	(379,870)	16,716	22,840	13,387
Profit/(Loss) after tax	(RM'000)	(104,552)	(386,871)	14,759	19,229	9,075
Net profit/(loss) attributable to owners of the Company	(RM'000)	(99,968)	(387,197)	14,746	19,228	9,075
Total assets	(RM'000)	1,041,831	647,982	657,055	637,336	653,699
Net assets	(RM'000)	887,462	515,306	536,297	547,816	551,729
Total borrowings	(RM'000)	22,892	22,815	23,889	405	860
Earnings/(Loss) per share	(Sen)	(43.2)	(168.6)	6.5	8.4	4.0
Net assets per share	(Sen)	383	225	235	240	242









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 left) sanitarywares, steel bars, roofing tiles, bricks, wall/floor tiles, cement, wire mesh and ironmongery such as lockset.
- *Bahagian Bahan Binaan terlibat dalam perniagaan menjual dan mengedar bahan-bahan seperti (arah jam, dari kiri atas) kelengkapan tandas, bar keluli, jubin bumbung, batu bata, jubin dinding/lantai, simen, jaring dawai dan barangan besi seperti set kunci.*

- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products under "HI-REV" & "T-TRAX" brands which meet specifications required by American Petroleum Institute (API), Japanese Automotive Standards Organization (JASO) and European Automobile Manufacturers' Association (ECEA) for exceptional performance in engine lubrication and protection against thermal stress to maintain excellent performance in high power densities engines.
- *Posim Petroleum Marketing Sdn Bhd mengedarkan pelbagai produk berasaskan petroleum di bawah jenama "HI-REV" & "T-TRAX" yang memenuhi spesifikasi yang ditetapkan oleh American Petroleum Institute (API), Japanese Automotive Standards Organization (JASO) dan European Automobile Manufacturers' Association (ECEA) untuk prestasi cemerlang bagi pelinciran dan perlindungan daripada tekanan thermal untuk mengekalkan prestasi cemerlang dalam enjin berkuasa tinggi ketumpatan.*

- The Group holds the exclusive distributorship for ACCA KAPPA, an Italian brand that offers premium hair brushes, body care products and fragrances.
- *Kumpulan merupakan pemegang hak pengedaran ekskusif bagi ACCA KAPPA, jenama Itali yang menawarkan rangkaian berus rambut premium, produk penjagaan badan dan minyak wangi.*

PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Forest Industries Berhad ("LFIB" atau "Syarikat") bagi tahun kewangan berakhir pada 30 Jun 2019.

PRESTASI KEWANGAN

Kumpulan mencatat keputusan kewangan yang lebih baik pada tahun 2019 dengan pendapatan sebanyak RM476.0 juta, meningkat 25% daripada RM380.5 juta yang dicatatkan pada tahun sebelumnya, selain keuntungan operasi lebih tinggi sebanyak RM14.9 juta (2018: RM12.8 juta). Prestasi yang lebih baik ini disumbangkan terutamanya oleh perniagaan bahan binaan dan minyak pelincir.

Perniagaan minyak pelincir terus menyaksikan pertumbuhan pendapatan dan keuntungan operasi pada tahun ini dengan adanya pasaran segmen baharu dan keberkesanan pelan tindakan yang diambil. Perniagaan bahan binaan yang berkait rapat dengan sektor pembinaan dan pembangunan hartanah telah dapat meningkatkan pendapatan dan keuntungan operasi dengan melaksanakan strategi pemasaran yang agresif.

Kumpulan mencatatkan keuntungan sebelum cukai sebanyak RM13.4 juta, pencapaian yang agak tinggi berbanding tahun lepas jika tidak mengambil kira keuntungan sebanyak RM10.2 juta yang diraih pada tahun lepas daripada pelupusan keseluruhan 20% kepentingan ekuiti Kumpulan dalam Suzuki Motor Malaysia Sdn Bhd, sebuah syarikat bersekutu kita.

Aset bersih Kumpulan bertambah baik kepada RM551.7 juta berbanding RM547.8 juta pada tahun sebelumnya dengan aset bersih sesaham sebanyak RM2.42, meningkat 2 sen daripada tahun kewangan sebelumnya.

PROSPEK

Keadaan ekonomi global yang tidak menentu dijangka memberi kesan terhadap persekitaran operasi perniagaan kita dalam jangka masa terdekat dan sederhana. Sentimen pasaran kekal lemah berikutan sikap berhati-hati dalam berbelanja kerana meningkatnya ketidakpastian dan juga persaingan yang semakin sengit dalam perniagaan. Cabaran-cabaran ini jelas dapat dilihat dalam perniagaan bahan binaan kita kerana ia berkait rapat dengan sektor pembinaan dan pembangunan hartanah manakala perniagaan minyak pelincir, produk petroleum dan automotif kita dijangka akan terus mencatat pencapaian lebih baik pada tahun hadapan.

Kumpulan akan sentiasa berwaspada dan mengambil langkah-langkah proaktif untuk mendepani cabaran-cabaran ini. Kumpulan akan meneruskan usahanya untuk meningkatkan prestasi operasi dan mengenal pasti segmen pertumbuhan utama dalam perniagaannya.

CADANGAN PERUBAHAN NAMA SYARIKAT

Pada 27 Ogos 2019, Lembaga Pengarah mengumumkan bahawa Syarikat bercadang untuk menukar namanya daripada "Lion Forest Industries Berhad" kepada "Lion Posim Berhad" ("Cadangan Perubahan Nama").

Penggunaan nama "Lion Posim Berhad" yang dicadangkan telah diluluskan dan dirizabkan oleh Suruhanjaya Syarikat Malaysia ("SSM") pada 16 Ogos 2019.

Cadangan Perubahan Nama adalah tertakluk kepada kelulusan para Pemegang Saham Syarikat dalam Mesyuarat Agung Tahunan Syarikat ke-37 yang akan datang.

Cadangan Perubahan Nama, jika diluluskan oleh Pemegang Saham, akan berkuatkuasa dari tarikh notis Pendaftaran Nama Baharu oleh SSM.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin mengucapkan selamat datang kepada Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar dan Dr Folk Jee Yoong yang menyertai Lembaga Pengarah sebagai Pengarah Bebas Bukan Eksekutif pada 15 Februari 2019. Lembaga Pengarah percaya bahawa Kumpulan akan mendapat manfaat daripada pengalaman dan kepakaran mereka yang tidak ternilai.

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

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

Akhir sekali, ucapan terima kasih juga ditujukan kepada pihak pengurusan dan kakitangan atas dedikasi dan komitmen mereka kepada Kumpulan.

TAN SRI CHENG HENG JEM
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I am pleased to present the Annual Report and Audited Financial Statements of Lion Forest Industries Berhad ("LFIB" or "the Company") for the financial year ended 30 June 2019.

FINANCIAL PERFORMANCE

The Group achieved improved results in 2019 with revenue of RM476.0 million, up by 25% from RM380.5 million recorded in the last financial year, and higher operating profit at RM14.9 million (2018: RM12.8 million). The improved performance was mainly contributed by both the trading of building materials and lubricants businesses.

The lubricants business continued to achieve growth in revenue and operating profit this year with new segment markets and effective action plans. The building materials business which is closely linked to the construction and property development sectors was able to increase its revenue and operating profit with an aggressive marketing strategy.

The Group registered a profit before tax of RM13.4 million which was relatively higher than that of last year after excluding from last year's profit, a gain of RM10.2 million from the disposal of the Group's entire 20% equity interest in Suzuki Motor Malaysia Sdn Bhd, an associated company.

The Group's net assets improved to RM551.7 million from RM547.8 million in the preceding year with net assets per share registering at RM2.42, an increase of 2 sen over that of the preceding financial year.

PROSPECTS

The uncertain global economic conditions are anticipated to impact the operating environment of our businesses in the near and medium term. Market sentiments will continue to remain soft with cautious spending as uncertainties escalate and competition in the businesses intensify. These challenges are most visible in our building materials business as it is closely linked to the construction and property development sectors whilst our lubricants, petroleum and automotive products businesses are expected to continue to perform well in the year ahead.

The Group will stay vigilant and take proactive steps to meet these challenges. The Group will continue with its efforts to improve its operating performance and identify key growth segments in its businesses.

PROPOSED CHANGE OF NAME OF THE COMPANY

The Board had on 27 August 2019 announced that the Company proposed to change its name from "Lion Forest Industries Berhad" to "Lion Posim Berhad" ("Proposed Change of Name").

The use of the proposed name "Lion Posim Berhad" has been approved and reserved by the Companies Commission of Malaysia ("CCM") on 16 August 2019.

The Proposed Change of Name is subject to the approval of the Shareholders of the Company to be obtained at the forthcoming 37th Annual General Meeting of the Company.

The Proposed Change of Name, if approved by the Shareholders, will take effect from the date of issuance of the Notice of Registration of New Name by the CCM.

APPRECIATION

On behalf of the Board of Directors, I would like to extend a warm welcome to Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar and Dr Folk Jee Yoong who joined the Board as Independent Non-Executive Directors on 15 February 2019. The Board believes that the Group will benefit from their invaluable experience and expertise.

On behalf of the Board of Directors, I wish to express my 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 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 CHENG HENG JEM
Chairman

主席报告

我谨此代表董事部，欣然提呈金狮森林工业有限公司(Lion Forest Industries Berhad)截至2019年6月30日会计年度的常年报告和经审核财务报表。

财务表现

本集团在2019年的业绩提升，收入达到4亿7千600万令吉，比上一个会计年度的3亿8千050万令吉增加25%；营业利润也增加，共1千490万令吉（2018年度：1千280万令吉）。业绩提升，主要得归功于建筑材料和润滑油的贸易。

今年润滑油的业务，收入和营业利润都继续增长，这是由于有新的市场领域和有效的行动计划。配合积极的市场策略，与建筑业及房产发展业息息相关的建筑材料业的收入和营业利润都有所增加。

本集团在本会计年度获得1千340万令吉的税前利润，相对的比去年的利润略高，扣除去年脱售联号铃木汽车马来西亚私人有限公司的全部20%股权所取得的1千020万令吉的利润。

集团的净资产从去年的5亿4千780万令吉增加到5亿5千170万令吉。每股的净资产是2.42令吉，比上一个会计年度上升2仙。

展望

本集团的业务营业环境预料将会在短期和中期内受到全球不明确的经济影响。由于不明确因素升级，人们在开销方面持谨慎态度，使市场情绪继续疲软并加剧了业务的竞争。这些挑战在我们的建筑材料业最为明显，因为它与建筑业及房产发展业息息相关；而我们的润滑油、汽油产品和汽车产品的业务，预料在未来的一年将持续有良好表现。

本集团将继续保持警惕，并采取积极进取的措施，以应付这些挑战。本集团将继续致力于改善营业表现，以及鉴定其业务的关键成长区块。

建议更改公司名称

董事部在2019年8月27日宣布，建议把公司名称从“Lion Forest Industries Berhad”（“金狮森林工业有限公司”）改为 “Lion Posim Berhad”（“金狮宝森有限公司”）。

在2019年8月16日，建议使用的名称 “Lion Posim Berhad” 获得马来西亚公司委员会批准并加以保留。

此更改公司名称的建议，必须在即将召开的第37届常年股东大会上获得公司股东们批准。

此更改公司名称的建议，如果获得股东们批准，将在马来西亚公司委员会发出新名称注册通知的那天开始生效。

鸣谢

我谨代表董事部，热烈欢迎 Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar 和 Dr.Folk Jee Yoong 在2019年2月15日加入董事部并担任独立非执行董事。董事部相信，本集团将会从他们宝贵的经验和专业知识中受惠。

我谨代表董事部，对我们的股东、金融机构、商业伙伴以及各个政府机构与监管机构表达感激，感谢他们一直以来对本集团的支持并对本集团具有信心。

我也要赞扬和感谢董事们，感谢他们提供宝贵的指导、支持和贡献。

最后，我真诚感谢管理层和职员们对本集团的奉献。

主席
丹斯里锺廷森

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Consolidated Statement of Profit or Loss	2019 RM'000	2018 RM'000	Change
Revenue	**476,006**	380,474	25%
Profit from operations	**14,937**	12,794	17%
Profit before tax	**13,387**	22,840	-41%
Profit after tax	**9,075**	19,229	-53%

Consolidated Statement of Financial Position	2019 RM'000	2018 RM'000	Change
Total assets	**653,699**	637,336	3%
Investment in money market funds, fixed deposits, cash and bank balances	**95,989**	109,092	-12%
Total liabilities	**101,970**	89,520	14%
Bank borrowings	**860**	405	112%
Net assets	**551,729**	547,816	1%

	Revenue			Segment Profit/(Loss)		
Segment Results	2019 RM'000	2018 RM'000	Change	2019 RM'000	2018 RM'000	Change
Building materials and steel products	**381,680**	292,640	30%	**2,389**	1,314	82%
Lubricants, petroleum and automotive products	**93,110**	84,541	10%	**13,786**	9,719	42%
Others	**1,216**	3,293	-63%	**(5,580)**	(2,869)	94%
	476,006	380,474	25%	**10,595**	8,164	30%

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

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

For the financial year 2019, revenue of the Group rose by 25% to RM476.0 million as compared to that recorded in the preceding financial year largely derived from the higher sales of building materials and lubricants. The Group's profit from operations increased by 17% to RM14.9 million. Included in the preceding financial year's profit was a gain on disposal of property, plant and equipment of RM2.4 million recorded by the transportation business.

After accounting for a share of loss in associated companies of RM1.5 million, the Group registered a profit before tax of RM13.4 million for the financial year under review, whilst profit of RM22.8 million in the last financial year included a gain of RM10.2 million on the disposal of Suzuki Motorcycle Malaysia Sdn Bhd, a 20% owned associated company. The Group's net assets per share as at 30 June 2019 increased by 2 sen to RM2.42.

The Building Materials and Steel Products Division registered a growth of 30% in revenue of RM381.7 million as compared to a year ago, mainly due to the higher sales of steel bars to the local construction and property development sectors. The Division accordingly posted a higher profit of RM2.4 million as compared to RM1.3 million a year ago.

The Lubricants, Petroleum and Automotive Products Division continued to register growth this year with its revenue and profit improved by 10% and 42% to RM93.1 million and RM13.8 million respectively compared to a year ago. The favourable performance was mainly driven by the increase in sales of lubricants with growth in new segment markets and comprehensive marketing programs.

