FINANCIAL STATEMENTS 2017

For The Financial Year Ended 30 June 2017

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit/(Loss) before tax	16,716	(16,246)
Income tax expense	(1,957)	(2,782)
Profit/(Loss) for the year	14,759	(19,028)
Profit attributable to:		
Owners of the Company	14,746	
Non-controlling interests	13	
	14,759	

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the impairment losses on quoted shares and investment in subsidiary companies as disclosed in Notes 4(i)(b), 4(ii)(a), 12 and 14 to the financial statements.

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

During the financial year, the Company repurchased a total of 797,500 of its ordinary shares from the open market at an average price of RM0.53 per share. The total consideration paid for the repurchase including transaction costs was RM419,966. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As of 30 June 2017, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747, as disclosed in Note 24 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS

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

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

LIST OF DIRECTORS OF SUBSIDIARY COMPANIES

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

Chai Kian Chong
Chai Voon Choy
Chan Ho Wai
Chan Poh Lan
Chen Kwong Fatt
Cheng Hui Yen, Natalie
Cheng Theng How
Cheong Poh Heng
Choo Heng-Ghee
Chuah Say Chin
Goh Kok Beng
Haji Mohamad Khalid bin Abdullah
Khoo Chuan Hong
Khor Toong Yee
Koh Yong Heng
Lee Soon Saam
Lee Whay Keong
Liew Choon Yick
Lim Siong Lin
Loke Shu Sun
Ng Ho Peng
Ong See Chiaw
Ooi Kim Lai
Poon Sow Har (appointed on 16 December 2016)
Rahmat bin Ibrahim
Shaikh Markhzan Jalani
Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Wang Wing Ying
Yap Chan Mei
Yeo Keng Leong
Dato' Eow Kwan Hoong (resigned with effect from 10 October 2016)
Dato' Haji Hashim bin Saad (resigned with effect from 10 October 2016)
Datuk Lee Kok Leong (resigned with effect from 5 August 2016)
Ng Chin Kwan (resigned with effect from 24 July 2017)
Teo Chor Pheow (retired on 22 November 2016)
Ngan Yow Chong (passed away on 7 September 2017)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	As of 1.7.2016	**Additions**	**Disposals**	**As of 30.6.2017**
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Dato' Eow Kwan Hoong	8,026	–	–	8,026
Lin Chung Dien	7,060	–	–	7,060
Deemed interest				
Tan Sri William H.J. Cheng	170,961,979	–	(601,000)	170,360,979

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

	Number of ordinary shares			
	As of 1.7.2016	**Additions**	**Disposals**	**As of 30.6.2017**
Tan Sri William H.J. Cheng				
Direct interest				
Lion Industries Corporation Berhad	216,865,498	–	–	216,865,498
Deemed interest				
Holdsworth Investment Pte Ltd	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	212,500	–	–	212,500
Lion Industries Corporation Berhad	40,906,311	–	(164,900)	40,741,411
Lion Group Management Services Sdn Bhd	5,000,000	–	–	5,000,000
LLB Enterprise Sdn Bhd	690,000	–	–	690,000
Marvenel Sdn Bhd	100	–	–	100
Ototek Sdn Bhd	1,050,000	–	–	1,050,000
Soga Sdn Bhd	4,525,322	–	–	4,525,322
Steelcorp Sdn Bhd	99,750	–	–	99,750
Zhongsin Biotech Pte Ltd	1,000,000	–	–	1,000,000

Investments in the People's Republic of China	**Currency**	**As of 1.7.2016**	**Additions**	**Disposals**	**As of 30.6.2017**
Deemed interest					
Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	USD	10,878,944	–	–	10,878,944

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

HOLDING COMPANIES

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

AUDITORS

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

AUDITORS' REMUNERATION

The remuneration of the auditors for the financial year ended 30 June 2017 is as disclosed in Note 6 to the financial statements.

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
9 October 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position as of 30 June 2017 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of financial position, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 134.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matters	*How the matter was addressed in the audit*
Assessment of recovery of deposits paid As disclosed in Note 20(b)(ii) to the financial statements, the Group has in prior years paid deposits totalling USD25,733,000, equivalent to RM110,461,000 for the purpose of an agricultural project in Cambodia. Due to a change in the original plan, the Directors are considering alternative plans to recover the deposits paid. In this respect, the Directors have made an assessment of the recovery of the deposits paid based on the revised plan to realise the freehold land and economic land concession. The assessment of recovery of the said deposits is considered a key audit matter in view that significant judgement is required to be exercised by the Directors to determine the manner in which the recovery of the said deposits could be made and the amounts that could be realised. The significant judgement made by the Directors in this respect is disclosed in Note 4(i)(c) to the financial statements.	Our audit procedures performed in this area included, among others: • Inquired of management about the status of the agriculture project and the recent development of the acquisition of land and economic land concession for this project in Cambodia; • Read and considered agreements and relevant documentation relating to the acquisition of land and economic land concession in Cambodia; • Inquired of management about the change in plan and the alternative plans of management to recover the deposits paid, and the possible impacts this might have on the amount expected to be recovered; and • Evaluated the documentary evidence on the revised plan to recover the deposits by way of realisation of the freehold land and economic land concession.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Reporting Responsibilities

The supplementary information set out in page 135 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

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

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

9 October 2017

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Revenue	5	**339,658**	565,103	**11,028**	66,020
Other operating income		**14,385**	19,448	**26,767**	13,858
Changes in inventories of finished goods and trading merchandise		**792**	145	**–**	–
Raw materials and consumables used		**(35,290)**	(30,216)	**–**	–
Purchase of trading merchandise		**(256,158)**	(475,524)	**(26)**	(3,763)
Staff costs	6	**(20,156)**	(19,703)	**(1,691)**	(1,799)
Directors' remuneration	6	**(684)**	(699)	**(678)**	(679)
Depreciation of:					
Property, plant and equipment	10	**(5,145)**	(6,070)	**(1)**	(73)
Investment properties	11	**(18)**	(18)	**(18)**	(18)
Gain/(Loss) on foreign exchange:					
Realised		**1,960**	865	**3**	–
Unrealised		**352**	253	**(1,651)**	(1,474)
Other operating expenses		**(23,695)**	(28,631)	**(2,379)**	(806)
Profit from operations	6	**16,001**	24,953	**31,354**	71,266
Finance costs	7	**(907)**	(786)	**(3)**	(6,551)
Share in results of associated companies		**17,667**	(6,156)	**–**	–
Provision for indemnity for damages arising from back pay labour claims	27	**(3,300)**	–	**(3,300)**	–
Net impairment losses on trade and other receivables	20	**(1,702)**	(397,176)	**–**	(3,439)
Impairment losses on:					
Quoted investments		**(11,043)**	(705)	**(10,144)**	–
Investment in subsidiary companies	12	**–**	–	**(34,153)**	(377,000)
Profit/(Loss) before tax		**16,716**	(379,870)	**(16,246)**	(315,724)
Income tax expense	8	**(1,957)**	(7,001)	**(2,782)**	(654)
Profit/(Loss) for the year		**14,759**	(386,871)	**(19,028)**	(316,378)
Profit/(Loss) attributable to:					
Owners of the Company		**14,746**	(387,197)	**(19,028)**	(316,378)
Non-controlling interests		**13**	326	**–**	–
Profit/(Loss) for the year		**14,759**	(386,871)	**(19,028)**	(316,378)
Earnings/(Loss) per ordinary share attributable to owners of the Company (sen)	9				
Basic		**6.47**	(168.63)		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) for the year	**14,759**	(386,871)	**(19,028)**	(316,378)
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss	**–**	–	**–**	–
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences arising from foreign operations	**6,634**	7,018	**–**	–
Net profit/(loss) on available-for-sale financial assets:				
Fair value changes	**31**	(24)	**–**	–
Other comprehensive income for the year	**6,665**	6,994	**–**	–
Total comprehensive income/(loss) for the year	**21,424**	(379,877)	**(19,028)**	(316,378)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	**21,411**	(380,352)	**(19,028)**	(316,378)
Non-controlling interests	**13**	475	**–**	–
Total comprehensive income/(loss) for the year	**21,424**	(379,877)	**(19,028)**	(316,378)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**24,553**	29,325	**4,777**	4,777
Investment properties	11	**578**	596	**578**	596
Investment in subsidiary companies	12	**–**	–	**271,646**	253,917
Investment in associated companies	13	**46,660**	33,945	**–**	–
Other investments	14	**33,837**	2,785	**31,923**	3
Intangible assets	15	**–**	–	**–**	–
Goodwill on consolidation	16	**–**	–	**–**	–
Deferred tax assets	17	**6,944**	5,638	**–**	–
Total Non-Current Assets		**112,572**	72,289	**308,924**	259,293
Current Assets					
Inventories	19	**16,946**	15,085	**–**	–
Trade receivables	20(a)	**88,569**	98,663	**–**	75
Other receivables, deposits and prepayments	20(b)	**128,505**	126,415	**4,294**	4,411
Amount owing by subsidiary companies	12(a)	**–**	–	**444**	51,827
Amount owing by immediate holding company	18	**101,906**	120,963	**–**	–
Amount owing by other related companies	18	**108,839**	106,405	**92,239**	106,304
Tax recoverable		**4,347**	4,232	**62**	1,018
Fixed deposits, cash and bank balances	21	**90,006**	103,930	**6,771**	15,582
		539,118	575,693	**103,810**	179,217
Asset classified as held for sale	22	**5,365**	–	**–**	–
Total Current Assets		**544,483**	575,693	**103,810**	179,217
Total Assets		**657,055**	647,982	**412,734**	438,510

