FINANCIAL STATEMENTS

2017

For The Financial Year Ended 30 June 2017

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associates and joint venture are disclosed in Notes 14, 15 and 16 to the financial statements respectively.

Information relating to the subsidiaries is disclosed in Note 14 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	(65,890)	(132,179)
Attributable to:		
Owners of the Company	(65,890)	(132,179)
Non-controlling interests	–	–
	(65,890)	(132,179)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the matters as disclosed in Note 2.1 to the financial statements.

DIRECTORS

The name of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Tan Sri Dato' Seri Dr Aseh bin Haji Che Mat
Dato' Mohamad Kamarudin bin Hassan
Tan Chee Chai
Ooi Kim Lai

DIRECTORS (Continued)

The name of the Directors who held office in the subsidiaries of the Company since the beginning of the financial year to the date of this report are:

Chai Voon Choy
Chan Ho Wai
Cheng Hui Ya, Serena
Cheng Theng How
Cheng Toek Waa
Chow Kim Ming
Chuah Say Chin
Dato' Kamaruddin @ Abas bin Nordin
Haji Mohamad Khalid bin Abdullah
Khor Toong Yee
Koh Yong Heng
Lee Whay Keong
Ooi Kim Lai
Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Wang Wing Ying
Yap Chan Mei

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7(a) to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 37 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

DIRECTORS' REMUNERATION

Directors' remuneration is disclosed in Note 7(a) to the financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

		Number of Ordinary Shares		
	1.7.2016	**Acquired**	**Disposed**	**30.6.2017**
Direct Interest				
Tan Sri William H.J. Cheng	364,586,607	–	–	364,586,607
Tan Sri Cheng Yong Kim	9,841,337	–	–	9,841,337
Ooi Kim Lai	116	–	–	116
Deemed Interest				
Tan Sri William H.J. Cheng	318,694,862	–	–	318,694,862
Tan Sri Cheng Yong Kim	341,157,070	–	–	341,157,070

The interests of the Directors in office at the end of the financial year in shares in the related corporation during the financial year were as follows:

Deemed Interest
Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim

		Number of Ordinary Shares		
	1.7.2016	**Acquired**	**Disposed**	**30.6.2017**
Subsidiary				
LDH Investment Pte Ltd	4,500,000	–	–	4,500,000

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 corporation during the financial year.

OTHER STATUTORY INFORMATION

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

(i) 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

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in respect of these financial statements; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

OTHER STATUTORY INFORMATION (Continued)

(c) At the date of this report, the Directors are not aware of any circumstances 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.

(d) At the date of this report, the Directors are not aware of any circumstances 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.

(e) As at the date of this report, there does not exist:

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

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

(f) Save as disclosed in Note 2.1 to the financial statements, in the opinion of the Directors:

(i) 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 will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) 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 the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 38 to the financial statements.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 7 to the financial statements.

AUDITORS INDEMNITY

To the extent permitted by law, the Company has agreed to indemnify the auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been paid to indemnify Ernst & Young during or since the beginning of the financial year.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 9 October 2017.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

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

We, **TAN SRI WILLIAM H.J. CHENG** and **TAN SRI CHENG YONG KIM**, being two of the Directors of **LION DIVERSIFIED HOLDINGS BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 61 to 165 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2017 and of their financial performance and cash flows for the financial year then ended.

The information set out in Note 44 to the financial statements on page 166 have been 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 Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 9 October 2017.

TAN SRI WILLIAM H.J. CHENG
Chairman

TAN SRI CHENG YONG KIM
Managing Director

Kuala Lumpur, Malaysia

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

I, **TAN SRI CHENG YONG KIM**, being the Director primarily responsible for the financial management of **LION DIVERSIFIED HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 61 to 166 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.

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at Kuala Lumpur in the Federal Territory
on 9 October 2017.

TAN SRI CHENG YONG KIM

Before me,

W530
TAN SEOK KETT
Commissioner for Oaths

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of opinion

We were engaged to audit the financial statements of Lion Diversified Holdings Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes, as set out on pages 61 to 165.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance and the multiple uncertainties and their possible cumulative effects on the financial statements as described in the *Basis for disclaimer of opinion* section, we have not been able to obtain sufficient appropriate audit evidence to provide for a basis of audit opinion.

Basis for disclaimer of opinion

(i) As described in Note 2.1 to the financial statements, the Group and the Company incurred net losses of RM65.9 million and RM132.2 million respectively for the financial year ended 30 June 2017. As at 30 June 2017, the Group's and the Company's current liabilities exceeded their current assets by RM869.6 million and RM190.8 million respectively.