The results of the Others Division were mainly derived from the provision of training services, distribution and retailing of consumer products and investment holding. These activities collectively contributed a lower revenue of RM1.2 million compared with RM3.3 million recorded a year ago, following the cessation of the transportation business in the last financial year. The preceding financial year's profit included a gain on disposal of property, plant and equipment of RM2.4 million recorded by the transportation business.

REVIEW OF OPERATIONS

Building Materials and Steel Products

Trading and distribution of building materials and steel products is directly associated with the construction and property development sectors in the country. Our Building Materials and Steel Products Division trades and distributes a wide range of building materials and steel products such as steel bars, wire mesh, cement, bricks, tiles and sanitary wares to the construction and property development sectors in the domestic market.

2019 was another challenging year for the Division as sentiments for the construction industry, which comprises property and infrastructural development remained soft amid revision of mega projects, causing uncertainties in the industry. Nevertheless, the Division registered a 30% growth in revenue at RM381.7 million over that of the previous year mainly attributable to the higher sales of steel bars to the local construction and property development sectors.

The Division will continue to face challenges as the domestic construction industry is expected to remain challenging in the near term. With prices of key construction materials such as steel bar and cement at depressed levels, competition among the building material distributors will remain intense.

Operating in an intensely challenging and competitive business environment, the Division will always stay vigilant and responsive to market changes. The Division will continue to focus on improving its operating performance by forging strategic relationships with principal suppliers and trading partners, developing partnerships with key customers and developers, and expanding its market coverage. The Division has also ventured into its own line of finishing products such as sanitary wares, tap fittings, tiles and ironmongery products to grow revenue.

Lubricants, Petroleum and Automotive Products

The Division recorded an increase in revenue and operating profit despite facing a soft market during the financial year. The improved results were mainly due to growth in new segment markets that we had identified in previous years; and had thus, implemented effective action plans to achieve results in these potential markets.

Automotive lubricants remain as our core product and we continuously upgrade our range and offerings to satisfy and complement the requirement of newer technologies adopted by vehicle OEMs. The trend is generally for performance-based lubricant that optimises engine efficiencies and is simultaneously cost-effective and environmentally sustainable. In this regard, the research and technical projects that we are engaged in, both in our laboratory and on the field are continuously monitored and tracked for product improvement purposes.

We actively participated in motorsports competitions, both in the domestic and international arena, and our race teams had won many podium victories this year. These popular races include but are not limited to the *Asia Road Racing Championship, Malaysian Cub Prix Championship, Malaysia Superbike Championship, Malaysia Speed Festival, Malaysia Championship Series, the Sepang 1000 km Endurance Race and Rimba Raid Challenge*.

As many of our lubricant brands are widely known and accepted in the Malaysian market, we continuously review and widen our business network so that our products are readily available to end-users and consumers. We engage closely with our workshops partners and resellers to develop mutual beneficial business relationships with all parties.

Moving forward, we will continue to identify key potential segments that we can tap on. Barring unforeseen circumstances, we expect continued growth in the Division's businesses.

Others

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 enhance brand awareness and distribution channels to expand our sales force, in order to compete in this niche market.

SUSTAINABILITY STATEMENT

The Group has embraced the values of corporate responsibility and elements of sustainability management since the early days of its operations. These values are reflected in our core values, policy statements and work practices across our operations and contribute to the development of the Group's Sustainability Framework. The Group is cognisant of the 3 aspects of sustainability i.e. economic, environmental and social ("EES") underpinning sustainability management and is incorporating good sustainability practices into its operations and businesses.

This Sustainability Statement provides an overview of our sustainability practices and performance for the financial year ended 30 June 2019 in the areas of corporate governance, upholding stakeholders' interests, promoting a safe, healthy and harmonious working environment for all our employees and contributing to the communities in which we operate. Recognising the importance of embedding sustainability management and considerations in our business strategy to reduce risks and take advantage of business opportunities, we continued to set standards and frameworks and adopt innovative means to sustain and amplify our sustainability efforts. We have taken steps to incorporate standard disclosures in accordance to the Global Reporting Initiatives ("GRI") reporting guidelines and Bursa Malaysia Securities Berhad Main Market Listing Requirements on sustainability reporting.

ECONOMIC

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

The Group maintains zero-tolerance for bribery, fraud and corruption, and is developing its Anti-Bribery and Corruption Policy ("ABC Policy") which abides by the rules, laws and regulations of the countries we are operating in. The new ABC Policy will incorporate more comprehensive issues and a robust set of internal standards and procedures to further enhance the Group's core principles in the existing Code of Business Ethics and Conduct ("CoBEC").

Marketplace

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

- **Product Responsibility**

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

- **Customer Satisfaction**

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

- **Supply Chain and Responsible Procurement Practices**

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

- **Vendor Code of Conduct**

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

- **Employee Code of Conduct**

  We apprise our employees on the Group's CoBEC and the need to conduct business at the highest ethical standards. We do not tolerate bribery and corrupt practices or behaviours that may bring disrepute to the Group or its employees. Above all, we expect honesty, integrity and respect to be exhibited in our dealings and interactions within and outside the Group. To ensure that all executive employees uphold high ethical standards of conduct, they are required to submit their Conflict of Interest and Compliance Declaration annually.

- **Whistleblower Policy**

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

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

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

- **System Efficiency**

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

- **Privacy and Data Protection**

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

Workplace

We recognise our employees as key assets, hence managing talent at all levels is a key priority. Our Human Resource (HR) policies and guidelines comply with all relevant legislations and have been designed to ensure that our workplace embraces diversity, inclusion, equality and innovation. As part of our commitment to maintain our employee diversity, we have an open-door policy with regard to persons with disabilities.

The Group's efforts to attract, develop, motivate and retain its employees are pursued within the ambit of 6 HR strategic focus areas:

- **Talent Attraction and Management**

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

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

- **Capability Building**

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

- **Rewards and Performance**

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

- **HR Operational Excellence**

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

- **Safety & Health in the Workplace**

  The safety and health of our employees is vital to our businesses, hence the Group subscribes to the safety, health and environmental regulations with a systematic approach reinforced by constant training and monitoring to ensure the safety and well-being of our employees. Workplace incidents are taken seriously; they are investigated and appropriate actions taken to prevent recurrence. Our employees are encouraged to observe and maintain a safe and healthy workplace. "No Smoking Zone" and "Reverse Car Parking" are some of the initiatives that are supported and practiced by our employees in our workplace.

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

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

- **Employee Engagement and Work-Life Balance**

  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", festive open houses, sports and recreation activities/pursuits. Such engagements address both work and social requirements of our employees leading to a healthy work-life balance which proves to be an important factor for recruitment and retention of employees. The Group strives to provide a working environment that promotes work-life balance for its employees comprising the above elements as well as organizing various healthy lifestyle campaigns and programs to promote healthier living.

ENVIRONMENT

The Group remains steadfast in our commitment to sustainable development and seeks to operate in a way that minimises environmental harm. We seek to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimise the use of resources and promote energy efficiency and we are committed in taking proactive measures to preserve the environment for future generations whilst meeting the needs of our stakeholders.

- **Efficient Energy & Water Consumption and Wastes Management**

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

- **Promoting Green and Environmental Friendly Products**

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

- **Prudent Use of Paper Practices**

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

SOCIAL

In keeping with its philosophy of giving back to the community, the Group is focused on helping to uplift the community via Lion-Parkson Foundation and Lion Group Medical Assistance Fund established by Lion Group of Companies of which the Group is a member. The companies within the Group also support the local community wherein they operate by participating in charity programmes and fundraising drives to assist those in need.

Empowerment through Education

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

Every year, the Foundation awards scholarships to undergraduates in the local universities. The selected scholars undergo training in soft skills such as problem-solving and communication skills and internships at our companies during their semester breaks to prepare them for the corporate world. This year, the Foundation awarded scholarships worth RM10,000 per annum to 9 students based on their academic performance, extra-curricular activities and leadership qualities. Todate, the Foundation has sponsored a total of 458 students through various sponsorship programmes worth RM10.5 million.

For the 10th consecutive year, students from 5 schools had staged calligraphy demonstrations and orchestra performances at 9 participating Parkson stores in the Klang Valley over 3 weekends prior to the 2019 Lunar New Year, and successfully raised RM237,247.31 from the sale of their calligraphy pieces. The Lunar New Year Calligraphy Exhibition and Charity Sale in Parkson stores initiated in 2010, has raised a total of RM2,382,643.97 to assist needy students in these schools.

The third Lion Parkson charity run was held on 30 September 2018 at Pavilion Kuala Lumpur and managed to raise RM1.2 million for education and charity, including the expansion of the Home for Handicapped and Mentally Disabled Children in Banting, Selangor; National Cancer Society Malaysia; Kasih Hospice Care Society; and Kuala Lumpur and Selangor Chinese Chambers of Commerce and Industry Education Fund. 45 cancer patients and survivors from National Cancer Society had participated in the 1km Run for Cancer category.

Home for Special Children

In reaching out to the various communities through education, we have not forgotten the less fortunate, namely the special children whose lives we seek to enhance and enrich through our Home for Handicapped and Mentally Disabled Children Association Selangor. It was built at a cost of RM2.2 million contributed by the Foundation in 2012 on a 4.17 acres piece of land worth RM1.2 million donated by Lion Group, and can accommodate 100 children. The Home was officially opened by National Shuttler, Datuk Wira Lee Chong Wei and Foundation Chairman, Puan Sri Chelsia Cheng on 4 November 2012. Construction work on the 2nd and 3rd phases which cost another RM6 million to enable the Home to accommodate another 100 children, and an old folks home has just been completed.

All in, todate a total of RM38.4 million has been contributed to various charitable causes championed by the Foundation.

Medical Assistance for the Less Fortunate

In reaching out to a broad and diverse cross-section of beneficiaries irrespective of race or religion, the Lion Group Medical Assistance Fund provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery, purchase of medical equipment and medication. Since its inception in 1995, the Fund has also assisted organisations that are geared towards helping the less fortunate achieve a better life, including sponsoring community health programmes such as medical camps and donation of dialysis machines.

Todate, approximately RM8.9 million has been disbursed in the form of sponsorship for medical treatment to 948 individuals, and for the purchase of medical equipment and medicine for medical camps. This includes the purchase of 22 dialysis machines worth RM839,400 for Dialysis Centres operated by National Kidney Foundation and non-Governmental Organizations (NGOs) to provide subsidised treatment to those suffering from kidney failure.

Effective 12 March 2019, Lion Group Medical Assistance Fund was merged with Lion-Parkson Foundation to streamline and facilitate the management and disbursement of funds by the Group. Lion-Parkson Foundation will undertake to provide financial assistance for medical expenses incurred by needy Malaysian patients for surgeries, hospitalisation and diagnostic procedures in local hospitals or clinics.

Other Youth Development Initiatives

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

STAKEHOLDER ENGAGEMENT

Stakeholders engagement is imperative in understanding their expectations. We recognise that stakeholder expectation, assessment and feedback are an integral part of our sustainability strategy and initiatives, and we are continuously improving our stakeholder engagement approach via various communication channels.

Stakeholder Group	Stakeholders Expectation	Communication Channel / Platform
Employees	• Learning and development • Respect and recognition • Job satisfaction • Pay and benefits	• Meetings • Training programmes • Internal newsletter • Staff gatherings and other engagement channels
Customers	• Convenience and experience • Engaging, knowledgeable personnel	• Face-to-face interaction through service channels • Communication through Customer Service Department and Corporate Communications Department • Feedback through website, e-mail, social media • Sales, promotions, road shows and related events
Suppliers/Vendors	• Long term partnership • Financial resilience • Sustainable business growth • Experienced management team	• Liaison with suppliers before sourcing and engaging with contract managers • Meetings, business alliance events/ meetings • Vendor service/support channel
Shareholders and investors	• Good governance • Sustainable business growth • Disclosure and transparency	• Investor relations channel and meetings • Annual General Meeting • Quarterly reports, Annual Report
Government and regulators	• Regulatory compliance	• Meetings and events
Local communities	• Responsible corporate citizen • Support for social causes	• Activities and sponsorships organised by the Company, Lion-Parkson Foundation and Lion Group Medical Assistance Fund
Media	• Response to media enquiries and requests for interviews • Long term engagement	• Media releases and interviews • Advertisements
Industry associations	• Support for mutual interests	• Meetings and events

FINANCIAL STATEMENTS 2019

For The Financial Year Ended 30 June 2019

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	13,387	37,667
Income tax expense	(4,312)	(491)
Profit for the year	9,075	37,176
Profit attributable to:		
Owners of the Company	9,075	

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

As at 30 June 2019, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747, as disclosed in Note 23 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS

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

Tan Sri Cheng Heng Jem
Chan Ho Wai
Cheng Hui Ya, Serena
Dato' Eow Kwan Hoong
Tan Sri Abd Karim bin Shaikh Munisar (appointed on 15 February 2019)
Dr Folk Jee Yoong (appointed on 15 February 2019)
Dato' Kalsom binti Abd. Rahman (retired on 22 November 2018)
Lin Chung Dien (retired on 22 November 2018)

LIST OF DIRECTORS OF SUBSIDIARY COMPANIES

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

Chan Ho Wai	Koh Yong Heng
Cheng Hui Yen, Natalie	Lee Boon Liang (appointed on 5 April 2019)
Cheng Hui Ya, Serena	Lee Whay Keong
Cheng Theng How	Ooi Kim Lai
Goh Kok Beng	Poon Sow Har
Haji Mohamad Khalid bin Abdullah	Tan Sri Cheng Heng Jem
Koo Chuan Hong	Tan Sri Cheng Yong Kim
Khor Toong Yee	Wang Wing Ying

Chan Poh Lan (resigned with effect from 30 September 2019)
Chuah Say Chin (ceased on 24 August 2018)
Chai Voon Choy (ceased on 24 August 2018)
Cheong Poh Heng (ceased on 24 August 2018)
Lee Soon Saam (resigned with effect from 5 April 2019)
Liew Choon Yick (ceased on 24 August 2018)
Lim Siong Lin (ceased on 24 August 2018)
Ng Ho Peng (ceased on 24 August 2018)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	As at 1.7.2018	**Additions**	**Disposals**	**As at 30.6.2019**
Direct interest				
Tan Sri Cheng Heng Jem	400	–	–	400
Dato' Eow Kwan Hoong	8,026	–	–	8,026

	Number of ordinary shares			
	As at 15.2.2019	**Additions**	**Disposals**	**As at 30.6.2019**
Direct interest				
Dr Folk Jee Yoong	105	–	–	105

	Number of ordinary shares			
	As at 1.7.2018	**Additions**	**Disposals**	**As at 30.6.2019**
Deemed interest				
Tan Sri Cheng Heng Jem	170,186,190	–	–	170,186,190

DIRECTORS' INTERESTS (continued)

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

	Number of ordinary shares			
	As at 1.7.2018	**Additions**	**Disposals**	**As at 30.6.2019**
Tan Sri Cheng Heng Jem				
Direct interest				
Lion Industries Corporation Berhad	216,865,498	5,919,951	–	222,785,449

	Number of ordinary shares			
	As at 1.7.2018	**Additions**	**Disposals**	**As at 30.6.2019**
Tan Sri Cheng Heng Jem				
Deemed interest				
Holdsworth Investment Pte Ltd	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	212,500	–	–	212,500
Lion Industries Corporation Berhad	39,492,320	–	(5,919,951)	33,572,369
Lion Group Management Services Sdn Bhd	5,000,000	–	–	5,000,000
LLB Enterprise Sdn Bhd	690,000	–	–	690,000
Marvenel Sdn Bhd	100	–	–	100
Soga Sdn Bhd	4,525,322	–	–	4,525,322
Steelcorp Sdn Bhd	99,750	–	–	99,750
Zhongsin Biotech Pte Ltd	1,000,000	–	–	1,000,000

Investments in the People's Republic of China	**Currency**	**As at 1.7.2018**	**Additions**	**Disposals**	**As at 30.6.2019**
Deemed interest					
Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	USD	10,878,944	–	–	10,878,944

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

HOLDING COMPANIES

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

AUDITORS

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

AUDITORS' REMUNERATION

The remuneration of the auditors for the financial year ended 30 June 2019 is as disclosed in Note 6 to the financial statements.