(Forward)

	Note	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	23	**920,902**	231,572	**920,902**	231,572
Reserves	24	**(384,605)**	283,734	**(562,279)**	146,499
Equity attributable to owners of the Company		**536,297**	515,306	**358,623**	378,071
Non-controlling interests		**757**	744	**–**	–
Total Equity		**537,054**	516,050	**358,623**	378,071
Non-Current and Deferred Liabilities					
Hire-purchase payables	25	**97**	266	**–**	38
Deferred tax liabilities	17	**697**	1,762	**280**	280
Total Non-Current and Deferred Liabilities		**794**	2,028	**280**	318
Current Liabilities					
Trade payables	26(a)	**23,182**	39,734	**–**	9
Other payables and accrued expenses	26(b)	**67,883**	62,096	**15,349**	15,303
Provision	27	**3,100**	–	**3,100**	–
Amount owing to other related companies	18	**1,211**	4,882	**341**	–
Amount owing to subsidiary companies	12(b)	**–**	–	**35,003**	44,749
Hire-purchase payables	25	**145**	228	**38**	60
Bank borrowings	28	**23,647**	22,321	**–**	–
Tax liabilities		**39**	643	**–**	–
Total Current Liabilities		**119,207**	129,904	**53,831**	60,121
Total Liabilities		**120,001**	131,932	**54,111**	60,439
Total Equity and Liabilities		**657,055**	647,982	**412,734**	438,510

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

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

(Forward)

The Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Non-distributable reserves →									
As of 1 July 2016	**231,572**	**689,330**	**(1,857)**	**44,847**	**382**	**280**	**65**	**(449,313)**	**515,306**	**744**	**516,050**
Profit for the year	–	–	–	–	–	–	–	14,746	14,746	13	14,759
Other comprehensive income for the year	–	–	–	6,634	–	–	31	–	6,665	–	6,665
Total comprehensive income	–	–	–	6,634	–	–	31	14,746	21,411	13	21,424
Purchase of treasury shares	–	–	(420)	–	–	–	–	–	(420)	–	(420)
Transfer arising from "no par value" regime (Note 23)	689,330	(689,330)	–	–	–	–	–	–	–	–	–
Transfer to accumulated losses	–	–	–	–	(382)	(280)	–	662	–	–	–
As of 30 June 2017	**920,902**	**–**	**(2,277)**	**51,481**	**–**	**–**	**96**	**(433,905)**	**536,297**	**757**	**537,054**

The Company	Share capital RM'000	Non-distributable reserves: Share premium RM'000	Non-distributable reserves: Treasury shares RM'000	Non-distributable reserves: Equity compensation reserve RM'000	Non-distributable reserves: Capital reserve RM'000	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2015	231,572	689,330	(49)	118	264	(224,978)	696,257
Total comprehensive loss for the year	–	–	–	–	–	(316,378)	(316,378)
Purchase of treasury shares	–	–	(1,808)	–	–	–	(1,808)
Share-based payments	–	–	–	(118)	118	–	–
As of 30 June 2016	231,572	689,330	(1,857)	–	382	(541,356)	378,071
As of 1 July 2016	**231,572**	**689,330**	**(1,857)**	**–**	**382**	**(541,356)**	**378,071**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(19,028)**	**(19,028)**
Purchase of treasury shares	**–**	**–**	**(420)**	**–**	**–**	**–**	**(420)**
Transfer arising from "no par value" regime (Note 23)	**689,330**	**(689,330)**	**–**	**–**	**–**	**–**	**–**
Transfer to accumulated losses	**–**	**–**	**–**	**–**	**(382)**	**382**	**–**
As of 30 June 2017	**920,902**	**–**	**(2,277)**	**–**	**–**	**(560,002)**	**358,623**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

The Group	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	**14,759**	(386,871)
Adjustments for:		
Net impairment losses on trade and other receivables	**1,702**	397,176
Income tax expense recognised in profit or loss	**1,957**	7,001
Share in results of associated companies	**(17,667)**	6,156
Depreciation of:		
Property, plant and equipment	**5,145**	6,070
Investment properties	**18**	18
Finance costs	**907**	786
Impairment losses on quoted investments	**11,043**	705
Allowance for slow-moving and obsolete inventories	**55**	285
Property, plant and equipment written off	**–**	3
Interest income	**(10,831)**	(11,690)
Gain on disposal of property, plant and equipment	**(876)**	(570)
Unrealised gain on foreign exchange	**(352)**	(253)
Impairment losses no longer required for unquoted investments	**(32)**	(71)
Dividend income from unquoted investments	**(237)**	(380)
Provision for indemnity for damages arising from back pay labour claims	**3,300**	–
Operating Profit Before Working Capital Changes	**8,891**	18,365
(Increase)/Decrease in:		
Inventories	**(1,916)**	(1,826)
Trade receivables	**6,658**	(59,529)
Other receivables, deposits and prepayments	**6,297**	2,149
Amount owing by immediate holding company	**19,058**	9,287
Amount owing by other related companies	**(16,389)**	190
(Decrease)/Increase in:		
Trade payables	**(16,552)**	1,002
Other payables and accrued expenses	**6,139**	1,010
Cash Generated From/(Used in) Operations	**12,186**	(29,352)
Interest received	**2,654**	1,043
Income tax refunded	**357**	538
Income tax paid	**(5,404)**	(10,285)
Net Cash From/(Used In) Operating Activities	**9,793**	(38,056)

(Forward)

The Group	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
(Increase)/Decrease in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**(2,656)**	731
Amount owing by immediate holding company		**(1)**	1
Amount owing by other related companies		**13,955**	29,667
Interest received from:			
Fixed deposits with licensed banks		**2,242**	3,317
Other related companies		**5,935**	7,330
Proceeds from disposal of property, plant and equipment		**2,338**	1,598
Dividend income received from:			
An associated company		**465**	452
Unquoted investments		**237**	380
Proceeds from redemption of other investments		**32**	71
Indemnity paid for litigation claim against a former subsidiary company		**(200)**	–
Purchase of property, plant and equipment		**(1,224)**	(1,610)
Acquisition of non-controlling interests		**–**	(14,102)
Investment in:			
Quoted shares		**(42,064)**	–
Unquoted shares		**–**	(850)
Net Cash (Used in)/From Investing Activities		**(20,941)**	26,985
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in:			
Bank borrowings		**(182)**	(1,411)
Amount owing to other related companies		**(3,671)**	(526)
Finance costs paid		**(907)**	(786)
Repayment of hire-purchase payables		**(252)**	(85)
Purchase of treasury shares		**(420)**	(1,808)
Net Cash Used In Financing Activities		**(5,432)**	(4,616)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,580)**	(15,687)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**78,258**	93,945
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**61,678**	78,258

The Company	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(19,028)**	(316,378)
Adjustments for:		
Finance costs	**3**	6,551
Unrealised loss on foreign exchange	**1,651**	1,474
Income tax expense recognised in profit or loss	**2,782**	654
Impairment losses on:		
Net trade and other receivables	**–**	3,439
Investment in subsidiary companies	**34,153**	377,000
Quoted investments	**10,144**	–
Depreciation of:		
Property, plant and equipment	**1**	73
Investment properties	**18**	18
Dividend income	**(11,000)**	(62,000)
Interest income	**(6,555)**	(8,605)
Waiver of amount owing to a subsidiary company	**(18,483)**	–
Provision for indemnity for damages arising from back pay labour claims	**3,300**	–
Operating (Loss)/Profit Before Working Capital Changes	**(3,014)**	2,226
Decrease/(Increase) in:		
Trade receivables	**75**	(50)
Other receivables, deposits and prepayments	**117**	383
(Decrease)/Increase in:		
Trade payables	**(9)**	(8,518)
Other payables and accrued expenses	**45**	40
Cash Used In Operations	**(2,786)**	(5,919)
Income tax refunded	**–**	447
Income tax paid	**(1,825)**	(1,805)
Net Cash Used In Operating Activities	**(4,611)**	(7,277)

(Forward)

The Company	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under Escrow Account and fixed deposits pledged		**3**	1,610
Amount owing by other related companies		**14,065**	29,670
Amount owing by subsidiary companies		**(499)**	(36,131)
Dividend received from subsidiary companies		**11,000**	4,000
Interest received from:			
Fixed deposits with licensed banks		**293**	730
Other related companies		**5,935**	7,330
Subsidiary companies		**–**	210
Other receivables		**327**	335
Additions to investment in a subsidiary company		**–**	(14,102)
Investment in quoted shares		**(42,064)**	–
Indemnity paid for litigation claim against a former subsidiary company		**(200)**	–
Purchase of property, plant and equipment		**(1)**	–
Net Cash Used In Investing Activities		**(11,141)**	(6,348)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		**7,086**	7,106
Amount owing to other related companies		**341**	(58)
Repayment of hire-purchase payables		**(60)**	(58)
Purchase of treasury shares		**(420)**	(1,808)
Finance costs paid		**(3)**	(6,551)
Net Cash From/(Used In) Financing Activities		**6,944**	(1,369)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,808)**	(14,994)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**15,579**	30,573
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	**6,771**	15,579

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

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

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 9 October 2017.

