



LION POSIM BERHAD

Registration No. 198201002310 (82056-X)

Laporan Tahunan

2022

Annual Report

CONTENTS

	Page
Notice of Meeting	1
Corporate Information	5
Directors' Profile	6
Profile of Key Senior Management	9
Corporate Governance Overview Statement	10
Statement on Risk Management and Internal Control	20
Audit and Risk Management Committee Report	27
Nomination Committee	33
Remuneration Committee	35
5 Years Group Financial Highlights	36
The Group's Businesses	37
Chairman's Statement:	
Bahasa Malaysia	38
English	39
Chinese	40
Management Discussion and Analysis	41
Sustainability Statement	44
Financial Statements:	
Directors' Report	50
Independent Auditors' Report	56
Statements of Profit or Loss	60
Statements of Comprehensive Income	61
Statements of Financial Position	62
Statements of Changes in Equity	64
Statements of Cash Flows	67
Notes to the Financial Statements	71
Statement by Directors	143
Declaration by the Officer Primarily Responsible for the Financial Management of the Company	143
List of Group Properties	144
Analysis of Shareholdings	145
Other Information	148
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 40th Annual General Meeting of Lion Posim Berhad (“40th AGM”) will be held virtually from the Broadcast Venue, Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan and via Securities Services e-Portal at <https://sshsb.net.my/> on Tuesday, 23 May 2023 at 10.30 am for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 and the Reports of the Directors and Auditors thereon. **Note 1**
 2. To approve the payment of Directors’ fees amounting to RM170,000 for the financial year ended 31 December 2022. **Resolution 1**
 3. To approve the payment of Directors’ benefits of up to RM87,000 for the period commencing after the 40th AGM until the next annual general meeting of the Company. **Resolution 2**
 4. To re-elect the following Directors who retire by rotation in accordance with Clause 110 of the Company’s Constitution and who being eligible, have offered themselves for re-election:
 - (i) Y. Bhg. Tan Sri Cheng Heng Jem **Resolution 3**
 - (ii) Ms Cheng Hui Ya, Serena **Resolution 4**
 5. To re-appoint Messrs Mazars PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**
 6. Special Business
To consider and, if thought fit, pass the following Ordinary Resolutions:
 - 6.1 Retention of Independent Non-Executive Director
“THAT Y. Bhg. Dato’ Eow Kwan Hoong who has served as an independent non-executive Director of the Company for a cumulative period of more than 9 years, be and is hereby retained as an independent non-executive Director of the Company.” **Resolution 6**
 - 6.2 Authority to Directors to Issue and Allot 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 and allot 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 (“Mandate”) and that such Mandate shall continue to be in force until the conclusion of the next annual general meeting of the Company. **Resolution 7**
- THAT pursuant to Section 85 of the Companies Act 2016 read together with Clause 12 of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the Shareholders of the Company to be offered new shares of the Company ranking *pari passu* in all respects with the existing issued shares of the Company arising from the issuance of new shares pursuant to the Mandate.”

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

Resolution 8

"THAT approval be and is hereby given for the renewal of the mandate, for the Company and its subsidiaries (collectively, the "Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 20 April 2023 ("Related Parties"), provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

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

- (i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by resolution passed by the Shareholders of the Company in general meeting,

whichever is the earlier; and

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

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

By Order of the Board

WONG PHOOI LIN (MAICSA 7013812)
SSM PC NO. 202008002964

KONG SIEW FOON (MAICSA 7044962)
SSM PC NO. 202008002081
Secretaries

Kuala Lumpur
20 April 2023

Notes:

- *Proxy*
 - (i) *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 May 2023 shall be eligible to participate at the Meeting.*
 - (ii) *A member entitled to participate and vote at the Meeting is entitled to appoint not more than 2 proxies to participate 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 Poll Administrator of the Company for the Meeting, SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 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.*
 - *The 40th AGM will be conducted virtually through live streaming and online remote voting via the Remote Participation and Voting (“RPV”) facilities available on Securities Services e-Portal at <https://sshbsb.net.my/>. Please refer to the procedures provided in the Administrative Guide for the 40th AGM for registration, participation and remote voting via the RPV facilities.*
 - *At the Broadcast Venue, only the Chairman and other essential individuals are physically present to organise the virtual 40th AGM. Members/Proxies/Corporate Representatives will not be allowed to be physically present at the Broadcast Venue on the day of the 40th AGM.*
1. *Audited Financial Statements for the financial year ended 31 December 2022*

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. *Resolution 2*

The benefits payable to the Directors of up to RM87,000 for the period commencing after the 40th 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. 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 in discharging their responsibilities and rendering their services to the Company throughout the relevant period.
 3. *Resolutions 3 to 4*

The following Directors (“Retiring Directors”) retire in accordance with Clause 110 of the Company’s Constitution and being eligible, have offered themselves for re-election:

 - (i) *Y. Bhg. Tan Sri Cheng Heng Jem*
 - (ii) *Ms Cheng Hui Ya, Serena*

The Nomination Committee (“NC”) had reviewed the performance and contribution of each of the Retiring Directors seeking re-election.

Based on the results of the annual assessment for the financial year ended 31 December 2022, the NC was satisfied with the performance and contribution of each of the Retiring Directors who had discharged his/her duties and responsibilities effectively at all times.

The Board had concurred with the NC’s recommendation to seek Shareholders’ approval for the re-election of the Retiring Directors.

The profiles of the Retiring Directors are set out on page 6 of the 2022 Annual Report.

4. Resolution 6

The Board assisted by the NC, had assessed the independence of Y. Bhg. Dato' Eow Kwan Hoong who has served on the Board as an independent non-executive Director of the Company for a cumulative period of more than 9 years, and had recommended that the approval of the Shareholders be sought to retain Dato' Eow as an independent non-executive Director with consideration that he possesses the following attributes necessary in discharging his role and functions as an independent non-executive Director of the Company:

- (i) Fulfils the criteria of an independent Director as defined in the Bursa Malaysia Securities Berhad Main Market Listing Requirements.*
- (ii) Has served on the Board for more than 9 years and therefore possesses greater insights and knowledge of the businesses, operations and growth strategies of the Group.*
- (iii) Challenges Management in an effective and constructive manner, providing a check and balance, and bringing independent voice and objective judgement to the Board and Board Committees deliberations.*
- (iv) Broad experience in accounting and as such could provide the Board and the Audit and Risk Management Committee with relevant accounting knowledge and advice where necessary.*
- (v) Exercises due care in all undertakings of the Group and carries out his professional duties in the interest of the Company and stakeholders.*

5. Resolution 7

The approval pursuant to Sections 75 and 76 of the Companies Act 2016 will allow the Company to procure the renewal of the general mandate which will empower the Directors of the Company to issue and allot new shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company (excluding treasury shares) ("Mandate"). The Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

The 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 current and/or future investment projects, working capital and/or acquisitions.

As at the date of this Notice, no new ordinary shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 24 May 2022 which will lapse at the conclusion of the 40th AGM.

The waiver of the pre-emptive rights pursuant to Section 85 of the Companies Act 2016 read together with Clause 12 of the Constitution of the Company will allow the Directors to issue and allot new shares in the Company which rank pari passu in all respects with the existing shares, to any person without having to first offer the new shares to all existing Shareholders prior to the issuance of new shares pursuant to the Mandate.

6. Resolution 8

This approval will allow the Group to continue to enter into recurrent related party transactions of a revenue or trading nature with those Related Parties, 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.

Details on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular to Shareholders dated 20 April 2023 which is made available on the websites of the Company at www.lion.com.my/posim-agm and Bursa Malaysia Securities Berhad at www.bursamalaysia.com.

CORPORATE INFORMATION

Board of Directors	: Y. Bhg. Tan Sri Cheng Heng Jem (<i>Chairman</i>) Ms Cheng Hui Ya, Serena (<i>Executive Director</i>) 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) SSM PC No. 202008002964 Ms Kong Siew Foon (MAICSA 7044962) SSM PC No. 202008002081
Registration No	: 198201002310 (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/lionpsim
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	: Mazars PLT Wisma Golden Eagle Realty 11th Floor, South Block 142-A Jalan Ampang 50450 Kuala Lumpur Wilayah Persekutuan
Principal Bankers	: CIMB Bank Berhad Bank Muamalat Malaysia Berhad Public Bank Berhad HSBC Bank Malaysia Berhad
Stock Exchange Listing	: Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	: LIONPSIM
Bursa Securities Stock No	: 8486
Reuters Code	: LIOP.KL

DIRECTORS' PROFILE

Tan Sri Cheng Heng Jem

Non-Independent Non-Executive Chairman

Y. Bhg. Tan Sri Cheng Heng Jem, a Malaysian, male, aged 80, was appointed to the Board on 15 January 1991 and has been the Chairman of the Company since 27 August 1997.

Tan Sri Cheng has more than 50 years of experience in the business operations of the Lion Group encompassing steel, mining, property, retail, credit financing and money lending services, tyre manufacturing, 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. He was also the President of Malaysia Retailers Association ("MRA") from May 2016 to May 2018, and was its Honorary President from June 2018 to July 2020. He was again appointed the President of MRA from July 2020 to May 2022 and in June 2022, he was appointed an Honorary President of MRA. He was the Chairman of the Federation of Asia-Pacific Retailers Associations from October 2017 to September 2019, and was its Vice Chairman from September 2019 to November 2022. He is a Trustee of ACCCIM's Socio-Economic Research Trust and the President of Malaysia Steel Association.

In May 2022, Tan Sri Cheng was appointed the Managing Director of Lion Industries Corporation Berhad, a public listed company which is the holding company of the Company. His other directorships in public companies are as follows:

- Chairman and Managing Director of Parkson Holdings Berhad, a public listed company
- 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 ("LPB Shares") and a deemed interest in 170,186,190 LPB 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 147 of this Annual Report.

Tan Sri Cheng is the father of Ms Cheng Hui Ya, Serena, the Executive Director of the Company.

Tan Sri Cheng attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2022.

Cheng Hui Ya, Serena

Executive Director

Ms Cheng Hui Ya, Serena, a Malaysian, female, aged 36, was appointed an Executive Director of the Company on 24 August 2015.

Ms Serena Cheng obtained her Higher Diploma in Multimedia Design and Technology from Hong Kong Polytechnic University in 2010 and thereafter completed her internship with a marketing company in Taiwan.

Upon returning to Malaysia in 2011, she started her career in the property development industry with Sunsuria Development Sdn Bhd, a member of the Sunsuria Group which is now 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 dealing with property and 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, and Hy-Line Berhad.

Ms Cheng is the daughter of Y. Bhg. Tan Sri Cheng Heng Jem who is the Chairman and a major shareholder of the Company.

Ms Cheng attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2022.

Dato' Eow Kwan Hoong

Independent Non-Executive Director

Y. Bhg. Dato' Eow Kwan Hoong, a Malaysian, male, aged 69, was appointed to the Board on 14 December 2012. He is also the Chairman of the Audit and Risk Management Committee and the 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.

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 the Lion Group 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 31 December 2022.

Tan Sri Abd Karim bin Shaikh Munisar

Independent Non-Executive Director

Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar, a Malaysian, male, aged 72, 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 holds a Masters in Business Administration (Business Finance) from University of Edinburgh Scotland, a Bachelor of Economics (Honours) from University of Malaya and an Advanced Diploma in Economic Development (with Distinction) from University of Manchester, United Kingdom. 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 (2 years).

During his service with the Government, he led a team in creating and introducing the Quit Rent Information System (QRAS) for Klang Valley Land Offices to facilitate efficiency in revenue collections. As a Sepang District Officer and President of Sepang District Council, he was involved in facilitating the creation and implementation of mega projects such as Putrajaya/Cyberjaya/F1 and KLIA.

Tan Sri Abd Karim opted an early retirement from the Government sector when he was offered to join the corporate sector as the President and Chief Executive Officer of Kumpulan Darul Ehsan Berhad. He was subsequently appointed the Executive Chairman of Kumpulan Perangsang Selangor Berhad and Kumpulan Hartanah Selangor Berhad; Chairman of Taliworks Corporation Berhad; and a Director of Syarikat Bekalan Air Selangor Sdn Bhd (Syabas) and Syarikat Pengeluaran Air Selangor Holdings Berhad (Splash).

Tan Sri Abd Karim is currently a Director of JAKS Resources Berhad, a public listed company and the Deputy President of Malaysia Tsinghua University Council.

Tan Sri Abd Karim attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2022.

Dr Folk Jee Yoong

Independent Non-Executive Director

Dr Folk Jee Yoong, a Malaysian, male, aged 61, 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 degree in Accounting and Secretarial Administration from the Curtin University of Technology in Perth, Western Australia; Bachelor of Economics degree 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, amongst other public accounting firms, he was attached to Deloitte, Haskins & Sells, New Zealand and McLaren & Stewart, Perth, Australia. He had 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 had also sat on the Board of various public listed companies which included Parkson Holdings Berhad (2001-2012); Inix Technologies Holdings Berhad (2013-2015); Parlo Berhad (2014-2019); and AHB Holdings Berhad (2013-2022).

Dr Folk is currently 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 all 5 Board Meetings of the Company held during the financial year ended 31 December 2022.

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 interest 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, 58 years of age

Ms Poon Sow Har, Valerie was appointed the General Manager for the Lubricants, Petroleum Products 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 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, 60 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.

Mr Cheah 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 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, 57 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 37 years of his career in sales and marketing, he had assumed the position of Sales Promoter, Assistant Manager, Sales Manager, Product Manager and Company Manager promoting various other products including building materials and industrial filtration products locally and to the international market.

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

None of the Key Senior Management has (i) any directorship in public companies and listed issuers; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interest 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 31 December 2022. 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 by the Company and its subsidiaries to promote a holistic adoption of CG practices and culture within the Group in the best efforts while ensuring compliance with the Listing Requirements and the Companies Act 2016 (“CA 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 available on the Company’s website at www.lion.com.my/lionpsim. It should also be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control, the Audit and Risk Management Committee Report and the Sustainability Statement.

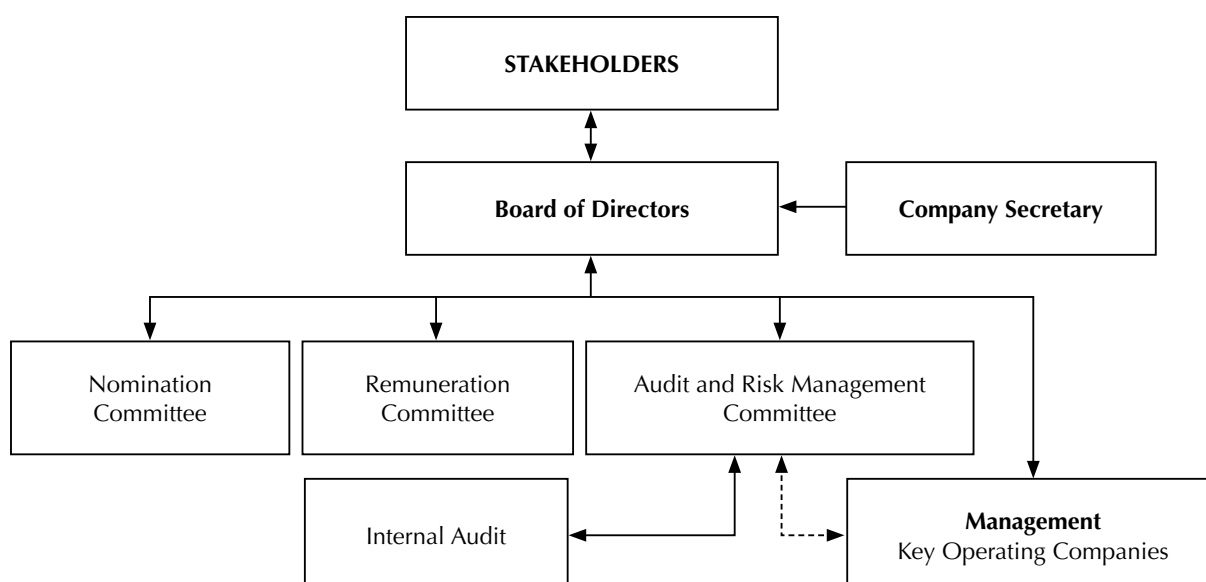
In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year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

- Practice 5.3 : The tenure of independent director does not exceed a cumulative term limit of 9 years.
- Practice 5.9 : The board comprises at least 30% women directors.
- Practice 5.10 : Company’s policy on gender diversity for the board and senior management.
- Practice 8.2 : Disclosure on a named basis, the remuneration of top 5 senior management.

A detailed explanation of how the Company has applied each CG practice as set out in the MCCG, taking into consideration the specific circumstances affecting the Group, including alternative measures taken to achieve the intended outcomes and the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 31 December 2022.

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 is 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, delivering sustainable value and realising long-term shareholders value. The Board is primarily responsible for overseeing the implementation of strategies and plans by the Management, promoting good corporate governance culture and the governance of sustainability within the Group, overseeing the conduct of the Group's businesses, monitoring and evaluating the implementation of appropriate systems and framework to identify, analyse, manage and monitor principal risks, reviewing the adequacy and integrity of the Group's system of internal control, and ensuring effective communications with stakeholders.

The Chairman is primarily responsible in ensuring Board effectiveness and leading the Board in its collective oversight of management whereas the Executive Director ("ED") is 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 ED with clear division of responsibilities are set out in the Company's Board Charter. The positions of Chairman and ED are held by 2 individuals. In line with the recommendation of the MCCG, the Chairman is not a member of any Board Committees.

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 CA 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

As part of the corporate governance process, the Board had formalised and adopted the Board Charter which 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 the need arises 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 which was last reviewed in November 2022 is available on the Company's website.

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 Terms of Reference which regulate the affairs and conduct of these Committees spell out their composition, responsibilities, authority 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 authority to act on its behalf whenever required. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

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

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

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 CA 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, Anti-Bribery and Corruption Policy ("ABC Policy"), Competition Policy, Sexual Harassment Policy, Sustainability Policy and Framework, Procurement Framework, Integrity and Fraud Risk Policy, and Personal Data Protection Framework of the Group.

The ABC Policy reflects the Group's stand of zero tolerance against all forms of bribery and corruption, and its commitment to lawful and ethical conduct at all times. The ABC Policy further elaborates on the Group's core principles set out in the CoBEC and the Employee Code of Conduct, providing information and guidance to all directors, employees and other stakeholders of the Group concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.

The key policies are available on the Company's website under the section "Governance".

Commitment to Address Sustainability Risks and Opportunities in an Integrated and Strategic Manner

The Board shoulders the responsibility of driving economic growth by empowering businesses, and serving in the best interests of the employees, customers, suppliers, community and society at large, while continuously committed to understanding and implementing sustainable practices to achieve the right balance between the objectives of the Shareholders, attaining economic success, protecting the environment and fulfilling ethical obligations to other stakeholders and the wider community (in which the Group has a presence).

Full details of the Group's commitment to sustainability in the aspects of Economic, Environment and Social ("EES") are found in the Sustainability Statement on pages 44 to 49 of this Annual Report.

II. BOARD COMPOSITION

Objectivity in Board Decision-Making

The objectivity in decision-making by the Board is driven by its composition, role of independent non-executive directors and competencies of its members. Currently, the Board comprises 5 Directors, 4 of whom are non-executive. Represented on the Board are 3 independent non-executive Directors, effectively constituting more than 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.

The MCCG provides that the tenure of an independent Director shall not exceed a cumulative period 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 beyond 9 years, the Board must provide justification and obtain Shareholders' approval through a two-tier voting process.

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 has exceeded 9 years. Further, the Board, assisted by the Nomination Committee, assesses the independence of the independent Directors and tenure of each Director on an annual basis. In addition, the independent Directors affirm their independence annually to the Board.

Y. Bhg. Dato' Eow Kwan Hoong has served on the Board as an independent non-executive Director for more than 9 years and will be re-designated a non-independent non-executive Director upon the conclusion of the 40th Annual General Meeting of the Company ("40th AGM") in line with the recommendation of the MCCG. The Nomination Committee had assessed the independence of Y. Bhg. Dato' Eow and had recommended the Board to seek Shareholders' approval at the 40th AGM to retain him as an independent non-executive Director with consideration that he possesses the attributes necessary in discharging his role and functions as an independent non-executive Director of the Company. The Board had concurred with the Nomination Committee's assessment and had recommended the resolution on the retention of Y. Bhg. Dato' Eow as an independent non-executive Director of the Company, to be tabled at the 40th AGM by way of a single-tier voting process.

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

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

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the broad Fit and Proper, and Independence Criteria as set out in the Directors' Fit and Proper Policy and the following:

- Competencies – qualifications, knowledge including financial literacy, 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.

While recognising the importance of providing fair and equal opportunities for appointment of Board and Senior Management, the Board is supportive of the Government's target of having at least 30% women participation on boards of public listed companies in Malaysia. The Board currently has one woman Director.

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

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

The Nomination Committee comprises 3 members, all of whom are independent non-executive Directors. The Nomination Committee is chaired by an independent Director. The composition and the Terms of Reference of the Nomination Committee are presented on page 33 of this Annual Report and are available on the Company's website for reference.

Effectiveness of the Board and Individual Directors

The Nomination Committee assesses and evaluates on an annual basis the performance and the effectiveness of the Board as a whole, the Board Committees, the independence of the independent Directors as well as the contribution of each individual Directors and Audit and Risk Management Committee members based on the criteria set out by the Board and in accordance with the respective Board Committee's Terms of Reference.