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

TAN SRI CHENG HENG JEM

CHAN HO WAI

Kuala Lumpur
10 October 2019

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matter	*How the matter was addressed in the audit*
Impairment of investment properties	
As at 30 June 2019, the carrying amount of the investment properties of the Group held at cost amounted to RM107,193,000, representing 37% and 16% of the Group's total non-current assets and total assets respectively. Included in the investment properties of the Group are freehold land and economic land concessions in Cambodia amounting to USD25,733,000, equivalent to RM106,651,000. The impairment of investment properties is considered a key audit matter in view that significant judgement and estimates are required to be exercised by the management when determining the recoverable amount of the investment properties for impairment assessment. The significant judgement and estimates made by the management is disclosed in Note 4(i)(b) to the financial statements.	Our audit procedures to address this area included, among others: • Read and considered agreements and relevant documentation relating to the acquisition of land and economic land concessions in Cambodia; • Inquired of management about plans for the investment properties and evaluated the possible impact on the realisation of the freehold land and economic land concessions; • Assessed the competency, capabilities and objectivity of the independent valuers engaged by the Group to determine the market value of the investment properties. • Compared the carrying amount of the investment properties against the values determined by the independent valuers to evaluate for indicators of impairment and challenged the variables and assumptions used in the valuations. • Assessed the adequacy and appropriateness of the disclosures in the financial statements.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

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

MARK EVELYN THOMSON
Partner - 03080/06/2021 J
Chartered Accountant

10 October 2019

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Revenue	5	**476,006**	380,474	**34,514**	10,800
Other operating income		**13,434**	15,451	**6,635**	33,899
Changes in inventories of finished goods and trading merchandise		**1,196**	(680)	**–**	–
Raw materials and consumables used		**(42,791)**	(36,370)	**–**	–
Purchase of trading merchandise		**(382,714)**	(299,505)	**–**	–
Staff costs	6	**(23,274)**	(21,433)	**(91)**	(1,604)
Directors' remuneration	6	**(741)**	(727)	**(741)**	(727)
Depreciation of:					
Property, plant and equipment	10	**(2,723)**	(3,734)	**(1)**	–
Investment properties	11	**(18)**	(18)	**(18)**	(18)
Gain/(Loss) on foreign exchange:					
Realised		**218**	340	**–**	–
Unrealised		**(164)**	(335)	**(199)**	1,520
Other operating expenses		**(23,492)**	(20,669)	**(2,432)**	(2,625)
Profit from operations	6	**14,937**	12,794	**37,667**	41,245
Finance costs	7	**(41)**	(496)	**–**	(1)
Share in results of associated companies		**(1,509)**	1,463	**–**	–
Gain on disposal of an associated company		**–**	10,231	**–**	–
Provision for indemnity for damages arising from back pay labour claims	26	**–**	(1,152)	**–**	(1,152)
Impairment losses on investment in subsidiary companies	12	**–**	–	**–**	(1,634)
Profit before tax		**13,387**	22,840	**37,667**	38,458
Income tax expense	8	**(4,312)**	(3,611)	**(491)**	(1,640)
Profit for the year		**9,075**	19,229	**37,176**	36,818
Profit attributable to:					
Owners of the Company		**9,075**	19,228	**37,176**	36,818
Non-controlling interests		**–**	1	**–**	–
Profit for the year		**9,075**	19,229	**37,176**	36,818
Earnings per ordinary share attributable to owners of the Company (sen)					
Basic	9	**3.98**	8.44		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year	**9,075**	19,229	**37,176**	36,818
Other comprehensive income/(loss)				
<u>Item that will not be reclassified subsequently to profit or loss</u>				
Net loss on other investments:				
- Fair value changes	**(17,920)**	–	**(17,920)**	–
<u>Items that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations	**3,927**	(9,556)	**–**	–
Transfer of other reserves to profit or loss upon disposal of an associated company	**–**	1,384	**–**	–
Net gain/(loss) on other investments:				
- Fair value changes	**–**	648	**–**	560
- Transfer to profit or loss upon disposal	**–**	(184)	**–**	–
Other comprehensive (loss)/income for the year	**(13,993)**	(7,708)	**(17,920)**	560
Total comprehensive (loss)/income for the year	**(4,918)**	11,521	**19,256**	37,378
Total comprehensive (loss)/income attributable to:				
Owners of the Company	**(4,918)**	11,519	**19,256**	37,378
Non-controlling interests	**–**	2	**–**	–
Total comprehensive (loss)/income for the year	**(4,918)**	11,521	**19,256**	37,378

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**17,653**	18,877	**4,784**	4,777
Investment properties	11	**107,193**	104,609	**542**	560
Investment in subsidiary companies	12	**–**	–	**270,329**	270,471
Investment in associated companies	13	**40,590**	44,305	**–**	–
Other investments	14	**16,291**	34,211	**14,563**	32,483
Amount owing by other related company	18	**104,383**	98,123	**104,383**	98,123
Intangible assets	15	**–**	–	**–**	–
Goodwill on consolidation	16	**–**	–	**–**	–
Deferred tax assets	17	**7,536**	7,514	**–**	–
Total Non-Current Assets		**293,646**	307,639	**394,601**	406,414
Current Assets					
Inventories	19	**17,281**	18,482	**–**	–
Trade receivables	20(a)	**135,208**	80,053	**–**	–
Other receivables, deposits and prepayments	20(b)	**19,897**	14,792	**202**	198
Amount owing by subsidiary companies	12(a)	**–**	–	**36,810**	25,650
Amount owing by immediate holding company	18	**86,661**	95,405	**–**	–
Amount owing by other related companies	18	**1,228**	7,696	**256**	–
Tax recoverable		**3,789**	4,177	**–**	–
Investment in money market funds	21(a)	**16,926**	16,330	**5,164**	4,982
Fixed deposits, cash and bank balances	21(b)	**79,063**	92,762	**3,669**	3,962
Total Current Assets		**360,053**	329,697	**46,101**	34,792
Total Assets		**653,699**	637,336	**440,702**	441,206

(Forward)

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	**920,902**	920,902	**920,902**	920,902
Reserves	23	**(369,173)**	(373,086)	**(505,645)**	(524,901)
Equity attributable to owners of the Company		**551,729**	547,816	**415,257**	396,001
Non-Current and Deferred Liabilities					
Hire-purchase payables	24	**16**	42	**–**	–
Deferred tax liabilities	17	**531**	697	**280**	280
Total Non-Current and Deferred Liabilities		**547**	739	**280**	280
Current Liabilities					
Trade payables	25(a)	**26,465**	16,212	**–**	–
Other payables and accrued expenses	25(b)	**51,353**	67,595	**14,990**	15,070
Contract liabilities	25(c)	**18,370**	–	**–**	–
Provision	26	**3,473**	3,489	**3,473**	3,489
Amount owing to other related companies	18	**693**	807	**–**	115
Amount owing to subsidiary companies	12(b)	**–**	–	**6,487**	25,955
Hire-purchase payables	24	**26**	54	**–**	–
Bank borrowings	27	**818**	309	**–**	–
Tax liabilities		**225**	315	**215**	296
Total Current Liabilities		**101,423**	88,781	**25,165**	44,925
Total Liabilities		**101,970**	89,520	**25,445**	45,205
Total Equity and Liabilities		**653,699**	637,336	**440,702**	441,206

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

The Group	Note	Share capital RM'000	Treasury shares RM'000 (Non-distributable reserves)	Translation adjustment reserve RM'000 (Non-distributable reserves)	Fair value reserve RM'000 (Non-distributable reserves)	Accumulated losses RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 July 2017		920,902	(2,277)	51,481	96	(433,905)	536,297	757	537,054
Profit for the year		–	–	–	–	19,228	19,228	1	19,229
Other comprehensive (loss)/income for the year		–	–	(8,173)	464	–	(7,709)	1	(7,708)
Total comprehensive (loss)/income for the year		–	–	(8,173)	464	19,228	11,519	2	11,521
Dividend paid to non-controlling interests of a subsidiary company		–	–	–	–	–	–	(300)	(300)
Acquisition of non-controlling interests		–	–	–	–	–	–	(459)	(459)
As at 30 June 2018		920,902	(2,277)	43,308	560	(414,677)	547,816	–	547,816
As at 1 July 2018, as previously reported		**920,902**	**(2,277)**	**43,308**	**560**	**(414,677)**	**547,816**	**–**	**547,816**
Effect of adoption of MFRS 9	2	**–**	**–**	**–**	**–**	**8,831**	**8,831**	**–**	**8,831**
As at 1 July 2018, adjusted		**920,902**	**(2,277)**	**43,308**	**560**	**(405,846)**	**556,647**	**–**	**556,647**
Profit for the year		**–**	**–**	**–**	**–**	**9,075**	**9,075**	**–**	**9,075**
Other comprehensive income/(loss) for the year		**–**	**–**	**3,927**	**(17,920)**	**–**	**(13,993)**	**–**	**(13,993)**
Total comprehensive income/(loss) for the year		**–**	**–**	**3,927**	**(17,920)**	**9,075**	**(4,918)**	**–**	**(4,918)**
As at 30 June 2019		**920,902**	**(2,277)**	**47,235**	**(17,360)**	**(396,771)**	**551,729**	**–**	**551,729**

(Forward)

The Company	**Share capital RM'000**	**Non-distributable reserves Treasury shares RM'000**	**Fair value reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
As at 1 July 2017	920,902	(2,277)	–	(560,002)	358,623
Profit for the year	–	–	–	36,818	36,818
Other comprehensive income for the year	–	–	560	–	560
Total comprehensive income for the year	–	–	560	36,818	37,378
As at 30 June 2018	920,902	(2,277)	560	(523,184)	396,001
As at 1 July 2018	**920,902**	**(2,277)**	**560**	**(523,184)**	**396,001**
Profit for the year	**–**	**–**	**–**	**37,176**	**37,176**
Other comprehensive loss for the year	**–**	**–**	**(17,920)**	**–**	**(17,920)**
Total comprehensive (loss)/ income for the year	**–**	**–**	**(17,920)**	**37,176**	**19,256**
As at 30 June 2019	**920,902**	**(2,277)**	**(17,360)**	**(486,008)**	**415,257**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

The Group	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**9,075**	19,229
Adjustments for:		
Impairment losses on:		
Trade and other receivables	**5,100**	5,018
Investment properties	**–**	578
Property, plant and equipment	**–**	225
Income tax expense recognised in profit or loss	**4,312**	3,611
Share in results of associated companies	**1,509**	(1,463)
Depreciation of:		
Property, plant and equipment	**2,723**	3,734
Investment properties	**18**	18
Finance costs	**41**	496
Allowance for slow-moving and obsolete inventories	**98**	359
Property, plant and equipment written off	**14**	–
Gain on disposal of:		
Property, plant and equipment	**(244)**	(2,895)
An associated company	**–**	(10,231)
Quoted investments	**–**	(184)
Interest income	**(8,730)**	(8,644)
Impairment losses no longer required:		
Trade receivables	**(1,678)**	(3,627)
Unquoted investments	**–**	(74)
Unrealised loss on foreign exchange	**164**	335
Dividend income from:		
Investment in money market funds	**(596)**	(563)
Unquoted investments	**(238)**	(286)
Quoted investment	**(21)**	–
Provision for indemnity for damages arising from back pay labour claims	**–**	1,152
Operating Profit Before Working Capital Changes	**11,547**	6,788
Decrease/(Increase) in:		
Inventories	**1,103**	(1,895)
Trade receivables	**(49,228)**	7,125
Other receivables, deposits and prepayments	**(5,623)**	3,509
Amount owing by immediate holding company	**8,734**	6,511
Amount owing by other related companies	**6,708**	8,806
Increase/(Decrease) in:		
Trade payables	**10,253**	(6,970)
Other payables and accrued expenses	**(16,129)**	(3,164)
Contract liabilities	**18,370**	–
Cash (Used In)/Generated From Operations	**(14,265)**	20,710
Interest received	**937**	1,302
Income tax refunded	**91**	184
Income tax paid	**(4,293)**	(3,919)
Net Cash (Used In)/From Operating Activities	**(17,530)**	18,277

(Forward)