The above indicates a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

As described in Note 2.1 to the financial statements, the management is in the midst of formulating a regularisation plan to address the financial condition of the Group and believes that the proposed regularisation plan once formulated and implemented, will enable the Group and the Company to generate sufficient cash flows to meet their obligations. However, in view of the uncertainties involving the timing and successful implementation of a regularisation plan, we were unable to obtain sufficient appropriate audit evidence to determine whether management's use of the going concern basis of accounting was appropriate.

Should the going concern basis for the preparation of the financial statement be no longer appropriate, adjustments will have to be made to restate the carrying amount of the assets to their recoverable amounts and to provide for further liabilities which may arise.

(ii) Due to the shut down of Lion DRI Sdn Bhd's ("Lion DRI") operations since the previous financial year, we were unable to obtain sufficient appropriate audit evidence in relation to the measurement of revenue, and raw materials and consumables used by the Group of RM277.8 million and RM210.5 million respectively and the valuation of inventories of RM28.6 million in the previous financial year and hence our audit opinion on the financial statements for the financial year ended 30 June 2016 was modified. Since the opening inventories values will affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and the opening accumulated losses might be necessary for the financial year ended 30 June 2017.

In addition, no assessment was carried out on the net realisable value of Lion DRI's inventories in the current financial year. Accordingly, we were unable to obtain sufficient appropriate audit evidence in relation to the valuation of inventories of RM28.6 million as at the reporting date.

(iii) As disclosed in Note 11(f) to the financial statements, the recoverable amount of the Direct Reduced Iron Plant ("DRI Plant") owned by Lion DRI was estimated by an independent professional valuer ("Valuer") using the Cost Approach in the financial year ended 30 June 2016. We were unable to ascertain whether the assumptions used by the Valuer to derive at the recoverable amount were appropriate for the previous financial year, accordingly, our audit opinion on the financial statements for the financial year ended 30 June 2016 was modified. In the current financial year ended 30 June 2017, no independent professional valuer was appointed to assess its fair value, hence, we were unable to satisfy ourselves as to whether any adjustments to these amounts were necessary. Consequently, since the opening balance of the DRI Plant will affect the measurement of the depreciation, we were also unable to obtain sufficient and appropriate evidence to determine whether any adjustments should be made on the depreciation charge during the current financial year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD (Continued)

REPORT ON THE FINANCIAL STATEMENTS (Continued)

Basis for disclaimer of opinion (Continued)

(iv) As disclosed in Note 3.2(h) to the financial statements, a subsidiary is contractually bound to acquire freight services from a third party service provider for the importation of iron ore pellets at rates above the current market rates based on a Contract of Affreightment ("COA"). The Company has provided a guarantee for the COA. However, no provision for onerous contract has been made for the COA. Under FRS 137 Provisions, Contingent Liabilities and Contingent Assets, the Group and the Company have a present obligation of approximately RM500.0 million respectively under the COA which exceed the economic benefits expected to be received. Had the provision for onerous contract been made, other expense, net loss for the financial year and shareholders' deficits of the Group and of the Company would have increased by the same amount.

In respect of the ongoing litigation with Classic Maritime Inc. ("Classic") on the claims for the breach of the COA, the management is of the opinion that based on the quantum expert report commissioned by the Group, Classic would not be able to profit if it had performed the 2 index shipments but rather would have incurred a loss. As for the balance 5 shipments, the management believe that they have a good defense to the claims. However, we were unable to obtain sufficient appropriate evidence on the quantification of the damages for the 2 index shipments and on the likely outcome of the ongoing legal proceedings for the balance 5 shipments.

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 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 of 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 responsibility is to conduct an audit of the Group's and of the Company's financial statements in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, and to issue an auditors' report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 ("Act") in Malaysia, except for those disclosed in the *Basis for disclaimer of opinion* section, we also report the following:

(a) the accounting and other records and registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors as disclosed in Note 14 to the financial statements have been properly kept in accordance with the provisions of the Act and that we have not obtained all the information and explanations that we require in relation to the matters as disclosed in the *Basis for disclaimer of opinion* section.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION DIVERSIFIED HOLDINGS BERHAD (Continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (Continued)

In accordance with the requirements of the Companies Act 2016 ("Act") in Malaysia, except for those disclosed in the *Basis for disclaimer of opinion* section, we also report the following: (Continued)

(b) the auditor's reports on the financial statements of the subsidiaries were not subject to any material qualification and did not include any comments required to be made under Section 266(3) of the Act except that the auditors' reports of the following subsidiaries which were qualified in respect of matters discussed below:

- (i) Lion DRI Sdn Bhd – disclaimer opinion on the going concern basis used in the preparation of the financial statements and on the same matter as described in the *Basis for disclaimer of opinion* section Notes (ii) and (iii);
- (ii) Limbungan Makmur Sdn Bhd – the same matter as described in the *Basis for disclaimer of opinion* section Note (iv); and
- (iii) Lion Blast Furnace Sdn Bhd – disclaimer opinion on the going concern basis used in the preparation of the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 to the financial statements on page 166 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 the 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. Because of the matters described in the *Basis for disclaimer of opinion* section, we do not express an opinion that 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.