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 provisions of the Companies Act 2016 in Malaysia.

Adoption of new and amended Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 July 2016.

Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements

Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of these new and amended MFRSs did not result in significant changes on the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company.

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

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

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

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) [2]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) [2]
MFRS 16	Leases [3]
MFRS 17	Insurance Contracts [5]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions [2]
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts [2]
Amendments to MFRS 107	Disclosure Initiative [1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses [1]
Amendments to MFRS 140	Transfers of Investment Property [2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration [2]
IC Interpretation 23	Uncertainty Over Income Tax Treatments [3]

Annual Improvements to MFRSs 2014 - 2016 Cycle [1 or 2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted provided MFRS 15 is also applied.
4 Effective date deferred to a date to be determined and announced, with earlier application still permitted.
5 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The Directors anticipate that the abovementioned MFRSs, amendments to MFRSs and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for MFRS 9, MFRS 15 and MFRS 16. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9, MFRS 15 and MFRS 16 as the Group and the Company are currently undertaking a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

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

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

Basis of Consolidation

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

- has power over the investee;

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

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

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

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

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

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

- rights arising from other contractual arrangements; and

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

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

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

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

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

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

Business Combinations

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

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

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

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

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

Investment in Subsidiary Companies

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

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

Investment in Associated Companies

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

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

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

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

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

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits (continued)

(iii) Equity compensation benefits (continued)

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Foreign Currency Conversion

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

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

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

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

Impairment of Assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

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

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

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

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

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

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Current Assets Classified as Held for Sale

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

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

Intangible Assets

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

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.

Contingent Liabilities

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

Financial Instruments

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

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

<u>Financial Assets</u>

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

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

Financial Instruments (continued)

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investments

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

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

Financial Instruments (continued)

AFS financial assets

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

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

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

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

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

Derecognition of financial assets

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire.

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 equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of Receivables

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

As of 30 June 2017, the Group has trade and other receivables due from three related parties:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Trade receivables		
Megasteel Sdn Bhd ("Megasteel")	**330,249**	330,249
Lion DRI Sdn Bhd ("Lion DRI")	**52,007**	52,007
	382,256	382,256
Less: Accumulated impairment losses	**(382,256)**	(382,256)
Net	**–**	–
Other receivables		
Megasteel	**6,858**	6,858
Graimpi Sdn Bhd ("Graimpi")	**272,180**	272,180
	279,038	279,038
Less: Accumulated impairment losses	**(279,038)**	(279,038)
Net	**–**	–

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

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

(a) Impairment of Receivables (continued)

To determine whether there is objective evidence of impairment, the Group has considered the following factors:

(i) Megasteel had been suffering losses in the past several years due to excessive dumping of steel products by foreign steel mills and had been operating intermittently depending on market conditions. Megasteel had to retrench its employees and temporarily stopped operation since last year.

Megasteel is currently structuring a scheme of arrangement with its creditors to settle its outstanding debts;

(ii) the ability of Lion DRI and Graimpi to generate sufficient cash flows to repay their debts to the Group is highly dependent on the performance of Megasteel and availability of raw material for the production of direct reduced iron; and

(iii) the probability of insolvency or significant financial difficulties of these related parties and default or significant delay in payments.

In view of the prolonged period and uncertainty in recovering the trade and other receivables from these related parties, the Directors are of the opinion that full impairment losses need to be made on these outstanding amounts.

(b) Impairment of available-for-sale investments

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

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

During the current financial year, the Group impaired quoted equity investments with "significant" decline in the fair value greater than 20%, or "prolonged" period of 9 months.

For the financial year ended 30 June 2017, the amount of impairment loss recognised for the available-for-sale investments were RM11,043,000 and RM10,144,200 (2016: RM705,000 and RMNil) for the Group and for the Company respectively.

(c) Recovery of Deposits Paid

As disclosed in Note 20(b)(ii), the Group has paid deposits totalling USD25,733,000, equivalent to RM110,461,000 in prior years mainly with respect to land clearing, and the procurement of economic land concession and freehold land for the purpose of an agricultural project in Cambodia. Due to a change in the original plan, the Directors are considering alternative plans to recover the deposits paid. Significant judgement is exercised in determining the manner in which the recovery of the said deposits could be made and the amounts that could be realised. The amount expected to be recovered for the deposits paid was estimated based on the revised plan to realise the freehold land and economic land concession and on this basis, the carrying amount of the deposits paid was not impaired.

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Non-Current Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2017, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**3,216**	3,216	**–**	–
Investment in subsidiary companies	**–**	–	**411,953**	377,800
Other investments	**52,959**	52,991	**–**	–
Intangible assets	**304**	304	**–**	–
Goodwill on consolidation	**191**	191	**–**	–

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

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

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

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

(ii) Key sources of estimation uncertainty (continued)

(b) Depreciation of Property, Plant and Equipment

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

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

(c) Deferred Tax Assets

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

5. REVENUE

An analysis of revenue is as follows:

	The Group		**The Company**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Sales of goods	**333,425**	553,681	**28**	4,020
Services rendered	**6,233**	11,422	**–**	–
Gross dividend income from subsidiary companies	**–**	–	**11,000**	62,000
	339,658	565,103	**11,028**	66,020

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Interest income on:				
Fixed deposits with licensed banks	**2,242**	3,317	**293**	730
Other receivables	**327**	335	**327**	335
Advances to:				
Other related companies	**5,935**	7,330	**5,935**	7,330
Subsidiary companies	**–**	–	**–**	210
Others	**2,327**	708	**–**	–
Gain on disposal of property, plant and equipment	**876**	570	**–**	–
Waiver of amount owing to a subsidiary company	**–**	–	**18,483**	–
Dividend income from unquoted investments	**237**	380	–	–
Impairment losses no longer required for unquoted investments	**32**	71	**–**	–
Rental income from:				
Investment properties rented to subsidiary companies	**–**	–	**7**	7
Others	**1,107**	932	**–**	–
Bad debts recovered	**70**	43	**8**	40
Hire of plant and machinery	**(354)**	(1,758)	**–**	–
Rental of premises payable to:				
Third parties	**(368)**	(406)	**–**	–
Subsidiary company	**–**	–	**(14)**	(14)
Directors' remuneration	**(684)**	(699)	**(678)**	(679)
Auditors' remuneration:				
Statutory audit:				
Auditors of the Company:				
Current year	**(169)**	(166)	**(65)**	(63)
Over/(Under)provision in prior years	**1**	5	**(2)**	(3)
Other auditors	**(49)**	(46)	**–**	–
Non-statutory audit	**(6)**	(5)	**(6)**	(5)
Allowance for slow-moving and obsolete inventories	**(55)**	(285)	**–**	–
Property, plant and equipment written off	**–**	(3)	**–**	–

6. **PROFIT FROM OPERATIONS** (continued)

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM2,154,000 and RM175,000 (2016: RM2,122,000 and RM188,000), respectively.

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

	The Group		**The Company**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Fees				
Executive Directors	**40**	37	**40**	37
Non-executive Directors	**150**	164	**144**	144
	190	201	**184**	181
Salaries and other emoluments				
Executive Director	**458**	454	**458**	454
Non-executive Directors	**36**	44	**36**	44
	494	498	**494**	498
	684	699	**678**	679

7. **FINANCE COSTS**

Finance costs represent:

	The Group		**The Company**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Interest expense on:				
Hire-purchase	**20**	28	**3**	6
Other borrowings	**887**	758	**–**	–
Advances from subsidiary companies	**–**	–	**–**	6,545
	907	786	**3**	6,551

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Estimated tax payable:				
Current	**6,150**	7,774	**1,281**	561
(Over)/Underprovision in prior years	**(1,822)**	187	**1,501**	93
	4,328	7,961	**2,782**	654
Deferred tax (Note 17):				
Current	**(1,245)**	(394)	**–**	–
Overprovision in prior years	**(1,126)**	(566)	**–**	–
	(2,371)	(960)	**–**	–
	1,957	7,001	**2,782**	654

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

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Profit/(Loss) before tax	**16,716**	(379,870)	**(16,246)**	(315,724)
Tax at applicable tax rate of 24%	**4,012**	(91,168)	**(3,899)**	(75,773)
Tax effects of:				
Non-deductible expenses	**6,055**	8,261	**11,040**	91,214
Non-taxable income	**(1,378)**	(3,037)	**(5,860)**	(14,880)
Tax effect on share in results of associated companies	**(4,240)**	1,477	**–**	–
Deferred tax assets not recognised	**517**	91,949	**–**	–
Realisation of deferred tax assets previously not recognised	**(61)**	(102)	**–**	–
(Over)/Under provision in prior years:				
Income tax	**(1,822)**	187	**1,501**	93
Deferred tax	**(1,126)**	(566)	**–**	–
	1,957	7,001	**2,782**	654