In the evaluation of the performance of the Board for the financial year, the Directors were also assessed on their commitment in ensuring that EES risks and opportunities as well as stakeholders engagement were considered in the organisation's vision and strategy and that the organisation's sustainability initiatives were communicated to its internal and external stakeholders.

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

Time Commitment

A Director shall notify the Chairman of the Board of his/her 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/her continued time commitment to serve the existing Board and that his/her other appointments shall not be in conflict or compete with the existing appointment with the Company.

Directors' Training

The Board is mindful of the need for continuous training to keep abreast of matters affecting the changing business environment within which the Group operates and is encouraged to attend training programmes/forums/seminars and external programmes facilitated by external professionals in accordance with their respective needs in discharging their duties and roles as Directors pertaining to the laws and regulations which may affect the Group. The Board will continue to evaluate and determine training needs of each Director to enhance Directors' skills and knowledge including financial literacy and sustainability matters. The Company Secretary keeps a complete record of the trainings attended by the Directors.

All Directors had attended the Mandatory Accreditation Programme as required by Bursa Securities.

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 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 webinars, workshops, self-learning and other training programmes ("Programmes") on topics in relation to board leadership; corporate governance; business opportunities, investment and prospects in various industries and countries; risk management and internal controls; economic; statutory and regulatory updates and requirements; financial and accounting knowledge and updates; sustainability covering community, environment, marketplace and workplace; technology and innovation; and fraud and cyber security risks:

Name of Directors	Programme
Tan Sri Cheng Heng Jem	<ul style="list-style-type: none"> • Federation of Public Listed Companies Bhd (FPLC) & PKF Malaysia – Malaysian Code on Corporate Governance 2021 Training Workshop
Dato' Eow Kwan Hoong	<ul style="list-style-type: none"> • Lion Group In-House Self-Learning Training – Cyber Security Awareness • United Nations Sustainable Stock Exchanges Initiative, International Finance Corporation and Carbon Disclosure Project Worldwide in collaboration with Bursa Malaysia – Task Force on Climate-related Financial Disclosures ("TCFD") Climate Disclosure Training Programme (TCFD 101): Getting started with climate-related financial reporting • Federation of Public Listed Companies Bhd (FPLC) & PKF Malaysia – Malaysian Code on Corporate Governance 2021 Training Workshop • Bursa Malaysia – Advocacy Session for Directors and Senior Management of Main Market Listed Issuers • Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees – How the Audit Committees and Auditors can work together towards reliable audited financial statements
Tan Sri Abd Karim bin Shaikh Munisar	<ul style="list-style-type: none"> • Lion Group In-House Self-Learning Training – Cyber Security Awareness • Tricor Axcelasia – Jak Resources Berhad In-House Directors' Training on Understanding Sustainability and Environmental, Social and Governance • KPMG and Malaysian Institute of Certified Public Accountants – "Supercharge ESG Ambitions with Technology" • Bursa Malaysia – Advocacy Session for Directors and Senior Management of Main Market Listed Issuers • Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees – How the Audit Committees and Auditors can work together towards reliable audited financial statements

Name of Directors	Programme
Dr Folk Jee Yoong	<ul style="list-style-type: none"> • Lion Group In-House Self-Learning Training – Cyber Security Awareness • Securities Commission Malaysia’s Audit Oversight Board Conversation with Audit Committees – How the Audit Committees and Auditors can work together towards reliable audited financial statements • Certified Practising Accountant Australia – Foreign Source Income - to Remit or not to Remit?
Cheng Hui Ya, Serena	<ul style="list-style-type: none"> • Lion Group In-House Self-Learning Training – Cyber Security Awareness • Bursa Malaysia in partnership with Halal Development Corporation and Securities Commission Malaysia – Invest Shariah Industry Dialogue 2022 (ISID 2022): Series 1 - Empowering the Halal Industry in the Islamic Capital Market • Real Estate and Housing Developers’ Association Malaysia (“REHDA”) Institute – Industrial Park Development Masterclass and Study Tour • REHDA Institute – Industrial Park Development VIP Study Tour (Penang) • REHDA (Kuala Lumpur), Malaysian Institute of Planners and Malaysian Institute of Architects – International Conference on World Class Sustainable Cities (WCSC) 2022

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 as well as having been updated with market developments and related issues, and apprised with the Continuing Updates, had adequately met the training needs of each of the Directors towards enhancing their skills and knowledge in discharging their duties and roles 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, retains and motivates experienced, well qualified and high calibre Directors and Senior Management to manage the Company’s and the Group’s businesses and operations effectively. Directors do not participate in decisions regarding their own remuneration. The Board continues 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 ED to the Remuneration Committee. The composition and the Terms of Reference of the Remuneration Committee are presented on page 35 of this Annual Report and are available on the Company’s website.

Remuneration Factoring in Individual and Company's Performance

Details of the remuneration paid or payable to all Directors of the Company for the financial year ended 31 December 2022 are as follows:

The Group and the Company

	Fees RM'000	Meeting Allowance RM'000	Salaries RM'000	Total RM'000
Executive Directors				
Cheng Hui Ya, Serena	20	5	–	25
Non-executive Directors				
Tan Sri Cheng Heng Jem	25	5	–	30
Dato' Eow Kwan Hoong	45	11	–	56
Tan Sri Abd Karim bin Shaikh Munisar	40	11	–	51
Dr Folk Jee Yoong	40	11	–	51
	<u>170</u>	<u>43</u>	<u>–</u>	<u>213</u>

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

Effective and Independent Audit and Risk Management Committee

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

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

The Audit and Risk Management Committee comprises 3 members, all of whom are independent Directors and 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 27 to 32 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 taking into consideration information presented in the External Auditors' Annual Transparency Report and 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 control 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 interests 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 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 which defines the roles and responsibilities to manage compliance risks via the establishment of internal policies, procedures and related framework. It dictates the spheres of compliance governance and promotes effective compliance mechanism in accordance with applicable laws, regulations, rulings, directives and guidelines.

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 Heads of Key Operating Companies ("KOC") and Heads 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 are set out in the Statement on Risk Management and Internal Control on pages 20 to 26 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, anti-corruption, whistleblowing 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 31 and 32 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 22 in the Statement on Risk Management and Internal Control and pages 31 and 32 in the Audit and Risk Management Committee Report of this Annual Report.

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 Malaysia Berhad.

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/lionpsim which is linked to the announcements published on the website of Bursa Securities at www.bursamalaysia.com. The Company's website also provides easy access to the Company's Board Charter, Terms of Reference of Board Committees, key policies and annual reports.

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

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. The Company has leveraged technology to facilitate remote participation at general meetings and remote voting by Shareholders. The Remote Participation and Voting facilities provided by a third party Poll Administrator also allow Shareholders to pose questions regarding the proposed resolutions at the said meetings as well as on matters relating to the Group's financial and non-financial performance, long-term strategies, businesses and affairs. The Shareholders may also pose questions prior to the meetings via email. The Chairman, the Board members, Senior Management as well as the External Auditors are in attendance at the meetings to respond to Shareholders' queries. The Chairman ensures that meaningful responses are provided to relevant questions posed by the Shareholders. Minutes of the general meetings of the Company are made available on the Company's website within 30 business days after the meetings.

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 covering key subsidiaries, which outlines the nature and scope of its internal control and risk management during the financial year under review.

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 systems 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 outcomes 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 on 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.
- A groupwide integrity framework which 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 and Fraud Risk Policy which interphases with many of the existing policies adopted within the Group and also addresses fraud reporting and investigation.
- An Anti-Bribery and Corruption Policy (“ABC Policy”) which reflects the Group’s stand of zero tolerance against all forms of bribery, fraud and corruption, and its commitment to lawful and ethical conduct at all times. The ABC Policy elaborates on the Group’s core principles set out in the CoBEC and the Employee Code of Conduct, providing information and guidance to all directors, employees and other stakeholders of the Group concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.
- Annual e-declarations on Conflict of Interest and acknowledgement on the understanding and compliance with the ABC Policy among executive employees being part of the Group’s effort in creating awareness and ensuring that the employees understand, observe and uphold high integrity and ethical values in all their business dealings.
- Pursuant to Section 17A of the Malaysian Anti-Corruption Commission (“MACC”) Act 2009 which imposes corporate liability on companies for the corrupt practices of its employees and/or any person associated with the companies in cases where such corrupt practices are carried out for the companies’ benefit or advantage, the Group had conducted a series of trainings and workshops to brief employees on the adequate procedures (as per guidelines issued under MACC Act 2009) that had been put in place and to equip them with the required understanding of their duties, responsibilities and obligations under this section. The Board and the Management will continue to strengthen the adequate procedures to prevent acts of corruption related to the organisation.

The CoBEC and the ABC Policy are published on the Company’s website at www.lion.com.my/lionpsim.

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 for 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 Director ("ED"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The ED may delegate aspects of her authority and powers but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units and operations. Delegation of responsibilities and accountability by the ED 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, ED and the Board for implementing the frameworks, 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 Framework 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 methods and vendor management.

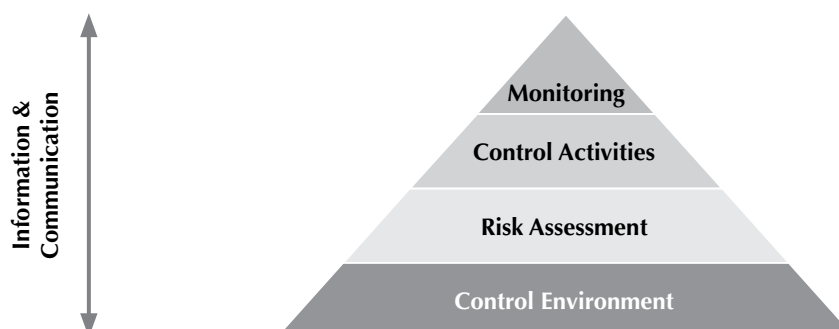
- A Group Personal Data Protection Framework which provides guidelines on implementation of controls in business and operations processes in meeting the requirements of data protection principles of Personal Data Protection Act 2010.
- Other key policies such as Competition Policy and Sexual Harassment Policy which complement the Group's CoBEC and ABC Policy. 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 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. It features the four pillars of Sustainability: Environment, Workplace, Community and Marketplace.

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.

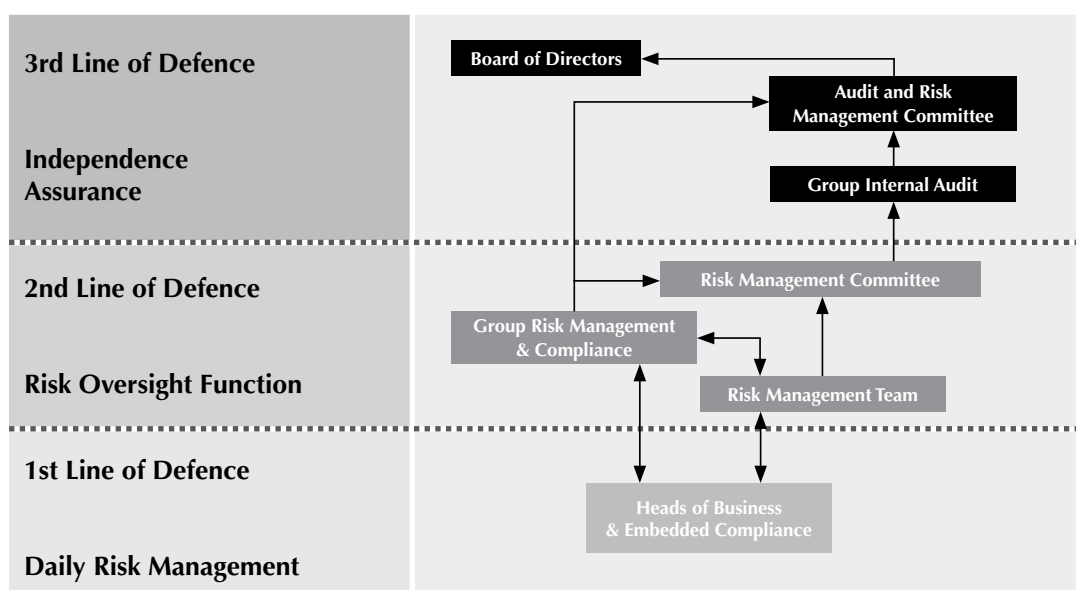
6. Internal Audit

- 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 industries.
- Review of business processes and system 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 reviews 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 Heads of KOC and Heads 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 Risk Management – Principles and Guidelines 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 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 KOCs’ 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 Management and Compliance (“GRC”) department. The RMTs establish their strategy roadmap for every financial year via the CPS and identified, analysed and reported risks to the RMC and ARMC via the CRS. The GRC provides the reporting templates, updated tools, maintenance of Q-Radar system and facilitation or review of KOC’s scorecards development or updates with KOCs’ risk representatives. The RMC receives and reviews the scorecards reports from KOCs together with the ARMC.
 - The third line of defence is realised through the provision of objective and independent challenge by GIA with regard to the level of assurance as provided by business operations and oversight functions. The Board, through the deliberations and recommendations of the ARMC, sets the overall risk appetite for the Group.
- The risk management organisational structure adopted by the Group is illustrated as follows:



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



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

8. Compliance Management

- Half-yearly Compliance Risk Self-Assessment (CRSA) exercises with mitigations identified to address breaches or material non-compliances.
- Joint review of existing operational practices and selected policies or procedures for possible and appropriate control enhancements. Such exercises may result in revisions 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 processes.
- 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 ongoing changes and implementations in the legislative and regulatory requirements affecting the Group.

9. Safety and Hazards Management

- Establishment of a Safety and Health Manual to administer health and safety programmes, and to handle any emergency or crisis, to ensure disaster recovery and business continuity.
- The Emergency Response Plan (ERP) developed for the Group's operations includes measures for safety and security of personnel, property and facilities that mitigate the damage of potential emergency events such as fire, explosion, accident, oil/chemical spill/release, radiological spill and other related incidents. The Central Control Team comprising employees representing various departments is tasked to ensure all staff and visitors in the premises comply with the health and safety procedures at all times.
- With the ongoing challenges posed by COVID-19, the Group continues to ensure a safe and healthy workplace for all employees, on top of business continuity concerns. Workplace health and safety procedures and the Standard Operating Procedures (SOPs) from the National Security Council on preventive measures to reduce the chances of infection during an outbreak are in place and communicated to employees, business associates and other stakeholders. Where applicable, certain groups of employees continue to observe remote work arrangement to reduce the personnel headcount in the work premises. Face-to-face meetings are avoided as much as possible by using available digital meeting platforms. The health status of all staff is closely monitored and any signs or symptoms of COVID-19 infection shall be quickly reported for action to be taken to mitigate and contain the spread of the virus.

- At the Group level, there is an Issues Management and Communication Policy and process established under the Corporate Communications Function to guide the handling of communications, internal and external, in the event of any issue/crisis/disaster.

10. Information and Communication Technology/Management Information System

- A quarterly IT Steering Committee meeting is held where all IT Managers from various operating companies meet. It is a platform which enables collaboration among the operating companies, sharing of experiences and consolidation of standard IT platforms.
- A set of Group IT Policies and Guidelines 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 any unforeseen incident. An annual Disaster Recovery test is carried out to ensure service quality as per agreed service level agreement.
- As part of Lion Group's Cyber Security strategy to mitigate cyber security risks and threats, Group IT and Group Learning & Development had provided and shall continue to provide Cyber Security Awareness Training to educate employees with the objective of safeguarding our businesses and employees.

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. Whistleblowing

- 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 and 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 KOC.

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 reviews 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 KOC for improvement and implementation.

The CPS and CRS were presented by the RMT and RMC to the ARMC on a half-yearly basis for reviews 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 KOC, at the half-yearly reporting, had confirmed that the respective KOCs' 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 financial year 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 satisfied with the adequacy and effectiveness of the system of risk management and internal control in place throughout the Group for the financial year under review, and up to the date of approval of this Statement. The ED and the Head of respective KOCs have provided reasonable assurance to the Board that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively.

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

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 the 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 31 December 2022, 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, Corporate Governance Guide and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements"), 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 the 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 Listing Requirements and for no other purposes or parties.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit and Risk Management Committee of Lion Posim Berhad is pleased to present the Audit and Risk Management Committee Report for the financial year ended 31 December 2022.

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
(Chairman, 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)

The respective profiles of the members are set out under Directors' Profile in the Annual Report.

- **Secretaries**

The Secretaries of Lion Posim Berhad, Ms Wong Phooi Lin and Ms Kong Siew Foon, 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 fulfill the requirements as prescribed in the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

None of the members of the Audit and Risk Management Committee was a former partner of the External Auditors of the Group.

MEETINGS AND MINUTES

The Audit and Risk Management Committee shall meet at least 4 times annually, and the Group 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/lionpsim.

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, 5 Audit and Risk Management Committee Meetings were held at which full attendance was recorded for all the members.

The Group 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 financial 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, significant transactions and judgements made by Management; and 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 including Key Audit Matters and critical accounting judgements and key sources of estimation uncertainties made by Management had been evaluated by the External Auditors; 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 financial 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.

Audit approach had been determined in areas with weaknesses in control as revealed by the Internal Auditors during their previous 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.

All recurrent related party transactions of a revenue or trading nature undertaken were in compliance with the Listing Requirements and the Group's policies and procedures as well as the Shareholders' Mandate.

- (g) Reviewed the results of investigative audit reports on internal misconduct and irregularities within the Group tabled during the financial year and ensured appropriate remedial actions/measures were taken. Additional internal control components for better control over areas of weaknesses discovered during the investigative audit had been included in the Risk Management and Internal Control – Self-Assessment Questionnaire ("RMIC-SAQ") to ensure that the operating companies level of internal control was adequately assessed and disclosed.
- (h) Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 20 to 26 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 being taken to strengthen the system of risk management and internal control so as to safeguard the Group's assets as well as the shareholders' investments, and the interests of other stakeholders.

- (i) Reviewed the Group Compliance Framework for the financial year under review with regard to the scope of activities and their progress as set out in the Compliance Program/Work Plan for the financial year.
- (j) Approved an annual budget for the Internal Audit Function to effectively carry out its audit plan.
- (k) 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 recommended to the Board for approval on the change of External Auditors of the Group from Messrs Deloitte PLT to Messrs Mazars PLT.
- (b) 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.
- (c) 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.
- (d) 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.

- (e) Evaluated the performance and assessed the suitability, objectivity and independence of the External Auditors during the financial year taking into consideration information presented in the External Auditors' Annual Transparency Report, and 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 that they have complied with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, and have policies and procedures in place which are designed to ensure that they carry out their work with integrity, objectivity and independence.
- (f) 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.
- (g) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors.
- (h) Met with the External Auditors without executive Board members and Management twice to discuss matters in relation to their review.

- **Compliance Management**

- (a) Conformance to Group policies and procedures

Received 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 declarations were completed by the identified Heads of Business, Finance Officers of the Key Operating Companies ("KOCs"), Group Accountants, Company Secretaries, Group Tax, Group Treasury and Group Corporate Planning.

- (b) Received the status of the activities of Group Risk Management and Compliance Department which included:
 - Monitoring on a half-yearly basis the scope of activities and status of implementation as driven and coordinated by the Group Risk Management and Compliance Department as set out in the Compliance Program/Work Plan for the financial year.
 - Developed the questionnaire on "Managing Sustainability and Related Matters" as part of the CRSA extended scope of coverage to better understand and articulate the threat; identify efficiencies, realise cost savings and productivity benefits; adhere to related requirements and/or expectations; and assess the organisation's capacity to manage and communicate Economic, Environment and Social policies, practices and performances.

- **Risk Management**

- (a) The Audit and Risk Management Committee together with the Risk Management Committee:
 - Monitored the 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, Mr Wong Poh Tan, is a Fellow Member of the Association of Chartered Certified Accountants, a Chartered Accountant with the Malaysian Institute of Accountants and a professional member of the Institute of Internal Auditors Malaysia with more than 21 years of internal audit and enterprise risk management experience in the field of manufacturing, nourishing products, palm oil, property development, ceramic tiles, and pulp and paper mills.

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 RMIC-SAQ, 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
- Compliance aspects of the Anti-Bribery and Corruption Policy and its programmes

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 the financial year.

The Internal Auditors are updated on the improvement and development in internal auditing standards, procedures, techniques, corporate governance and the Listing Requirements through the attendance of seminars and talks organised by the Institute of Internal Auditors Malaysia, the Malaysian Institute of Accountants, Bursa Malaysia Berhad and the Securities Commission Malaysia as well as core competency courses organised by professional training establishments. The Audit and Risk Management Committee was also satisfied that the Internal Audit Function, which is led by the Group Chief Internal Auditor with relevant experience and backed by 6 staff of managerial and executive level who possessed the relevant qualification and experience, has adequate resources to fulfill the internal audit plan for the next financial year.

The Internal Auditors had confirmed that they are free from any relationships or conflicts of interest which could impair their objectivity and independence in their audit assignments.

The total cost incurred in managing the Internal Audit Function of the Group for the financial year was RM208,899.

NOMINATION COMMITTEE

- Chairman** : Y. Bhg. Dato' Eow Kwan Hoong
(Independent Non-Executive Director)
- Members** : Y. Bhg. Tan Sri Abd Karim bin Shaikh Munisar
(Independent Non-Executive Director)
- Dr Folk Jee Yoong
(Independent Non-Executive Director)
- Terms of Reference** :
1. To consider and recommend to the Board, candidates for directorships in the Company.
 2. 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.