Ernst & Young	**Kua Choo Kai**
AF: 0039	**No. 2030/03/18(J)**
Chartered Accountants	**Chartered Accountant**

Kuala Lumpur, Malaysia
9 October 2017

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	4	**423,381**	693,748	**12,361**	64,800
Other income	5	**64,411**	104,639	**14,801**	19,304
Changes in inventories		**(18,683)**	(2,850)	**–**	–
Raw materials and consumables used		**(96,215)**	(417,229)	**–**	–
Property development expenditure		**(187,091)**	(213,319)	**–**	–
Employee benefits expense	6	**(43,306)**	(48,131)	**(612)**	(609)
Depreciation and amortisation		**(31,795)**	(37,250)	**(54)**	(67)
Other expenses		**(80,480)**	(118,921)	**(6,476)**	(9,057)
		30,222	(39,313)	**20,020**	74,371
Finance costs	8	**(67,992)**	(77,312)	**(7,563)**	(13,035)
Impairment losses on:					
- Property, plant and equipment	11	**–**	(364,373)	**–**	–
- Investment in subsidiaries	14	**–**	–	**(45,683)**	(20,702)
- Investment securities		**(2,302)**	(34,233)	**–**	(769)
- Receivables from subsidiaries, net	21	**–**	–	**(95,578)**	(512,402)
- Trade and other receivables	21	**(210)**	(392,169)	**–**	–
Share of results of joint venture		**997**	(2,652)	**–**	–
Loss before tax	7	**(39,285)**	(910,052)	**(128,804)**	(472,537)
Taxation	9	**(26,605)**	70,035	**(3,375)**	(784)
Loss, net of tax		**(65,890)**	(840,017)	**(132,179)**	(473,321)
Attributable to:					
- Owners of the Company		**(65,890)**	(840,017)	**(132,179)**	(473,321)
- Non-controlling interests		**–**	–	**–**	–
		(65,890)	(840,017)	**(132,179)**	(473,321)
Loss per share attributable to owners of the Company (sen per share)					
Basic	10(a)	**(4.7)**	(60.3)		
Diluted	10(b)	**(4.7)**	(60.3)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loss, net of tax	**(65,890)**	(840,017)	**(132,179)**	(473,321)
Other comprehensive income/(loss)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Foreign currency translations	**2,254**	(9,965)	**–**	–
Gain on fair value changes on available-for-sale financial assets	**27,762**	–	**19,019**	–
Other comprehensive income/(loss) for the financial year, net of tax, representing items that may be reclassified subsequently to profit or loss	**30,016**	(9,965)	**19,019**	–
Total comprehensive loss for the financial year	**(35,874)**	(849,982)	**(113,160)**	(473,321)
Attributable to:				
- Owners of the Company	**(35,874)**	(849,982)	**(113,160)**	(473,321)
- Non-controlling interests	**–**	–	**–**	–
	(35,874)	(849,982)	**(113,160)**	(473,321)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**396,298**	440,178	**2**	80
Investment properties	12	**2,024**	2,095	**–**	–
Land held for property development	13(a)	**15,775**	24,551	**–**	–
Investment in subsidiaries	14	**–**	–	**83,364**	99,925
Investment in associates	15	**–**	–	**–**	–
Investment in joint venture	16	**23,248**	22,251	**–**	–
Investment securities	17	**37,905**	10,144	**25,935**	6,916
Intangible assets	18	**10,484**	10,484	**–**	–
Deferred tax assets	19	**1,026**	1,326	**–**	–
		486,760	511,029	**109,301**	106,921
Current assets					
Property development costs	13(b)	**56,080**	113,739	**–**	–
Inventories	20	**51,776**	67,702	**–**	–
Investment securities	17	**18,200**	36,354	**–**	–
Trade and other receivables	21	**74,807**	89,290	**162,841**	277,941
Derivative assets	22	**19**	5,365	**–**	–
Tax recoverable		**1,668**	2,293	**–**	–
Cash and bank balances	23	**341,646**	344,559	**8,057**	1,881
		544,196	659,302	**170,898**	279,822
Non-current assets classified as held for sale	24	**10,052**	10,052	**–**	–
		554,248	669,354	**170,898**	279,822
TOTAL ASSETS		**1,041,008**	1,180,383	**280,199**	386,743