8. INCOME TAX EXPENSE (continued)

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unutilised tax credits which would give rise to net deferred tax asset are recognised to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2017, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Temporary differences arising from:		
Trade and other receivables	**659,494**	658,271
Property, plant and equipment	**32**	185
Others	**18**	18
Unused tax losses and unabsorbed capital allowances	**4,949**	4,118
	664,493	662,592

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

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	2017	**2016**
	RM'000	**RM'000**
Profit/(Loss) attributable to owners of the Company	**14,746**	(387,197)

	2017	**2016**
	'000	**'000**
Weighted average number of ordinary shares in issue	**228,624**	231,509
Effect of treasury shares	**(679)**	(1,895)
Adjusted weighted average number of ordinary shares	**227,945**	229,614

	2017	**2016**
Basic earnings/(loss) per share (sen)	**6.47**	(168.63)

(b) Diluted earnings/(loss) per share

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

10. PROPERTY, PLANT AND EQUIPMENT

The Group	COST As of 1 July 2015 RM'000	Additions RM'000	Disposals RM'000	Write-off RM'000	Currency translation RM'000	As of 30 June 2016 RM'000
Freehold land	4,777	–	–	–	–	4,777
Freehold buildings	8,422	–	–	–	–	8,422
Plant and machinery	28,526	1,174	(1,723)	(7)	797	28,767
Office equipment	1,117	37	–	–	1	1,155
Furniture and fittings	2,406	89	(18)	–	–	2,477
Motor vehicles	2,939	222	–	–	29	3,190
Prime movers and trailers	26,415	–	(1,419)	–	–	24,996
Office renovation	694	–	–	–	–	694
Computer equipment	2,502	88	–	(4)	1	2,587
Chiller max equipment	49	–	(49)	–	–	–
	77,847	1,610	(3,209)	(11)	828	77,065

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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED DEPRECIATION As of 1 July 2015 RM'000	Charge for the year RM'000	Disposals RM'000	Write-off RM'000	Currency translation RM'000	As of 30 June 2016 RM'000
Freehold land	–	–	–	–	–	–
Freehold buildings	2,407	167	–	–	–	2,574
Plant and machinery	13,789	3,150	(716)	(5)	108	16,326
Office equipment	1,033	43	–	–	–	1,076
Furniture and fittings	1,749	230	(18)	–	–	1,961
Motor vehicles	2,238	390	–	–	11	2,639
Prime movers and trailers	16,575	1,865	(1,398)	–	–	17,042
Office renovation	680	4	–	–	–	684
Computer equipment	2,004	221	–	(3)	–	2,222
Chiller max equipment	49	–	(49)	–	–	–
	40,524	6,070	(2,181)	(8)	119	44,524

	ACCUMULATED DEPRECIATION						ACCUMULATED IMPAIRMENT LOSSES	NET BOOK VALUE	
The Group	As of 1 July 2016 RM'000	Charge for the year RM'000	Disposals RM'000	Write-off RM'000	Currency Translation RM'000	As of 30 June 2017 RM'000	As of 1 July 2015/ 30 June 2016/ 1 July 2016/ 30 June 2017 RM'000	As of 30 June 2017 RM'000	As of 30 June 2016 RM'000
Freehold land	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,777**	4,777
Freehold buildings	**2,574**	**167**	**–**	**–**	**–**	**2,741**	**–**	**5,681**	5,848
Plant and machinery	**16,326**	**2,647**	**(749)**	**–**	**218**	**18,442**	**–**	**10,813**	12,441
Office equipment	**1,076**	**86**	**(5)**	**(15)**	**–**	**1,142**	**–**	**5**	79
Furniture and fittings	**1,961**	**191**	**–**	**(5)**	**–**	**2,147**	**–**	**330**	516
Motor vehicles	**2,639**	**255**	**(183)**	**–**	**19**	**2,730**	**–**	**298**	551
Prime movers and trailers	**17,042**	**1,640**	**(3,441)**	**–**	**–**	**15,241**	**3,216**	**2,274**	4,738
Office renovation	**684**	**4**	**–**	**–**	**–**	**688**	**–**	**6**	10
Computer equipment	**2,222**	**155**	**(38)**	**(31)**	**1**	**2,309**	**–**	**369**	365
Chiller max equipment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–
	44,524	**5,145**	**(4,416)**	**(51)**	**238**	**45,440**	**3,216**	**24,553**	29,325

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	COST As of 1 July 2015/ 30 June 2016/ 1 July 2016 RM'000	Addition RM'000	Disposal RM'000	As of 30 June 2017 RM'000
Freehold land	**4,777**	**–**	**–**	**4,777**
Office equipment	**222**	**–**	**–**	**222**
Furniture and fittings	**392**	**1**	**–**	**393**
Motor vehicles	**558**	**–**	**–**	**558**
Office renovation	**256**	**–**	**–**	**256**
Computer equipment	**224**	**–**	**(23)**	**201**
	6,429	**1**	**(23)**	**6,407**

The Company	ACCUMULATED DEPRECIATION As of 1 July 2015 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2016/ 1 July 2016 RM'000	Charge for the year RM'000	Disposal RM'000	As of 30 June 2017 RM'000	NET BOOK VALUE As of 30 June 2017 RM'000	As of 30 June 2016 RM'000
Freehold land	–	–	–	**–**	**–**	**–**	**–**	**4,777**	4,777
Office equipment	222	–	–	**222**	**–**	**–**	**222**	**–**	–
Furniture and fittings	392	–	–	**392**	**1**	**–**	**393**	**–**	–
Motor vehicles	488	70	–	**558**	**–**	**–**	**558**	**–**	–
Office renovation	256	–	–	**256**	**–**	**–**	**256**	**–**	–
Computer equipment	221	3	–	**224**	**–**	**(23)**	**201**	**–**	–
	1,579	73	–	**1,652**	**1**	**(23)**	**1,630**	**4,777**	4,777

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

	The Group 2017 RM'000	2016 RM'000
Motor vehicles	**198**	364

11. INVESTMENT PROPERTIES

	The Group and The Company	
	2017 RM'000	2016 RM'000
Cost:		
At beginning and end of year	**906**	906
Accumulated depreciation:		
At beginning of year	**310**	292
Charge for the year	**18**	18
At end of year	**328**	310
Net book value	**578**	596
Fair value	**865**	865

The income earned by the Company from the rental of investment properties to subsidiary companies amounted to RM7,200 (2016: RM7,200).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM633 (2016: RM496). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM10,215 (2016: RM9,151).

The fair value of investment properties is estimated by reference to market evidence of transaction prices for similar properties.

At the end of the reporting period, the fair value of the Group's and the Company's investment properties are measured using Level 2 valuation technique as disclosed in Note 3.

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares - at cost	**328,599**	276,717
Capital contribution	**355,000**	355,000
Less: Accumulated impairment losses	**(411,953)**	(377,800)
Net	**271,646**	253,917

<u>Movement in the accumulated impairment losses</u>

	The Company	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**377,800**	800
Addition	**34,153**	377,000
At end of year	**411,953**	377,800

(a) Amount owing by subsidiary companies

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

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

During the previous financial year, the amount owing by a subsidiary company of RM355,000,000 had been capitalised as capital contribution arose from the inter-company balance rationalisation plan of the Group.

(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.

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

	The Company	
	2017	**2016**
	RM'000	**RM'000**
Ringgit Malaysia	**9,149**	20,537
United States Dollar	**25,854**	24,212
	35,003	44,749

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

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

	Profit allocated to NCI RM'000	Accumulated NCI RM'000
2017		
Other individually immaterial subsidiary companies	**13**	**757**
2016		
Lion AMB	311	–
Other individually immaterial subsidiary companies	15	744
	326	744

The subsidiary companies are as follows:

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Gama Harta Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Lion AMB #	Malaysia	**100.00**	100.00	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Ototek Sdn Bhd	Malaysia	**70.00**	70.00	Dormant
Posim EMS Sdn Bhd	Malaysia	**100.00**	80.00	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of building materials and steel products