In making a recommendation to the Board on the candidate for directorship, the Committee shall consider the broad Fit and Proper, and Independence Criteria as set out in the Board Charter.

The candidate for an independent non-executive Director should be a person of calibre, credibility and have the necessary skill and experience to bring an independent judgement to bear on issues considered by the Board.
 3. To recommend to the Board, Directors to fill the seats on Board Committees.
 4. To assist the Board in reviewing on an annual basis, the composition, the required mix of skills, knowledge, experience, diversity and other qualities, including core competencies which each individual Director including the independent non-executive Director should bring to the Board, to enable the Board to function effectively, and strengthen board leadership and oversight of sustainability issues.
 5. To establish and implement processes to assess, on an annual basis, the effectiveness of the Board as a whole and the committees of the Board; the independence of the independent Directors; the contribution of each individual Director; and the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and its members have carried out their duties in accordance with their Terms of Reference, based on the process and procedure laid out by the Board.
 6. To recommend to the Board:
 - (a) the re-election of those Directors who are retiring at an annual general meeting ("AGM") of the Company and to put forward their re-election for approval at the AGM; and
 - (b) the continued retention of any independent non-executive Director who has served for a cumulative period of more than 9 years as an independent non-executive Director or otherwise. Any retention of an independent Director who has served a cumulative period of 9 years shall be subject to Shareholders' approval in line with the recommendation of the Malaysian Code on Corporate Governance. Notwithstanding, the tenure of an independent Director shall not exceed a cumulative period of more than 12 years.
 7. To review the induction and training needs of Directors.
 8. To consider other matters as referred to the Committee by the Board from time to time.

NOMINATION COMMITTEE REPORT

The Nomination Committee comprises 3 members, all of whom are non-executive 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, knowledge, experience and competencies for appointment to the Board and Board Committees to ensure the effectiveness of the Board and the Board Committees. The Nomination Committee shall conduct skills and gap analyses from time to time or when required in identifying candidatures for appointment. As an enhancement to its process, the Nomination Committee may also consider procuring suitable candidates from independent sources, when appropriate and practicable. The Nomination Committee assesses and evaluates on an annual basis the performance and the effectiveness of the Board as a whole, the Board Committees, the independence of the independent Directors as well as individual Directors and Audit and Risk Management members based on the criteria set out by the Board and in accordance with 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 (i) identify and nominate candidates for appointment as a Director; (ii) re-elect existing Directors; and (iii) retain independent Directors, are set out in the Directors' Fit and Proper Policy included in the Board Charter. During the financial year, the broad Fit and Proper, and Independence Criteria had been reviewed and enhancement had been made to ensure an adequate level of compliance and to be aligned with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and the Malaysian Code on Corporate Governance.

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 including financial literacy, industrial experience and expertise, seniority and past achievements, appointment scope, role, commitment level, professionalism and integrity, and the appropriateness and the fulfilment of the Board's desired mix of competencies, age, gender and cultural background which would contribute to the overall desired composition of the Board.

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

Activities of the Nomination Committee for the Financial Year

The Nomination Committee met once since the date of the last Annual Report and a majority of the members attended the Meetings.

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

- (i) Reviewed and assessed the performance and the effectiveness of the Board as a whole, the Board Committees, the independence of the independent Directors as well as the contribution of each individual Directors and Audit and Risk Management Committee members based on the broad Fit and Proper, and Independence Criteria as set out in the Directors' Fit and Proper Policy using a set of quantitative and qualitative performance evaluation forms adopted by the Nomination Committee, and was satisfied that (a) the Board composition in term of size, mix of competencies and diversity representation and the balance between executive, non-executive and independent Directors was adequate and in line with the Group's business operations and needs; and (b) the Board as a whole and the Board Committees had discharged their duties and responsibilities effectively at all times. The Nomination Committee was also satisfied with the level of independence of all the independent non-executive Directors and their ability to act in the best interest of the Company.

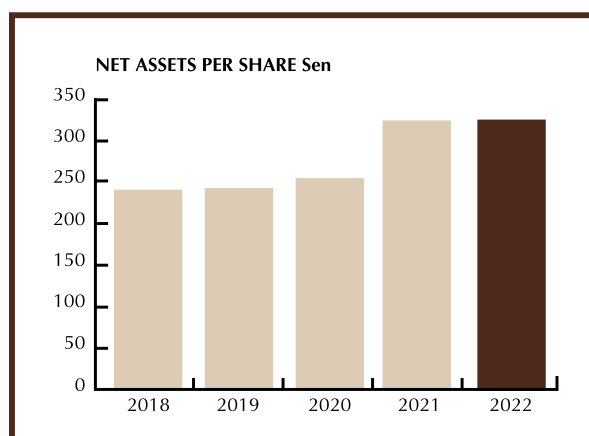
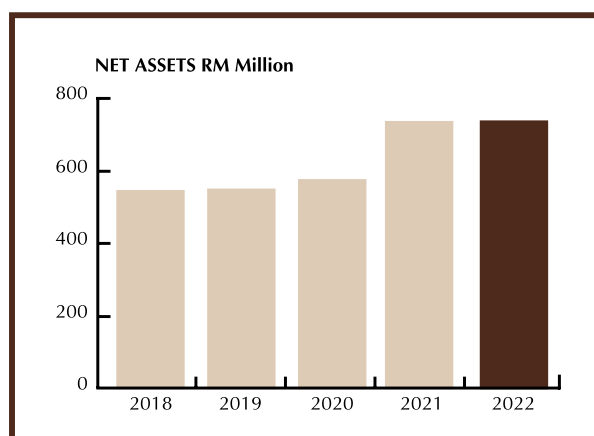
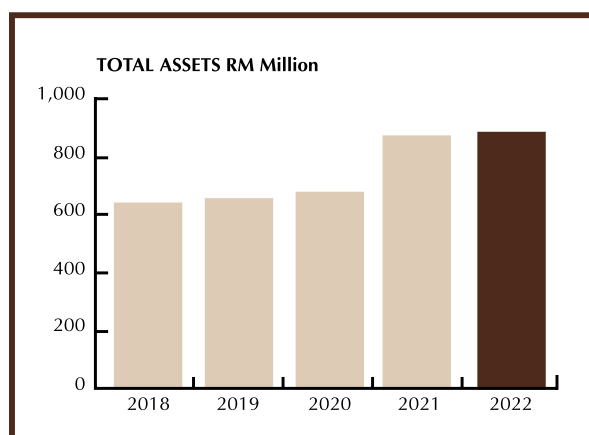
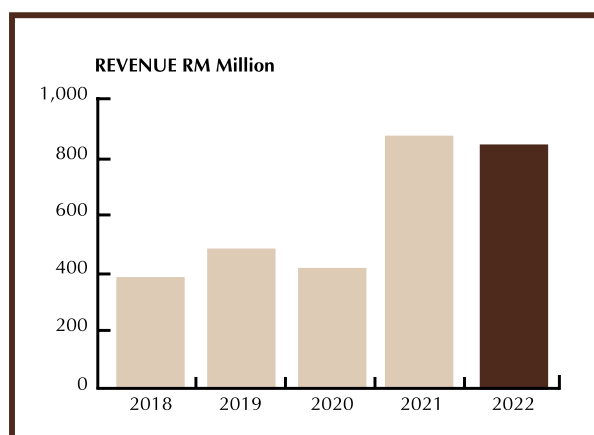
- (ii) Reviewed the term of office and performance of the Audit and Risk Management Committee as a whole and each of its members including an assessment of their financial literacy, and assessed and evaluated the effectiveness of the Audit and Risk Management Committee in conducting its activities in accordance with its Terms of Reference, and was satisfied that the Audit and Risk Management Committee and its members had carried out their duties effectively and were financially literate and able to understand matters under the purview of the Audit and Risk Management Committee including financial reporting process.
- (iii) Reviewed the retirement by rotation of Y. Bhg. Tan Sri Cheng Heng Jem and Ms Cheng Hui Ya, Serena, and having satisfied that they had discharged their duties and responsibilities effectively at all times, recommended their re-election for Board's consideration, which shall be tabled for approval of the Shareholders at the forthcoming 40th Annual General Meeting of the Company ("40th AGM").
- (iv) Reviewed the retention of Y. Bhg. Dato' Eow Kwan Hoong whose tenure of service as an independent Director has exceeded a cumulative period of 9 years, for Board's recommendation to Shareholders for their approval at the 40th AGM by way of a single-tier voting based on the attributes necessary in discharging his role and functions as an independent Director.
- (v) Reviewed the training needs of the Directors and was satisfied that the Directors having attended the relevant training programmes as well as having been updated with market developments and related issues, and apprised on a continuing basis by the Company Secretaries on new/revised statutory and regulatory requirements, had adequately met the training needs of each of the Directors towards enhancing their skills and knowledge in discharging their duties and roles 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 2022 Annual Report.

REMUNERATION COMMITTEE

Chairman	:	Dr Folk Jee Yoong (Independent Non-Executive Director)
Members	:	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	:	<ul style="list-style-type: none">• To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary.• To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years/period		12 months ended 30 June			18 months ended	12 months ended
		2018	2019	2020	31 December 2021	31 December 2022
Revenue	(RM'000)	380,474	476,006	411,505	871,808	838,773
Profit before tax	(RM'000)	22,840	13,387	36,845	145,601	2,681
Profit after tax	(RM'000)	19,229	9,075	31,745	141,195	601
Net profit attributable to owners of the Company	(RM'000)	19,228	9,075	31,745	144,021	659
Total assets	(RM'000)	637,336	653,699	679,179	870,642	883,448
Net assets	(RM'000)	547,816	551,729	577,995	739,096	740,662
Total borrowings	(RM'000)	405	860	16	16,860	18,711
Earnings per share	(Sen)	8.4	4.0	13.9	63.2	0.3
Net assets per share	(Sen)	240	242	254	324	325



THE GROUP'S BUSINESSES



- Posim Petroleum Marketing Sdn Bhd distributes a wide range of petroleum-based products under “HI-REV”, “torQe” and “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”, “torQe” dan “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 pelinciran dan perlindungan unggul daripada tekanan termal bagi mengekalkan prestasi cemerlang enjin berketumpatan kuasa tinggi.*



- The Group is the distributor for ACCA KAPPA, an Italian brand that offers premium hair brushes, body care products and fragrances for men and women.
- *Kumpulan merupakan pengedar ACCA KAPPA, jenama Itali yang menawarkan rangkaian berus rambut premium, produk penjagaan badan serta minyak wangi untuk lelaki dan wanita.*



- The Building Materials Division is involved in the trading and distribution of building and construction materials such as (top left) steel bars, ironmongery, BRC mesh, tiles, sanitarywares, cement and bricks.
- *Bahagian Bahan Binaan terlibat dalam perniagaan menjual dan mengedar bahan-bahan pembinaan seperti (atas kiri) bar besi, barangan besi, jejaring BRC, kelengkapan bilik air, simen dan batu bata.*

PENYATA PENERUS

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Posim Berhad (“Kumpulan” atau “Syarikat”) bagi tahun kewangan berakhir 31 Disember 2022.

PRESTASI KEWANGAN

Tahun 2022 terus menjadi satu lagi tahun yang mencabar. Ketegangan geopolitik antara Rusia dan Ukraine menjadi penghalang utama untuk ekonomi global berada di landasan pemulihan akibat pandemik COVID-19. Rantainya bekalan dunia terus terjejas dan memburukkan lagi masalah kekurangan bekalan yang dihadapi. Kadar faedah dan inflasi terus meningkat, manakala kos sara hidup dan kos menjalankan perniagaan juga bertambah.

Di sebalik keadaan yang tidak menentu dan mencabar itu, Kumpulan mencatat pendapatan sebanyak RM838.8 juta bagi tahun kewangan berakhir 31 Disember 2022 disumbangkan terutamanya oleh perniagaan bahan binaan dan minyak pelincir. Kedua-dua perniagaan teras itu terus mencatat peningkatan positif dengan jualan lebih tinggi meskipun margin keuntungan terjejas akibat peningkatan kos.

Secara keseluruhannya, Kumpulan mencatatkan keuntungan sebelum cukai berjumlah RM2.7 juta bagi tahun berakhir 31 Disember 2022. Keputusan ini tidak dapat diperbandingkan dengan tahun kewangan lalu yang meliputi tempoh 18 bulan; berikutan tahun kewangan diubah daripada 30 Jun kepada 31 Disember pada tahun lepas.

Aset bersih Kumpulan meningkat kepada RM740.7 juta daripada RM739.1 juta dalam tempoh kewangan sebelumnya dengan aset bersih sesaham sebanyak RM3.25; meningkat 1 sen berbanding dengan tempoh kewangan sebelumnya.

PERKEMBANGAN KETARA DALAM KORPORAT

Pada 18 Mei 2022, Lion Waterfront Sdn Bhd (dahulunya dikenali sebagai Singa Logistics Sdn Bhd), subsidiari milik penuh Syarikat, memeterai perjanjian pembangunan bersyarat dengan Landasan Lumayan Sdn Bhd (“Landasan Lumayan”), subsidiari milik penuh Menteri Besar Selangor (Pemerbadanan), bagi membentuk satu usaha sama tidak diperbadankan untuk melaksanakan projek pembangunan bercampur - kediaman dan komersial di atas sebidang tanah diberi milik kepada Landasan Lumayan oleh Kerajaan Negeri Selangor yang berkeluasan kira-kira 26.29 ekar di Seksyen 24, Shah Alam, Selangor (“Cadangan Usaha Sama Tidak Diperbadankan”).

Sehubungan dengan Cadangan Usaha Sama Tidak Diperbadankan itu, Syarikat bercadang untuk mempelbagaikan perniagaan sedia ada dan juga subsidiarinya untuk turut meliputi pembangunan hartanah (“Cadangan Kepelbagaian”).

Cadangan Usaha Sama Tidak Diperbadankan dan Cadangan Kepelbagaian secara kolektif hendaklah dirujuk sebagai “Cadangan”.

Pemegang saham Syarikat sudah memberikan kelulusan mereka pada 2 Disember 2022 dan Cadangan tersebut kini tertakluk kepada kelulusan semua pihak berkuasa kawal selia berkaitan.

PROSPEK

Ekonomi Malaysia dijangka berkembang beransur-ansur pada tahun 2023, disokong oleh permintaan domestik yang kukuh serta peningkatan berterusan dalam pasaran buruh dan pelaksanaan projek infrastruktur besar di sebalik risiko pertumbuhan yang lebih rendah dan ketidakpastian.

Namun begitu, Kumpulan masih optimistik tetapi berhati-hati. Kumpulan akan terus mengekalkan tumpuan kepada mengoptimalkan kecekapan operasi dan memanfaatkan peluang baharu serta meluaskan rangkaian produk dan perkhidmatannya bagi memenuhi keperluan pelanggan ke arah mencapai pertumbuhan keuntungan dalam jangka panjang, dan mewujudkan nilai untuk pemegang kepentingannya.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan penghargaan kepada semua pelanggan, rakan kongsi dan sekutu perniagaan, pembiaya, pemegang saham serta pihak berkuasa kerajaan atas sokongan dan kerjasama mereka yang berterusan.

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

Akhir kata, ucapan terima kasih ditujukan kepada pihak pengurusan dan warga kerja atas dedikasi dan komitmen berterusan mereka dalam menghadapi cabaran sepanjang tempoh yang sukar ini.

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 Posim Berhad ("the Group" or "the Company") for the financial year ended 31 December 2022.

FINANCIAL PERFORMANCE

2022 continued to be a challenging year. The geopolitical tension between Russia and Ukraine was a massive setback to the global economy that was on the road to recovery from the COVID-19 pandemic. World supply chains were further disrupted and worsened the shortages faced. Interest rates and inflation continued to rise, raising the cost of living and cost of doing business.

Amid all the uncertainties and challenges, the Group registered a revenue of RM838.8 million for the financial year ended 31 December 2022 with the main contribution from the building materials and lubricant businesses. Both these core businesses continued their upward path in delivering positive results this year with higher sales despite profit margins being affected by the rising costs.

Overall, the Group registered a profit before tax of RM2.7 million for the year ended 31 December 2022. This result is not comparable to that of the last financial period which comprised a 18-month period; the consequence of the change of financial year end from 30 June to 31 December last year.

The Group's net assets increased to RM740.7 million from RM739.1 million in the preceding financial period with net assets per share of RM3.25; an increase of 1 sen over that of the preceding financial period.

SIGNIFICANT CORPORATE DEVELOPMENT

Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd), a wholly-owned subsidiary of the Company, had on 18 May 2022 entered into a conditional development agreement with Landasan Lumayan Sdn Bhd ("Landasan Lumayan"), a wholly-owned subsidiary of Menteri Besar Selangor (Pemerbadanan), to form an unincorporated joint venture to undertake a mixed residential and commercial development on a parcel of land to be alienated by the Selangor State Government to Landasan Lumayan measuring approximately 26.29 acres in Section 24, Shah Alam, Selangor ("Proposed Unincorporated Joint Venture").

In conjunction with the Proposed Unincorporated Joint Venture, the Company proposes to diversify the existing businesses of the Company and its subsidiary companies to include property development ("Proposed Diversification").

The Proposed Unincorporated Joint Venture and the Proposed Diversification shall collectively be referred to as the "Proposals".

Approval of the Shareholders of the Company was obtained on 2 December 2022 and the Proposals are pending the approvals to be obtained from all relevant regulatory authorities.

PROSPECTS

The Malaysian economy is expected to expand gradually in 2023, supported by firm domestic demand with continuing improvements in the labour market and realisation of large infrastructure projects amid downside risks and uncertainties.

Nevertheless, the Group remains cautiously optimistic. The Group will continue to focus on optimising operational efficiencies and tapping new opportunities as well as to widen its products range and services to meet customer needs to achieve profit growth for the longer term, and create value for its stakeholders.

APPRECIATION

On behalf of the Board of Directors, I wish to express my appreciation to our customers, business partners and associates, financiers, shareholders, and the government authorities for their continuing support and cooperation.

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 continuing hard work and dedication in coping with the challenges faced throughout these difficult times.

TAN SRI CHENG HENG JEM
Chairman

主席报告

我谨代表董事部，提呈金狮宝森有限公司（“集团”或“公司”），截至2022年12月31日的常年报告和经审核财务报表。

财务表现

2022年仍然是充满挑战的一年。俄罗斯和乌克兰之间的地缘政治紧张局势对正在从新冠肺炎病毒肆虐中复苏的全球经济造成了巨大挫折。世界供应链进一步被干扰，并加剧了所面临的短缺。利率和通货膨胀持续上升，提高了生活费用和经商成本。

在所有不确定性和挑战中，本集团在截至2022年12月31日财政年度的收入为8亿3,880万令吉，主要贡献来自建材和润滑油业务。尽管利润率受到成本上升的影响，这两项核心业务在今年继续取得积极成果，销售额增加。

总体而言，本集团截至2022年12月31日年度的税前利润为270万令吉。这一业绩与上一个财政期间的业绩不可对比。上一个财政期间是18个月的业绩，因财政年度结束日期由去年6月30日改为12月31日。

本集团的净资产从上一个财政期间的7亿3,910万令吉增加至7亿4,070万令吉，每股净资产为3.25令吉；比上一财政期间增加1仙。

重大的企业发展

本公司独资子公司 Lion Waterfront Sdn Bhd（前称 Singa Logistics Sdn Bhd），在2022年5月18日，与雪兰莪州务大臣机构的独资子公司 Landasan Lumayan Sdn Bhd（“Landasan Lumayan”）签订了有条件发展协议，成立一家非法人联营企业，以在雪兰莪莎亚南第24区，由雪兰莪州政府即将转让给 Landasan Lumayan 的一块面积约26.29英亩土地上推行一项住宅和商业综合的发展项目（“非法人联营企业建议”）。

为配合这项非法人联营企业建议，本公司建议把本公司及子公司的现有业务多元化，延申至房地产业发展（“多元化建议”）。

非法人联营企业建议和多元化建议，统称为“建议”。

有关建议已经在2022年12月2日获得本公司股东批准，目前尚待所有相关监管机构的批准。

展望

在有下行风险和不确定性中，马来西亚经济预计将在2023年逐步扩张，这得益于强劲的国内需求、劳动力市场的持续改善以及施行大型基础设施项目。

尽管如此，本集团仍保持谨慎乐观。本集团将继续专注于优化营运效率及开拓新商机，以及扩大其产品范围及服务以迎合客户的需求，从而实现长期利润增长，并为利益相关者创造价值。

鸣谢

我谨代表董事会向我们的客户，商业合作伙伴和联号，金融机构，股东，政府部门表示感谢，感谢他们不遗余力的支持与合作。

我也要感谢董事们给予宝贵的指导，支持和贡献。

最后，我衷心感谢管理层和员工们在这困难时期，为应对挑战的同时，仍努力不懈为本集团作出贡献。

主席
丹斯里锺廷森

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

	1.1.2022 to 31.12.2022 (12 months) RM'000	1.7.2020 to 31.12.2021 (18 months) RM'000
Consolidated Statement of Profit or Loss		
Revenue	838,773	871,808
Profit from operations	7,282	9,161
Profit before tax	2,681	145,601 ⁽¹⁾
Profit after tax	601	141,195 ⁽¹⁾
Consolidated Statement of Financial Position		
	31.12.2022 RM'000	31.12.2021 RM'000
Total assets	883,448	870,642
Fixed deposits, cash and bank balances	80,981	150,596
Total liabilities	142,743	131,073
Bank borrowings	18,711	16,860
Net assets	740,662	739,096

Segment Results

	Revenue		Segment Profit/(Loss) ⁽²⁾	
	1.1.2022 to 31.12.2022 (12 months) RM'000	1.7.2020 to 31.12.2021 (18 months) RM'000	1.1.2022 to 31.12.2022 (12 months) RM'000	1.7.2020 to 31.12.2021 (18 months) RM'000
Building materials and steel products ("Building Materials")	725,087	739,917	5,793	9,012 ⁽²⁾
Lubricants, petroleum products and automotive products ("Lubricants")	111,635	119,822	8,880	17,560
Others	2,051	12,069	(7,391)	(17,411)
	838,773	871,808	7,282	9,161

⁽¹⁾ Included a gain of RM136.5 million being the net amount recovered from the secured debts settlement arrangement entered into with Lion Diversified Holdings Berhad (in liquidation) via a transfer of 70.5% equity interest in Well Morning Limited.