The Group	Note	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
(Increase)/Decrease in:			
Investment in money market funds		**(596)**	(563)
Amount owing by immediate holding company		**10**	(10)
Amount owing by other related companies		**(6,500)**	(5,786)
Interest received from:			
Fixed deposits with licensed banks		**1,533**	1,458
Other related companies		**6,260**	5,884
Proceeds from disposal of an associated company		**–**	17,054
Proceeds from disposal of property, plant and equipment		**322**	6,989
Dividend income received from:			
An associated company		**3,146**	448
Investment in money market funds		**596**	563
Unquoted investments		**238**	286
Quoted investment		**21**	–
Proceeds from disposal of quoted investments		**–**	274
Proceeds from redemption of other investments		**–**	74
Purchase of property, plant and equipment		**(1,483)**	(2,833)
Acquisition of non-controlling interests		**–**	(459)
Indemnity paid for litigation claim against a former subsidiary company		**(16)**	(763)
Net Cash From Investing Activities		**3,531**	22,616
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Bank borrowings		**509**	(21,024)
Amount owing to other related companies		**(114)**	(404)
Cash at banks held under fixed deposits pledged		**(34)**	27,430
Finance costs paid		**(41)**	(496)
Repayment of hire-purchase payables		**(54)**	(146)
Dividend paid to non-controlling interests of a subsidiary company		**–**	(300)
Net Cash From Financing Activities		**266**	5,060
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,733)**	45,953
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**91,864**	45,911
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**78,131**	91,864

Addition of investment properties

Investment properties were acquired by the following means:

	Note	2019 RM'000	2018 RM'000
Other payables	11	**–**	647

(Forward)

The Company	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	**37,176**	36,818
Adjustments for:		
Finance costs	**–**	1
Unrealised loss/(gain) on foreign exchange	**199**	(1,520)
Income tax expense recognised in profit or loss	**491**	1,640
Impairment losses on investment in subsidiary companies	**–**	1,634
Loss on dissolution of a subsidiary company	**142**	–
Depreciation of:		
Property, plant and equipment	**1**	–
Investment properties	**18**	18
Dividend income from:		
Subsidiary companies	**(34,514)**	(10,800)
Investment in money market funds	**(182)**	(172)
Interest income	**(6,303)**	(6,086)
Waiver of amount owing to subsidiary company	**(10)**	(25,920)
Gain on disposal of property, plant and equipment	**(5)**	(87)
Provision for indemnity for damages arising from back pay labour claims	**–**	1,152
Operating Loss Before Working Capital Changes	**(2,987)**	(3,322)
(Increase)/Decrease in:		
Other receivables, deposits and prepayments	**(4)**	4,096
Decrease in:		
Other payables and accrued expenses	**(80)**	(279)
Cash (Used In)/Generated From Operations	**(3,071)**	495
Income tax paid	**(572)**	(1,282)
Net Cash Used In Operating Activities	**(3,643)**	(787)

(Forward)

The Company	Note	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Amount owing by other related companies		**(6,516)**	(5,884)
Amount owing by subsidiary companies		**(11,160)**	(25,206)
Investment in money market funds		**(182)**	(172)
Dividend received from:			
Subsidiary companies		**34,514**	10,100
Investment in money market funds		**182**	172
Interest received from:			
Fixed deposits with licensed banks		**43**	34
Other related companies		**6,260**	5,884
Other receivables		**–**	168
Proceeds from disposal of property, plant and equipment		**5**	87
Additions to investment in a subsidiary company		**–**	(459)
Indemnity paid for litigation claim against a former subsidiary company		**(16)**	(763)
Purchase of property, plant and equipment		**(8)**	–
Net Cash From/(Used In) Investing Activities		**23,122**	(16,039)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**(19,657)**	19,092
Amount owing to other related companies		**(115)**	(226)
Repayment of hire-purchase payables		**–**	(38)
Finance costs paid		**–**	(1)
Net Cash (Used In)/ From Financing Activities		**(19,772)**	18,827
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(293)**	2,001
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,962**	1,961
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**3,669**	3,962

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. GENERAL INFORMATION

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

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

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 10 October 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of new MFRSs, Amendments to MFRSs and Issue Committee Interpretation ("IC Interpretation")

In the current financial year, the Group and the Company adopted all the new MFRSs, Amendments to MFRSs and IC Interpretation issued by Malaysian Accounting Standards Board ("MASB") that are effective for annual financial periods beginning on or after 1 July 2018.

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRSs 2014 - 2016 Cycle	

The adoption of these new MFRSs, Amendments to MFRSs and IC Interpretation did not result in significant changes on the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company except as disclosed below.

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement and introduced new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the cash flow characteristics and business model in which financial assets are managed. The new standard contains three classifications for financial assets measured at amortised cost ("AC"), fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVTOCI"), and eliminates the existing MFRS 139 categories of loans and receivables ("LR"), held to maturity and available-for-sale ("AFS").

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

MFRS 9 Financial Instruments (continued)

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances are measured on either 12-months ECLs or lifetime ECLs.

As permitted by the transitional provisions of MFRS 9, the Group and the Company have elected not to restate comparative figures and thus adjustments arising from the adoption of MFRS 9 were recognised in the opening statements of financial position as at 1 July 2018.

The financial assets of the Group and of the Company as at 1 July 2018 on the adoption of MFRS 9 were as follows:

Financial assets	Carrying amount MFRS 139 RM'000	Carrying amount MFRS 9 RM'000	Difference RM'000	Classification under MFRS 139	Classification under MFRS 9
The Group					
Available-for-sale investments	34,211	34,211	–	AFS	FVTOCI
Held-to-maturity investments	–	–	–	HTM	AC
Trade receivables	80,053	88,884	8,831 [1]	LR	AC
Other receivables and refundable deposits	13,423	13,423	–	LR	AC
Amount owing by immediate holding company	95,405	95,405	–	LR	AC
Amount owing by other related companies	105,819	105,819	–	LR	AC
Investment in money market funds	16,330	16,330	–	LR	FVTPL
Fixed deposits, cash and bank balances	92,762	92,762	–	LR	AC
The Company					
Available-for-sale investments	32,483	32,483	–	AFS	FVTOCI
Other receivables and refundable deposits	114	114	–	LR	AC
Amount owing by subsidiary companies	25,650	25,650	–	LR	AC
Amount owing by other related companies	98,123	98,123	–	LR	AC
Investment in money market funds	4,982	4,982	–	LR	FVTPL
Fixed deposits, cash and bank balances	3,962	3,962	–	LR	AC

Note:

[1] The difference in trade receivables of the Group is the result of applying the ECL model and is recognised in accumulated losses as at 1 July 2018. The reclassification on adoption of MFRS 9 did not result in any changes to measurement.

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

MFRS 9 Financial Instruments (continued)

The Group and the Company applied the simplified approach to measure ECL and recorded lifetime expected losses on all trade receivables. This has resulted in a decrease in the Group's allowance for impairment losses by RM8,831,000 as at 1 July 2018.

On the adoption of MFRS 9, the quoted and unquoted investments of the Group and the Company, are classified and measured at FVTOCI with all subsequent changes in the fair value being recoginsed in other comprehensive income ("OCI"). On derecognition, the cumulative gain/loss previously recognised in OCI is transferred within equity but not reclassified to profit or loss as required by MFRS 139, when the investments were recognised as AFS.

The Group's unquoted bonds classified as held-to-maturity investments under MFRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 because they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of the reclassifications of financial assets have had any material impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

The Directors have reassessed the classification and measurement of these financial assets; and concluded that the Group's and the Company's investment in money market funds is classified as financial assets designated at FVTPL under MFRS 9 because they are held within a business model whose objective is both to collect cash flows and to sell the assets but it does not give rise to a contractual payments of principal and interest on the amount invested.

In applying MFRS 9, the Group's and the Company's investment in money market funds as at 1 July 2018 amounting to RM16,330,000 and RM4,982,000, respectively were reclassified out of fixed deposits, cash and bank balances.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue - Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principles by applying the following steps:

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

Under MFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

In accordance with MFRS 15, the Group recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer and also accounted for any variable consideration element against transaction price.

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

MFRS 15 Revenue from Contracts with Customers (continued)

During the year, the Group and the Company adopted MFRS 15 on their financial statements and generally applied the requirements of the accounting standards retrospectively with practical expedients as allowed by the standards.

The adoption of MFRS 15 has not had a significant impact on the financial statements of the Group, except for the variable considerations of RM3,456,000 were reclassified as a reduction in revenue in the Group's statement of profit or loss upon adoption of MFRS 15 as the standard requires certain discounts, rebates and incentives to be recognised as net of revenue. Previously, these discounts, rebates and incentives were recognised as purchase of trading merchandise. The adoption resulted only in changes in the classification and did not have an impact on the timing of revenue recognition.

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

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

MFRS 16	Leases[1]
MFRS 17	Insurance Contracts[3]
Amendments to:	
MFRS 3	Definition of a Business[2]
MFRS 9	Prepayment Features with Negative Compensation[1]
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
MFRS 101 and MFRS 108	Definition of Material[2]
MFRS 128	Long-term Interests in Associates and Joint Ventures[1]
IC Interpretation 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements to MFRSs 2015 - 2017 Cycle[1]	
Amendments to References to the Conceptual Framework in MFRS Standards[2]	

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective date deferred to a date to be determined and announced.

The Directors anticipate that the abovementioned MFRSs, Amendments to MFRSs and IC Interpretation will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these MFRSs, Amendments to MFRSs and IC Interpretation will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as disclosed below:

MFRS 16 Leases

MFRS 16 introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset as a low value.

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

The Group and the Company will adopt MFRS 16 on 1 July 2019 by applying the cumulative catch up approach under which comparative information is not restated.

The Directors anticipate that the application of MFRS 16 will not have a material impact on the financial position and or financial performance of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost basis 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 goods and services.

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

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

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

Basis of Consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

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

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

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

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

Where the Group loses control of a subsidiary company, a gain or loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary company are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Business Combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

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

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not 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 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 at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investment in Subsidiary Companies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies

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

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

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

The requirements of MFRS 136 Impairment of Assets 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 as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associated company, or when the investment is classified as held for sale. When the Group retains an interest in the former associated company and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9. The difference between the carrying amount of the associated company at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the associated company is included in the determination of the gain or loss on disposal of the associated company. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associated company on the same basis as would be required if that associated company had directly disposed of the related assets and liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associated company would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current Financial Year

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract or implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange of transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which they will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling price of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- the Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Revenue from the sales of building materials, steel products, lubricants, petroleum products, automotive products and consumer products is recognised upon delivery of goods and the control of the goods has been transferred to the customers, net of discounts and returns.

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 the provision of training services is recognised when the services are performed, net of service taxes and discounts.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Previous Financial Year

Revenue Recognition

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

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

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

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

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Conversion

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

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

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

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

Impairment of Assets Excluding Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

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

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

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

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

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

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Investment Properties

Investment properties, comprising certain freehold and leasehold land and buildings and economic land concessions (work-in-progress), are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

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

Goodwill on Consolidation

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

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

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

Inventories

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

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

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

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.

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

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.

Contract Costs

The Group recognises incremental costs of obtaining contracts when the Group expects to recover these costs. These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the assets relate. An impairment loss is recognised in profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

The Group applies the practical expedient in para 94 of MFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Contract Liabilities

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received from the customer.

Financial Guarantee Contracts

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

Current Financial Year

Financial guarantee contract liabilities are initially measured at their fair values. Subsequently, they are measured at higher of:

- the amount of the loss allowance determined in accordance with MFRS 9 Financial Instruments; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 Revenue from Contracts with Customers.

Previous Financial Year

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

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

Contingent Liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current Financial Year

Financial Instruments

Financial assets

Financial assets 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.

A financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus transaction cost that are directly attributable to its acquisition or issuance. A trade receivable without significant financing component is initially measured at the transaction price.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. 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 hedging instrument.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that are not held primarily for trading purposes are presented as current or non-current assets based on the settlement date.

(b) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model with the objective to hold assets to collect contractual cash flows and their contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the assets are derecognised, modified or impaired.

Financial assets at amortised cost are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current assets.

Interest income is recognised by applying effective interest rate to the gross carrying amount, where applicable, except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

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

(c) Financial assets at fair value through other comprehensive income ("FVTOCI")

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit and loss.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit and loss.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Impairment of financial assets

The Group and the Company recognise loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

The Group and the Company consider past loss experience and observable data such as current changes and future forecast in economic changes to estimate the amount of expected impairment loss. The methodology assumptions including any forecast of future economic conditions are reviewed regularly.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At end of each reporting period, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

For other receivables the Group and the Company measure loss allowance at an amount equal to 12-month expected credit loss if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

For financial guarantee contracts, the date that the Group and the Company become a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group and the Company consider the changes in the risk that the specified debtor will default on the contract.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities 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 liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The measurement of financial liabilities depends on their classification.

Financial liabilities subsequently measured at amortised cost

The Group's and the Company's financial liabilities subsequently measured at amortised cost include trade payables, other payables (including inter-company indebtedness) and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Bank borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

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

Financial liabilities (continued)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Previous Financial Year

Financial Instruments

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

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

Financial Assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

AFS financial assets (continued)

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

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

Derecognition of financial assets

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

Leases

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

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

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of receivables

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

As at 30 June 2019, the Group has trade and other receivables due from three major related parties, namely Megasteel Sdn Bhd ("Megasteel"), Lion DRI Sdn Bhd ("Lion DRI") and Graimpi Sdn Bhd ("Graimpi"):

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Trade receivables	**382,004**	382,004
Other receivables	**279,038**	279,038
	661,042	661,042
Less: Accumulated impairment losses	**(661,042)**	(661,042)
Net	**–**	–

In view of Megasteel had temporarily stopped operation since the previous financial years and the ability of Lion DRI and Graimpi to generate sufficient cash flows to repay their debts to the Group is highly dependent on the performance of Megasteel, the Directors are of the opinion that full impairment losses need to be made on these outstanding amounts.

(b) Impairment of investment properties

The Group has investment properties, which comprise mainly freehold land and economic land concessions ("ELC") in Cambodia of RM106,651,000 (2018: RM104,049,000). Significant judgement is exercised in determining the manner in which the recovery of the said investment properties could be made and the amounts that could be realised. The amount expected to be recovered for the said investment properties was determined based on the fair value less cost to sell, by references to the latest valuations carried out by independent firms of professional valuers. In 2018, an impairment loss of RM578,000 has been made for the freehold land as disclosed in Note 11.