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2017 (Continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	25	**1,027,041**	696,074	**1,027,041**	696,074
Share premium	26	**–**	330,967	**–**	330,967
Other reserves	27	**159,781**	122,334	**19,019**	–
Accumulated losses		**(1,624,723)**	(1,551,402)	**(1,127,556)**	(995,377)
		(437,901)	(402,027)	**(81,496)**	31,664
Non-controlling interests		**–**	–	**–**	–
		(437,901)	(402,027)	**(81,496)**	31,664
Non-current liabilities					
Loans and borrowings	28	**20,105**	40,256	**–**	34
Deferred tax liabilities	19	**34,998**	31,955	**–**	–
		55,103	72,211	**–**	34
Current liabilities					
Trade and other payables	31	**1,131,033**	1,059,468	**359,164**	253,696
Provisions	32	**38,000**	38,000	**–**	–
Product financing liabilities	33	**–**	33,895	**–**	–
Loans and borrowings	28	**246,257**	356,061	**–**	101,349
Derivative liabilities	30	**121**	4	**–**	–
Income tax payable		**8,395**	22,771	**2,531**	–
		1,423,806	1,510,199	**361,695**	355,045
Total liabilities		**1,478,909**	1,582,410	**361,695**	355,079
TOTAL EQUITY AND LIABILITIES		**1,041,008**	1,180,383	**280,199**	386,743

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	← Attributable to owners of the Company →						
	← Non-distributable →						
	Share capital RM'000 (Note 25)	Share premium RM'000 (Note 26)	Other reserves RM'000 (Note 27)	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group							
At 1 July 2016	**696,074**	**330,967**	**122,334**	**(1,551,402)**	**(402,027)**	**–**	**(402,027)**
Total comprehensive income/(loss) for the financial year	**–**	**–**	**30,016**	**(65,890)**	**(35,874)**	**–**	**(35,874)**
	696,074	**330,967**	**152,350**	**(1,617,292)**	**(437,901)**	**–**	**(437,901)**
Transfer to capital reserve	**–**	**–**	**7,431**	**(7,431)**	**–**	**–**	**–**
Transfer arising from Companies Act 2016	**330,967**	**(330,967)**	**–**	**–**	**–**	**–**	**–**
At 30 June 2017	**1,027,041**	**–**	**159,781**	**(1,624,723)**	**(437,901)**	**–**	**(437,901)**
At 1 July 2015	696,074	330,967	128,489	(707,575)	447,955	–	447,955
Total comprehensive loss for the financial year	–	–	(9,965)	(840,017)	(849,982)	–	(849,982)
	696,074	330,967	118,524	(1,547,592)	(402,027)	–	(402,027)
Transfer to capital reserve	–	–	3,810	(3,810)	–	–	–
At 30 June 2016	696,074	330,967	122,334	(1,551,402)	(402,027)	–	(402,027)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	← Non-distributable →				
	Share capital RM'000 (Note 25)	Share premium RM'000 (Note 26)	Other reserves RM'000 (Note 27)	Accumulated losses RM'000	Total RM'000
At 1 July 2016	**696,074**	**330,967**	**–**	**(995,377)**	**31,664**
Total comprehensive income/(loss) for the financial year	**–**	**–**	**19,019**	**(132,179)**	**(113,160)**
Transfer arising from Companies Act 2016	**330,967**	**(330,967)**	**–**	**–**	**–**
At 30 June 2017	**1,027,041**	**–**	**19,019**	**(1,127,556)**	**(81,496)**
At 1 July 2015	696,074	330,967	–	(522,056)	504,985
Total comprehensive loss for the financial year	–	–	–	(473,321)	(473,321)
At 30 June 2016	696,074	330,967	–	(995,377)	31,664