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Posim Petroleum Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and distribution of petroleum products
Singa Logistics Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of transportation services
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	**100.00**	100.00	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary company of Intra Inspirasi Sdn Bhd				
Beijing Youshi Trading Co Ltd #	People's Republic of China	**100.00**	100.00	Dormant
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
Alpha Deal Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Bright Triumph Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Brilliant Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Classy Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Distinct Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Dynamic Shine Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Elite Harvest Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Elite Image Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Eminent Elite Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Eminent Prosper Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Grand Ray Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Great Zone Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Harvest Boom Investments Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Jade Harvest International Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Jade Power Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Mile Treasure Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Pinnacle Treasure Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Sky Yield Group Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Superb Harvest Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Superb Reap Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Ultra Strategy Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding
Up Reach Limited ^	British Virgin Islands	**100.00**	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of BVI Companies				
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Brilliant Elite (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Classy Elite (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Distinct Harvest (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Double Merits (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Dynamic Shine (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Elite Harvest (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Elite Image (Cambodia) Co., Ltd ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Eminent Prosper (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Grand Ray (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Great Zone (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
Green Choice (Cambodia) Co., Limited ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Harvest Boom (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Jade Harvest (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Jade Power (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Mile Treasure (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Ltd ^	Cambodia	**100.00**	100.00	Investment and development in agriculture
Sky Yield (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Superb Harvest (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Superb Reap (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Ultra Strategy (Cambodia) Co., Ltd ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture
Up Reach (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	**100.00**	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Percentage ownership 2017 %	2016 %	Principal activities
Subsidiary companies of Lion AMB				
AMB Harta (L) Limited	Malaysia	**100.00**	100.00	Treasury business
AMB Harta (M) Sdn Bhd #	Malaysia	**100.00**	100.00	Managing of debts novated from Lion AMB and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB and certain of its subsidiary companies
AMB Venture Sdn Bhd#	Malaysia	**100.00**	100.00	Investment holding
CeDR Corporate Consulting Sdn Bhd #	Malaysia	**100.00**	100.00	Provision of training services
Subsidiary companies of AMB Venture Sdn Bhd				
Chrome Marketing Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Range Grove Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
Seintasi Sdn Bhd #	Malaysia	**100.00**	100.00	Investment holding
AMB Aerovest Limited ^ (Dissolved on 4 May 2017)	British Virgin Islands	**–**	100.00	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	**100.00**	100.00	Provision of management services
Subsidiary companies of Seintasi Sdn Bhd				
Willet Investment Pte Ltd #	Singapore	**100.00**	100.00	Investment holding
Lion AMB Holdings Pte Ltd # (Dissolved on 4 October 2016)	Singapore	**–**	100.00	Investment holding
Lion Rubber Industries Pte Ltd # (Dissolved on 4 October 2016)	Singapore	**–**	100.00	Investment holding

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

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

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

13. INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2017 RM'000	**2016 RM'000**
At cost:		
Quoted investment outside Malaysia	**83,486**	83,486
Unquoted investments	**15,289**	15,289
	98,775	98,775
Share of post-acquisition results and reserves less dividends received	**(46,750)**	(64,830)
	52,025	33,945
Reclassified as asset held for sale (Note 22)	**(5,365)**	–
	46,660	33,945
Market value of quoted investment outside Malaysia	**42,585**	24,395

The associated companies are as follows:

Name of companies	Financial Year-end	Country of incorporation	Percentage ownership 2017 %	Percentage ownership 2016 %	Principal activities
Lion Asiapac Limited #	30 June	Singapore	**36.68**	36.68	Investment holding
Renor Pte Ltd #	30 June	Singapore	**20.00**	20.00	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd # (Disposed of on 14 September 2017)	31 March	Malaysia	**20.00**	20.00	Investment holding

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

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

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

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

2016	LAP RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised of financial information			
Proportion of the Group's percentage ownership	36.68%		
Assets and liabilities			
Non-current assets	136,155	16,812	152,967
Current assets	179,585	52,874	232,459
Non-current liabilities	(942)	(1,818)	(2,760)
Current liabilities	(113,469)	(18,840)	(132,309)
Non-controlling interests	(400)	–	(400)
Net assets	200,929	49,028	249,957
Results			
Revenue	32,642	43,840	76,482
Loss for the year	(6,676)	(18,536)	(25,212)
Group's share of loss of associated companies	(2,449)	(3,707)	(6,156)
Dividend received from associated companies	452	–	452
Reconciliation of net assets to carrying amount			
Group's share of net assets	73,700	9,806	83,506
Other adjustments on equity	(45,201)	(4,360)	(49,561)
Carrying amount in the statements of financial position	28,499	5,446	33,945

The Group's share of losses of the associated companies has been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses are as follows:

	The Group 2017 RM'000	2016 RM'000
At beginning and end of year	**26,739**	26,739

Amount owing by an associated company is as follows:

	The Group 2017 RM'000	2016 RM'000
Amount owing by an associated company	**1,606**	1,606
Less: Accumulated impairment losses	**(1,606)**	(1,606)
Net	**–**	–

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2017	2016
	RM'000	RM'000
Movement in the accumulated impairment losses		
At beginning and end of year	**1,606**	1,606

14. OTHER INVESTMENTS

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Available-for-sale investments				
At fair value:				
Quoted investments in Malaysia:				
At fair value				
Shares	**31,920**	882	**31,920**	–
Warrants	**–**	17	**–**	–
Quoted investments outside Malaysia:				
Shares - at fair value	**186**	155	**–**	–
	32,106	1,054	**31,920**	–
At cost:				
Unquoted investments	**1,731**	1,731	**3**	3
	33,837	2,785	**31,923**	3
Held-to-maturity investments				
At amortised cost:				
Unquoted bonds (at cost, adjusted for accretion of interest)	**52,959**	52,991	**–**	–
Less: Accumulated impairment losses	**(52,959)**	(52,991)	**–**	–
	–	–	**–**	–
Total	**33,837**	2,785	**31,923**	3
Market value of quoted investments:				
In Malaysia	**31,920**	899	**31,920**	–
Outside Malaysia	**186**	155	**–**	–

Investment in unquoted bonds of the Group bears yield-to-maturity at 4.75% (2016: 4.75%) per annum.

The Group and the Company also recognised an impairment loss amounting to RM11,043,000 and RM10,144,000 (2016: RM705,000 and RMNil) respectively in respect of quoted investments designated as available-for-sale financial assets due to significant and prolonged decline in the fair values of these investments below their costs.

15. INTANGIBLE ASSETS

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Cost:		
At beginning and end of year	**500**	500
Accumulated amortisation:		
At beginning and end of year	**(196)**	(196)
Accumulated impairment losses:		
At beginning and end of year	**(304)**	(304)
	–	–

16. GOODWILL ON CONSOLIDATION

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Goodwill on consolidation:		
At beginning and end of year	**191**	191
Accumulated impairment losses:		
At beginning and end of year	**(191)**	(191)
	–	–

17. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**3,876**	2,916	**(280)**	(280)
Transfer from/(to) profit or loss (Note 8):				
Property, plant and equipment	**1,163**	(472)	**–**	–
Inventories	**(13)**	31	**–**	–
Other payables and accrued expenses	**1,221**	1,401	**–**	–
	2,371	960	**–**	–
At end of year	**6,247**	3,876	**(280)**	(280)

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

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deferred tax assets	**6,944**	5,638	**–**	–
Deferred tax liabilities	**(697)**	(1,762)	**(280)**	(280)
	6,247	3,876	**(280)**	(280)

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

	The Group		The Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deferred tax assets				
Temporary differences arising from:				
Property, plant and equipment	**282**	213	**–**	–
Inventories	**302**	315	**–**	–
Other payables and accrued expenses	**6,507**	5,286	**–**	–
	7,091	5,814	**–**	–
Offsetting	**(147)**	(176)	**–**	–
Deferred tax assets (after offsetting)	**6,944**	5,638	**–**	–
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**826**	1,920	**262**	262
Other payables and accrued expenses	**18**	18	**18**	18
	844	1,938	**280**	280
Offsetting	**(147)**	(176)	**–**	–
Deferred tax liabilities (after offsetting)	**697**	1,762	**280**	280

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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

(a) Amount owing by immediate holding company, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, is interest-free and repayable on demand except for trade amounts which have a credit period of 60 days (2016: 60 days).

(b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (2016: 60 days). The entire amount owing by other related companies of the Group and of the Company are interest-free except for an amount of RM92,239,000 (2016: RM106,304,000) which bears interest at 6.20% (2016: 6.20%) per annum.

As of 30 June 2017, 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, RM92,239,000 (2016: RM106,304,000) is due from a related company, LLB Harta (M) Sdn Bhd, which constitutes approximately 85% (2016: 99%) of the Group's amount owing by other related companies.

(c) Amounts owing to other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2016: 60 days).

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

		The Company	
		2017	**2016**
Name of Companies	**Nature**	**RM'000**	**RM'000**
With subsidiary companies:			
Posim Marketing Sdn Bhd	Trade sales	**28**	4,020
	Rental income	**4**	4
	Management fee income	**1,108**	1,164
Posim Petroleum Marketing Sdn Bhd	Rental income	**3**	3
	Management fee income	**556**	507
Posim EMS Sdn Bhd	Interest income on advances	**–**	210
	Management fee income	**–**	100
Lion Petroleum Products Sdn Bhd	Rental expenses	**14**	14
	Management fee income	**50**	54
Lion AMB Resources Berhad	Interest expense on advances	**–**	6,545

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	**1,599**	2,406	**–**	–
	Provision of transportation services	**2,512**	1,983	**–**	–
	Provision of training services	**7**	17	**–**	–
With other related companies:					
LLB Harta (M) Sdn Bhd	Interest income on advances	**5,935**	7,330	**5,935**	7,330
Lion Group Management Services Sdn Bhd	Management fee expenses	**4,659**	5,487	**1,864**	–
Antara Steel Mills Sdn Bhd	Trade sales	**156**	148	**–**	–
	Provision of transportation services	**–**	35	**–**	–
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**89,680**	74,440	**–**	–
With related parties					
Megasteel Sdn Bhd	Trade sales	**–**	113,481	**–**	–
	Trade purchases	**–**	86,679	**–**	–
	Provision of transportation services	**–**	3,269	**–**	–
	Provision of training services	**47**	158	**–**	–
Lion DRI Sdn Bhd	Trade sales	**–**	21,127	**–**	–
	Trade purchases	**–**	61,549	**–**	–
	Provision of transportation services	**–**	4	**–**	–

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

		The Group		The Company	
Name of Companies	Nature	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
With related parties (continued)					
Bright Steel Sdn Bhd	Trade sales	–	5,980	–	–
Parkson Corporation Sdn Bhd	Trade sales	**1,814**	5,142	–	–
	Provision of training services	**15**	31	–	–
Lion Titco Resources Sdn Bhd	Trade sales	–	73	–	–
	Trade purchase	–	793	–	–
Akurjaya Sdn Bhd	Interest income	**327**	335	**327**	335

During the year, the Group and the Company have acquired quoted shares of Parkson Holdings Berhad, a related party, from a Director amounting to RM42,064,200.