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of non-current assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As at 30 June 2019, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**225**	225	**–**	–
Investment properties	**592**	578	**–**	–
Investment in subsidiary companies	**–**	–	**413,587**	413,587
Other investments	**52,885**	52,885	**–**	–
Intangible assets	**–**	304	**–**	–
Goodwill on consolidation	**–**	191	**–**	–

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

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

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

(b) Deferred tax assets

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

(c) Provision for expected credit losses ("ECL") of trade receivables

The Group and the Company use the simplified approach in calculating loss allowances for trade receivables by applying an ECL rate. Significant estimate is required in determining the impairment of trade receivables. Impairment loss measured based on expected credit loss model is based on assumptions on risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's and the Company's past collection records, existing market conditions as well as forward looking estimates as at the end of the reporting period.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sales of goods	**475,244**	377,722	**–**	–
Services rendered	**762**	2,752	**–**	–
Gross dividend income from subsidiary companies	**–**	–	**34,514**	10,800
	476,006	380,474	**34,514**	10,800

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income on:				
Fixed deposits with licensed banks	**1,533**	1,458	**43**	34
Other receivables	**–**	168	**–**	168
Advances to other related companies	**6,260**	5,884	**6,260**	5,884
Others	**937**	1,134	**–**	–
Impairment losses no longer required:				
Trade receivables	**1,678**	3,627	**–**	–
Unquoted investments	**–**	74	**–**	–
Gain on disposal of:				
Property, plant and equipment	**244**	2,895	**5**	87
Quoted investments	**–**	184	**–**	–
Waiver of amount owing to subsidiary companies	**–**	–	**10**	25,920
Dividend income from:				
Investment in money market funds	**596**	563	**182**	172
Unquoted investments	**238**	286	**–**	–
Quoted investments	**21**	–	**–**	–
Rental income from:				
Investment properties rented to:				
Subsidiary companies	**–**	–	**7**	7
Third party	**8**	5	**8**	5
Others	**2,664**	1,999	**–**	–
Bad debts recovered	**511**	14	**–**	–
Impairment losses on:				
Trade and other receivables	**(5,100)**	(5,018)	**–**	–
Investment properties	**–**	(578)	**–**	–
Property, plant and equipment	**–**	(225)	**–**	–
Hire of plant and machinery	**–**	(5)	**–**	–
Rental of premises payable to:				
Third parties	**(469)**	(351)	**–**	–
Subsidiary company	**–**	–	**(6)**	(14)

6. PROFIT FROM OPERATIONS (continued)

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors' remuneration	**(741)**	(727)	**(741)**	(727)
Auditors' remuneration:				
Statutory audit:				
Auditors of the Company:				
Current year	**(188)**	(180)	**(75)**	(70)
(Under)/Overprovision in prior years	**(9)**	6	**(5)**	(5)
Other auditors	**(38)**	(43)	**–**	–
Non-audit services	**(6)**	(6)	**(6)**	(6)
Allowance for slow-moving and obsolete inventories	**(98)**	(359)	**–**	–
Property, plant and equipment written off	**(14)**	–	**–**	–
Loss on dissolution of a subsidiary company	**–**	–	**(142)**	–

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM2,488,000 and RM11,000 (2018: RM2,303,000 and RM146,000), respectively.

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fees				
Executive Directors	**40**	40	**40**	40
Non-executive Directors	**131**	150	**131**	150
	171	190	**171**	190
Salaries and other emoluments				
Executive Directors	**527**	499	**527**	499
Non-executive Directors	**43**	38	**43**	38
	570	537	**570**	537
	741	727	**741**	727

7. FINANCE COSTS

Finance costs represent:

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Hire-purchase payables	**4**	9	**–**	1
Bank borrowings	**37**	487	**–**	–
	41	496	**–**	1

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable:				
Current	**(5,578)**	(4,683)	**(1,438)**	(1,437)
Over/(Under)provision in prior years	**1,078**	502	**947**	(203)
	(4,500)	(4,181)	**(491)**	(1,640)
Deferred tax (Note 17):				
Current	**(44)**	570	**–**	–
Overprovision in prior years	**232**	–	**–**	–
	188	570	**–**	–
	(4,312)	(3,611)	**(491)**	(1,640)

8. INCOME TAX EXPENSE (continued)

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	**13,387**	22,840	**37,667**	38,458
Tax at applicable tax rate of 24%	**(3,213)**	(5,482)	**(9,040)**	(9,230)
Tax effects of:				
Non-deductible expenses	**(1,630)**	(2,055)	**(681)**	(315)
Non-taxable income	**844**	3,131	**8,283**	8,108
Tax effect on share in results of associated companies	**(362)**	352	**–**	–
Deferred tax assets not recognised	**(1,261)**	(59)	**–**	–
Over/(Under) provision in prior years:				
Income tax	**1,078**	502	**947**	(203)
Deferred tax	**232**	–	**–**	–
	(4,312)	(3,611)	**(491)**	(1,640)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unabsorbed capital allowances which would give rise to net deferred tax asset are recognised to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. As at 30 June 2019, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group	
	2019 RM'000	2018 RM'000
Deductible temporary differences arising from:		
Trade and other receivables	**664,324**	659,494
Property, plant and equipment	**32**	32
Others	**21**	21
Unused tax losses and unabsorbed capital allowances	**5,621**	5,195
	669,998	664,742

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

Pursuant to guidelines issued by the Malaysian tax authorities in 2018, the Ministry of Finance ("MOF") have allowed companies to carry forward their unabsorbed capital allowance indefinitely until it is fully absorbed. With effect from year of assessment 2019, any unutilised business losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment. This can be utilised against income from the same business source for unabsorbed capital allowances and utilised against income from any business source for unutilised losses.

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2019 RM'000	2018 RM'000
Profit attributable to owners of the Company	**9,075**	19,228

	2019 '000	2018 '000
Weighted average number of ordinary shares in issue	**227,827**	227,827

	2019	2018
Basic earnings per share (sen)	**3.98**	8.44

(b) Diluted earnings per share

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

10. PROPERTY, PLANT AND EQUIPMENT

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

The Group	COST As at 1 July 2018 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Currency translation RM'000	As at 30 June 2019 RM'000
Freehold land	**4,777**	**–**	**–**	**–**	**–**	**4,777**
Freehold buildings	**8,464**	**9**	**–**	**–**	**–**	**8,473**
Plant and machinery	**26,975**	**1,025**	**(1,062)**	**(27)**	**208**	**27,119**
Office equipment	**1,186**	**95**	**(9)**	**(1)**	**–**	**1,271**
Furniture and fittings	**2,486**	**11**	**(2)**	**(10)**	**–**	**2,485**
Motor vehicles	**2,568**	**239**	**(385)**	**–**	**12**	**2,434**
Prime movers and trailers	**2,294**	**–**	**–**	**–**	**–**	**2,294**
Office renovation	**694**	**–**	**–**	**–**	**–**	**694**
Computer equipment	**2,738**	**104**	**(33)**	**(2)**	**1**	**2,808**
	52,182	**1,483**	**(1,491)**	**(40)**	**221**	**52,355**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The Group	As at 1 July 2018 RM'000	Charge for the year RM'000	ACCUMULATED DEPRECIATION Disposals RM'000	Write-offs RM'000	Currency translation RM'000	As at 30 June 2019 RM'000
Freehold land	**–**	**–**	**–**	**–**	**–**	**–**
Freehold buildings	**2,908**	**168**	**–**	**–**	**–**	**3,076**
Plant and machinery	**18,957**	**2,180**	**(984)**	**(15)**	**102**	**20,240**
Office equipment	**1,122**	**27**	**(9)**	**(1)**	**–**	**1,139**
Furniture and fittings	**2,339**	**140**	**(2)**	**(8)**	**–**	**2,469**
Motor vehicles	**2,315**	**92**	**(385)**	**–**	**11**	**2,033**
Prime movers and trailers	**2,294**	**–**	**–**	**–**	**–**	**2,294**
Office renovation	**692**	**2**	**–**	**–**	**–**	**694**
Computer equipment	**2,453**	**114**	**(33)**	**(2)**	**–**	**2,532**
	33,080	**2,723**	**(1,413)**	**(26)**	**113**	**34,477**

The Group	ACCUMULATED IMPAIRMENT LOSSES As at 1 July 2017 RM'000	Addition RM'000	Disposals RM'000	As at 30 June 2018/ 1 July 2018/ 30 June 2019 RM'000	NET BOOK VALUE As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Freehold land	–	–	–	**–**	**4,777**	4,777
Freehold buildings	–	–	–	**–**	**5,397**	5,556
Plant and machinery	–	225	–	**225**	**6,654**	7,793
Office equipment	–	–	–	**–**	**132**	64
Furniture and fittings	–	–	–	**–**	**16**	147
Motor vehicles	–	–	–	**–**	**401**	253
Prime movers and trailers	3,216	–	(3,216)	**–**	**–**	–
Office renovation	–	–	–	**–**	**–**	2
Computer equipment	–	–	–	**–**	**276**	285
	3,216	225	(3,216)	**225**	**17,653**	18,877

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use, with a cost of approximately RM16,655,000 (2018: RM15,868,000).

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The Company	COST As at 1 July 2018 RM'000	Addition RM'000	Disposals RM'000	As at 30 June 2019 RM'000
Freehold land	**4,777**	**–**	**–**	**4,777**
Office equipment	**222**	**–**	**–**	**222**
Furniture and fittings	**393**	**–**	**–**	**393**
Motor vehicles	**179**	**–**	**(98)**	**81**
Office renovation	**256**	**–**	**–**	**256**
Computer equipment	**201**	**8**	**(5)**	**204**
	6,028	**8**	**(103)**	**5,933**

The Company	ACCUMULATED DEPRECIATION As at 1 July 2017 RM'000	Charge for the year RM'000	Disposal RM'000	As at 30 June 2018/ 1 July 2018 RM'000	Charge for the year RM'000	Disposals RM'000	As at 30 June 2019 RM'000	NET BOOK VALUE As at 30 June 2019 RM'000	As at 30 June 2018 RM'000
Freehold land	–	–	–	**–**	**–**	**–**	**–**	**4,777**	4,777
Office equipment	222	–	–	**222**	**–**	**–**	**222**	**–**	–
Furniture and fittings	393	–	–	**393**	**–**	**–**	**393**	**–**	–
Motor vehicles	558	–	(379)	**179**	**–**	**(98)**	**81**	**–**	–
Office renovation	256	–	–	**256**	**–**	**–**	**256**	**–**	–
Computer equipment	201	–	–	**201**	**1**	**(5)**	**197**	**7**	–
	1,630	–	(379)	**1,251**	**1**	**(103)**	**1,149**	**4,784**	4,777

11. INVESTMENT PROPERTIES

The Group	Freehold land RM'000	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Work-in-progress RM'000	Total RM'000
Cost:					
As at 1 July 2017	–	462	444	–	906
Addition	–	–	–	647	647
Transferred from other receivables, deposits and prepayments	48,047	–	–	55,933	103,980
As at 30 June 2018	**48,047**	**462**	**444**	**56,580**	**105,533**
Currency translation	**1,202**	**–**	**–**	**1,414**	**2,616**
As at 30 June 2019	**49,249**	**462**	**444**	**57,994**	**108,149**
Accumulated depreciation:					
As at 1 July 2017	–	170	158	–	328
Charge for the year	–	9	9	–	18
As at 30 June 2018	**–**	**179**	**167**	**–**	**346**
Charge for the year	**–**	**9**	**9**	**–**	**18**
As at 30 June 2019	**–**	**188**	**176**	**–**	**364**
Accumulated impairment loss:					
As at 1 July 2017	–	–	–	–	–
Addition	578	–	–	–	578
As at 30 June 2018	**578**	**–**	**–**	**–**	**578**
Currency translation	**14**	**–**	**–**	**–**	**14**
As at 30 June 2019	**592**	**–**	**–**	**–**	**592**
Net book value:					
As at 30 June 2018	47,469	283	277	56,580	104,609
As at 30 June 2019	**48,657**	**274**	**268**	**57,994**	**107,193**
Fair value	**53,419**	**350**	**515**	**Note a**	

11. INVESTMENT PROPERTIES (continued)

The Company	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Total RM'000
Cost:			
As at 30 June 2018/30 June 2019	462	444	906
Accumulated depreciation:			
As at 1 July 2017	170	158	328
Charge for the year	9	9	18
As at 30 June 2018	**179**	**167**	**346**
Charge for the year	**9**	**9**	**18**
As at 30 June 2019	**188**	**176**	**364**
Net book value:			
As at 30 June 2018	283	277	560
As at 30 June 2019	**274**	**268**	**542**
Fair value	**350**	**515**	**865**

The income earned by the Company from the rental of investment properties to subsidiary companies amounted to RM7,200 (2018: RM7,200).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM3,143 (2018: RM3,143). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM6,502 (2018: RM7,705).

The fair value of investment properties is estimated by reference to market evidence of transaction prices for similar properties and the latest valuation carried out by an independent firm of professional valuers in July 2019.

At the end of the reporting period, the fair value of the Group's and the Company's investment properties are measured using Level 3 valuation technique as disclosed in Note 3. There were no transfers between Level 1, 2 and 3 during the financial year.

<u>Note a</u>

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

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2019 RM'000	The Company 2018 RM'000
Unquoted shares - at cost	**328,916**	329,058
Capital contribution	**355,000**	355,000
Less: Accumulated impairment losses	**(413,587)**	(413,587)
Net	**270,329**	270,471

Movement in the accumulated impairment losses

	The Company 2019 RM'000	The Company 2018 RM'000
At beginning of year	**413,587**	411,953
Addition	**–**	1,634
At end of year	**413,587**	413,587

(a) Amount owing by subsidiary companies

Amount owing by subsidiary companies (shown under current assets) which arose mainly from expenses paid on behalf and unsecured advances is interest-free and repayable on demand. The amount owing by subsidiary companies is denominated in Ringgit Malaysia.

(b) Amount owing to subsidiary companies

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

During the financial year, an amount owing to certain subsidiary companies of RM9,781 (2018: RM25,920,000) has been waived by the subsidiary companies.