⁽²⁾ "Segment profit/(loss)" refers to profit from operations before finance costs, share of results of associated companies and income tax expense.

The Group is principally engaged in:

- Trading and distribution of building materials and steel products;
- Manufacturing and trading of lubricants, trading and distribution of petroleum-based products and automotive components; and
- Other businesses which include mainly provision of training services, distribution and retailing of consumer products, investment in Cambodia and investment holding.

The financial year end of the Group was changed from 30 June to 31 December last year. Accordingly, the financial year ended 31 December 2022 comprised 12 months from 1 January 2022 to 31 December 2022 whilst the preceding financial period ended 31 December 2021 comprised 18 months from 1 July 2020 to 31 December 2021. As such, the results for these two periods are not directly comparable.

For the financial year ended 31 December 2022, the Group registered a revenue of RM838.8 million and a profit from operations of RM7.3 million with the Building Materials and the Lubricants Divisions continuing to be the two main contributors to the Group's performance.

After accounting for loss of associated companies of RM4.1 million, the Group recorded a profit before tax of RM2.7 million. The Group's net assets per share as at 31 December 2022 was RM3.25, an increase of 1 sen over that of the preceding financial period.

By segment, Building Materials Division recorded a revenue of RM725.1 million and posted a profit of RM5.8 million. Sales to the local construction and property development sectors were higher as compared to that of the same period last year.

Lubricants Division posted a revenue of RM111.6 million and recorded a profit of RM8.9 million for the financial year under review. The Division continued to record healthy operating profits despite higher production and operating costs.

Results from other businesses were mainly derived from the provision of training services, distribution and retailing of consumer products, investment in Cambodia and investment holding. These activities collectively contributed a revenue of RM2.1 million. The Division recorded a lower loss of RM7.4 million after the dissolution of Changshu Lion Enterprise Co Ltd, a subsidiary company in China on 15 July 2022. The loss for the financial year under review comprised mainly expenses incurred by the investment in Cambodia.

REVIEW OF OPERATIONS

Building Materials and Steel Products

2022 was another challenging year for the Division with several negative factors affecting the building materials business. Notwithstanding the unfavourable economic conditions, the Division registered a 49% growth in revenue at RM725 million over the same period last year (January 2021 to December 2021) mainly attributable to higher sales of steel bars to the local construction and property development sectors.

The construction industry remained in the doldrums during the first half of 2022 due to major price hikes in steel bar and cement with prices of fuel and premix materials edging higher. Construction activities rebounded in Q3 of 2022 as the economy fully emerged from COVID-19 curbs. Output accelerated for residential and non-residential buildings with a strong upturn in civil engineering activities. The sector saw improved earnings in the second half of 2022 despite a labour shortage and rising interest rates amid the weaker ringgit that continued to weigh in on the local construction sector.

The construction industry is expected to remain challenging in 2023 over the lack of new mega projects, labour shortages and elevated cost for some building materials. However, the allocation by the Government for development expenditure will provide much-needed support for the sector with small and mid-size construction players continuing to gain some perks from the higher development spending. Positive growth is also seen in the continuation and acceleration of existing major infrastructure projects which will help to sustain the prevailing market sentiments in the construction industry.

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 remain positive on 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 throughout Malaysia for the distribution of our in-house brands of finishing products such as sanitary wares, tap fittings, tiles and ironmongery to grow revenue and enhance margins. The Division will continue to strive and improve its performance to contribute positively to the Group. The Division has also taken all necessary precautions to prevent any disruption to its business operations in the event of any global pandemic.

Lubricants, Petroleum Products and Automotive Products

The Division started the financial year with its business operations recovering from the effects of the 18 December 2021 flood. Production activities were quickly restored to their original condition to avoid any supply disruption to our customers; thanks to the continuous hard work and commitment by the staff during the flood recovery period. Thus, our first quarter sales were relatively lower compared to the later months of the year.

Market demand for lubricants in 2022 escalated compared to the previous year; an effect from the re-opening from the lock-downs, active stimulation in economic activities and generally, a much more positive outlook and expectation of better containment of the COVID-19 pandemic. At the same time, raw material and operating costs continued to increase as goods and labour faced tight supplies challenges. The Ringgit faced its weakest level which compounded an already tough recovery situation.

Despite these numerous unprecedented challenges, the Division recorded more than 30% increase in its revenue compared to that in the same period last year (January 2021 to December 2021), and continued to record healthy operating profits for the Group. We broke the RM100 million annual sales level mainly from higher litreage sales and partly from higher sales price due to supply and cost pressure. Our achievement was principally supported by successful sales and operations strategies focusing on changing trends in customers' needs and behaviours. We continued to build close rapport with all our customers and dealers, with win-win outcomes for all.

As more countries ease their COVID-19 restrictions, and practise better and more effective community engagement, we anticipate that 2023 will pave the way for a more positive economic and business environment. Barring unforeseen circumstances, the Division is expected to continue to record healthy revenues and profit for the Group.

SUSTAINABILITY STATEMENT

This Sustainability Statement provides an overview of our sustainability practices and performance for the year ended 31 December 2022 (“FY 2022”) in the 3 aspects of sustainability i.e. economic, environmental and social (“EES”). We have taken steps to incorporate standard disclosures in accordance to the Global Reporting Initiatives (“GRI”) reporting guidelines and Bursa Malaysia Securities Berhad’s Main Market Listing Requirements on sustainability reporting.

ECONOMIC

This section covering 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. Our policies governing our business dealings, conduct of directors and employees, and vendors, business continuity management, integrity and fraud, competition, whistleblowing and sexual harassment including code of business ethics and conduct (“CoBEC”), are disseminated to all our companies and employees as well as uploaded onto Lion Group’s corporate website for public viewing.

The Group maintains zero-tolerance for bribery, fraud and corruption, and has an Anti-Bribery and Corruption Policy (“ABC Policy”) which abides by the rules, laws and regulations of the countries we are operating in and is available on Lion Group’s website. A Bahasa Malaysia version of the ABC Policy is also available on the Group’s intranet.

Marketplace

COVID-19 continues to have an impact on business operations, suppliers and customers in their contractual obligations due to the slowdown of economic activities and prolonged financial distress. We have taken proactive steps to address the risks of COVID-19 in a way that mitigates adverse impact on our supply chain, and initiated meetings and negotiations with key stakeholders to mutually resolve any issues that may arise.

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

- **Product Responsibility**

We are committed to providing products that meet regulatory, safety and health, 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. Our lubricant factory is certified under ISO 9001:2015 which is testament of our commitment to quality management 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 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 premium 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 our Vendor 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, including reassessing our procurement contracts. We believe local sourcing of products and services from within the country where possible, is vital as it brings many advantages including lower costs, timely delivery, reducing carbon miles and invigorating the economy.

- **Vendor Code of Conduct**

This serves as a guideline prescribing a set of principles to be adhered to 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 ABC policy, 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 understand and uphold high ethical standards of conduct, they are required to submit their Conflict of Interest and Compliance Declaration annually. As outlined in our CoBEC, any forms of discrimination in the workplace are prohibited and every individual has an equal right and opportunity to speak up. Fair treatment and equitable opportunities are given to all employees regardless of their background. We recorded zero cases of bribery and corruption for FY 2022.

- **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 communicated to the Group Chief Internal Auditor via telephone call, mail, and/or email as follows:

Tel. No. : 03-21423142
Email : whistleblower@lion.com.my
Address : Level 22, Menara Hap Seng 3, Plaza Hap Seng, No. 1 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan

- **System Efficiency**

We strive to achieve the highest efficiency in our business operating systems and technology to support our daily business activities across the Group. We leverage on technology to connect with our subsidiaries, business partners and customers through online conferencing, emails, mobile and web-based communications.

The COVID-19 pandemic has changed our working environment and approach whereby we have emphasised more on cloud computing, mobile technology and secure virtual network to enable our business to perform remotely without interruption during lockdown restrictions.

As part of our overall strategy to create a solid cyber security culture and keep up with advancing cyber threats, it is mandatory for all employees to undergo and complete e-learning on cyber security with a self-assessment on their level of understanding on the matter. We also regularly organise awareness programmes to ensure that all employees are aware and updated on emerging risks that may compromise our business and IT systems.

- **Privacy and Data Protection**

We continuously strive to ensure the confidentiality and protection of customers' and stakeholders' information and documents based on requirements under the Personal Data Protection Act 2010. Information on our vendors, suppliers and customers is strictly private and confidential, and is treated as such at all times. During this reporting year, there have been no substantiated complaints of breaches in customer privacy or loss of customer data.

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. The 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 behavioural competencies for our employees in line with their job requirements and career aspirations. Learning interventions are delivered on-the-job, via formal class training or online and continuing education. We encourage and support employees to participate in upskilling courses related to their work scope and obtain skill certification for wider job coverage.

- **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, with our LionPeople Global HR Information System (HRIS) at the core of our people management and HR operations.

- **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. For FY 2022, we recorded zero incidences at our plants.

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 practised 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. We have placed full sets of protective gear at strategic points in our premises in case of any on-site emergency. 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 Well-being**

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.

However, due to the COVID-19 restrictions, the Group continued to implement various precautionary measures recommended by the Ministry of Health i.e. the protocols for hygiene and social distancing; cleaning and disinfecting workplaces when necessary; providing test kits for the weekly self tests and face masks to employees as well as hand sanitisers to employees and visitors to our offices and premises. Non-essential travel was reduced and virtual meetings were encouraged.

In view of the Employment Act (Amendments) 1955 having come into force on 1 January 2023, the Group had communicated the amendments pertaining to coverage of the Act, overtime eligibility, hospitalisation leave, working hours, amongst others, to all the operating companies via an internal memorandum in December 2022.

ENVIRONMENT

The Group remains steadfast in our commitment to sustainable development and seeks to operate in a way that minimises environmental harm. We advocate the 3R actions of Reduce, Reuse and Recycle at our workplace, and adopt preventative measures to conserve the environment and reduce pollution. 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 Waste Management**

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

We recognise water as a scarce resource, and we carefully manage our water usage, and maintain high priority towards waste treatment to ensure that our waste are handled, stored and disposed off properly.

We minimise the generation of waste wherever possible, and practise the 3R (Reduce, Reuse and Recycle) approach in which we segregate recyclables including reusable waste.

- **Chemical Management**

We ensure that occurrences such as chemical spills and leakages do not take place at our plant. We comply with the legal requirements for chemical classification, labelling, handling and storage, as well as the implementation of best management practices to mitigate pollution. For FY 2022, we recorded zero incidences of major chemical spillage at our plant.

- **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.

SOCIAL

In keeping with our philosophy of giving back to the community, the Group focuses on helping to uplift the community via Lion-Parkson Foundation (the “Foundation”) established in 1990 by Lion Group of Companies of which the Group is a member. The companies within the Group are also supporting the local community wherein they operate by participating in charity programmes and fundraising drives to assist those in need.

Empowerment through Education

The Foundation organises fundraising activities for charity and provides 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.

Annually, the Foundation awards scholarships to undergraduates in local universities. The selected scholars undergo training in soft skills such as problem-solving and communication skills as well as internships at Lion Group companies during their semester breaks to prepare them for working in the corporate world. In FY 2022, the Foundation awarded scholarships worth RM10,000 per annum to 12 students based on their academic performance, extra-curricular activities and leadership qualities. To date, the Foundation has sponsored a total of 503 students under its scholarship and other sponsorship programmes worth RM12.3 million.

Among the events organised by the Foundation is the Charity Sale of Chinese New Year calligraphy pieces and t-shirts by Foundation Chairman, Puan Sri Chelsia Cheng in aid of education, medical care and other charitable causes in January 2022. The charity sale raised a total of RM201,888 of which RM28,500 was presented to the Kuala Lumpur and Selangor Chinese Chamber of Commerce and Industry (KLSCCCI) for its Scholarship Fund while the balance of RM173,388 was for the Foundation’s 12 new scholarships totalling RM120,000 and medical assistance fund which received RM53,388. Another charity event, “Jom! Run for Care”, a virtual run had raised RM44,160.30 with the presentation of the proceeds to four beneficiaries in June 2022.

Home for Special Children

The Foundation had built a Home for Handicapped & Mentally Disabled Children in Banting, Selangor, which was opened in November 2012 and has completed the expansion of the Home to include an old folks home.

Medical Assistance for the Less Fortunate

In reaching out to a broad and diverse cross-section of beneficiaries irrespective of race or religion, the Foundation also provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery as well as purchase of medical equipment and medication. The Foundation is also assisting organisations that are geared towards helping the less fortunate to achieve a better life, including sponsoring community health programmes such as medical camps and donation of dialysis machines.

As of 31 December 2022, approximately RM10.08 million had been disbursed in the form of sponsorship for medical treatment to 1,089 individuals including purchase of equipment and medication, as well as purchase of medicine for medical camps, dialysis machines for dialysis centres operated by National Kidney Foundation of Malaysia and Non-Governmental Organisations (NGOs) to provide subsidised treatment to those suffering from kidney failure, and medical equipment to assist COVID-19 patients in the hospitals during the pandemic.

Other CSR Initiatives

During these challenging times, the Foundation and companies under the Group have been contributing funds and essential medical equipment to charitable organisations and hospitals in support of our healthcare system and responded to appeals for donations in aid of the needy.

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. We continue to support initiatives to develop young talents in motorsports racing, and in some instances, have collaborated with third party organisations including higher institutes of learning in this area.

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	<ul style="list-style-type: none"> • Health, safety and well-being • Learning and development • Respect and recognition • Job satisfaction • Pay and benefits 	<ul style="list-style-type: none"> • Meetings • Training programmes • Internal newsletter • New employee induction programme • Staff gatherings and other engagement channels
Customers	<ul style="list-style-type: none"> • Convenience and experience • Service and product quality • Timely product delivery 	<ul style="list-style-type: none"> • Face-to-face interaction through service channels • Communication through Marketing Department, Customer Service Department and Corporate Communications Department • Feedback through website, email, social media • Sales, promotions, road shows and related events
Suppliers/Vendors	<ul style="list-style-type: none"> • Long-term partnership • Financial resilience • Sustainable business growth • Experienced management team 	<ul style="list-style-type: none"> • Liaison with suppliers before sourcing and engaging with contract managers • Meetings, business alliance events/ meetings • Vendor service/support channel
Shareholders and Investors	<ul style="list-style-type: none"> • Good governance • Sustainable business growth • Disclosure and transparency 	<ul style="list-style-type: none"> • Investor relations channel and meetings • Annual General Meeting • Quarterly reports, Annual Report
Regulatory Agencies and Statutory Bodies	<ul style="list-style-type: none"> • Regulatory compliance • Safety and security 	<ul style="list-style-type: none"> • Meetings, visits and events • Consultative and statutory reporting
Government and Regulators	<ul style="list-style-type: none"> • Regulatory compliance 	<ul style="list-style-type: none"> • Meetings, visits and events • Consultative and statutory reporting
Local Communities	<ul style="list-style-type: none"> • Responsible corporate citizen • Support for social causes • Creation of job opportunities 	<ul style="list-style-type: none"> • Activities and sponsorships organised by the Company and Lion-Parkson Foundation
Media	<ul style="list-style-type: none"> • Response to media enquiries and requests for interviews • Long-term engagement 	<ul style="list-style-type: none"> • Media releases and interviews • Advertisements
Industry Associations	<ul style="list-style-type: none"> • Support for mutual interests 	<ul style="list-style-type: none"> • Meetings and events

FINANCIAL STATEMENTS

2022

For The Financial Year Ended 31 December 2022

DIRECTORS' REPORT

The Directors of **LION POSIM BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are trading and distribution of building materials, steel products, petroleum products and automotive products, manufacturing of petroleum products, investment holding, distribution of and retailing of consumer products, provision of training services, investment and development in agriculture and property development.

The information on the name, place of incorporation, principal activities, and percentage of ownership of the holding company in each subsidiary company is disclosed in Note 13 to the financial statements.

RESULTS

The results 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	2,681	7,213
Tax (expense)/credit	(2,080)	48
Profit for the year	<u>601</u>	<u>7,261</u>
Profit/(Loss) attributable to:		
Owners of the Company	659	
Non-controlling interests	(58)	
	<u>601</u>	

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

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial period. 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.

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

The Company did not repurchase its ordinary shares during the financial year. As at 31 December 2022, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747.

OTHER STATUTORY INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

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

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

DIRECTORS

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

Tan Sri Cheng Heng Jem
Cheng Hui Ya, Serena
Dato' Eow Kwan Hoong
Tan Sri Abd Karim bin Shaikh Munisar
Dr Folk Jee Yoong

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:

Cheng Hui Yen, Natalie	Lee Whay Keong
Cheng Hui Ya, Serena	Ooi Kim Lai
Goh Kok Beng	Poon Sow Har
Koo Chuan Hong	Tan Sri Cheng Heng Jem
Lee Boon Liang	Wang Wing Ying
Yeo Keng Leong	
Haji Mohamad Khalid Bin Abdullah (resigned on 6 May 2022)	

DIRECTORS' INTERESTS

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

	As at 1.1.2022	Number of ordinary shares		As at 31.12.2022
		Addition	Disposal	
Direct interest				
Tan Sri Cheng Heng Jem	400	–	–	400
Dato' Eow Kwan Hoong	8,026	–	–	8,026
Dr Folk Jee Yoong	105	–	–	105
Deemed interest				
Tan Sri Cheng Heng Jem	170,186,190	–	–	170,186,190

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

		As at 1.1.2022	Number of ordinary shares		As at 31.12.2022
			Addition	Disposal	
Tan Sri Cheng Heng Jem					
Direct interest					
Lion Industries Corporation Berhad		222,785,449	–	–	222,785,449
Deemed interest					
Holdsworth Investment Pte Ltd		4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd		212,500	–	–	212,500
Lion Industries Corporation Berhad		12,752,369	–	–	12,752,369
Lion Group Management Services Sdn Bhd		5,000,000	–	–	5,000,000
LLB Enterprise Sdn Bhd		940,000	–	–	940,000
Soga Sdn Bhd		4,525,322	–	–	4,525,322
Steelcorp Sdn Bhd		99,750	–	–	99,750
Well Morning Limited		1	–	–	1
Zhongsin Biotech Pte Ltd		1,000,000	–	–	1,000,000
Investments in the People's Republic of China					
	Currency	As at 1.1.2022	Addition	Disposal	As at 31.12.2022
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

In addition to the above, the following Director is also deemed to have an interest in shares in Lion Industries Corporation Berhad ("LICB") by virtue of the warrants issued by LICB with a right to subscribe for ordinary shares in LICB on the basis of 1 new ordinary share for every 1 warrant held:

		As at 14.12.2022 *	Number of warrants		As at 31.12.2022
			Addition	Disposal	
Tan Sri Cheng Heng Jem					
Direct interest		111,392,723	–	–	111,392,723
Deemed interest		6,376,184	–	–	6,376,184

* Date of allotment of warrants

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 period, none of the Director 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 receivables by Directors as shown below) 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 the benefit which deemed to have arisen by virtue of the balances and transactions between the Company and its related companies, and certain companies in which a Director of the Company has a substantial interest, in the ordinary course of business of the Group and of the Company.

Details of the remuneration paid to or receivable by the Directors of the Company during the financial year are as follows:

	The Group RM'000	The Company RM'000
Directors' fees	170	170
Other emoluments	43	43
	<hr/>	<hr/>
Total	213	213
	<hr/> <hr/>	<hr/> <hr/>

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 of the Company.

AUDITORS

The total amount of fees paid to or receivable by the auditors as remuneration for their services as auditors of the Group and of the Company for the current financial year are RM322,000 and RM119,000 respectively.

The auditors, Mazars PLT, Chartered Accountants, have expressed their willingness to accept re-appointment.

To the extent permitted by laws, the Company has agreed to indemnify its auditors, Mazars PLT as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Mazars PLT for the current financial year.

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

TAN SRI CHENG HENG JEM

CHENG HUI YA, SERENA

Kuala Lumpur
5 April 2023

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION POSIM BERHAD (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Lion Posim Berhad**, which comprise the statements of financial position as at 31 December 2022, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 142.

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 31 December 2022, and of their financial performance and their cash flows for the financial 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' *International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 financial 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.

Impairment of investment properties in Cambodia

The Group's accounting policies, significant judgement and estimates made by the management and disclosure notes on investment properties are disclosed in Note 3, Note 4(i)(b) and Note 12 to the financial statements.

The risk:

As at 31 December 2022, the carrying amount of the investment properties of the Group amounted to RM114 million, representing 37% and 13% of the Group's total non-current assets and total assets respectively. Included in the investment properties of the Group are freehold land, leasehold land and economic land concessions in Cambodia ("Cambodia Land") amounting to USD26 million, equivalent to RM113 million.