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

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

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Receivables:				
Included in trade receivables	**383,081**	384,839	–	–
Included in other receivables	**287,349**	293,691	**4,092**	4,230
Payables:				
Included in trade payables	**410**	410	–	–

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries and other remuneration	**1,625**	1,582	**1,313**	1,290
Defined contribution plans	**134**	137	**96**	102
Benefits-in-kind	**38**	37	**31**	30
	1,797	1,756	**1,440**	1,422

19. INVENTORIES

	The Group	
	2017 RM'000	2016 RM'000
Finished goods	**234**	326
Raw materials	**6,462**	5,691
Trading merchandise	**10,832**	9,948
Others	**674**	452
	18,202	16,417
Less: Allowance for slow-moving and obsolete inventories	**(1,256)**	(1,332)
Net	**16,946**	15,085

During the financial year, inventories amounting to RM131,000 (2016: RM97,000) were written off against allowance for slow-moving and obsolete inventories.

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	**491,816**	498,798	**4,345**	4,420
Less: Accumulated impairment losses	**(403,247)**	(400,135)	**(4,345)**	(4,345)
Net	**88,569**	98,663	**–**	75

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

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

(a) Trade receivables (continued)

The credit period granted for sale of goods ranges from 30 to 90 days (2016: 30 to 90 days). Impairment losses are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group and the Company have trade receivables totalling RM15,415,000 and RMNil (2016: RM17,310,000 and RM75,000) respectively that are past due at the end of the reporting period but against which the Group and the Company have not recognised impairment losses as the amounts are still considered recoverable.

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired	**73,154**	81,353	**–**	–
Past due but not impaired	**15,415**	17,310	**–**	75
Past due and impaired	**403,247**	400,135	**4,345**	4,345
	491,816	498,798	**4,345**	4,420
Ageing of past due but not impaired				
1 to 30 days	**10,807**	15,418	**–**	–
31 to 60 days	**3,526**	1,072	**–**	–
61 to 90 days	**120**	266	**–**	–
More than 90 days	**962**	554	**–**	75
	15,415	17,310	**–**	75

Movement in the accumulated impairment losses

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**400,135**	156,740	**4,345**	906
Addition	**4,947**	245,802	**–**	3,439
No longer required	**(1,511)**	(1,005)	**–**	–
Written off	**(324)**	(1,402)	**–**	–
At end of year	**403,247**	400,135	**4,345**	4,345

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

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

(a) Trade receivables (continued)

As of 30 June 2017, the Group has trade receivables due from two major related parties, Megasteel Sdn Bhd ("Megasteel") and Lion DRI Sdn Bhd ("Lion DRI") as follows:

	The Group	
	2017 RM'000	2016 RM'000
Megasteel	**330,249**	330,249
Lion DRI	**52,007**	52,007
	382,256	382,256
Less: Accumulated impairment losses	**(382,256)**	(382,256)
Net	**–**	–

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

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	**296,933**	303,733	**4,120**	4,249
Less: Accumulated impairment losses	**(283,203)**	(284,937)	**–**	–
	13,730	18,796	**4,120**	4,249
Deposits	**112,940**	105,420	**81**	66
Prepaid expenses	**1,835**	2,199	**93**	96
	128,505	126,415	**4,294**	4,411

Movement in the accumulated impairment losses

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of year	**284,937**	132,825	**–**	–
Addition	**–**	152,524	**–**	–
No longer required	**(1,734)**	(145)	**–**	–
Written off	**–**	(267)	**–**	–
At end of year *	**283,203**	284,937	**–**	–

* Included in this amount is an impairment loss of RM279,038,000 (2016: RM279,038,000) on the amounts due from Graimpi and Megasteel, both are related parties.

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

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

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

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

- RM272,180,000 (2016: RM272,180,000) due from Graimpi representing debts novated from Lion DRI in prior years, which bears interest at 8.85% per annum.

  At the end of the reporting period, the Group recognised an impairment loss amounting to RM272,180,000 (2016: RM272,180,000) on the said outstanding receivables due from Graimpi.

- RM4,078,000 (2016: RM4,217,000) due from Akurjaya Sdn Bhd ("Akurjaya"), a related party, represents a reimbursement for amounts incurred by the Group pursuant to the share sale agreement entered into between Akurjaya and the Company for the disposal of the entire equity interest in Lion Agriculture (Indonesia) Sdn Bhd together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% (2016: 1%) above base lending rate per annum.

  During the financial year, a total repayment of RM0.5 million (2016: RM0.5 million) was made by Akurjaya to the Group.

  The said amount was rescheduled to be settled by 31 December 2017.

- RM6,858,000 (2016: RM6,858,000) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years. At the end of the reporting period, the Group recognised an impairment loss amounting to RM6,858,000 (2016: RM6,858,000) on the said outstanding receivables due from Megasteel.

(ii) Included in deposits of the Group are deposits totalling USD25,733,000 equivalent to RM110,461,000 (2016: USD25,733,000 equivalent to RM103,407,000) paid by the Group in prior years mainly for the purposes of land clearing, and the procurement of economic land concession and freehold land in connection with an agricultural project in Cambodia.

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

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Ringgit Malaysia	**299,663**	306,432
United States Dollar	**112,045**	104,920
	411,708	411,352

21. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed deposits with licensed banks:				
Restricted	**26,953**	25,669	**–**	–
Unrestricted	**38,848**	51,289	**4,810**	9,998
	65,801	76,958	**4,810**	9,998
Cash and bank balances:				
Restricted	**1,375**	3	**–**	3
Unrestricted	**22,830**	26,969	**1,961**	5,581
	24,205	26,972	**1,961**	5,584
	90,006	103,930	**6,771**	15,582

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

Fixed deposits with licensed banks earn interest at rates ranging from 1.20% to 2.90% (2016: 1.03% to 3.20%) per annum and have maturity periods ranging from 1 to 365 days (2016: 1 to 366 days).

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	**60,396**	76,400	**6,759**	15,573
Chinese Renminbi	**27,343**	25,746	**–**	–
United States Dollar	**2,229**	1,784	**12**	9
Others	**38**	–	**–**	–
	90,006	103,930	**6,771**	15,582

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company in the People's Republic of China ("PRC") amounting to RM27,343,000 (2016: RM25,746,000) are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

Included in the fixed deposits with licensed banks of the said subsidiary company in PRC is an amount of RM26,000,000 (2016: RM22,800,000) secured for banking facilities as disclosed in Note 28.

22. ASSET CLASSIFIED AS HELD FOR SALE

	The Group 2017 RM'000	The Group 2016 RM'000
Transfer from investment in associated companies (Note 13)	**5,365**	–

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

23. SHARE CAPITAL

	The Group and The Company			
	2017		2016	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Authorised:				
Ordinary shares of RM1.00 each	–	–	500,000	500,000
Issued and fully paid:				
Ordinary shares:				
At beginning of year	**231,572**	**231,572**	231,572	231,572
Transfer from share premium	–	**689,330**	–	–
At end of year	**231,572**	**920,902**	231,572	231,572

The Company's issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act 2016 ("Act"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the provisions of the Act, the amount standing to the credit of the Company's share premium account and capital redemption reserve has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account and capital redemption reserves in a manner as specified by the Act.

24. RESERVES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-distributable reserves:				
Share premium	–	689,330	–	689,330
Treasury shares	**(2,277)**	(1,857)	**(2,277)**	(1,857)
Translation adjustment reserve	**51,481**	44,847	–	–
Capital reserve	–	382	–	382
Capital redemption reserve	–	280	–	–
Fair value reserve	**96**	65	–	–
Accumulated losses	**(433,905)**	(449,313)	**(560,002)**	(541,356)
	(384,605)	283,734	**(562,279)**	146,499

Share premium

Share premium arose from the premium on the issuance of new ordinary shares in prior financial years and share-based payment transactions for options already exercised by employees. During the financial year, the amount has been reclassified to share capital in accordance with the Companies Act 2016.

Treasury shares

This amount relates to the acquisition cost of treasury shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interest of the Company and of its shareholders.