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

	The Company 2019 RM'000	The Company 2018 RM'000
Ringgit Malaysia	**6,487**	1,630
United States Dollar	**–**	24,325
	6,487	25,955

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

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

The subsidiary companies are as follows:

Name of companies	Country of incorporation	Percentage ownership 2019 %	2018 %	Principal activities
Gama Harta Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^ (Dissolved on 6 May 2019)	British Virgin Islands	**–**	100.00	Investment holding
Lion AMB Resources Sdn Bhd (formerly known as Lion AMB Resources Berhad) #	Malaysia	**100.00**	100.00	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Ototek Sdn Bhd	Malaysia	**100.00**	100.00	Dormant
Posim EMS Sdn Bhd	Malaysia	**100.00**	100.00	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of building materials and steel products
Posim Petroleum Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of petroleum products
Singa Logistics Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of transportation services

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2019 %	2018 %	Principal activities
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	**100.00**	100.00	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
Alpha Deal Group Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Bright Triumph Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Brilliant Elite Investments Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Classy Elite Investments Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Distinct Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Dynamic Shine Holdings Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Elite Harvest Group Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Elite Image Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Eminent Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2019 %	2018 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Eminent Prosper Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Grand Ray Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Great Zone Investments Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Harvest Boom Investments Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Jade Harvest International Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Jade Power Holdings Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Mile Treasure Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Pinnacle Treasure Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership 2019 %	2018 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Sky Yield Group Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Superb Harvest Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Superb Reap Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Ultra Strategy Limited ^ (Dissolved on 9 April 2019)	British Virgin Islands	–	100.00	Investment holding
Up Reach Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Subsidiary companies of BVI Companies				
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Brilliant Elite (Cambodia) Co., Limited ^ (Dissolved on 9 August 2018)	Cambodia	–	100.00	Investment and development in agriculture
Classy Elite (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	–	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2019 %	2018 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
Distinct Harvest (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Hi-Rev Lubricants (Cambodia) Co., Ltd (formerly known as Double Merits (Cambodia) Co., Limited) ^	Cambodia	**100.00**	100.00	Wholesale of petroleum products and related products
Dynamic Shine (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Elite Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Elite Image (Cambodia) Co., Ltd ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Prosper (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Grand Ray (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Great Zone (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Green Choice (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Harvest Boom (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2019 %	2018 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
Jade Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Jade Power (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Mile Treasure (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Sky Yield (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Superb Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Superb Reap (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and development in agriculture
Ultra Strategy (Cambodia) Co., Ltd ^ (Dissolved on 24 August 2018)	Cambodia	**–**	100.00	Investment and in agriculture
Up Reach (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2019 %	2018 %	Principal activities
Subsidiary companies of Lion AMB Resources Sdn Bhd				
AMB Harta (L) Limited	Malaysia	**100.00**	100.00	Treasury business
AMB Harta (M) Sdn Bhd # (Dissolved on 28 November 2018)	Malaysia	**–**	100.00	Managing of debts novated from Lion AMB Resources Sdn Bhd and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Sdn Bhd and certain of its subsidiary companies
AMB Venture Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
CeDR Corporate Consulting Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of training services
Subsidiary companies of AMB Venture Sdn Bhd				
Chrome Marketing Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Range Grove Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Seintasi Sdn Bhd # (Dissolved on 9 November 2018)	Malaysia	**–**	100.00	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	**100.00**	100.00	Provision of management services

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

^ These subsidiary companies are inactive presently and unaudited management accounts as at 30 June 2019 of these companies have been used in the preparation of the Group's financial statements.

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Composition of the Group

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

Principal activities	Place of incorporation and operation	Number of wholly-owned subsidiary companies 2019	2018
Building materials and steel products	Malaysia	1	1
Lubricants, petroleum and automotive products	Malaysia	2	2
	Cambodia	1	1
Investment holding and others	Malaysia	15	17
Investment holding	British Virgin Islands	9	26
Investment and development in agriculture and others	Cambodia	8	22
Provision of management services	People's Republic of China	1	1
		37	70

13. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2019 RM'000	2018 RM'000
At cost:		
Quoted investment outside Malaysia	**83,486**	83,486
Unquoted investment	**3,212**	3,212
	86,698	86,698
Share of post-acquisition results and reserves less dividends received	**(46,108)**	(42,393)
	40,590	44,305
Market value of quoted investment outside Malaysia	**38,322**	43,948

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The associated companies are as follows:

Name of companies	Financial year-end	Country of incorporation	Percentage ownership 2019 %	2018 %	Principal activities
Lion Asiapac Limited #	30 June	Singapore	**36.68**	36.68	Investment holding
Renor Pte Ltd # (In liquidation)	30 June	Singapore	**20.00**	20.00	Investment holding

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

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

	2019 RM'000	2018 RM'000
Assets and liabilities		
Non-current assets	**8,281**	10,645
Current assets	**234,362**	242,414
Non-current liabilities	**(685)**	(662)
Current liabilities	**(8,070)**	(8,385)
Net assets	**233,888**	244,012

	2019 RM'000	2018 RM'000
Results		
Revenue	**99,518**	36,719
(Loss)/Profit for the year	**(4,113)**	3,785
Group's share of (loss)/profit of associated companies	**(1,509)**	1,387
Dividend received from associated company	**3,146**	448
Reconciliation of net assets to carrying amount		
Group's share of net assets	**85,790**	89,505
Other adjustments on equity	**(45,200)**	(45,200)
Carrying amount in the Group's statement of financial position	**40,590**	44,305

The Group's share in results of an associated company, Renor Pte Ltd which is under liquidation was recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses are as follows:

	The Group 2019 RM'000	2018 RM'000
At beginning and end of year	**26,739**	26,739

14. OTHER INVESTMENTS

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fair value through other comprehensive income				
Quoted investment in Malaysia:				
Shares	**14,560**	–	**14,560**	–
Unquoted investments	**1,731**	–	**3**	–
	16,291	–	**14,563**	–
Amortised cost				
Unquoted bonds (at cost, adjusted for accretion of interest)	**52,885**	–	**–**	–
Less: Accumulated impairment losses	**(52,885)**	–	**–**	–
	–	–	**–**	–
Available-for-sale investments				
At fair value:				
Quoted investment in Malaysia:				
Shares	**–**	32,480	**–**	32,480
At cost:				
Unquoted investments	**–**	1,731	**–**	3
	–	34,211	**–**	32,483
Held-to-maturity investments				
At amortised cost:				
Unquoted bonds (at cost, adjusted for accretion of interest)	**–**	52,885	**–**	–
Less: Accumulated impairment losses	**–**	(52,885)	**–**	–
	–	–	**–**	–
Total	**16,291**	34,211	**14,563**	32,483
Market value of quoted investment:				
In Malaysia	**14,560**	32,480	**14,560**	32,480

Investment in unquoted bonds of the Group bears yield-to-maturity at 4.75% (2018: 4.75%) per annum.

15. INTANGIBLE ASSETS

	The Group 2019 RM'000	The Group 2018 RM'000
Cost:		
At beginning of year	**500**	500
Write-off	**(500)**	–
At end of year	**–**	500
Accumulated amortisation:		
At beginning of year	**(196)**	(196)
Write-off	**196**	–
At end of year	**–**	(196)
Accumulated impairment losses:		
At beginning of year	**(304)**	(304)
Write-off	**304**	–
At end of year	**–**	(304)
	–	–

16. GOODWILL ON CONSOLIDATION

	The Group 2019 RM'000	The Group 2018 RM'000
Goodwill on consolidation:		
At beginning of year	**191**	191
Write-off	**(191)**	–
At end of year	**–**	191
Accumulated impairment losses:		
At beginning of year	**(191)**	(191)
Write-off	**191**	–
At end of year	**–**	(191)
	–	–

17. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
At beginning of year	**6,817**	6,247	**(280)**	(280)
Transfer from/(to) profit or loss (Note 8):				
Property, plant and equipment	**(464)**	570	**–**	–
Inventories	**24**	–	**–**	–
Other payables and accrued expenses	**628**	–	**–**	–
	188	570	**–**	–
At end of year	**7,005**	6,817	**(280)**	(280)

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

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets	**7,536**	7,514	**–**	–
Deferred tax liabilities	**(531)**	(697)	**(280)**	(280)
	7,005	6,817	**(280)**	(280)

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

	The Group		The Company	
	2019	2018	**2019**	2018
	RM'000	RM'000	**RM'000**	RM'000
Deferred tax assets				
Temporary differences arising from:				
Property, plant and equipment	**253**	852	**–**	–
Inventories	**326**	302	**–**	–
Other payables and accrued expenses	**7,135**	6,507	**–**	–
	7,714	7,661	**–**	–
Offsetting	**(178)**	(147)	**–**	–
Deferred tax assets (after offsetting)	**7,536**	7,514	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**691**	826	**262**	262
Other payables and accrued expenses	**18**	18	**18**	18
	709	844	**280**	280
Offsetting	**(178)**	(147)	**–**	–
Deferred tax liabilities (after offsetting)	**531**	697	**280**	280

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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

(a) Amount owing by immediate holding company, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, is interest-free and repayable on demand except for trade amounts which have a credit period of 60 days (2018: 60 days) with normal trade terms.

(b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (2018: 60 days) with normal trade terms. The entire amount owing by other related companies of the Group and of the Company are interest-free except for an amount of RM104,383,000 (2018: RM98,123,000) which bears interest at 6.20% (2018: 6.20%) per annum.

As at 30 June 2019, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group, RM104,383,000 (2018: RM98,123,000) is due from a related company, LLB Harta (M) Sdn Bhd, which constitutes approximately 99% (2018: 93%) of the Group's amount owing by other related companies.

(c) Amounts owing to other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2018: 60 days) with normal trade terms.

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

		The Company	
Name of Companies	**Nature**	**2019 RM'000**	**2018 RM'000**
With subsidiary companies:			
Posim Marketing Sdn Bhd	Rental income	**4**	4
	Management fee income	**41**	770
Posim Petroleum Marketing Sdn Bhd	Rental income	**3**	3
	Management fee income	**30**	574
Lion Petroleum Products Sdn Bhd	Rental expenses	**6**	14
	Management fee income	**2**	49
Lion Rubber Industries Sdn Bhd	Waiver of debts	**8**	–
Jadeford International Limited	Waiver of debts	**2**	–
Ototek Sdn Bhd	Waiver of debts	**–**	1,528
Lion AMB Resources Sdn Bhd	Waiver of debts	**–**	24,392

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	**2,112**	1,806	**–**	–
	Provision of transportation services	**–**	793	**–**	–
With other related companies:					
LLB Harta (M) Sdn Bhd	Interest income on advances	**6,260**	5,884	**6,260**	5,884
Lion Group Management Services Sdn Bhd	Management fee expenses	**2,607**	3,082	**1,918**	1,917
Antara Steel Mills Sdn Bhd	Trade sales	**65**	374	**–**	–
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**192,205**	142,047	**–**	–
With related parties:					
Parkson Corporation Sdn Bhd	Trade sales	**2,089**	1,469	**–**	–
Lion Tin Sdn Bhd	Trade sales	**928**	–	**–**	–
Akurjaya Sdn Bhd	Interest income	**–**	168	**–**	168

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

Related parties refer to entities in which a Director and/or substantial shareholders of the Company or the ultimate holding company or of its subsidiary companies have interests.

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

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Receivables:				
Included in trade receivable	**384,097**	382,754	**–**	–
Included in other receivables	**283,285**	283,271	**14**	14
Payables:				
Included in trade payables	**410**	410	**–**	–

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

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

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Salaries and other remuneration	**1,534**	1,106	**639**	772
Defined contribution plans	**121**	74	**14**	34
Benefits-in-kind	**18**	7	**12**	1
	1,673	1,187	**665**	807

<u>Reconciliation of liabilities arising from financing activities</u>

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

	As at 1 July 2018 RM'000	**Financing cash flows RM'000**	**Non-financing cash flows RM'000**	**As at 30 June 2019 RM'000**
The Group				
Amount owing to other related companies	**807**	**(114)**	**–**	**693**
The Company				
Amount owing to subsidiary companies	**25,955**	**(19,657)**	**189**	**6,487**
Amount owing to other related companies	**115**	**(115)**	**–**	**–**
	26,070	**(19,772)**	**189**	**6,487**

	As at 1 July 2017 RM'000	**Financing cash flows RM'000**	**Non-financing cash flows RM'000**	**As at 30 June 2018 RM'000**
The Group				
Amount owing to other related companies	1,211	(404)	–	807
The Company				
Amount owing to subsidiary companies	35,003	19,092	(28,140)	25,955
Amount owing to other related companies	341	(226)	–	115
	35,344	18,866	(28,140)	26,070

19. INVENTORIES

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Finished goods	**86**	83
Raw materials	**6,043**	8,568
Trading merchandise	**11,497**	10,304
Others	**996**	967
	18,622	19,922
Less: Allowance for slow-moving and obsolete inventories	**(1,341)**	(1,440)
Net	**17,281**	18,482

Movement in the allowance for slow-moving and obsolescence of inventories are as follows:

	The Group	
	2019	**2018**
	RM'000	**RM'000**
At beginning of year	**1,440**	1,256
Addition	**98**	359
Written off	**(197)**	(175)
At end of year	**1,341**	1,440

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**529,533**	482,752	**4,345**	4,345
Less: Accumulated impairment losses	**(394,325)**	(402,699)	**(4,345)**	(4,345)
Net	**135,208**	80,053	**–**	–

Trade receivables of the Group and of the Company comprise amounts receivable for the sale of goods. The credit period granted to customers ranges from 30 to 90 days (2018: 30 to 90 days).

The Group and the Company recognise impairment losses based on expected credit losses ("ECL") model using the simplified approach, which measures the impairment losses at an amount equal to lifetime ECL. The ECLs on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

The Group has trade receivables totalling RM32,145,000 (2018:RM14,023,000) that are past due at the end of the reporting period but against which the Group has not recognised impairment losses as the amounts are still considered recoverable.