The recoverable amount of the Cambodia Land was determined by management based on fair value less cost to sell, by references to the latest valuations carried out by independent valuers.

The valuation process involves significant judgement in determining the appropriate valuation methodologies and the underlying assumptions. The valuations are highly sensitive to key assumptions applied and any change in the assumptions can have a significant impact to the valuations.

In view of the significant judgement and estimates required by management in determining the recoverable amount of the Cambodia Land, which also includes the Economic Land Concessions ("ELC") totaling RM40 million for which formal lease agreements are pending, as disclosed in Note 12 to the financial statements, and management's plans on its realisation, we identified impairment of the Cambodia Land as a key audit matter.

How the matter was addressed in our audit:

Our audit procedures to address this area included, among others:

- Obtained an understanding of impairment assessment process and evaluated the design and implementation of the relevant controls surrounding impairment assessment on Cambodia Land;
- Obtained and evaluated the management assessment in determining the recoverable amount of Cambodia Land;
- Obtained the independent valuation reports for the Cambodia Land and compared to management's assessment;
- Assessed the competency, capabilities and objectivity of the valuers and challenged the assumptions and methodology used in the valuations;
- Obtained and understood the agreements or other relevant documents relating to the conversion of leasehold land and granting of ELC;
- Performed retrospective review of management's plans to convert the economic land concessions to leasehold land;
- Held discussion with independent valuers on the valuation and challenged the basis of determining the fair value of the Cambodia Land and impact of Covid-19 on the valuation of these properties; and
- 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 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.

Auditor's 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 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 the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and of 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 and 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, actions taken to eliminate threats of safeguards applied.

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 financial 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 13 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.

The financial statements of the Group and of the Company for the financial period ended 31 December 2021 were audited by another firm of auditors whose report dated 12 April 2022 expressed an unmodified opinion on the financial statements.

MAZARS PLT
201706000496 (LLP0010622-LCA)
AF 001954
Chartered Accountants

FRANCIS XAVIER JOSEPH
02997/06/2024 J
Chartered Accountant

Kuala Lumpur
5 April 2023

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group		The Company	
		1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Revenue	5	838,773	871,808	10,000	13,170
Other operating income		4,326	13,651	163	11,213
Changes in inventories of finished goods and trading merchandise		7,484	(709)	–	–
Raw materials and consumables used		(56,037)	(49,699)	–	–
Purchase of trading merchandise		(732,400)	(752,268)	–	–
Staff costs	6	(28,224)	(39,640)	(146)	(685)
Directors' remuneration	6	(213)	(452)	(213)	(452)
Depreciation of:					
Property, plant and equipment	10	(2,688)	(3,673)	(20)	(9)
Right-of-use assets	11	(1,251)	(308)	–	–
Investment properties	12	(454)	(27)	(18)	(27)
Impairment losses net of reversals on:					
Trade receivables	19	(4,243)	(163)	–	–
Other receivables		–	69	–	–
Other investment in unquoted bonds		–	82	–	–
Gain on foreign exchange:					
Realised		288	353	–	–
Unrealised		96	51	–	–
Other operating expenses		(18,175)	(29,914)	(2,444)	(3,445)
Profit from operations	6	7,282	9,161	7,322	19,765
Gain on settlement of secured debts	13	–	136,538	–	–
Finance costs	7	(453)	(567)	(109)	(128)
Share of results of associated companies	14	(4,148)	469	–	–
Profit before tax		2,681	145,601	7,213	19,637
Tax (expense)/credit	8	(2,080)	(4,406)	48	(93)
Profit for the year/period		601	141,195	7,261	19,544
Profit/(Loss) attributable to:					
Owners of the Company		659	144,021	7,261	19,544
Non-controlling interests		(58)	(2,826)	–	–
		601	141,195	7,261	19,544
Earnings per share (sen) Basic and diluted	9	0.29	63.22		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Note	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Profit for the year/period	601	141,195	7,261	19,544
Other comprehensive (loss)/income				
<u>Item that will not be reclassified subsequently to profit or loss</u>				
Net (loss)/gain on other investments at fair value through other comprehensive income:				
- Fair value changes	(3,080)	5,600	(3,080)	5,600
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations	3,987	14,138	-	-
Other comprehensive income/(loss) for the year/period	907	19,738	(3,080)	5,600
Total comprehensive income for the year/period	1,508	160,933	4,181	25,144
Total comprehensive income/ (loss) attributable to:				
Owners of the Company	1,566	161,101	4,181	25,144
Non-controlling interests	(58)	(168)	-	-
	1,508	160,933	4,181	25,144

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	39,588	14,142	4,842	4,862
Right-of-use assets	11	3,173	2,193	–	–
Investment properties	12	113,877	108,452	478	496
Investment in subsidiary companies	13	–	–	344,689	344,689
Investment in associated companies	14	25,698	40,069	–	–
Other investments	15	8,846	11,926	7,563	10,643
Amount owing by other related company	17	105,051	111,051	105,051	111,051
Other receivable	17	–	13,000	–	–
Deferred tax assets	16	9,411	8,435	–	–
Total Non-Current Assets		305,644	309,268	462,623	471,741
Current Assets					
Inventories	18	24,481	13,052	–	–
Trade receivables	19(a)	223,919	183,460	–	–
Other receivables, deposits and prepaid expenses	19(b)	77,281	65,536	180	201
Amount owing by subsidiary companies	13(a)	–	–	11,620	9,260
Amount owing by immediate holding company	17	72,486	81,448	–	–
Amount owing by other related companies	17	90,894	60,554	–	–
Tax recoverable		5,483	4,311	138	72
Investment in money market funds	20(a)	2,279	2,417	–	86
Fixed deposits, cash and bank balances	20(b)	80,981	150,596	8,562	2,787
Total Current Assets		577,804	561,374	20,500	12,406
Total Assets		883,448	870,642	483,123	484,147

(Forward)

	Note	The Group		The Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	21	920,902	920,902	920,902	920,902
Reserves	22	(180,240)	(181,806)	(472,113)	(476,294)
Equity attributable to owners of the Company		740,662	739,096	448,789	444,608
Non-controlling interests		43	473	–	–
Total Equity		740,705	739,569	448,789	444,608
Non-Current and Deferred Liabilities					
Lease liabilities	23	2,094	1,726	–	–
Hire-purchase payables	24	62	77	–	–
Deferred tax liabilities	16	176	52	–	–
Total Non-Current and Deferred Liabilities		2,332	1,855	–	–
Current Liabilities					
Trade payables	25(a)	41,097	34,645	–	–
Other payables and accrued expenses	25(b)	48,653	49,666	10,030	15,097
Contract liabilities	25(c)	28,794	24,405	–	–
Provision	26	–	–	–	–
Amount owing to other related companies	17	700	885	–	167
Amount owing to subsidiary companies	13(b)	–	–	20,804	20,775
Lease liabilities	23	1,270	517	–	–
Hire-purchase payables	24	15	14	–	–
Bank borrowings	27	18,634	16,769	3,500	3,500
Tax liabilities		1,248	2,317	–	–
Total Current Liabilities		140,411	129,218	34,334	39,539
Total Liabilities		142,743	131,073	34,334	39,539
Total Equity and Liabilities		883,448	870,642	483,123	484,147

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Group	Share capital RM'000	Non-distributable reserves			Fair value reserve RM'000	Accumulated losses RM'000	Attributable to owners of the Company		Total equity RM'000
		Treasury shares RM'000	Translation adjustment reserve RM'000	Surplus reserve RM'000			Non- controlling interests RM'000	Company RM'000	
As at 1 July 2020	920,902	(2,277)	51,276	-	(26,880)	(365,026)	577,995	-	577,995
Profit/(Loss) for the period	-	-	-	-	-	144,021	144,021	(2,826)	141,195
Other comprehensive income for the period	-	-	10,261	1,219	5,600	-	17,080	2,658	19,738
Total comprehensive income/(loss) for the period	-	-	10,261	1,219	5,600	144,021	161,101	(168)	160,933
Transfer to reserve	-	-	-	236	-	(236)	-	-	-
Dividend paid to non- controlling interests of a subsidiary company	-	-	-	-	-	-	-	(58,029)	(58,029)
Acquisition of subsidiary companies	-	-	-	-	-	-	-	58,670	58,670
As at 31 December 2021	920,902	(2,277)	61,537	1,455	(21,280)	(221,241)	739,096	473	739,569

(Forward)

The Group	Non-distributable reserves					Fair value reserve RM'000	Accumulated losses RM'000	Attributable to owners of the Company		Total equity RM'000
	Treasury shares RM'000	Translation adjustment reserve RM'000	Surplus reserve RM'000	Share capital RM'000	Non-controlling interests RM'000					
As at 1 January 2022	(2,277)	61,537	1,455	920,902	(21,280)	(221,241)	739,096	473	739,569	
Profit/(Loss) for the year	-	-	-	-	-	659	659	(58)	601	
Other comprehensive income/(loss) for the year	-	5,442	(1,455)	-	(3,080)	-	907	-	907	
Total comprehensive income/(loss) for the year	-	5,442	(1,455)	-	(3,080)	659	1,566	(58)	1,508	
Dividend paid to non-controlling interests of a subsidiary company	-	-	-	-	-	-	-	(372)	(372)	
As at 31 December 2022	(2,277)	66,979	-	920,902	(24,360)	(220,582)	740,662	43	740,705	

(Forward)

The Company	Non-distributable reserves			Accumulated losses RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Fair value reserve RM'000		
As at 1 July 2020	920,902	(2,277)	(26,880)	(472,281)	419,464
Profit for the period	–	–	–	19,544	19,544
Other comprehensive income for the period	–	–	5,600	–	5,600
Total comprehensive income for the period	–	–	5,600	19,544	25,144
As at 31 December 2021	920,902	(2,277)	(21,280)	(452,737)	444,608
As at 1 January 2022	920,902	(2,277)	(21,280)	(452,737)	444,608
Profit for the year	–	–	–	7,261	7,261
Other comprehensive loss for the year	–	–	(3,080)	–	(3,080)
Total comprehensive (loss)/income for the year	–	–	(3,080)	7,261	4,181
As at 31 December 2022	920,902	(2,277)	(24,360)	(445,476)	448,789

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Group	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Profit for the year/period	601	141,195
Adjustments for:		
Tax expense recognised in profit or loss	2,080	4,406
Impairment losses on:		
Property, plant and equipment	–	607
Trade receivables	6,063	3,936
Share of results of associated companies	4,148	(469)
Depreciation of:		
Property, plant and equipment	2,688	3,673
Right-of-use assets	1,251	308
Investment properties	454	27
Finance costs	453	567
(Reversal of)/Allowance for slow-moving and obsolete inventories	(241)	1,540
Fair value loss on:		
Financial assets measured at amortised cost	5,000	–
Unquoted investments	–	12
Gain on settlement of secured debts	–	(136,538)
Gain on disposal of property, plant and equipment	(153)	(171)
Interest income	(2,290)	(8,344)
Impairment losses no longer required:		
Trade receivables	(1,820)	(3,773)
Other receivables	–	(69)
Unquoted bonds	–	(82)
Unrealised gain on foreign exchange	(96)	(51)
Dividend income from:		
Investment in money market funds	(209)	(257)
Unquoted investments	–	(189)
Property, plant and equipment written off	5	–
Gain on termination of lease	(3)	–
Operating Profit Before Working Capital Changes	17,931	6,328
(Increase)/Decrease in:		
Inventories	(11,188)	28,676
Trade receivables	(44,702)	(70,329)
Other receivables, deposits and prepaid expenses	(9,484)	(30,423)
Amount owing by immediate holding company	8,834	1,595
Amount owing by other related companies	(30,346)	(51,292)
Increase/(Decrease) in:		
Trade payables	6,452	4,973
Other payables and accrued expenses	(1,407)	(2,803)
Contract liabilities	4,389	5,896
Cash Used In Operations	(59,521)	(107,379)
Interest received	1,183	1,953
Net income tax paid	(5,173)	(10,974)
Net Cash Used In Operating Activities	(63,511)	(116,400)

(Forward)

The Group	Note	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Investment in money market funds		138	15,052
Amount owing by immediate holding company		128	(134)
Amount owing by other related companies		1,006	70
Indemnity paid for claims against a former subsidiary company		–	(3,473)
Interest received from fixed deposits with licensed banks		1,107	6,391
Proceeds from disposal of property, plant and equipment		290	586
Repayment from unquoted bonds		–	82
Dividend income received from:			
An associated company		10,656	4,567
Investment in money market funds		209	257
Unquoted investments		–	189
Additions to property, plant and equipment (Note)		(15,204)	(1,970)
Partial purchase consideration paid for land acquisition		(3,178)	(13,000)
Net cash inflow from acquisition of subsidiary companies	13	–	176,379
		<hr/>	<hr/>
Net Cash (Used In)/From Investing Activities		(4,848)	184,996
CASH FLOWS USED IN FINANCING ACTIVITIES			
(Decrease)/Increase in:			
Amount owing to other related companies	17	(185)	167
Cash at banks held under fixed deposits pledged		(609)	(23,166)
Drawdown of bank borrowings	27	1,865	16,769
Dividend paid to non-controlling interests of a subsidiary company		(372)	(58,029)
Finance costs paid		(453)	(567)
Lease rental paid	23	(1,107)	(261)
Hire-purchase paid	24	(14)	(19)
		<hr/>	<hr/>
Net Cash Used In Financing Activities		(875)	(65,106)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(69,234)	3,490
Effect of exchange differences		(990)	12,157
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		126,448	110,801
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		56,224	126,448
		<hr/> <hr/>	<hr/> <hr/>
Note:			
<u>Additions to property, plant and equipment</u>			
Property, plant and equipment were acquired by the following means:			
Cash purchase		15,204	1,970
Hire-purchase payable		–	94
		<hr/>	<hr/>
	10	15,204	2,064
		<hr/> <hr/>	<hr/> <hr/>

(Forward)

The Company	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Profit for the year/period	7,261	19,544
Adjustments for:		
Tax (credit)/expense recognised in profit or loss	(48)	93
Depreciation of:		
Property, plant and equipment	20	9
Investment properties	18	27
Finance costs	109	128
Dividend income from:		
Subsidiary companies	(10,000)	(13,170)
Investment in money market funds	–	(65)
Fair value loss on financial assets measured at amortised cost	5,000	–
Interest income	(63)	(36)
Waiver of amount owing to subsidiary companies	–	(11,070)
Gain on disposal of property, plant and equipment	–	(10)
Operating Profit/(Loss) Before Working Capital Changes	<u>2,297</u>	<u>(4,550)</u>
Decrease in other receivables, deposits and prepaid expenses	21	8
(Decrease)/Increase in other payables and accrued expenses	(5,067)	97
Cash Used In Operations	<u>(2,749)</u>	<u>(4,445)</u>
Income tax paid	(18)	(471)
Net Cash Used In Operating Activities	<u>(2,767)</u>	<u>(4,916)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Decrease/(Increase) in:		
Amount owing by other related companies	1,000	75
Amount owing by subsidiary companies	(2,360)	(40,918)
Investment in money market funds	86	5,244
Dividend received from:		
Subsidiary companies	10,000	13,170
Investment in money market funds	–	65
Interest received from fixed deposits with licensed banks	63	36
Proceeds from disposal of property, plant and equipment	–	10
Indemnity paid for litigation claim against a former subsidiary company	–	(3,473)
Purchase of property, plant and equipment	–	(87)
Net Cash From/(Used In) Investing Activities	<u>8,789</u>	<u>(25,878)</u>

(Forward)

The Company	Note	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies	17	29	17,621
Amount owing to other related companies	17	(167)	167
Drawdown of bank borrowings	27	-	3,500
Finance cost paid		(109)	(128)
Net Cash (Used In)/From Financing Activities		(247)	21,160
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,775	(9,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		2,787	12,421
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	31	8,562	2,787

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Lion Posim Berhad (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.

The information on the name, place of incorporation, principal activities, and percentage of ownership held by the holding company in each subsidiary company is as disclosed in Note 13.

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 5 April 2023.

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.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000 or '000), unless otherwise indicated.

Adoption of Amendments to MFRSs

In the current financial year, the Group and the Company adopted all the amendments to MFRSs issued by Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 January 2022 and relevant to its operations, as follows:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 1, MFRS 9, MFRS 16 and MFRS 141	Annual Improvements to MFRS Standards 2018 - 2020
Amendments to MFRS 3	Reference to Conceptual Framework
Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous contracts - Costs of Fulfilling a Contract

The adoption of these amendments to MFRSs 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.

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

Standards and Amendments in Issue But Not Yet Effective

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

MFRS 17	Insurance Contracts ¹
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information ¹
Amendments to MFRS 101	Disclosure of Accounting Policies ¹
Amendments to MFRS 108	Definition of Accounting Estimates ¹
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to MFRS 101	Classification of Liability as Current or Non-current ²
Amendments to MFRS 101	Non-current Liabilities with Covenants ²
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective date deferred to a date to be determined and announced by MASB.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost 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 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation

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

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

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations

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

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies (continued)

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

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

Revenue 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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.

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.

Government Grant

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that: (i) the Group will comply with the conditions attaching to them; and (ii) the grants will be received.

Government grants (recognised as deferred income) are released to profit or loss on a systematic basis over the financial periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

A government grant that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs, are recognised in profit or loss in the financial period in which it becomes receivable.

Taxation

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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

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

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

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

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

Foreign Currency Conversion

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 and capital work-in-progress are not depreciated. Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings	2% - 18%
Plant and machinery	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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalisation of Borrowing Costs

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. Leasehold land is depreciated over the lease term at an annual rate of 2%.

Buildings are depreciated on the straight-line method at an annual rate of 2%.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Segment Reporting

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

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 paragraph 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

Contract liabilities are 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 customers.

Financial Guarantee Contracts

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

Financial guarantee contract liabilities are initially measured at their fair value. 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*.

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)

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.

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 instrument.

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 asset 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 is 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 principal 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)

Financial Instruments (continued)

Financial assets (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 asset 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)

Financial Instruments (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. When a receivable is considered uncollectible, it is written off against the allowance account.

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 contracts, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities (continued)

Financial liabilities subsequently measured at amortised cost (continued)

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 liability for at least 12 months after the reporting date.

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.

Leases

As a lessor

The Group and the Company enter into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group and the Company are a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

As a lessee

The Group, as lessee, assess at inception of the contract whether a contract is or contains a lease.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As a lessee (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(i) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to their short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) Right-of-use assets

The Group recognises the right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use asset includes the amount of lease liabilities recognised and lease payments made on or before the commencement day. Right-of-use assets are depreciated on a straight-line basis over the shorter of lease term or useful lives. The estimated useful lives of the asset based on the lease terms are as follows:

Buildings	2 to 5 years
-----------	--------------

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 31 December 2022, the Group has trade and other receivables from two (2021: two) major related parties, namely, Lion DRI Sdn Bhd ("Lion DRI") and Graimpi Sdn Bhd (In liquidation) ("Graimpi"). Both of these companies are wholly-owned subsidiaries of Lion Diversified Holdings Berhad (In liquidation), a company in which Tan Sri Cheng Heng Jem has substantial interest.

In the previous financial period, the Group has recovered RM148,389,000 from Graimpi pursuant to the secured debt settlement agreement entered with Lion Diversified Holdings Berhad (In liquidation) and RM2,071,000 due from Megasteel Sdn Bhd ("Megasteel") pursuant to schemes of arrangement of Megasteel which was approved by Megasteel's secured and unsecured creditors at the Court Convened Meeting on 10 July 2019.

	The Group	
	2022	2021
	RM'000	RM'000
Trade receivables - Lion DRI	52,007	52,007
Other receivables - Graimpi	103,730	103,730
	155,737	155,737
Less: Accumulated impairment losses	(155,737)	(155,737)
Net	—	—

In view that Lion DRI had stopped operation since the previous financial years and the ability of Lion DRI to generate sufficient cash flows to repay its debts to the Group is in doubt and Graimpi is in liquidation, 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, leasehold land and economic land concessions ("ELC") in Cambodia of RM113,399,000 (2021: RM107,956,000). 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.

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 31 December 2022, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment	832	832	–	–
Investment in subsidiary companies	–	–	411,153	411,153
Other investments	52,803	52,803	–	–

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 the 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 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	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Revenue from contracts with customers:				
Sales of goods	837,312	871,064	–	–
Services rendered	1,461	744	–	–
	838,773	871,808	–	–
Revenue from other sources:				
Dividend income from subsidiary companies	–	–	10,000	13,170
	838,773	871,808	10,000	13,170

Timing of revenue recognition:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Revenue from contracts with customers:				
Point in time	837,312	871,064	–	–
Over time	1,461	744	–	–
	838,773	871,808	–	–

The Group does not have any remaining performance obligations that are more than one year.