During the financial year, the Company repurchased a total of 797,500 (2016: 2,885,000) of its ordinary shares from the open market at an average price of RM0.53 (2016: RM0.63) per share. The total consideration paid for the repurchase including transaction costs was RM419,966 (2016: RM1,807,196). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As of 30 June 2017, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747.

Translation adjustment reserve

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

Equity compensation reserve

Equity compensation reserve relates to the equity-settled share options granted to eligible employees by the Company, is made up of the cumulative value of services received from employees recorded on grant of share options.

Capital reserve

The capital reserve, which arose from share options lapsed, reclassified from equity compensation reserve in prior years. During the financial year, the amount has been reclassified to accumulated losses.

Capital redemption reserve

The capital redemption reserve, which is not available for the payment of dividends, arose from the redemption of redeemable preference shares by subsidiary companies. During the financial year, the amount has been reclassified to accumulated losses.

Fair value reserve

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

25. HIRE-PURCHASE PAYABLES

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Total outstanding	**257**	531	**39**	102
Less: Interest-in-suspense	**(15)**	(37)	**(1)**	(4)
Principal portion	**242**	494	**38**	98
Payable as follows:				
Within the next 12 months (shown under current liabilities)	**145**	228	**38**	60
After the next 12 months	**97**	266	**–**	38
	242	494	**38**	98

The interest rates implicit in these hire-purchase obligations range from 2.47% to 4.68% (2016: 2.47% to 4.68%) per annum.

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (2016: 30 to 90 days).

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

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Ringgit Malaysia	**22,336**	38,715	**–**	9
United States Dollar	**846**	963	**–**	–
Others	**–**	56	**–**	–
	23,182	39,734	**–**	9

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group 2017 RM'000	The Group 2016 RM'000	The Company 2017 RM'000	The Company 2016 RM'000
Other payables	**28,955**	25,124	**10,108**	10,109
Accrued expenses	**24,224**	24,802	**5,241**	5,194
Deferred revenue	**14,704**	12,170	**–**	–
	67,883	62,096	**15,349**	15,303

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (continued)

(b) Other payables and accrued expenses (continued)

Deferred revenue

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

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	**63,659**	58,064	**15,349**	15,303
Chinese Renminbi	**4,222**	4,030	**–**	–
Others	**2**	2	**–**	–
	67,883	62,096	**15,349**	15,303

27. PROVISION

	The Group and The Company	
	2017	2016
	RM'000	RM'000
Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees:		
At beginning of year	**–**	–
Provision during the year	**3,300**	–
Utilised during the year	**(200)**	–
At end of year	**3,100**	–

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

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

A provision for the indemnity loss of RM3,100,000 has been made on the same basis as the cash settlement for the remaining employees.

28. BANK BORROWINGS

	The Group	
	2017	**2016**
	RM'000	**RM'000**
Secured		
Revolving credit	**23,129**	22,118
Unsecured		
Bankers acceptances	**518**	203
	23,647	22,321

The Company has given corporate guarantees of RM518,000 (2016: RM203,000) to financial institutions for the granting of credit facilities to certain subsidiary companies. The credit facilities bear interest at rates ranging from 5.16% to 5.31% (2016: 5.10% to 5.35%) per annum.

The revolving credit facility pertaining to a subsidiary company is denominated in United States Dollar and secured by a charge on another subsidiary company's fixed deposits with a licensed bank as disclosed in Note 21. The facility bears an average interest rate of 2.50% plus 6 months LIBOR per annum and is repayable on demand or at a rollover option of 6 months.

29. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2016.

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

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

Gearing Ratio

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Debt (i)	**23,889**	22,815	**38**	98
Equity (ii)	**537,054**	516,050	**358,623**	378,071
Debt to equity ratio	**4.45%**	4.42%	**0.01%**	0.03%

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

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

29. FINANCIAL INSTRUMENTS (continued)

Significant accounting policies

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

Categories of financial instruments

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
Available-for-sale investments	**33,837**	2,785	**31,923**	3
Loans and receivables:				
Trade receivables	**88,569**	98,663	**–**	75
Other receivables and refundable deposits	**24,749**	20,809	**4,201**	4,315
Amount owing by subsidiary companies	**–**	–	**444**	51,827
Amount owing by immediate holding company	**101,906**	120,963	**–**	–
Amount owing by other related companies	**108,839**	106,405	**92,239**	106,304
Fixed deposits, cash and bank balances	**90,006**	103,930	**6,771**	15,582
Financial liabilities				
Other financial liabilities:				
Trade payables	**23,182**	39,734	**–**	9
Other payables and accrued expenses	**53,179**	49,926	**15,349**	15,303
Amount owing to other related companies	**1,211**	4,882	**341**	–
Amount owing to subsidiary companies	**–**	–	**35,003**	44,749
Hire-purchase payables	**242**	494	**38**	98
Bank borrowings	**23,647**	22,321	**–**	–

Financial Risk Management Objectives and Policies

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

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

29. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk

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

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

Foreign currency sensitivity analysis

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

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

	The Group		**The Company**	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	**1,267**	557	**2,585**	2,421

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

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

Interest rate risk

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

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

29. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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

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

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 30 June 2017, is the carrying amount of these receivables as disclosed in the statements of financial position.

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

Cash flow risk

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

Liquidity risk

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

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

29. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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

The Group 2017	**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	**23,182**	**–**	**–**	**–**	**23,182**	**–**
Other payables and accrued expenses	**67,883**	**–**	**–**	**–**	**67,883**	**–**
Amount owing to other related companies	**1,211**	**–**	**–**	**–**	**1,211**	**–**
	92,276	**–**	**–**	**–**	**92,276**	**–**
Interest bearing:						
Hire-purchase payables	**154**	**58**	**45**	**–**	**257**	**2.47 - 4.68**
Bank borrowings	**23,647**	**–**	**–**	**–**	**23,647**	**5.16 - 5.31**
	23,801	**58**	**45**	**–**	**23,904**	
	116,077	**58**	**45**	**–**	**116,180**	
2016						
Financial liabilities						
Non-interest bearing:						
Trade payables	39,734	–	–	–	39,734	–
Other payables and accrued expenses	62,096	–	–	–	62,096	–
Amount owing to other related companies	4,882	–	–	–	4,882	–
	106,712	–	–	–	106,712	–
Interest bearing:						
Hire-purchase payables	248	174	109	–	531	2.47 - 4.68
Bank borrowings	22,321	–	–	–	22,321	5.10 - 5.35
	22,569	174	109	–	22,852	
	129,281	174	109	–	129,564	

29. **FINANCIAL INSTRUMENTS** (continued)

The Company 2017	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities						
Non-interest bearing:						
Other payables and accrued expenses	**15,349**	**–**	**–**	**–**	**15,349**	**–**
Amount owing to subsidiary companies	**35,003**	**–**	**–**	**–**	**35,003**	**–**
Amount owing to other related companies	**341**	**–**	**–**	**–**	**341**	**–**
	50,693	**–**	**–**	**–**	**50,693**	
Interest bearing:						
Hire-purchase payables	**39**	**–**	**–**	**–**	**39**	**2.47 - 4.68**
	50,732	**–**	**–**	**–**	**50,732**	
2016						
Financial liabilities						
Non-interest bearing:						
Trade payables	9	–	–	–	9	–
Other payables and accrued expenses	15,303	–	–	–	15,303	–
Amount owing to subsidiary companies	44,749	–	–	–	44,749	–
	60,061	–	–	–	60,061	
Interest bearing:						
Hire-purchase payables	64	38	–	–	102	2.47 - 4.68
	60,125	38	–	–	60,163	

29. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2017				
Financial assets				
Available-for-sale investments:				
Quoted investments	**32,106**	**32,106 ^**	**31,920**	**31,920**
Unquoted investments	**1,731**	**– #**	**3**	**– #**
Financial liability				
Hire-purchase payables	**242**	**252 ***	**38**	**39 ***
2016				
Financial assets				
Available-for-sale investments:				
Quoted investments	1,054	1,054 ^	–	–
Unquoted investments	1,731	– #	3	– #
Financial liability				
Hire-purchase payables	494	516 *	98	101 *

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

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

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

Fair value hierarchy

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

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

29. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2017				
Financial Asset				
Quoted investments	**32,106**	**–**	**–**	**32,106**
2016				
Financial Asset				
Quoted investments	1,054	–	–	1,054
The Company				
2017				
Financial Asset				
Quoted investments	**31,920**	**–**	**–**	**31,920**

Fair value of financial instruments that are not measured at fair value in the statements of financial position at the end of the reporting period (but fair value disclosures are required) are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2017				
Financial Liability				
Hire-purchase payables	**–**	**–**	**252**	**252**
2016				
Financial Liability				
Hire-purchase payables	–	–	516	516
The Company				
2017				
Financial Liability				
Hire-purchase payables	**–**	**–**	**39**	**39**
2016				
Financial Liability				
Hire-purchase payables	–	–	101	101

30. CONTINGENT LIABILITIES

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

Indemnity for back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments. The contingent liabilities in relation to these claims have been reduced from RM23,427,401 to RM18,897,258 after the cash settlement with certain SFI's employees and provision made during the financial year as disclosed in Note 27.