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

(a) Trade receivables (continued)

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	**103,063**	66,030	**–**	–
Past due but not impaired	**32,145**	14,023	**–**	–
Past due and impaired	**394,325**	402,699	**4,345**	4,345
	529,533	482,752	**4,345**	4,345
Ageing of past due but not impaired				
1 to 30 days	**16,454**	9,805	**–**	–
31 to 60 days	**3,698**	3,830	**–**	–
61 to 90 days	**9**	116	**–**	–
More than 90 days	**11,984**	272	**–**	–
	32,145	14,023	**–**	–

Movement in the accumulated impairment losses

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year, as previously reported	**402,699**	403,247	**4,345**	4,345
Effect of adoption of MFRS 9	**(8,831)**	–	**–**	–
At beginning of year, adjusted	**393,868**	403,247	**4,345**	4,345
Addition	**4,582**	5,018	**–**	–
No longer required	**(1,678)**	(3,627)	**–**	–
Written off	**(2,447)**	(1,939)	**–**	–
At end of year	**394,325**	402,699	**4,345**	4,345

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

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

(a) Trade receivables (continued)

As at 30 June 2019, the Group has trade receivables due from two major related parties, Megasteel and Lion DRI as follows:

	The Group 2019 RM'000	The Group 2018 RM'000
Megasteel	**329,997**	329,997
Lion DRI	**52,007**	52,007
	382,004	382,004
Less: Accumulated impairment losses	**(382,004)**	(382,004)
Net	**–**	–

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

(b) Other receivables, deposits and prepayments

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Other receivables	**300,424**	293,912	**56**	47
Less: Accumulated impairment losses	**(283,721)**	(283,203)	**–**	–
	16,703	10,709	**56**	47
Deposits	**2,457**	2,834	**60**	65
Prepayments	**737**	1,249	**86**	86
	19,897	14,792	**202**	198

Movement in the accumulated impairment losses

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
At beginning of year	**283,203**	283,203	**–**	–
Addition	**518**	–	**–**	–
At end of year *	**283,721**	283,203	**–**	–

* Included in this amount is an impairment loss of RM279,038,000 (2018: RM279,038,000) on the amounts due from Graimpi and Megasteel, both related parties.

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

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

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

Included in other receivables of the Group are amounts of:

- RM272,180,000 (2018: RM272,180,000) due from Graimpi representing debts novated from Lion DRI in prior years, which bears interest at 8.85% per annum.

  At the end of the reporting period, the Group recognised an impairment loss amounting to RM272,180,000 (2018: RM272,180,000) on the said outstanding receivables due from Graimpi.

- RM6,858,000 (2018: RM6,858,000) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years. At the end of the reporting period, the Group recognised an impairment loss amounting to RM6,858,000 (2018: RM6,858,000) on the said outstanding receivables due from Megasteel.

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

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Ringgit Malaysia	**18,987**	11,819
United States Dollar	**910**	2,973
	19,897	14,792

21. INVESTMENT IN MONEY MARKET FUNDS, FIXED DEPOSITS, CASH AND BANK BALANCES

(a) Investment in money market funds

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fair value through profit or loss				
Investment in money market funds	**16,926**	16,330	**5,164**	4,982

Investment in money market funds of the Group and of the Company, denominated in Ringgit Malaysia, are managed by a licensed fund management company of which amounts deposited can be withdrawn at the discretion of the Group and of the Company given a two days notice period.

21. INVESTMENT IN MONEY MARKET FUNDS, FIXED DEPOSITS, CASH AND BANK BALANCES (continued)

(b) Fixed deposits, cash and bank balances

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks:				
Restricted	**932**	898	**–**	–
Unrestricted	**44,086**	71,984	**943**	1,946
	45,018	72,882	**943**	1,946
Cash and bank balances:				
Unrestricted	**34,045**	19,880	**2,726**	2,016
Total fixed deposits, cash and bank balances	**79,063**	92,762	**3,669**	3,962

The above restricted fixed deposits with licensed banks of the Group are held for repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as disclosed in Note 27.

Fixed deposits with licensed banks earn interest at rates ranging from 1.82% to 2.95% (2018: 1.20% to 2.90%) per annum and have maturity periods ranging from 1 to 365 days (2018: 1 to 365 days).

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**51,325**	65,829	**3,654**	3,951
Chinese Renminbi	**25,313**	25,307	**–**	–
United States Dollar	**2,425**	1,626	**15**	11
	79,063	92,762	**3,669**	3,962

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company in the People's Republic of China ("PRC") amounting to RM25,311,000 (2018: RM25,307,000) are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

22. SHARE CAPITAL

	The Group and The Company			
	2019		2018	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Issued share capital:				
Ordinary shares:				
At beginning/end of year	**231,572**	**920,902**	231,572	920,902

23. RESERVES

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable reserves:				
Treasury shares	**(2,277)**	(2,277)	**(2,277)**	(2,277)
Translation adjustment reserve	**47,235**	43,308	**–**	–
Fair value reserve	**(17,360)**	560	**(17,360)**	560
Accumulated losses	**(396,771)**	(414,677)	**(486,008)**	(523,184)
	(369,173)	(373,086)	**(505,645)**	(524,901)

Treasury shares

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

As at 30 June 2019, the Company held 3,745,000 (2018: 3,745,000) treasury shares at a carrying amount of RM2,276,747 (2018: RM2,276,747).

Translation adjustment reserve

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

Fair value reserve

Fair value reserve comprises fair value changes on revaluation of quoted and unquoted investments designated at fair value through other comprehensive income (2018: available-for-sale financial assets).

24. HIRE-PURCHASE PAYABLES

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Total outstanding	**44**	102
Less: Interest-in-suspense	**(2)**	(6)
Principal portion	**42**	96
Payable as follows:		
Within the next 12 months (shown under current liabilities)	**26**	54
After the next 12 months	**16**	42
	42	96

The interest rates implicit in these hire-purchase obligations is 4.68% (2018: 2.47% to 4.68%) per annum.

Reconciliation of liabilities arising from financing activities

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

	As at 1 July 2018 RM'000	**Financing cash flows RM'000**	**As at 30 June 2019 RM'000**
The Group			
Hire-purchase payables	**96**	**(54)**	**42**

	As at 1 July 2017 RM'000	**Financing cash flows RM'000**	**As at 30 June 2018 RM'000**
The Group			
Hire-purchase payables	242	(146)	96
The Company			
Hire-purchase payables	38	(38)	–

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES AND CONTRACT LIABILITIES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (2018: 30 to 90 days).

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

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Ringgit Malaysia	**24,551**	14,639
United States Dollar	**1,907**	1,573
Chinese Renminbi	**7**	–
	26,465	16,212

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**28,755**	27,022	**10,108**	10,108
Accrued expenses	**22,598**	24,315	**4,882**	4,962
Deferred revenue (Note 25(c))	**–**	16,258	**–**	–
	51,353	67,595	**14,990**	15,070

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**46,319**	62,325	**14,990**	15,070
Chinese Renminbi	**4,011**	4,059	**–**	–
United States Dollar	**1,023**	1,211	**–**	–
	51,353	67,595	**14,990**	15,070

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES AND CONTRACT LIABILITIES (continued)

(c) Contract liabilities

	The Group 2019 RM'000	The Group 2018 RM'000
Customer loyalty programs	**18,370**	–

The contract liabilities primarily relate to the unredeemed customer loyalty credits awards.

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

The following table shows the significant changes to contract liabilities during the year.

	The Group 2019 RM'000	The Group 2018 RM'000
At beginning of the year, as previously reported	**–**	–
Reclassification on initial adoption of MFRS 15 (Note 25 (b))	**16,258**	–
At beginning of the year, adjusted	**16,258**	–
Provision during the year	**11,065**	–
Utilised during the year	**(8,953)**	–
At end of the year	**18,370**	–

26. PROVISION

	The Group and The Company 2019 RM'000	The Group and The Company 2018 RM'000
Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees:		
At beginning of year	**3,489**	3,100
Provision during the year	**–**	1,152
Utilised during the year	**(16)**	(763)
At end of year	**3,473**	3,489

26. PROVISION (continued)

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

During the current financial year, SFI entered into a settlement agreement with certain of SFI's employees for a cash sum of RM16,166 (2018: RM762,976) to settle the claim in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006, as disclosed in Note 29.

A provision for the indemnity loss of RM3,473,000 (2018: RM3,489,000) has been made for the remaining employees.

27. BANK BORROWINGS

	The Group	
	2019 RM'000	**2018 RM'000**
Unsecured		
Bankers acceptances	**818**	309

The Company has given corporate guarantees of RM818,000 (2018: RM309,000) to financial institutions for the granting of credit facilities to certain subsidiary companies. The credit facilities bear interest at rates ranging from 4.82% to 5.54% (2018: 4.67% to 5.28%) per annum.

Reconciliation of liabilities arising from financing activities

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

	As at 1 July 2018 RM'000	**Financing cash flows RM'000**	**Translation adjustment RM'000**	**As at 30 June 2019 RM'000**
The Group				
Bank borrowings	**309**	**509**	**–**	**818**

	As at 1 July 2017 RM'000	**Financing cash flows RM'000**	**Translation adjustment RM'000**	**As at 30 June 2018 RM'000**
The Group				
Bank borrowings	23,647	(21,024)	(2,314)	309

28. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2018.

The capital structure of the Group and of the Company consists of debts and equity of the Group and of the Company (comprising share capital and reserves).

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

Gearing Ratio

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

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Debt (i)	**860**	405	**–**	–
Equity (ii)	**551,729**	547,816	**415,257**	396,001
Debt to equity ratio	**0.16%**	0.07%	**N/A**	N/A

(i) Debt is defined as hire-purchase payables and bank borrowings as disclosed in Notes 24 and 27, respectively.

(ii) Equity includes share capital and reserves.

28. FINANCIAL INSTRUMENTS (continued)

Significant Accounting Policies

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

Prior to the adoption of MFRS 9, the Group and the Company measure various categories of financial instruments under MFRS 139.

The adoption of MFRS 9 which is effective on 1 July 2018 resulted in changes in accounting policies as disclosed in Note 3.

The table below provides an analysis of the various categories of financial instruments:

(a) Financial assets/(liabilities) at amortised cost;
(b) Fair value through other comprehensive income (FVTOCI);
(c) Fair value through profit or loss (FVTPL) mandatorily required by MFRS 9;
(d) Loans and receivables;
(e) Available-for-sale financial assets (AFS); and
(f) Other financial liabilities measured at amortised cost.

Categories of Financial Instruments

	The Group		The Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Financial assets				
FVTPL:				
Investment in money market funds	**16,926**	16,330	**5,164**	4,982
FVTOCI:				
Quoted and unquoted investments	**16,291**	–	**14,563**	–
Amortised cost:				
Trade receivables	**135,208**	–	**–**	–
Other receivables and refundable deposits	**19,160**	–	**116**	–
Amount owing by subsidiary companies	**–**	–	**36,810**	–
Amount owing by immediate holding company	**86,661**	–	**–**	–
Amount owing by other related companies	**105,611**	–	**104,639**	–
Fixed deposits, cash and bank balances	**79,063**	–	**3,669**	–
AFS:				
Quoted and unquoted investments	**–**	34,211	**–**	32,483
Loans and receivables:				
Trade receivables	**–**	80,053	**–**	–
Other receivables and refundable deposits	**–**	13,423	**–**	114
Amount owing by subsidiary companies	**–**	–	**–**	25,650
Amount owing by immediate holding company	**–**	95,405	**–**	–
Amount owing by other related companies	**–**	105,819	**–**	98,123
Fixed deposits, cash and bank balances	**–**	92,762	**–**	3,962

28. FINANCIAL INSTRUMENTS (continued)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial liabilities at amortised cost				
Trade payables	**26,465**	16,212	**–**	–
Other payables and accrued expenses	**51,353**	51,337	**14,990**	15,070
Amount owing to other related companies	**693**	807	**–**	115
Amount owing to subsidiary companies	**–**	–	**6,487**	25,955
Hire-purchase payables	**42**	96	**–**	–
Bank borrowings	**818**	309	**–**	–

Financial Risk Management Objectives and Policies

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

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

Foreign exchange risk

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

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

Foreign currency sensitivity analysis

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

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit or loss before tax				
United States Dollar	**41**	242	**2**	1
Other equity				
Chinese Renminbi	**(2,130)**	(2,328)	**–**	–

28. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk (continued)

Foreign currency sensitivity analysis (continued)

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

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

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 27. The interest rates of hire-purchase payables, which are fixed at the inception of the financing arrangements, are disclosed in Note 24.

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

Credit risk

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

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

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

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as at 30 June 2019, is the carrying amount of these receivables as disclosed in the statements of financial position.

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

Cash flow risk

The Group and the Company review their cash flow position regularly to manage their exposure to fluctuations in future cash flows associated with their monetary financial instruments.

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

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

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

The Group 2019	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Trade payables	**26,465**	**–**	**–**	**–**	**26,465**	**–**
Other payables and accrued expenses	**51,353**	**–**	**–**	**–**	**51,353**	**–**
Amount owing to other related companies	**693**	**–**	**–**	**–**	**693**	**–**
	78,511	**–**	**–**	**–**	**78,511**	
Interest bearing:						
Hire-purchase payables	**28**	**16**	**–**	**–**	**44**	**4.68**
Bank borrowings	**818**	**–**	**–**	**–**	**818**	**4.82 - 5.54**
	846	**16**	**–**	**–**	**862**	
	79,357	**16**	**–**	**–**	**79,373**	
2018						
Financial liabilities						
Non-interest bearing:						
Trade payables	16,212	–	–	–	16,212	–
Other payables and accrued expenses	51,337	–	–	–	51,337	–
Amount owing to other related companies	807	–	–	–	807	–
	68,356	–	–	–	68,356	
Interest bearing:						
Hire-purchase payables	58	28	16	–	102	2.47 - 4.68
Bank borrowings	309	–	–	–	309	4.67 - 5.28
	367	28	16	–	411	
	68,723	28	16	–	68,767	

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Company 2019	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Other payables and accrued expenses	**14,990**	**–**	**–**	**–**	**14,990**	**–**
Amount owing to subsidiary companies	**6,487**	**–**	**–**	**–**	**6,487**	**–**
	21,477	**–**	**–**	**–**	**21,477**	

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

At the end of the reporting period, it was not probable that the counterparties to the financial guarantee contracts will claim under the contracts. Consequently, the amount of financial guarantee is estimated at RMNil (2018 : RMNil).