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Interest income on:				
Fixed deposits with licensed banks	1,107	6,391	63	36
Others	1,183	1,953	–	–
	2,290	8,344	63	36
Gain on disposal of property, plant and equipment	153	171	–	10
Waiver of amount owing to subsidiary companies	–	–	–	11,070
Dividend income from:				
Investment in money market funds	209	257	–	65
Unquoted investments	–	189	–	–
Rental income from:				
Investment properties rented to:				
Subsidiary companies	–	–	10	11
Third parties	218	1,279	14	15
Others	1,059	2,033	–	–
Bad debts recovered	108	408	76	6
Government grant (Note (a))	48	970	–	–
Impairment losses on property, plant and equipment	–	(607)	–	–
Rental of premises payable to a subsidiary company	–	–	–	(8)
Auditors' remuneration:				
Statutory audit:				
Auditors of the Company:				
Current year	(260)	(278)	(111)	(120)
Over/(Under) provision in prior years	13	(10)	10	(8)
Other auditors:				
Current year	(54)	(56)	–	–
Over provision in prior years	–	2	–	–
Non-audit services	(8)	(8)	(8)	(8)
Property, plant and equipment written off	(5)	–	–	–
Reversal of/(Allowance for) slow-moving and obsolete inventories	241	(1,540)	–	–
Fair value loss on:				
Financial assets measured at amortised cost	(5,000)	–	(5,000)	–
Unquoted investments	–	(12)	–	–

6. PROFIT FROM OPERATIONS (continued)

Note (a)

During the financial year/period, the Group received government subsidies of RM47,800 (2021: RM970,439) in relation to the Wage Subsidy Programme under National Economic Recovery Plan initiated by the Government of Malaysia.

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 RM3,076,000 and RM18,000 (2021: RM4,004,000 and RM20,000), respectively.

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

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Fees				
Executive Directors	20	40	20	40
Non-executive Directors	150	225	150	225
	170	265	170	265
Salaries and other emoluments				
Executive Directors	5	134	5	134
Non-executive Directors	38	53	38	53
	43	187	43	187
	213	452	213	452

7. FINANCE COSTS

Finance costs represent:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Interest expense on:				
Lease liabilities	165	26	–	–
Hire-purchase payables	4	1	–	–
Bank borrowings	284	540	109	128
	453	567	109	128

8. TAX (EXPENSE)/CREDIT

Tax (expense)/credit consists of the following:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Estimated tax payable:				
Current	(3,265)	(6,477)	(30)	(91)
Over/(Under) provision in prior years	333	484	78	(2)
	(2,932)	(5,993)	48	(93)
Deferred tax (Note 16):				
Current	495	1,636	–	–
Over/(Under) provision in prior years	357	(49)	–	–
	852	1,587	–	–
	(2,080)	(4,406)	48	(93)

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

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Profit before tax	2,681	145,601	7,213	19,637
Tax at applicable tax rate of 24% (2021: 24%)	(643)	(34,944)	(1,731)	(4,713)
Tax effects of:				
Non-deductible expenses	(2,425)	(9,043)	(714)	(1,134)
Non-taxable income	391	37,528	2,415	5,756
Tax effect on share of results of associated companies	(996)	113	–	–
Deferred tax assets not recognised	(228)	(205)	–	–
Utilisation of deferred tax assets not recognised previously	1,131	1,710	–	–
Over/(Under) provision in prior years:				
Income tax	333	484	78	(2)
Deferred tax	357	(49)	–	–
	(2,080)	(4,406)	48	(93)

8. TAX (EXPENSE)/CREDIT (continued)

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 assets 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 31 December 2022, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group	
	2022	2021
	RM'000	RM'000
Deductible temporary differences arising from:		
Trade and other receivables	5,868	5,295
Others	1,519	1,425
Unused tax losses and unabsorbed capital allowances	254,779	259,207
	262,166	265,927

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.

In accordance with the provision of the Finance Act 2021, the time period of carrying forward unused tax losses is ten years, for which, any excess at the end of the tenth year, will be disregarded.

The expiry of the unused tax losses is as follows:

	The Group	
	2022	2021
	RM'000	RM'000
Unused tax losses:		
- Expire by 31 December 2028	251,310	256,438
- Expire by 31 December 2029	487	487
- Expire by 31 December 2030	648	648
- Expire by 31 December 2031	980	963
- Expire by 31 December 2032	290	-
	253,715	258,536

9. EARNINGS PER SHARE

(a) Basic

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

	The Group	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Profit attributable to owners of the Company	<u>659</u>	<u>144,021</u>
	2022 '000	2021 '000
Weighted average number of ordinary shares in issue	<u>227,827</u>	<u>227,827</u>
	2022 sen	2021 sen
Basic earnings per share	<u>0.29</u>	<u>63.22</u>

(b) Diluted

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
	As at 1 July 2020 RM'000	Additions RM'000	Acquisition of subsidiary companies (Note 13) RM'000	Reclassifi- cation RM'000	Disposals RM'000	Write-offs RM'000	Currency translation RM'000	December 2021 RM'000
Freehold land	4,777	—	—	—	—	—	—	4,777
Freehold buildings	8,603	31	—	157	—	—	—	8,791
Plant and machinery	27,437	1,016	—	68	(1,869)	—	(226)	26,426
Office equipment	1,444	228	56	—	(96)	—	4	1,636
Furniture and fittings	1,994	80	7	—	(11)	(8)	—	2,062
Motor vehicles	2,385	225	81	—	(279)	—	(7)	2,405
Prime movers and trailers	2,294	—	—	—	—	—	—	2,294
Office renovation	694	204	—	—	—	—	—	898
Computer equipment	2,869	280	—	—	(34)	—	(1)	3,114
Capital work-in-progress	225	—	—	(225)	—	—	—	—
	52,722	2,064	144	—	(2,289)	(8)	(230)	52,403
The Group	As at 1 January 2022 RM'000	Additions RM'000	Acquisition of subsidiary companies (Note 13) RM'000	Reclassifi- cation RM'000	Disposals RM'000	Write-offs RM'000	Currency translation RM'000	December 2022 RM'000
Freehold land	4,777	—	—	—	—	—	—	4,777
Freehold buildings	8,791	179	—	—	—	—	—	8,970
Plant and machinery	26,426	2,618	—	—	(1,303)	(6)	442	28,177
Office equipment	1,636	282	—	—	(9)	(542)	—	1,367
Furniture and fittings	2,062	99	—	—	(543)	(543)	—	1,618
Motor vehicles	2,405	268	—	—	(93)	—	25	2,605
Prime movers and trailers	2,294	—	—	—	—	(2,294)	—	—
Office renovation	898	9	—	—	—	(412)	—	495
Computer equipment	3,114	301	—	—	(6)	(379)	2	3,032
Capital work-in-progress (Note 17)	—	11,448	—	13,000	—	—	—	24,448
	52,403	15,204	—	13,000	(1,411)	(4,176)	469	75,489

(Forward)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED IMPAIRMENT LOSSES			CARRYING AMOUNT	
	As at 1 July 2020 RM'000	Charge for the period RM'000	As at 31 December 2021/ 1 January 2022/ 31 December 2022 RM'000	As at 31 December 2022 RM'000	As at 31 December 2021 RM'000
Freehold land	—	—	—	4,777	4,777
Freehold buildings	—	—	—	5,286	5,283
Plant and machinery	225	579	804	3,251	2,724
Office equipment	—	—	—	621	449
Furniture and fittings	—	—	—	80	38
Motor vehicles	—	—	—	488	346
Prime movers and trailers	—	—	—	—	—
Office renovation	—	—	—	163	197
Computer equipment	—	28	28	474	328
Capital work-in-progress	—	—	—	24,448	—
	225	607	832	39,588	14,142

As at 31 December 2022, the carrying amount of property, plant and equipment acquired under hire-purchase is RM82,000 (2021: RM104,000).

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 RM18,478,000 (2021: RM18,966,000).

(Forward)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	COST			As at 31 December 2021 RM'000
	As at 1 July 2020 RM'000	Addition RM'000	Disposals RM'000	
Freehold land	4,777	–	–	4,777
Office equipment	224	–	–	224
Furniture and fittings	393	–	–	393
Motor vehicles	81	–	(81)	–
Office renovation	256	87	–	343
Computer equipment	204	–	(5)	199
	<u>5,935</u>	<u>87</u>	<u>(86)</u>	<u>5,936</u>
	As at 1 January 2022 RM'000	Write-offs RM'000	As at 31 December 2022 RM'000	
Freehold land	4,777	–	4,777	
Office equipment	224	(224)	–	
Furniture and fittings	393	(392)	1	
Motor vehicles	–	–	–	
Office renovation	343	(256)	87	
Computer equipment	199	(181)	18	
	<u>5,936</u>	<u>(1,053)</u>	<u>4,883</u>	

(Forward)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	ACCUMULATED DEPRECIATION						CARRYING AMOUNT	
	As at 31						As at 31	As at 31
	As at 1 July 2020 RM'000	Charge for the period RM'000	Disposals RM'000	December 2021/ 1 January 2022 RM'000	Charge for the year RM'000	Write-offs RM'000	December 2022 RM'000	December 2021 RM'000
Freehold land	-	-	-	-	-	-	4,777	4,777
Office equipment	223	1	-	224	-	(224)	-	-
Furniture and fittings	393	-	-	393	-	(392)	1	-
Motor vehicles	81	-	(81)	-	-	-	-	-
Office renovation	256	6	-	262	18	(256)	24	81
Computer equipment	198	2	(5)	195	2	(181)	16	4
	1,151	9	(86)	1,074	20	(1,053)	41	4,862
							4,842	4,862

Included in property, plant and equipment of the Company are fully depreciated property, plant and equipment which are still in use, with a cost of approximately RM9,700 (2021: RM1,065,000).

11. RIGHT-OF-USE ASSETS

	The Group Buildings	
	2022	2021
	RM'000	RM'000
Cost:		
At 1 January 2022/1 July 2020	2,483	268
Addition	2,249	2,336
Expiry and termination of lease	(254)	(121)
	<u>4,478</u>	<u>2,483</u>
At 31 December 2022/31 December 2021		
Accumulated depreciation:		
At 1 January 2022/1 July 2020	290	103
Charge for the year/period	1,251	308
Expiry and termination of lease	(236)	(121)
	<u>1,305</u>	<u>290</u>
At 31 December 2022/31 December 2021		
Carrying Amount:		
At 31 December 2022/31 December 2021	<u>3,173</u>	<u>2,193</u>

The Group leases several buildings. The lease term ranges from 2 to 5 years (2021: 2 to 5 years).

During the year/period, amounts recognised in profit or loss are as follows:

	The Group	
	1.1.2022 to 31.12.2022	1.7.2020 to 31.12.2021
	RM'000	RM'000
Depreciation of right-of-use assets	1,251	308
Interest expense on lease liabilities	165	26
Expense relating to lease of short-term leases	389	388
Gain on termination of lease	(3)	-
	<u>3,092</u>	<u>722</u>

12. 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 2020	50,914	462	444	59,955	111,775
Currency translation	(1,338)	–	–	(1,575)	(2,913)
Reclassification	–	–	20,650	(20,650)	–
As at 31 December 2021/ 1 January 2022	49,576	462	21,094	37,730	108,862
Currency translation	2,700	–	1,124	2,055	5,879
As at 31 December 2022	52,276	462	22,218	39,785	114,741
Accumulated depreciation:					
As at 1 July 2020	–	198	185	–	383
Charge for the period	–	14	13	–	27
As at 31 December 2021/1 January 2022	–	212	198	–	410
Charge for the year	–	9	445	–	454
As at 31 December 2022	–	221	643	–	864
Carrying amount:					
As at 31 December 2021	49,576	250	20,896	37,730	108,452
As at 31 December 2022	52,276	241	21,575	39,785	113,877
Fair value	74,284	410	36,342	Note a	

12. INVESTMENT PROPERTIES (continued)

The Company	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Total RM'000
Cost:			
As at 1 July 2020/31 December 2021/ 1 January 2022/31 December 2022	462	444	906
Accumulated depreciation:			
As at 1 July 2020	198	185	383
Charge for the period	14	13	27
As at 31 December 2021/1 January 2022	212	198	410
Charge for the year	9	9	18
As at 31 December 2022	221	207	428
Carrying amount:			
As at 31 December 2021	250	246	496
As at 31 December 2022	241	237	478
Fair value	410	760	1,170

The income earned by the Company from the rental of investment properties to subsidiary companies and third parties amounted to RM9,600 and RM14,400, respectively (2021: RM10,800 and RM14,700, respectively).

The income earned by the Group from the rental of investment properties to third parties amounted to RM218,000 (2021: RM1,279,000).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year/period amounted to RM4,886 (2021: RM9,107). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year/period amounted to RM6,235 (2021: RM4,668).

The fair value of investment properties were determined based on the valuations performed by accredited independent firm of professional valuers. The valuation conforms to International Valuation Standards. The fair value measurement for all the investment properties has been categorised as Level 3 fair value based on the market comparable approach that reflects recent transaction prices for similar properties. The key inputs under this approach are the price per square metre from the most recent sales of comparable properties in the area (location and size). In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

Note a

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, which management is pursuing, 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 February 2023, the Directors have concluded there is no impairment for the ELC.

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2022 RM'000	2021 RM'000
Unquoted shares - at cost	400,842	400,842
Capital contribution	355,000	355,000
Less: Accumulated impairment losses	(411,153)	(411,153)
Net	<u>344,689</u>	<u>344,689</u>

Movement in the accumulated impairment losses

	The Company	
	2022 RM'000	2021 RM'000
At beginning of year/period	411,153	411,953
Dissolution of a subsidiary company	-	(800)
At end of year/period	<u>411,153</u>	<u>411,153</u>

(a) Amount owing by subsidiary companies

Amount owing by subsidiary companies 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.

In the previous financial period, amounts owing to certain subsidiary companies totalling RM11,070,000 was waived by the subsidiary companies.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Non-controlling interests (“NCI”) in a subsidiary company

The NCI of the Group represents 29.5% equity interest in Well Morning Limited not acquired by the Group pursuant to the secured debts settlement agreement in the previous financial period.

The subsidiary companies are as follows:

Name of companies	Principal place of business and place of incorporation	Percentage ownership		Principal activities
		2022 %	2021 %	
Gama Harta Sdn Bhd	Malaysia	100	100	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	100	100	Investment holding
Lion AMB Resources Sdn Bhd #	Malaysia	100	100	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	100	100	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	100	100	Manufacturing of petroleum products
Posim Marketing Sdn Bhd	Malaysia	100	100	Trading and distribution of building materials and steel products
Posim Petroleum Marketing Sdn Bhd	Malaysia	100	100	Trading, distribution and e-commerce of petroleum and automotive products
Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd)#	Malaysia	100	100	Property development
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	100	100	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Principal place of business and place of incorporation	Percentage ownership		Principal activities
		2022 %	2021 %	
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
Bright Triumph Investments Limited ^	British Virgin Islands	100	100	Investment holding
Distinct Harvest Limited ^	British Virgin Islands	100	100	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	100	100	Investment holding
Elite Image Investments Limited ^	British Virgin Islands	100	100	Investment holding
Eminent Elite Investments Limited ^	British Virgin Islands	100	100	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	100	100	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	100	100	Investment holding
Up Reach Limited ^	British Virgin Islands	100	100	Investment holding

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Principal place of business and place of incorporation	Percentage ownership		Principal activities
		2022 %	2021 %	
Subsidiary companies of BVI Companies				
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	100	100	Investment and development in agriculture
Distinct Harvest (Cambodia) Co., Ltd ^	Cambodia	100	100	Investment and development in agriculture
Hi-Rev Lubricants (Cambodia) Co., Ltd ^	Cambodia	100	100	Wholesale of petroleum products and related products
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	100	100	Investment and development in agriculture
Green Choice (Cambodia) Co., Limited ^	Cambodia	100	100	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Ltd ^	Cambodia	100	100	Investment and development in agriculture
Up Reach (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
Subsidiary companies of Lion AMB Resources Sdn Bhd				
AMB Harta (L) Limited (Dissolved on 18 October 2022)	Malaysia	–	100	Treasury business
AMB Venture Sdn Bhd #	Malaysia	100	100	Investment holding
CeDR Corporate Consulting Sdn Bhd #	Malaysia	100	100	Provision of training services

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Principal place of business and place of incorporation	Percentage ownership		Principal activities
		2022 %	2021 %	
Subsidiary company of Posim Marketing Sdn Bhd				
Well Morning Limited #	Hong Kong SAR	70.5	70.5	Investment holding
Subsidiary companies of AMB Venture Sdn Bhd				
Chrome Marketing Sdn Bhd #	Malaysia	100	100	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	100	100	Ceased operations
Range Grove Sdn Bhd #	Malaysia	100	100	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	100	100	Provision of management services
Subsidiary company of Well Morning Limited				
Changshu Lion Enterprise Co Ltd # (Dissolved on 15 July 2022)	People's Republic of China	–	100	Property development

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

^ These subsidiary companies are inactive presently and no statutory requirement for the financial statements to be audited at the end of the financial year.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies in the previous financial period

The Group completed the acquisition of 70.5% equity interest in Well Morning Limited (“Well Morning”) on 30 December 2020 pursuant to the secured debts settlement agreement entered with Lion Diversified Holdings Berhad (In liquidation). Thereafter, Well Morning and its only wholly-owned subsidiary company, Changshu Lion Enterprise Co Ltd (“Changshu Lion”), became subsidiary companies of the Group.

Well Morning is an investment holding company incorporated in Hong Kong SAR and Changshu Lion was a company incorporated in the People’s Republic of China (“PRC”) which was principally involved in property development in Changshu, PRC.

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary companies are as follows:

	The Group 2021 RM’000
Property, plant and equipment (Note 10)	144
Inventories	30,061
Other receivables	352
Cash and bank balances	180,050
Trade and other payables	(5,722)
Tax liabilities	(6,006)
	<hr/>
Total identified assets acquired and liabilities assumed	198,879
Goodwill arising on acquisition	8,180
Non-controlling interests at fair value	(58,670)
	<hr/>
Total consideration	148,389
	<hr/> <hr/>
Satisfied by:	
Secured debts - fair value	148,389
	<hr/> <hr/>
Net cash flows from acquisition:	
Total consideration	148,389
Less: Non-cash consideration - Secured debts	(148,389)
	<hr/>
	-
Cash and cash equivalent balances acquired	180,050
Expenses incurred on acquisition	(3,671)
	<hr/>
Net cash inflows from acquisition	176,379
	<hr/> <hr/>
Gain on settlement of secured debts derived from the following:	
Reversal of impairment losses on amount due by Graimpi	148,389
Goodwill on acquisition impaired (Note)	(8,180)
Expenses incurred on acquisition	(3,671)
	<hr/>
	136,538
	<hr/> <hr/>

Note

The acquisition of Well Morning resulted in a goodwill of RM8,180,000. Subsequently, the goodwill was fully impaired as a result of voluntary liquidation of Changshu Lion.

13. 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	Principal place of business and place of incorporation	Number of wholly-owned subsidiary companies	
		2022	2021
Building materials and steel products	Malaysia	1	1
Lubricants, petroleum products and automotive products	Malaysia	2	2
	Cambodia	1	1
Investment holding and others	Malaysia	11	12
Investment holding	British Virgin Islands	8	8
Investment and development in agriculture and others	Cambodia	6	6
Provision of management services	People's Republic of China	1	1
		30	31

Principal activities	Principal place of business and place of incorporation	Number of non wholly-owned subsidiary companies	
		2022	2021
Investment holding	Hong Kong SAR	1	1
Property development	People's Republic of China	–	1
		1	2

14. INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2022 RM'000	2021 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	(61,000)	(46,629)
	25,698	40,069
	25,698	40,069
Market value of quoted investment outside Malaysia	31,226	35,318
	31,226	35,318

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The associated companies are as follows:

Name of companies	Financial year-end	Principal place of business and place of incorporation	Percentage ownership		Principal activities
			2022 %	2021 %	
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:

	2022 RM'000	2021 RM'000
Assets and liabilities		
Non-current assets	9,433	13,620
Current assets	199,077	236,933
Non-current liabilities	(4,133)	(4,221)
Current liabilities	(11,090)	(13,870)
Net assets	193,287	232,462
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Results		
Revenue	97,478	104,571
(Loss)/Profit for the year/period	(11,313)	1,280
Group's share of (loss)/profit of associated company	(4,148)	469
Foreign currency translation differences and Group's share of other comprehensive income of associated company	(484)	4,065
Dividend received/receivable from associated company	9,739	917
	2022 RM'000	2021 RM'000
Reconciliation of net assets to carrying amount		
Group's share of net assets	70,898	85,269
Other adjustments on equity	(45,200)	(45,200)
Carrying amount in the Group's statement of financial position	25,698	40,069

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

	The Group	
	2022 RM'000	2021 RM'000
At beginning and end of year/period	26,739	26,739

15. OTHER INVESTMENTS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fair value through other comprehensive income				
Investments in Malaysia:				
Quoted shares	7,560	10,640	7,560	10,640
Unquoted shares	906	906	3	3
Unquoted investments	380	380	–	–
	8,846	11,926	7,563	10,643
Amortised cost				
Unquoted bonds (at cost, adjusted for accretion of interest)	52,803	52,803	–	–
Less: Accumulated impairment losses	(52,803)	(52,803)	–	–
	–	–	–	–
Total	8,846	11,926	7,563	10,643
Market value of quoted investments in Malaysia	7,560	10,640	7,560	10,640

Investment in unquoted bonds of the Group bears yield-to-maturity at 4.75% (2021: 4.75%) per annum.

16. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2022 RM'000	2021 RM'000
At beginning of year/period	8,383	6,796
Transfer from/(to) profit or loss (Note 8):		
Property, plant and equipment	(281)	172
Inventories	(410)	346
Other payables and accrued expenses	1,535	1,125
Others	8	(56)
	852	1,587
At end of year/period	9,235	8,383

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

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

	The Group	
	2022	2021
	RM'000	RM'000
Deferred tax assets	9,411	8,435
Deferred tax liabilities	(176)	(52)
	<u>9,235</u>	<u>8,383</u>

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

	The Group	
	2022	2021
	RM'000	RM'000
Deferred tax assets		
Temporary differences arising from:		
Property, plant and equipment	254	458
Inventories	257	667
Other payables and accrued expenses	9,204	7,669
Others	87	5
	<u>9,802</u>	<u>8,799</u>
Offsetting	(391)	(364)
Deferred tax assets (after offsetting)	<u>9,411</u>	<u>8,435</u>
Deferred tax liabilities		
Temporary differences arising from:		
Property, plant and equipment	485	408
Others	82	8
	<u>567</u>	<u>416</u>
Offsetting	(391)	(364)
Deferred tax liabilities (after offsetting)	<u>176</u>	<u>52</u>

17. 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 arose mainly from trade transactions which have a credit period of 60 days (2021: 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 (2021: 60 days) with normal trade terms. The amount owing by other related companies of the Group and of the Company are interest-free. An amount of RM105,051,000 (2021: RM111,051,000) is repayable on demand and interest free (2021: interest-free), but not expected to be paid within 12 months.

As at 31 December 2022, 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 and of the Company, RM105,051,000 (2021: RM111,051,000) is due from a related company, LLB Steel Industries Sdn Bhd (“LLB Steel”) (2021: LLB Harta (M) Sdn Bhd (“LLB Harta”)), which constitutes approximately 54% (2021: 65%) of the Group’s and 100% (2021: 100%) of the Company’s total amount owing by other related companies. During the financial year, LLB Harta novated its debts to LLB Steel. Fair value loss on financial assets measured at amortised cost amounted to RM5,000,000 (2021: RM Nil) is recognised in profit or loss.

- (c) Amounts owing to other related companies, which arose mainly from trade transactions and expenses paid on behalf, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2021: 60 days) with normal trade terms.

The Company has the following transactions with subsidiary companies during the reporting period.

Name of companies	Nature	The Company	
		1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Posim Marketing Sdn Bhd	Rental income	5	6
Posim Petroleum Marketing Sdn Bhd	Rental income	5	5
Lion Petroleum Products Sdn Bhd	Rental expenses	–	8
Lion AMB Resources Sdn Bhd	Waiver of debts	–	9,681
Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd)	Waiver of debts	–	1,000
Posim EMS Sdn Bhd (Dissolved on 12 October 2021)	Waiver of debts	–	389

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Other than those related party transactions and outstanding balances disclosed elsewhere in the financial statements, the Group and the Company have the following trade transactions with immediate holding company, other related companies and related parties during the reporting period, which were determined on terms not more favourable to the related parties than to third parties:

Name of companies	Nature	The Group		The Company	
		1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	140,372	22,539	-	-
With other related companies:					
Amsteel Mills Marketing Sdn Bhd	Trade purchases	270,081	373,565	-	-
Cendana Aset Sdn Bhd	Trade sales	5,504	2,833	-	-
Lion Group Management Services Sdn Bhd	Management fee expenses	2,724	4,086	2,004	3,006
Lion Steel Sdn Bhd	Trade sales	1,395	-	-	-
With related parties:					
Parkson Corporation Sdn Bhd	Trade sales	589	1,067	-	-
Lion Mining Sdn Bhd	Trade sales	47,663	12,772	-	-
	Trade purchases	9,035	312	-	-

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Other than those related party transactions and outstanding balances disclosed elsewhere in the financial statements, the Group and the Company have the following non-trade transactions with subsidiary companies, immediate holding company and other related companies during the reporting period:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
With subsidiary companies:				
Advances to	-	-	(2,360)	(40,918)
Advances from	-	-	29	17,621
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
With immediate holding company:				
Repayment of advances from/ (Advances to)	128	(134)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
With other related companies:				
Repayment of advances from (Repayment of advances to)/ Advances from	1,006 (185)	70 167	1,000 (167)	75 167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Receivables:				
Included in trade receivables	102,155	61,540	-	-
Included in other receivables	107,956	107,567	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Payables:				
Included in trade payables	409	409	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17. **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. In the previous financial period, the key management personnel includes a former Director of the Company.

The remuneration of key management personnel during the reporting period are as follows:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Salaries and other remuneration	1,330	1,852	127	292
Defined contribution plans	160	207	15	20
Benefits-in-kind	18	19	-	-
	1,508	2,078	142	312

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 Company's statements of cash flows as cash flows from/(used in) financing activities.

	As at 1 January 2022 RM'000	Financing cash flows RM'000	As at 31 December 2022 RM'000
The Group			
Amount owing to other related companies	885	(185)	700
The Company			
Amount owing to other related companies	167	(167)	-
Amount owing to subsidiary companies	20,775	29	20,804

17. **HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS** (continued)

Reconciliation of liabilities arising from financing activities (continued)

	As at 1 July 2020 RM'000	Financing cash flows RM'000	Non-cash amount waived RM'000	As at 31 December 2021 RM'000
The Group				
Amount owing to other related companies	718	167	–	885
The Company				
Amount owing to other related companies	–	167	–	167
Amount owing to subsidiary companies	14,224	17,621	(11,070)	20,775

Acquisition of land by Posim Marketing Sdn Bhd (“Posim Marketing”)

On 25 November 2021, Posim Marketing, a wholly-owned subsidiary company of the Company, had entered into a conditional sale and purchase agreement (“SPA”) with Bonus Essential Sdn Bhd (“Bonus Essential”) for the acquisition of 10.879 acres of vacant freehold industrial land located at Banting Industrial City, Kuala Langat, Selangor from Bonus Essential for a cash consideration of RM26 million (“Purchase Consideration”) (“Acquisition of Land”).

Bonus Essential is a company in which Tan Sri Cheng Heng Jem (“TSWC”) is a director and has substantial interest.

The Purchase Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the market valuation as certified by Henry Butcher Malaysia Sdn Bhd.

Posim Marketing has lodged a private caveat and lien holder’s caveat on the said land. Bonus Essential has procured a personal guarantee by TSWC, its ultimate shareholder, in favour of Posim Marketing with a guaranteed sum of RM26 million to secure the repayment by Bonus Essential in the event Bonus Essential failed to complete the Acquisition of Land.

During the current financial year, Posim Marketing paid cash consideration of RM10.4 million (2021: RM13 million, classified as “other receivable” under non-current assets) to Bonus Essential and incurred ancillary costs of RM1 million (2021: RM Nil) in relation to the Acquisition of Land. The Acquisition of Land became unconditional on 24 June 2022. As a result, the total consideration of RM24.4 million (including RM13 million paid in previous year) was classified as “capital work-in-progress” under property, plant and equipment in Note 10 as at reporting date.

18. INVENTORIES

	The Group	
	2022 RM'000	2021 RM'000
Finished goods	131	218
Raw materials	8,006	6,406
Trading merchandise	16,064	8,493
Others	1,416	620
	<u>25,617</u>	<u>15,737</u>
Less: Allowance for slow-moving and obsolete inventories	(1,136)	(2,685)
Net	<u><u>24,481</u></u>	<u><u>13,052</u></u>

Movement in the allowance for slow-moving and obsolescence of inventories are as follows:

	The Group	
	2022 RM'000	2021 RM'000
At beginning of year/period	2,685	1,515
(Reversal)/Addition	(241)	1,540
Written off	(1,308)	(370)
At end of year/period	<u><u>1,136</u></u>	<u><u>2,685</u></u>

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

(a) Trade receivables

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade receivables	298,137	254,657	4,345	4,345
Less: Accumulated impairment losses	(74,218)	(71,197)	(4,345)	(4,345)
Net	<u><u>223,919</u></u>	<u><u>183,460</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Trade receivables of the Group and the Company comprise amounts receivable for the sale of goods. The credit period granted to customers ranges from 30 to 90 days (2021: 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 following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (continued)

(a) Trade receivables (continued)

	The Group			
	2022		2021	
	Gross trade receivables RM'000	Lifetime ECL RM'000	Gross trade receivables RM'000	Lifetime ECL RM'000
Not past due	142,795	1,665	140,041	1,554
Past due:				
1 to 30 days	32,616	415	25,388	300
31 to 60 days	18,711	341	4,775	79
More than 60 days	104,015	71,797	84,453	69,264
	298,137	74,218	254,657	71,197

	The Company			
	2022		2021	
	Gross trade receivables RM'000	Lifetime ECL RM'000	Gross trade receivables RM'000	Lifetime ECL RM'000
Past due:				
More than 60 days	4,345	4,345	4,345	4,345

Movement in the accumulated impairment losses

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At beginning of year/period	71,197	71,846	4,345	4,345
Addition	6,063	3,936	-	-
No longer required	(1,820)	(3,773)	-	-
Written off	(1,222)	(812)	-	-
At end of year/period	74,218	71,197	4,345	4,345

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

As at 31 December 2022, the Group has trade receivables due from a major related party, Lion DRI as follows:

	The Group	
	2022 RM'000	2021 RM'000
Trade receivables	52,007	52,007
Less: Accumulated impairment losses	(52,007)	(52,007)
Net	-	-

The Group recognised an impairment loss on trade receivables due from Lion DRI a major related party, based on the assessment as disclosed in Note 4(i)(a).

As at 31 December 2022, the trade receivables of a subsidiary company of RM4,608,000 (2021: RM Nil) has been charged as collateral to a financial institution for the bank borrowings granted to the Group (Note 27).

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (continued)

(b) Other receivables, deposits and prepaid expenses

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables	178,175	169,488	92	72
Less: Accumulated impairment losses	(108,912)	(108,912)	–	–
	69,263	60,576	92	72
Dividend receivable from an associated company	–	917	–	–
Deposits	5,943	2,424	42	57
Prepaid expenses	2,075	1,619	46	72
	<u>77,281</u>	<u>65,536</u>	<u>180</u>	<u>201</u>

Movement in the accumulated impairment losses

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At beginning of year/period	108,912	257,370	–	–
No longer required	–	(148,458)	–	–
At end of year/period	<u>108,912</u>	<u>108,912</u>	<u>–</u>	<u>–</u>

Included in the accumulated impairment losses at the beginning of the previous financial period is RM252,119,000 due from Graimpi. Of the amount due, RM148,389,000 recovered pursuant to the secured debt settlement agreement entered with Lion Diversified Holdings Berhad (In liquidation) (Note 13), and the same amount was reversed as impairment losses no longer required in previous financial period. An impairment loss has been recognised on the remaining balance of RM103,730,000 based on the assessment disclosed in Note 4(i)(a).

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	74,438	62,218	134	129
United States Dollar	686	1,690	–	–
Chinese Renminbi	82	9	–	–
	<u>75,206</u>	<u>63,917</u>	<u>134</u>	<u>129</u>

20. INVESTMENT IN MONEY MARKET FUNDS, FIXED DEPOSITS, CASH AND BANK BALANCES

(a) Investment in money market funds

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fair value through profit or loss				
Investment in money market funds	2,279	2,417	–	86

Investment in money market funds of the Group (2021: the Group and 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 (2021: of the Group and of the Company) given a two days notice period.

(b) Fixed deposits, cash and bank balances

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed deposits with licensed banks:				
Restricted	24,757	24,148	–	–
Unrestricted	19,877	66,016	6,129	1,511
	44,634	90,164	6,129	1,511
Cash and bank balances:				
Unrestricted	36,347	60,432	2,433	1,276
Total fixed deposits, cash and bank balances	80,981	150,596	8,562	2,787

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 of the Group and of the Company earn interest at rates ranging from 1.05% to 2.40% and 1.05% to 1.50% (2021: 1.05% to 1.80% and 1.05% to 1.70%) per annum and have maturity periods ranging from 1 to 98 days and 1 to 31 days (2021: 1 to 365 days and 1 to 32 days), respectively.

20. INVESTMENT IN MONEY MARKET FUNDS, FIXED DEPOSITS, CASH AND BANK BALANCES (continued)

(b) Fixed deposits, cash and bank balances (continued)

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	51,665	118,689	8,547	2,772
Chinese Renminbi	27,549	29,874	–	–
United States Dollar	1,673	1,997	15	15
Singapore Dollar	94	36	–	–
	80,981	150,596	8,562	2,787

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company (2021: subsidiary companies) in the People's Republic of China ("PRC") 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 (2021: subsidiary companies) in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

21. SHARE CAPITAL

	The Group and The Company		2021	
	2022 Number of shares '000	RM'000	Number of shares '000	RM'000
Issued share capital:				
Ordinary shares:				
At beginning/end of year/period	231,572	920,902	231,572	920,902

22. RESERVES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-distributable reserves:				
Treasury shares	(2,277)	(2,277)	(2,277)	(2,277)
Translation adjustment reserve	66,979	61,537	–	–
Fair value reserve	(24,360)	(21,280)	(24,360)	(21,280)
Surplus reserve	–	1,455	–	–
Accumulated losses	(220,582)	(221,241)	(445,476)	(452,737)
	(180,240)	(181,806)	(472,113)	(476,294)

22. RESERVES (continued)

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 31 December 2022, the Company held 3,745,000 (2021: 3,745,000) treasury shares at a carrying amount of RM2,276,747 (2021: 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.

Surplus reserve

The surplus reserve represents the reserves maintained in People's Republic of China in accordance with the regulations and are not available for payment of dividend.

23. LEASE LIABILITIES

	The Group	
	2022	2021
	RM'000	RM'000
At 1 January 2022/1 July 2020	2,243	168
Addition	2,249	2,336
Expiry and termination of lease	(21)	–
Lease interest	165	26
Payment of lease rental	(1,272)	(287)
	<hr/>	<hr/>
At 31 December 2022/31 December 2021	3,364	2,243
	<hr/> <hr/>	<hr/> <hr/>
Breakdown:		
Non-current	2,094	1,726
Current	1,270	517
	<hr/>	<hr/>
	3,364	2,243
	<hr/> <hr/>	<hr/> <hr/>

23. LEASE LIABILITIES (continued)

The minimum lease payments for the lease liabilities are payable as follows:

The Group	Future minimum lease payments RM'000	Lease interest RM'000	Present value of minimum lease payments RM'000
2022			
Less than one year	1,380	(110)	1,270
Between one to two years	1,299	(50)	1,249
Between two to five years	864	(19)	845
	<u>3,543</u>	<u>(179)</u>	<u>3,364</u>
2021			
Less than one year	568	(51)	517
Between one to two years	946	(65)	881
Between two to five years	864	(19)	845
	<u>2,378</u>	<u>(135)</u>	<u>2,243</u>

Total cash outflows for leases during the current financial year/period (including fixed, variable and short-term lease payments) of the Group amounted to RM1,661,000 (2021: RM675,000).

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 January 2022 RM'000	Non-cash items RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2022 RM'000
The Group						
Lease liabilities	<u>2,243</u>	<u>2,228</u>	<u>(1,107)</u>	<u>(165)</u>	<u>165</u>	<u>3,364</u>
	As at 1 July 2020 RM'000	Non-cash items RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2021 RM'000
The Group						
Lease liabilities	<u>168</u>	<u>2,336</u>	<u>(261)</u>	<u>(26)</u>	<u>26</u>	<u>2,243</u>

24. HIRE-PURCHASE PAYABLES

	The Group	
	2022 RM'000	2021 RM'000
Total outstanding	85	103
Less: Interest-in-suspense	(8)	(12)
	77	91
Principal portion	77	91
Payable as follows:		
Within the next 12 months (shown under current liabilities)	15	14
After the next 12 months	62	77
	77	91

The interest rate implicit in these hire-purchase obligations is 4.28% (2021: 4.28%) 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 January 2022 RM'000	Non-cash addition RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2022 RM'000
The Group						
Hire-purchase payables	91	-	(14)	(4)	4	77
	91	-	(14)	(4)	4	77

	As at 1 July 2020 RM'000	Non-cash addition RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2021 RM'000
The Group						
Hire-purchase payables	16	94	(19)	(1)	1	91
	16	94	(19)	(1)	1	91

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 (2021: 30 to 90 days).

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

	The Group	
	2022 RM'000	2021 RM'000
Ringgit Malaysia	39,768	32,582
United States Dollar	1,329	2,063
	41,097	34,645

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other payables	28,463	30,354	5,108	10,114
Accrued expenses	20,190	19,312	4,922	4,983
	48,653	49,666	10,030	15,097

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	43,296	44,055	10,030	15,097
Chinese Renminbi	4,227	4,647	–	–
United States Dollar	1,130	964	–	–
	48,653	49,666	10,030	15,097

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES AND CONTRACT LIABILITIES (continued)

(c) Contract liabilities

	The Group	
	2022	2021
	RM'000	RM'000
Customer loyalty programs	28,794	24,405

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/period.

	The Group	
	2022	2021
	RM'000	RM'000
At beginning of year/period	24,405	18,509
Provision during the year/period	12,227	13,744
Utilised during the year/period	(7,838)	(7,848)
At end of year/period	28,794	24,405

26. PROVISION

	The Group and The Company	
	2022	2021
	RM'000	RM'000
Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees:		
At beginning of year/period	-	3,473
Payment during the year/period	-	(3,473)
At end of year/period	-	-

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("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.

In the previous financial period, the Company paid an amount of RM3,473,000 to SFI for its onward payment to SFI's employees. The payment was for the full and final settlement of the Company's obligations in relation to SFI's employees claim for alleged arrears of wages due in respect of the annual increments from 1997 to 2006. Subsequent to the settlement, the Company was released and discharged from all obligations in connection with the said claims howsoever arising and from its obligation under the letter of indemnity.

27. BANK BORROWINGS

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Secured				
Revolving credits	3,500	3,500	3,500	3,500
Banker's acceptance, trust receipts and bills payable	10,000	13,000	-	-
Receivables financing	4,608	-	-	-
	18,108	16,500	3,500	3,500
Unsecured				
Banker's acceptance, trust receipts and bills payable	526	269	-	-
	18,634	16,769	3,500	3,500

The secured revolving credit, banker's acceptance, trust receipts and bills payable of the Group and of the Company are secured by a charge on cash and bank balances of a subsidiary company.

The receivables financing of the Group is secured by trade receivables of a subsidiary company and the corporate guarantee by the Company.

The Company has given corporate guarantee of RM526,000 (2021: RM269,000) to a financial institution for the granting of the above unsecured credit facility to a subsidiary company. The credit facilities of the Group and of the Company bore interest at rates ranging from 2.52% to 4.43% (2021: 2.36% to 3.82%) and 2.69% to 4.43% (2021: 2.61% to 2.69%) per annum, respectively.

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 statements of cash flows as cash flows from/(used in) financing activities.

	As at 1 January 2022 RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2022 RM'000
The Group					
Bank borrowings	16,769	1,865	(284)	284	18,634
	As at 1 July 2020 RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2021 RM'000
The Group					
Bank borrowings	-	16,769	(540)	540	16,769

27. **BANK BORROWINGS** (continued)

Reconciliation of liabilities arising from financing activities (continued)

	As at 1 January 2022 RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2022 RM'000
The Company					
Bank borrowings	3,500	–	(109)	109	3,500
	<u>3,500</u>	<u>–</u>	<u>(109)</u>	<u>109</u>	<u>3,500</u>
	As at 1 July 2020 RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2021 RM'000
The Company					
Bank borrowings	–	3,500	(128)	128	3,500
	<u>–</u>	<u>3,500</u>	<u>(128)</u>	<u>128</u>	<u>3,500</u>

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 2021.

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 was as follows:

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Debt (i)	18,711	16,860	3,500	3,500
Equity (ii)	740,705	739,569	448,789	444,608
Debt to equity ratio	2.5%	2.3%	0.8%	0.8%

- (i) Debt is defined as hire-purchase payables and bank borrowings as disclosed in Notes 24 and 27 respectively.
- (ii) Equity includes share capital, reserves and non-controlling interests.

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.

Categories of Financial Instruments

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets				
Fair value through profit or loss:				
Investment in money market funds	2,279	2,417	–	86
Fair value through other comprehensive income:				
Quoted shares	7,560	10,640	7,560	10,640
Unquoted shares	906	906	3	3
Unquoted investments	380	380	–	–
Amortised cost:				
Trade receivables	223,919	183,460	–	–
Other receivables and refundable deposits	75,206	63,917	134	129
Amount owing by subsidiary companies	–	–	11,620	9,260
Amount owing by immediate holding company	72,486	81,448	–	–
Amount owing by other related companies	195,945	171,605	105,051	111,051
Fixed deposits, cash and bank balances	80,981	150,596	8,562	2,787
	80,981	150,596	8,562	2,787
Financial liabilities at amortised cost				
Trade payables	41,097	34,645	–	–
Other payables and accrued expenses	48,653	49,666	10,030	15,097
Amount owing to other related companies	700	885	–	167
Amount owing to subsidiary companies	–	–	20,804	20,775
Lease liabilities	3,364	2,243	–	–
Hire-purchase payables	77	91	–	–
Bank borrowings	18,634	16,769	3,500	3,500

28. FINANCIAL INSTRUMENTS (continued)

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 is mainly exposed to the foreign currency of 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 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 other equity, the balances below would be negative.

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other equity				
Chinese Renminbi	(2,340)	(2,524)	-	-

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/period.

The management has performed sensitivity analysis on foreign currencies denominated monetary items and concluded the financial impact to the Group's and the Company's profit before tax is insignificant.

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.

Interest rate sensitivity analysis

The sensitivity analysis of the Group and of the Company have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's profit or loss before tax for the financial year ended 31 December 2022 would decrease or increase by RM93,500 and RM17,500 respectively (2021: RM84,000 and RM17,500 respectively).

28. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

Trade and other receivables and corporate guarantees

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 Company is exposed to credit risk from corporate guarantee given to financial institution for the granting of credit facilities to the subsidiary companies. The Company's maximum exposure to credit risk resulting from the guarantee given to subsidiary companies, are disclosed in Note 32. The Group and the Company monitor on an ongoing basis the results of the subsidiary companies, immediate holding company and other related companies, and their repayments. As at the reporting date, there was no indication that these companies would default on repayment.

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 31 December 2022, is the carrying amount of these receivables as disclosed in the statements of financial position. The concentration of credit risk is limited due to the fact that the customer base is large and did not exceed 10% of gross monetary assets at any time during the reporting period.

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.

Fixed deposits, cash and bank balances

Exposure to credit risk arising from fixed deposits, cash and bank balances is managed by depositing or investing the Group's and the Company's funds with licensed financial institutions. The fixed deposits, cash and bank balances that denominated in Chinese Renminbi which are held with bank and financial institution in the People's Republic of China are rated A2 and Baa2 respectively based on Moody's Investors Service ratings.

Fixed deposits, cash and bank balances have been assessed on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that its fixed deposits, cash and bank balances have low credit risk based on their external credit ratings.

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.

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 practice 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.

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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 2022	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	41,097	-	-	-	41,097	-
Other payables and accrued expenses	48,653	-	-	-	48,653	-
Amount owing to other related companies	700	-	-	-	700	-
	90,450	-	-	-	90,450	
Interest bearing:						
Lease liabilities	1,373	1,800	370	-	3,543	2.50 - 4.62
Hire-purchase payables	18	18	49	-	85	4.28
Bank borrowings	18,917	-	-	-	18,917	2.52 - 4.43
	20,308	1,818	419	-	22,545	
	110,758	1,818	419	-	112,995	
2021						
Financial liabilities						
Non-interest bearing:						
Trade payables	34,645	-	-	-	34,645	-
Other payables and accrued expenses	49,666	-	-	-	49,666	-
Amount owing to other related companies	885	-	-	-	885	-
	85,196	-	-	-	85,196	
Interest bearing:						
Lease liabilities	568	946	864	-	2,378	2.50 - 5.68
Hire-purchase payables	18	18	54	13	103	4.28
Bank borrowings	16,909	-	-	-	16,909	2.36 - 3.82
	17,495	964	918	13	19,390	
	102,691	964	918	13	104,586	

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Company 2022	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	10,030	-	-	-	10,030	-
Amount owing to subsidiary companies	20,804	-	-	-	20,804	-
Financial guarantee contracts	5,134	-	-	-	5,134	-
	35,968	-	-	-	35,968	
Interest bearing:						
Bank borrowings	3,535	-	-	-	3,535	2.69 - 4.43
	39,503	-	-	-	39,503	
2021						
Financial liabilities						
Non-interest bearing:						
Other payables and accrued expenses	15,097	-	-	-	15,097	-
Amount owing to other related companies	167	-	-	-	167	-
Amount owing to subsidiary companies	20,775	-	-	-	20,775	-
Financial guarantee contracts	269	-	-	-	269	-
	36,308	-	-	-	36,308	
Interest bearing:						
Bank borrowings	3,524	-	-	-	3,524	2.61 - 2.69
	39,832	-	-	-	39,832	

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 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
2022				
Financial assets				
Quoted investments	7,560	7,560 #	7,560	7,560 #
Unquoted shares	906	906 @	3	3 @
Unquoted investments	380	380 &	–	–
Investment in money market funds	2,279	2,279 #	–	–
2021				
Financial assets				
Quoted investments	10,640	10,640 #	10,640	10,640 #
Unquoted shares	906	906 @	3	3 @
Unquoted investments	380	380 &	–	–
Investment in money market funds	2,417	2,417 #	86	86 #

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.

@ The fair value of unquoted shares is measured using generally acceptable valuation techniques.

& The fair values of unquoted investments are based on price quotes for similar instruments based on market observable inputs (Level 2) as quoted prices of identical instruments from an active market (Level 1) are not available.

28. FINANCIAL INSTRUMENTS (continued)

Fair Values of Financial Instruments (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				
2022				
Financial assets				
Quoted investments	7,560	–	–	7,560
Unquoted shares	–	–	906	906
Unquoted investments	–	380	–	380
Investment in money market funds	2,279	–	–	2,279
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2021				
Financial assets				
Quoted investments	10,640	–	–	10,640
Unquoted shares	–	–	906	906
Unquoted investments	–	380	–	380
Investment in money market funds	2,417	–	–	2,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
The Company				
2022				
Financial assets				
Quoted investments	7,560	–	–	7,560
Unquoted shares	–	–	3	3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2021				
Financial assets				
Quoted investments	10,640	–	–	10,640
Unquoted shares	–	–	3	3
Investment in money market funds	86	–	–	86
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

There were no transfer between Levels 1, 2 and 3 during the financial year/period.

29. CAPITAL COMMITMENTS

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

	The Group	
	2022 RM'000	2021 RM'000
Approved and contracted for:		
Purchase of land	2,600	13,000
Approved but not contracted for:		
Land registration fee	3,058	2,900
	5,658	15,900
	5,658	15,900

30. 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 of lubricants, trading and distribution of petroleum products and automotive products
- others

Others include mainly investment holding, 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 1.1.2022 to 31.12.2022	Building materials and steel products RM'000	Lubricants, petroleum products and automotive products RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue					
External customers	725,087	111,635	2,051	-	838,773
Inter-segment sales	-	-	13	(13)	-
Total revenue	725,087	111,635	2,064	(13)	838,773
	725,087	111,635	2,064	(13)	838,773
Results					
Segment profit/(loss)	5,793	8,880	(7,391)	-	7,282
Finance costs	(183)	(158)	(112)	-	(453)
Share of results of associated companies					(4,148)
Profit before tax					2,681
Tax expense					(2,080)
Profit for the year					601

30. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2022	Building materials and steel products RM'000	Lubricants, petroleum products and automotive products RM'000	Others RM'000	Elimination RM'000	Total RM'000
Consolidated Statement of Financial Position					
Segment assets	484,585	81,156	170,284	–	736,025
Investment in associated companies					25,698
Unallocated corporate assets					121,725
Consolidated Total Assets					883,448
Segment liabilities	56,120	48,128	36,371	–	140,619
Unallocated corporate liabilities					2,124
Consolidated Total Liabilities					142,743
1.1.2022 to 31.12.2022					
Other Information					
Capital expenditure	11,504	3,695	5	–	15,204
Depreciation	558	2,407	1,428	–	4,393
Interest income	1,795	67	428	–	2,290
Other non-cash expenses/(income)	4,098	(158)	4,968	–	8,908

30. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 1.7.2020 to 31.12.2021	Building materials and steel products RM'000	Lubricants, petroleum products and automotive products RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue					
External customers	739,917	119,822	12,069	–	871,808
Inter-segment sales	–	1	13	(14)	–
Total revenue	<u>739,917</u>	<u>119,823</u>	<u>12,082</u>	<u>(14)</u>	<u>871,808</u>
Results					
Segment profit/(loss)	9,012	17,560	(17,411)	–	9,161
Gain on settlement of secured debts	136,538	–	–	–	136,538
Finance costs	(424)	(9)	(134)	–	(567)
Share of results of associated companies					469
Profit before tax					<u>145,601</u>
Tax expense					(4,406)
Profit for the period					<u><u>141,195</u></u>

30. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2021	Building materials and steel products RM'000	Lubricants, petroleum products and automotive products RM'000	Others RM'000	Elimination RM'000	Total RM'000
Consolidated Statement of Financial Position					
Segment assets	470,913	69,675	164,401	–	704,989
Investment in associated companies					40,069
Unallocated corporate assets					125,584
Consolidated Total Assets					870,642
Segment liabilities	47,759	40,894	39,166	–	127,819
Unallocated corporate liabilities					3,254
Consolidated Total Liabilities					131,073
1.7.2020 to 31.12.2021					
Other Information					
Capital expenditure	519	1,453	92	–	2,064
Depreciation	186	2,392	1,430	–	4,008
Interest income	2,063	297	5,984	–	8,344
Other non-cash expenses/(income)	8,824	2,057	(489)	–	10,392

30. SEGMENT INFORMATION (continued)

Geographical Segments

The Group's operations are mainly in Malaysia for the current financial year/period:

- (i) Malaysia - trading and distribution of building materials and steel products, manufacture of lubricants, trading and distribution of petroleum products and automotive products, provision of training services, distributing and retailing of consumer product and investment holding
- (ii) Other countries - countries which are not sizable to be reported separately

The following is an analysis of the Group's revenue, carrying amount of total assets and capital expenditures by geographical areas:

			Revenue	
			1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Malaysia			838,677	860,622
Other countries			96	11,186
			838,773	871,808

	Total assets		Capital expenditures	
	2022 RM'000	2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Malaysia	715,456	690,539	15,199	2,060
Other countries	167,992	180,103	5	4
	883,448	870,642	15,204	2,064

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.

31. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed deposits with licensed banks (unrestricted) (Note 20)	19,877	66,016	6,129	1,511
Cash and bank balances (unrestricted) (Note 20)	36,347	60,432	2,433	1,276
	<u>56,224</u>	<u>126,448</u>	<u>8,562</u>	<u>2,787</u>

32. FINANCIAL GUARANTEE CONTRACTS

	The Company	
	2022 RM'000	2021 RM'000
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies (Note 27)	5,134	269

The corporate guarantees issued were not recognised in the financial statements as the Directors regard the value of the credit enhancement provided by these guarantees is minimal and the probability of default, based on historical track records of the parties receiving the guarantees are remote.

33. SIGNIFICANT EVENTS

Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd), a wholly-owned subsidiary of the Company, had on 18 May 2022 entered into a conditional development agreement with Landasan Lumayan Sdn Bhd ("Landasan Lumayan"), a wholly-owned subsidiary of Menteri Besar Selangor (Pemerbadanan), to form an unincorporated joint venture to undertake a mixed residential and commercial development on a parcel of land to be alienated by the Selangor State Government to Landasan Lumayan measuring approximately 26.29 acres in Section 24, Shah Alam, Selangor ("Proposed Unincorporated Joint Venture").

In conjunction with the Proposed Unincorporated Joint Venture, the Company proposed to diversify the existing businesses of the Company and its subsidiary companies to include property development ("Proposed Diversification").

The Proposed Unincorporated Joint Venture and the Proposed Diversification shall collectively be referred to as the "Proposals".

The Shareholders of the Company had on 2 December 2022 approved the Proposals.

The Proposals are pending the approvals to be obtained from relevant regulatory authorities.

34. COMPARATIVE FIGURES

The comparative figures of the Group and of the Company are for the 18-months period from 1 July 2020 to 31 December 2021.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Tan Sri Cheng Heng Jem and Cheng Hui Ya, Serena, being two of the Directors of Lion Posim Berhad, do hereby state that, in the opinion of the Directors, 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 31 December 2022 and of the financial performance and of the cash flows of the Group and of the Company for the financial year then ended.

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

TAN SRI CHENG HENG JEM

CHENG HUI YA, SERENA

5 April 2023

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

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Ooi Kim Lai (MIA Membership number: 9454), the officer primarily responsible for the financial management of Lion Posim 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.

O OI KIM LAI

Subscribed and solemnly declared by the
abovenamed **O OI KIM LAI** at **KUALA
LUMPUR** in the **FEDERAL TERRITORY**
on this 5th day of April, 2023.

Before me,

W729
MARDHIYYAH ABDUL WAHAB
COMMISSIONER FOR OATHS

LIST OF GROUP PROPERTIES

AS OF 31 DECEMBER 2022

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Carrying Amount (RM million)	Date of Acquisition
Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (28)	10.1	30.12.1991
12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bachang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (37)	0.1	13.4.1998
Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Keramat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (24)	0.2	18.3.1999
50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 28.6.2100	226.9 sq metres	Land and building	2-storey shop office (24)	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 (20)	0.04	16.7.2004
Preah Net Preah District Banteay Meanchey Province Cambodia	Freehold	3,329 hectares	Land	Vacant	52.3	17.10.2013
Sangkum Thmei and Rovieng District Preah Vihear Province Cambodia	Leasehold 5.8.2071	7,406 hectares	Land	Vacant	21.3	30.3.2012

ANALYSIS OF SHAREHOLDINGS

Issued Shares as at 31 March 2023

Total Number of Issued Shares	:	231,571,732*
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per ordinary share

Note:

* Inclusive of 3,745,000 shares bought back by the Company and retained as treasury shares as at 31 March 2023.

Distribution of Shareholdings as at 31 March 2023

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares ^(a)
Less than 100	1,073	25.36	26,670	0.01
100 to 1,000	1,134	26.80	726,701	0.32
1,001 to 10,000	1,398	33.04	6,136,631	2.70
10,001 to 100,000	523	12.36	16,519,223	7.25
100,001 to less than 5% of issued shares	99	2.34	59,857,567	26.27
5% and above of issued shares	4	0.10	144,559,940	63.45
	<u>4,231</u>	<u>100.00</u>	<u>227,826,732</u>	<u>100.00</u>

Substantial Shareholders as at 31 March 2023

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% of Shares ^(a)	No. of Shares	% 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) Based on the total number of issued shares of the Company, excluding 3,745,000 shares bought back by the Company and retained as treasury shares as at 31 March 2023.

Thirty Largest Registered Shareholders as at 31 March 2023

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-2	30,150,000	13.23
3. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Amsteel Mills Sdn Bhd-1	30,150,000	13.23
4. Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lion Industries Corporation Berhad (LIO0157M)	25,627,236	11.25
5. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-2	6,600,000	2.90
6. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-1	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. CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd (SFS)	3,821,700	1.68
10. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeoh Joey Keng (E-TSA)	3,259,600	1.43
11. Teoh Hooi Bin	1,803,752	0.79
12. Ng Teng Song	1,787,000	0.78
13. CGS-CIMB Nominees (Tempatan) Sdn Bhd Exempt AN for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	1,670,764	0.73
14. Wu Teng Siong	1,155,400	0.51
15. Wong Soo Chai @ Wong Chick Wai	1,007,900	0.44
16. RHB Nominees (Tempatan) Sdn Bhd Bank of China (Malaysia) Berhad Pledged Securities Account for Lion Industries Corporation Bhd-4	800,000	0.35
17. CGS-CIMB Nominees (Asing) Sdn Bhd Exempt AN for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	775,410	0.34
18. Lion Development (Penang) Sdn Bhd	734,745	0.32
19. Kingsley Lim Fung Wang	623,100	0.27
20. Irene Lim Siew Wen	550,000	0.24
21. Tay Ying Lim @ Tay Eng Lim	548,940	0.24
22. Wong Taek Boon @ Guan Taek Boon	545,600	0.24
23. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	525,967	0.23
24. Nam Heng Oil Mill Company Sdn. Berhad	500,000	0.22
25. Tirta Enterprise Sdn Bhd	494,868	0.22
26. Yeoh Joey Keng	479,400	0.21
27. Lee Yu Yong @ Lee Yuen Ying	475,606	0.21
28. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeoh Joey Keng	462,500	0.20
29. Gan Tee @ Gan Bon Hor	423,400	0.19
30. Ong Sai Hoon	415,000	0.18

Note:

^(a) Based on the total number of issued shares of the Company, excluding 3,745,000 shares bought back by the Company and retained as treasury shares as at 31 March 2023.

Directors' Interests in Shares in the Company and its Related Corporations as at 31 March 2023

The Directors' interests in shares in the Company and its related corporations as at 31 March 2023 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") ^(b)	222,785,449	32.72 ^(c)	12,752,369	1.87 ^(c)
Lion Group Management Services Sdn Bhd	–	–	5,000,000	100.00
LLB Enterprise Sdn Bhd	–	–	940,000	94.00
Soga Sdn Bhd	–	–	4,525,322	98.12
Steelcorp Sdn Bhd	–	–	99,750	99.75
Well Morning Limited	–	–	1	70.50
Zhongsin Biotech Pte Ltd	–	–	1,000,000	100.00

Investments in the People's Republic of China	Deemed Interest	
	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) Based on the total number of issued shares of the Company, excluding 3,745,000 shares bought back by the Company and retained as treasury shares as at 31 March 2023.
- (b) In addition, 117,768,907 warrants issued by LICB with a right to subscribe for ordinary shares in LICB on the basis of 1 new ordinary share for every 1 warrant held.
- (c) Based on the total number of issued shares of LICB, excluding 37,105,300 shares bought back by LICB and retained as treasury shares as at 31 March 2023.

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 31 March 2023.

OTHER INFORMATION

(I) MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

- (1) Conditional Sale and Purchase Agreement dated 25 November 2021 between Posim Marketing Sdn Bhd, a wholly-owned subsidiary of the Company, and Bonus Essential Sdn Bhd, a company wherein a Director who is also a major shareholder of the Company has substantial interest, for the acquisition by Posim Marketing Sdn Bhd of 10.879 acres of vacant freehold industrial land located at Kuala Langat, Selangor from Bonus Essential Sdn Bhd for a cash consideration of RM26 million.
- (2) Conditional Development Agreement dated 18 May 2022 between Lion Waterfront Sdn Bhd, a wholly-owned subsidiary of the Company, and Landasan Lumayan Sdn Bhd, a wholly-owned subsidiary of Menteri Besar Selangor (Pemerbadanan) to form an unincorporated joint venture to undertake a mixed residential and commercial development on a parcel of land to be alienated by the Selangor State Government to Landasan Lumayan Sdn Bhd measuring approximately 26.29 acres in Section 24, Shah Alam, Selangor ("Proposed Unincorporated Joint Venture").

The Proposed Unincorporated Joint Venture was first offered to Tanahmas Impian Sdn Bhd and subsequently taken over by Lion Waterfront Sdn Bhd pursuant to an option granted by Landasan Lumayan Sdn Bhd to Y. Bhg. Tan Sri Cheng Heng Jem, the Chairman and a major shareholder of the Company, to nominate any entity to undertake the Proposed Unincorporated Joint Venture.

Lion Waterfront Sdn Bhd and Tanahmas Impian Sdn Bhd are companies wherein Tan Sri Cheng Heng Jem is deemed to have a substantial interest.

- (3) Conditional Put Option Agreement dated 18 May 2022 entered into between Tan Sri Cheng Heng Jem and the Company whereby Tan Sri Cheng Heng Jem had granted the Company a put option, exercisable at any time during the period of development under the Proposed Unincorporated Joint Venture, which allowed the Company to require him or his nominee to acquire all the shares in Lion Waterfront Sdn Bhd in accordance with the terms and conditions as contained therein.

(II) NON-AUDIT FEES

The amount of non-audit fees paid to External Auditors for the financial year ended 31 December 2022 was RM7,500 (31.12.2021: RM7,500).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 31 December 2022 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, building materials and other related products and services	Lion Industries Corporation Berhad Group ("LICB Group") Lion Mining Group	270,081 9,035 <hr/> 279,116
(ii) Sale of steel bars, wire rods, scrap iron, hot rolled coils, billets, building materials and other related products and services	LICB Group Lion Mining Group Parkson Holdings Berhad Group ("Parkson Group")	143,856 46,951 131 <hr/> 190,938
(iii) Sale of lubricants, spark plugs and other automotive products and petroleum products	LICB Group Lion Mining Group Lion Asiapac Limited Group	3,593 712 40 <hr/> 4,345
(b) Others		
(i) Sale of consumer products	Parkson Group	<hr/> 458
(ii) Obtaining of management services	LICB Group	<hr/> 2,724

Notes:

"Group" includes subsidiary and associated companies, excluding public companies.

The Related Parties are companies in which a Director and certain major shareholders of the Company have substantial interests.

(This page is intentionally to be left blank)

FORM OF PROXY

CDS ACCOUNT NUMBER

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

I/We _____

NRIC/Passport/Registration No. _____

of _____

being a member of LION POSIM BERHAD, hereby appoint _____

NRIC/Passport No. _____

of _____

or failing whom, _____

NRIC/Passport No. _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the 40th Annual General Meeting of the Company ("40th AGM") to be held virtually from the Broadcast Venue, Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan and via Securities Services e-Portal at <https://sshsb.net.my/> on Tuesday, 23 May 2023 at 10.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Y. Bhg. Tan Sri Cheng Heng Jem as Director		
4. To re-elect Ms Cheng Hui Ya, Serena as Director		
5. To re-appoint Messrs Mazars PLT as Auditors		
6. Retention of Y. Bhg. Dato' Eow Kwan Hoong as an Independent Non-Executive Director		
7. Authority to Directors to Issue and Allot Shares		
8. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this _____ day of _____ 2023

No. of shares: _____

Signed: _____

Representation at Meeting:

- (i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 17 May 2023 shall be eligible to participate at the Meeting.
- (ii) A member entitled to participate and vote at the Meeting is entitled to appoint not more than 2 proxies to participate 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 Poll Administrator of the Company for the Meeting, SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 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.
 - The 40th AGM will be conducted virtually through live streaming and online remote voting via the Remote Participation and Voting ("RPV") facilities available on Securities Services e-Portal at <https://sshsb.net.my/>. Please refer to the procedures provided in the Administrative Guide for the 40th AGM for registration, participation and remote voting via the RPV facilities.



LION POSIM BERHAD

Registration No. 198201002310 (82056-X)

Level 14, Lion Office Tower

No. 1 Jalan Nagasari

50200 Kuala Lumpur

Wilayah Persekutuan

Tel No : +603 2142 0155

Fax No : +603 2141 3448

www.lion.com.my/lionpsim