On 15 April 2009, the Labour Court upheld SFI's preliminary objections and had dismissed the Complainants' claims. Upon appeal by the Complainants, the High Court had on 17 July 2009 allowed the appeal with costs to be taxed and ordered the Labour Court to proceed with the inquiry of the Complainants' claims.

On 7 August 2009, SFI appealed to the Court of Appeal against the whole decision of the High Court. On 15 May 2013, the Court of Appeal dismissed SFI's appeal with costs. Thereafter, SFI had filed an application to the Federal Court on 13 June 2013 for leave to appeal against the decision of the Court of Appeal. On 27 March 2014, the application for leave to appeal was withdrawn in view of certain recent legal authorities which rules that the Federal Court does not have jurisdiction to hear cases which originated from the Labour Court.

On 13 July 2017, SFI obtained a restraining order whereby all proceedings including but not limited to all proceedings in the Labour Court shall be restrained and stayed for a period of 3 months from the date of the Court order.

The Directors of the Company, after consultation with SFI's lawyers, are of the opinion that there is a good defence for the above litigation claims.

Indemnity for litigation claims in respect of wrongful encroachment and trespass of a piece of land

On 14 February 2005, a registered owner of a piece of land ("Plaintiff") filed a claim against SFI for wrongful encroachment and damages for the trespassing of Plaintiff's land measuring approximately 0.71 acre which SFI had acquired in 1985 (with a Memorandum of Transfer) to construct an access road in Sabah for the purpose of transporting the felled logs from its timber concession area to its wood yard and log yard ("Access Road").

On 16 November 2009, the High Court decided that the Memorandum of Transfer was null and void and of no legal effect being in contravention of the provisions of the Sabah Land Ordinance. The High Court had ordered SFI to cease using the Access Road and for damages to be assessed for trespass and/or wrongful encroachment.

SFI had subsequently appealed to the Court of Appeal and on 11 November 2014, the Court of Appeal ruled that there is a "transaction" involving land and that transaction falls under dealings prohibited by the Sabah Land Ordinance.

SFI then applied for leave to appeal to the Federal Court. On 9 December 2015, the Federal Court dismissed SFI's application for leave to appeal.

30. CONTINGENT LIABILITIES (continued)

Indemnity for litigation claims in respect of wrongful encroachment and trespass of a piece of land (continued)

The Plaintiff has proceeded with assessment of damages before the Senior Assistant Registrar of the High Court ("SAR") on 8 August 2016. On 20 August 2016, the Senior Assistant Registrar's assessment of damages is as follows:

(i) RM10,263 plus RM515,889 for the trespass.
(ii) Interest at the rate of 8% per annum calculated on the above amount from the date of High Court judgement from 16 November 2009 until full payment; and
(iii) Cost of RM5,000.

On 31 October 2016, SFI appealed to the High Court Judge. On 18 July 2017, the High Court Judge dismissed SFI's appeal with costs.

On 14 August 2017, SFI appealed to the Court of Appeal. The Court of Appeal has yet to fix a date to hear SFI's appeal.

No provision has been made by the Directors of the Company, after consultation with SFI's lawyers.

Corporate guarantees

	The Company	
	2017	**2016**
	RM'000	**RM'000**
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies (Note 28)	**518**	203

31. SEGMENT INFORMATION

Business Segments

The Group's activities are classified into three (3) major business segments:

- trading and distribution of building materials and steel products
- manufacture and trading of lubricants, petroleum and automotive products
- others

Others include mainly investment holding, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products and agriculture, 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.

31. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2017	Building materials and steel products RM'000	Lubricants, petroleum and automotive products RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue					
External customers	251,428	81,389	6,841	–	339,658
Inter-segment sales	–	7	16	(23)	–
Total revenue	251,428	81,396	6,857	(23)	339,658
Results					
Segment results	5,658	11,516	(5,995)	–	11,179
Unallocated expenses					(1,113)
Unallocated income					5,935
Profit from operations					16,001
Finance costs	(8)	(39)	(860)	–	(907)
Share in results of associated companies	–	–	17,667	–	17,667
Provision for indemnity for damages arising from back pay labour claims	–	–	(3,300)	–	(3,300)
Net impairment losses on trade and other receivables	(3,268)	(168)	1,734	–	(1,702)
Impairment losses on quoted investments	(185)	(255)	(10,603)	–	(11,043)
Profit before tax					16,716
Income tax expense					(1,957)
Profit for the year					14,759
Consolidated Statement of Financial Position					
Segment assets	222,937	81,980	200,163	–	505,080
Investment in associated companies					46,660
Unallocated corporate assets					105,315
Consolidated Total Assets					657,055
Segment liabilities	35,602	34,573	47,879	–	118,054
Unallocated corporate liabilities					1,947
Consolidated Total Liabilities					120,001
Other Information					
Capital expenditure	3	1,218	3	–	1,224
Depreciation	154	1,816	3,193	–	5,163
Other non-cash items	3,453	358	1,561	–	5,372

31. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2016	**Building materials and steel products RM'000**	**Lubricants, petroleum and automotive products RM'000**	**Others RM'000**	**Eliminations RM'000**	**Total RM'000**
Revenue					
External customers	477,879	75,032	12,192	–	565,103
Inter-segment sales	–	3	317	(320)	–
Total revenue	477,879	75,035	12,509	(320)	565,103
Results					
Segment results	8,690	11,076	(1,060)	–	18,706
Unallocated expenses					(1,083)
Unallocated income					7,330
Profit from operations					24,953
Finance costs	(8)	(48)	(730)	–	(786)
Share in results of associated companies	–	–	(6,156)	–	(6,156)
Net impairment losses on trade and other receivables	(357,962)	(7,214)	(32,000)	–	(397,176)
Impairment losses on quoted investments	(148)	(204)	(353)	–	(705)
Loss before tax					(379,870)
Income tax expense					(7,001)
Loss for the year					(386,871)
Consolidated Statement of Financial Position					
Segment assets	251,031	80,697	164,346	–	496,074
Investment in associated companies					33,945
Unallocated corporate assets					117,963
Consolidated Total Assets					647,982
Segment liabilities	51,243	29,859	43,543	–	124,645
Unallocated corporate liabilities					7,287
Consolidated Total Liabilities					131,932
Other Information					
Capital expenditure	234	1,283	93	–	1,610
Depreciation	202	1,995	3,891	–	6,088
Other non-cash items	358,133	7,634	32,078	–	397,845

31. SEGMENT INFORMATION (continued)

Geographical Segments

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

(i) Malaysia - trading and distribution of building materials and steel products, manufacture and trading of lubricants, petroleum and automotive products, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products, and investment holding

(ii) Others - countries which are not sizable to be reported separately

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

	Revenue	
	2017	**2016**
	RM'000	**RM'000**
Malaysia	**339,658**	565,103

	Total assets		Capital expenditures	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**464,258**	480,650	**1,224**	1,599
Singapore	**46,660**	28,499	**–**	–
Other countries	**146,137**	138,833	**–**	11
	657,055	647,982	**1,224**	1,610

In determining the geographical segments of the Group, revenue is determined based on the country in which customers are located. Total assets and capital expenditures are determined based on where the assets are located.

Information about major customers

Revenue of the Group of approximately RM4,111,000 (2016: RM142,270,000) from the building materials, steel products and lubricants, petroleum and automotive products divisions and transportation services is derived from immediate holding company (2016: Derived from two related parties and immediate holding company).

32. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 21)	**38,848**	51,289	**4,810**	9,998
Cash and bank balances (unrestricted) (Note 21)	**22,830**	26,969	**1,961**	5,581
	61,678	78,258	**6,771**	15,579

SUPPLEMENTARY INFORMATION

The breakdown of the accumulated losses of the Group and of the Company as of 30 June 2017 and 30 June 2016, into realised and unrealised profits/(losses) is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements", as issued by the Malaysian Institute of Accountants, and the directive of Bursa Securities.

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total accumulated losses of the Company and its subsidiary companies				
Realised	**(464,086)**	(463,777)	**(559,722)**	(541,076)
Unrealised	**(15,387)**	(13,902)	**(280)**	(280)
	(479,473)	(477,679)	**(560,002)**	(541,356)
Total accumulated losses from associated companies				
Realised	**(4,707)**	(22,441)	**–**	–
Unrealised	**(344)**	188	**–**	–
	(5,051)	(22,253)	**–**	–
Add: Consolidation adjustments	**50,619**	50,619	**–**	–
Total accumulated losses	**(433,905)**	(449,313)	**(560,002)**	(541,356)

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2017 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

The supplementary information set out on page 135 which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 'Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements' as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

TAN SRI WILLIAM H.J. CHENG **CHAN HO WAI**

Kuala Lumpur
9 October 2017

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

I, **CHAN HO WAI**, the Director primarily responsible for the financial management of **LION FOREST INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHAN HO WAI

Subscribed and solemnly declared by the
abovenamed **CHAN HO WAI** at
KUALA LUMPUR in the **FEDERAL TERRITORY**
on this 9th day of October, 2017.

Before me,

W 530
TAN SEOK KETT
COMMISSIONER FOR OATHS