28. FINANCIAL INSTRUMENTS (continued)

Fair Values of Financial Instruments

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

	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2019				
Financial assets				
Quoted investments	**14,560**	**14,560** #	**14,560**	**14,560** #
Unquoted investments	**1,731**	**1,731** @	**3**	**3** @
Investment in money market funds	**16,926**	**16,926** #	**5,164**	**5,164** #
Financial liability				
Hire-purchase payables	**42**	**44** *	**–**	**–**
2018				
Financial assets				
Quoted investments	32,480	32,480 #	32,480	32,480 #
Unquoted investments	1,731	– @	3	– @
Investment in money market funds	16,330	16,330 #	4,982	4,982 #
Financial liability				
Hire-purchase payables	96	102 *	–	–

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

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

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

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

Fair Value Hierarchy

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

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

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

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

28. FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2019				
Financial assets				
Quoted investment	**14,560**	**–**	**–**	**14,560**
Unquoted investments	**–**	**–**	**1,731**	**1,731**
Investment in money market funds	**16,926**	**–**	**–**	**16,926**
2018				
Financial asset				
Quoted investment	32,480	–	–	32,480
The Company				
2019				
Financial assets				
Quoted investment	**14,560**	**–**	**–**	**14,560**
Unquoted investments	**–**	**–**	**3**	**3**
Investment in money market funds	**5,164**	**–**	**–**	**5,164**
2018				
Financial asset				
Quoted investment	32,480	–	–	32,480

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2019				
Financial liability				
Hire-purchase payables	**–**	**–**	**44**	**44**
2018				
Financial liability				
Hire-purchase payables	–	–	102	102

29. CONTINGENT LIABILITIES

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

Indemnity for back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments. The contingent liabilities in relation to these claims have been reduced from RM13,556,275 to RM13,554,372 after the cash settlement with certain SFI's employees and provision made during the previous financial year as disclosed in Note 26.

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

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

On 13 July 2017, SFI obtained a restraining order whereby all proceedings including but not limited to all proceedings in the Labour Court shall be restrained and stayed ("Restraining Order"). The Restraining Order is currently valid until 14 October 2019.

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

Corporate guarantees

	The Company	
	2019	**2018**
	RM'000	**RM'000**
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies (Note 27)	**818**	309

30. CAPITAL COMMITMENT

As at 30 June 2019, the Group has the following capital commitment in respect of land registration fee:

	The Group	
	2019	**2018**
	RM'000	**RM'000**
Approved but not contracted for	**2,880**	2,810

31. SEGMENT INFORMATION

Business Segments

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

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

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

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

The Group 2019	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	**381,680**	**93,110**	**1,216**	**–**	**476,006**
Inter-segment sales	**–**	**5**	**7**	**(12)**	**–**
Total revenue	**381,680**	**93,115**	**1,223**	**(12)**	**476,006**
Results					
Segment results	**2,389**	**13,786**	**(5,580)**	**–**	**10,595**
Unallocated expenses					**(1,918)**
Unallocated income					**6,260**
Profit from operations					**14,937**
Finance costs	**(4)**	**(37)**	**–**	**–**	**(41)**
Share in results of associated companies	**–**	**–**	**(1,509)**	**–**	**(1,509)**
Profit before tax					**13,387**
Income tax expense					**(4,312)**
Profit for the year					**9,075**

31. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2019	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Consolidated Statement of Financial Position					
Segment assets	**248,695**	**83,883**	**162,781**	**–**	**495,359**
Investment in associated companies					**40,590**
Unallocated corporate assets					**117,750**
Consolidated Total Assets					**653,699**
Segment liabilities	**37,563**	**40,410**	**22,548**	**–**	**100,521**
Unallocated corporate liabilities					**1,449**
Consolidated Total Liabilities					**101,970**
Other Information					
Capital expenditure	**26**	**1,449**	**8**	**–**	**1,483**
Depreciation	**83**	**1,660**	**998**	**–**	**2,741**
Other non-cash items	**2,725**	**254**	**719**	**–**	**3,698**

31. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2018	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	292,640	84,541	3,293	–	380,474
Inter-segment sales	–	13	33	(46)	–
Total revenue	292,640	84,554	3,326	(46)	380,474
Results					
Segment results	1,314	9,719	(2,869)	–	8,164
Unallocated expenses					(1,254)
Unallocated income					5,884
Profit from operations					12,794
Finance costs	(6)	(43)	(447)	–	(496)
Share in results of associated companies	–	–	1,463	–	1,463
Gain on disposal of an associated company	–	–	10,231	–	10,231
Provision for indemnity for damages arising from back pay labour claims	–	–	(1,152)	–	(1,152)
Profit before tax					22,840
Income tax expense					(3,611)
Profit for the year					19,229

31. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2018	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Consolidated Statement of Financial Position					
Segment assets	215,796	81,136	184,490	–	481,422
Investment in associated companies					44,305
Unallocated corporate assets					111,609
Consolidated Total Assets					637,336
Segment liabilities	28,783	37,937	20,981	–	87,701
Unallocated corporate liabilities					1,819
Consolidated Total Liabilities					89,520
Other Information					
Capital expenditure	411	2,409	660	–	3,480
Depreciation	180	1,748	1,824	–	3,752
Other non-cash items	1,519	612	1,835	–	3,966

Geographical Segments

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

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

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

31. SEGMENT INFORMATION (continued)

Geographical Segments (continued)

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

	Revenue	
	2019 RM'000	2018 RM'000
Malaysia	**475,103**	379,202
Other countries	**903**	1,272
	476,006	380,474

	Total assets		Capital expenditures	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	**476,909**	456,091	**1,483**	2,833
Singapore	**40,590**	44,305	**–**	–
Other countries	**136,200**	136,940	**–**	647
	653,699	637,336	**1,483**	3,480

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

32. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits with licensed banks (unrestricted) (Note 21)	**44,086**	71,984	**943**	1,946
Cash and bank balances (unrestricted) (Note 21)	**34,045**	19,880	**2,726**	2,016
	78,131	91,864	**3,669**	3,962

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation:

The Group	**As previously reported RM'000**	**Reclassification RM'000**	**As reclassified RM'000**
Statement of Financial Position			
Fixed deposits, cash and bank balances	109,092	(16,330)	92,762
Investment in money market funds	–	16,330	16,330
The Company			
Statement of Financial Position			
Fixed deposits, cash and bank balances	8,944	(4,982)	3,962
Investment in money market funds	–	4,982	4,982

34. PROPOSED CHANGE OF NAME OF THE COMPANY

On 27 August 2019, the Board of Directors of the Company had announced that the Company proposed to change its name from "Lion Forest Industries Berhad" to "Lion Posim Berhad" ("Proposed Change of Name").

The use of the proposed name "Lion Posim Berhad" has been approved and reserved by the Companies Commission of Malaysia ("CCM") on 16 August 2019.

The Proposed Change of Name is subject to the approval of the Shareholders of the Company to be obtained at the forthcoming 37th Annual General Meeting of the Company.

The Proposed Change of Name, if approved by the Shareholders, will take effect from the date of issuance of the Notice of Registration of New Name by the CCM.

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of the financial performance and of the cash flows of the Group and of the Company for the year then ended.

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

TAN SRI CHENG HENG JEM **CHAN HO WAI**

Kuala Lumpur
10 October 2019

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

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

CHAN HO WAI

Subscribed and solemnly declared by the
abovenamed **CHAN HO WAI** at
KUALA LUMPUR in the **FEDERAL TERRITORY**
on this 10th day of October, 2019.

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2019

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM million)	Date of Acquisition/ Valuation
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (25)	10.2	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (34)	0.1	13.4.1998
Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (21)	0.3	18.3.1999
50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land and building	2-storey shop office (21)	0.1	17.3.1999
B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (17)	0.1	16.7.2004
Preah Net Preah District Bantey Meanchey Province Cambodia	Freehold	3,372 hectares	Land	Vacant	48.6	13.7.2018

ANALYSIS OF SHAREHOLDINGS

Issued Shares as at 30 September 2019

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

Distribution of Shareholdings as at 30 September 2019

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares[(a)]
Less than 100	1,034	23.29	26,930	0.01
100 to 1,000	1,233	27.77	811,819	0.36
1,001 to 10,000	1,536	34.59	6,693,609	2.94
10,001 to 100,000	543	12.23	16,653,620	7.31
100,001 to less than 5% of issued shares	90	2.03	62,430,814	27.40
5% and above of issued shares	4	0.09	141,209,940	61.98
	4,440	100.00	227,826,732	100.00

Substantial Shareholders as at 30 September 2019

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

Note:

(a) Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.

Thirty Largest Registered Shareholders as at 30 September 2019

Registered Shareholders		No. of Shares	% of Shares[a]
1.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-3	58,632,704	25.74
2.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-1	30,150,000	13.23
3.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-2	30,150,000	13.23
4.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Industries Corporation Berhad (LI00157M)	22,277,236	9.78
5.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-1	6,600,000	2.90
6.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-2	6,600,000	2.90
7.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-3	5,500,000	2.41
8.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-4	4,700,000	2.06
9.	Lion Industries Corporation Berhad	3,350,000	1.47
10.	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	3,287,400	1.44
11.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeoh Joey Keng (E-TSA)	2,524,100	1.11
12.	Lim Boon Liat	1,948,900	0.86
13.	Citigroup Nominees (Tempatan) Sdn Bhd GSCO LLC for Blackwell Partners LLC (Series A)	1,944,480	0.85
14.	Ng Teng Song	1,787,000	0.78
15.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Exempt AN for CGS - CIMB Securities (Singapore) Pte Ltd (Retail Clients)	1,572,364	0.69
16.	Wu Teng Siong	1,099,000	0.48
17.	Wong Soo Chai @ Wong Chick Wai	1,007,900	0.44
18.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	810,101	0.36
19.	RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-4	800,000	0.35
20.	CGS-CIMB Nominees (Asing) Sdn Bhd Exempt AN for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	775,483	0.34
21.	Lion Development (Penang) Sdn Bhd	734,745	0.32
22.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Siak Hwee (E-BPT)	695,400	0.31
23.	Teoh Hooi Bin	632,552	0.28
24.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Qwee Beng	581,800	0.26
25.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mah Siew Seong	524,300	0.23
26.	Tirta Enterprise Sdn Bhd	494,868	0.22
27.	Lee Yu Yong @ Lee Yuen Ying	475,606	0.21
28.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund NJ3F for Discerene Fund LP	455,520	0.20
29.	Maybank Nominees (Tempatan) Sdn Bhd Wong Tung Ann	454,400	0.20
30.	Lim Jit Hai	445,800	0.20

Note:
[(a)] *Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.*

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2019

The Directors' interests in shares in the Company and its related corporations as at 30 September 2019 are as follows:

	Direct Interest		Deemed Interest	
	No. of Ordinary Shares	%[a]	No. of Ordinary Shares	%[a]
The Company				
Tan Sri Cheng Heng Jem	400	Negligible	170,186,190	74.70
Dato' Eow Kwan Hoong	8,026	Negligible	–	–
Dr Folk Jee Yoong	105	Negligible	–	–

	Direct Interest		Deemed Interest	
	No. of Ordinary Shares	%	No. of Ordinary Shares	%
Related Corporations				
Tan Sri Cheng Heng Jem				
Holdsworth Investment Pte Ltd	–	–	4,500,000	100.00
Inspirasi Elit Sdn Bhd	–	–	212,500	85.00
Lion Industries Corporation Berhad ("LICB")	222,785,449	32.72[b]	33,572,369	4.93[b]
Lion Group Management Services Sdn Bhd	–	–	5,000,000	100.00
LLB Enterprise Sdn Bhd	–	–	940,000	94.00
Marvenel Sdn Bhd	–	–	100	100.00
Soga Sdn Bhd	–	–	4,525,322	98.12
Steelcorp Sdn Bhd	–	–	99,750	99.75
Zhongsin Biotech Pte Ltd	–	–	1,000,000	100.00

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

Notes:

(a) *Excluding a total of 3,745,000 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.*

(b) *Excluding a total of 37,105,300 shares in LICB bought back by LICB and retained as treasury shares as at 30 September 2019.*

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2019.

OTHER INFORMATION

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

There were no material contracts entered by the Company and its subsidiaries involving Directors' and major shareholders' interests since the end of the previous financial year or which are still subsisting at the end of the financial year.

(II) NON-AUDIT FEES

The amount of non-audit fees paid to External Auditors for the financial year was RM6,000 (RM6,000 in 2018).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2019 were as follows:

Nature of Recurrent Transactions	Related parties	Amount RM'000
(a) Trading and distribution		
(i) Purchase of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Lion Industries Corporation Berhad Group ("LICB Group")	192,205
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets and other related steel products and services and building materials	Parkson Holdings Berhad Group ("Parkson Group")	1,532
(iii) Sale of lubricants, spark plugs and other automotive and petroleum products	LICB Group	2,177
	Lion Asiapac Limited Group	50
		2,227
(b) Others		
(i) Sale of consumer products	Parkson Group	557
(ii) Obtaining of management services	LICB Group	2,607

Notes:

(i) "Group" includes subsidiary and associated companies, excluding public companies.

(ii) The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

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FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

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

of ....

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

....

I.C. No. ....

of ....

or failing whom, ...

I.C. No. ....

of ....

as my/our proxy to vote for me/us and on my/our behalf at the 37th Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Tuesday, 26 November 2019 at 2.00 pm and at any adjournment thereof.

ORDINARY RESOLUTIONS	**FOR**	**AGAINST**
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Mr Chan Ho Wai as Director		
4. To re-elect Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar as Director		
5. To re-elect Dr Folk Jee Yoong as Director		
6. To re-appoint Messrs Deloitte PLT as Auditors		
7. Authority to Directors to Issue Shares		
8. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		
SPECIAL RESOLUTION 9. Proposed Change of Name of Company from "Lion Forest Industries Berhad" to "Lion Posim Berhad"		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this .... day of 2019

No. of shares: ....   Signed: ....

Representation at Meeting:

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 20 November 2019 shall be eligible to attend the Meeting.
(ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.
(iii) If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.
(iv) 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.
(v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
(vi) The instrument appointing a proxy shall be deposited at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting.
(vii) Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.

LION FOREST INDUSTRIES BERHAD (82056-X)
Level 14, Lion Office Tower
No. 1 Jalan Nagasari
50200 Kuala Lumpur
Wilayah Persekutuan

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