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Loss before tax	**(39,285)**	(910,052)	**(128,804)**	(472,537)
Adjustments for:				
Depreciation and amortisation	**31,795**	37,250	**54**	67
Write off of property, plant and equipment	**18**	693	**–**	–
(Gain)/Loss on disposal of property, plant and equipment	**(16,053)**	3,895	**(26)**	–
Gain on disposal of non-current assets classified as held for sale	**–**	(19,769)	**–**	–
Reversal of impairment losses:				
- Trade and other receivables	**(211)**	(1,877)	**–**	–
- Investment securities (unquoted bonds)	**(244)**	(512)	**(244)**	(512)
Fair value loss/(gain) on remeasurement of Exchangeable Bonds	**1,831**	(6,105)	**–**	–
Fair value (gain)/loss on loan	**(2,034)**	2,034	**–**	–
Impairment losses on:				
- Investment in subsidiaries	**–**	–	**45,683**	20,702
- Investment securities	**2,302**	34,233	**–**	769
- Property, plant and equipment	**–**	364,373	**–**	–
- Receivables from subsidiaries (net)	**–**	–	**95,578**	512,402
- Trade and other receivables	**210**	392,169	**–**	–
Fair value loss/(gain) on derivative instruments	**5,463**	(5,872)	**–**	–
Inventories written down	**1,058**	–	**–**	–
Bad debt written off	**15**	–	**–**	–
(Gain)/Loss on conversion on Exchangeable Bonds	**(4,067)**	411	**–**	–
Waiver of debts	**–**	–	**297**	2,229
Unrealised foreign exchange loss/(gain) (net)	**7,411**	(2,053)	**(12,629)**	(17,205)
Gain on disposal of investment securities	**(283)**	(217)	**–**	–
Interest expense	**67,992**	77,312	**7,562**	13,035
Interest income	**(11,843)**	(8,620)	**(160)**	(14)
Dividend income	**(70)**	(112)	**–**	–
Share of results of joint venture	**(997)**	2,652	**–**	–
Operating profit/(loss) before working capital changes	**43,008**	(40,167)	**7,311**	58,936
Changes in working capital:				
Inventories	**14,868**	170,119	**–**	–
Receivables	**14,483**	(58,527)	**–**	(138)
Payables	**(3,008)**	(21,681)	**1,064**	(62)
Property development costs	**72,994**	76,837	**–**	–
Cash flows from operations	**142,345**	126,581	**8,375**	58,736
Interest received	**11,843**	8,620	**160**	14
Interest paid	**(19,913)**	(55,515)	**(7,562)**	(13,035)
Taxes paid	**(37,050)**	(7,950)	**(844)**	–
Net cash flows from operating activities	**97,225**	71,736	**129**	45,715

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017 (Continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**30,086**	10,065	**50**	–
Proceeds from redemption of unquoted bonds (Note 17(c))	**244**	512	**244**	512
Purchase of property, plant and equipment (Note 11(c))	**(1,491)**	(3,681)	**–**	–
Movements in cash management funds	**(2,237)**	(9,451)	**–**	–
Proceeds from disposal of investment securities	**4,007**	7,321	**–**	–
Proceed from disposal of non-current assets classified as held for sale (Note 24)	**–**	34,894	**–**	–
Deferred payment for acquisition of associate (Note 29)	**(5,475)**	(2,500)	**(5,475)**	(2,500)
Dividends received from investment securities	**70**	112	**–**	–
Advances from/(repayment to) subsidiaries	**–**	–	**112,611**	(51,903)
Net cash flows from/(used in) investing activities	**25,204**	37,272	**107,430**	(53,891)
Cash flows from financing activities				
Movement of deposits with licensed banks and pledge amounts	**127,515**	1,108	**–**	8,400
Repayment of borrowings	**(38,159)**	(227,518)	**(15,000)**	–
Redemption of Exchangeable Bonds	**(25,824)**	(14,204)	**–**	–
Drawdown of borrowings	**30,000**	177,321	**–**	892
Payments of obligations under finance leases	**(376)**	(329)	**(72)**	(38)
Net cash flows from/(used in) financing activities	**93,156**	(63,622)	**(15,072)**	9,254
Net increase in cash and cash equivalents	**215,585**	45,386	**92,487**	1,078
Effects of changes in foreign exchange rates	**(4,672)**	(12,272)	**–**	(1,267)
Cash and cash equivalents at beginning of financial year	**87,666**	54,552	**(84,430)**	(84,241)
Cash and cash equivalents at end of financial year (Note 23)	**298,579**	87,666	**8,057**	(84,430)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

1. CORPORATE 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 ("Bursa Securities"). The registered office and the principal place of business of the Company are both located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan.

The Company is an investment holding company. The principal activities of the subsidiaries, associates and joint venture are disclosed in Notes 14, 15 and 16 respectively. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 9 October 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical cost basis except as disclosed in the accounting policies below.

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

The Group and the Company reported the following conditions and events:

(i) the Group and the Company incurred net losses of RM65.9 million (2016: RM840.0 million) and RM132.2 million (2016: RM473.3 million) respectively for the financial year ended 30 June 2017 and as of that date, the Group's and the Company's current liabilities exceeded their current assets by RM869.6 million (2016: RM840.8 million) and RM190.8 million (2016: RM75.2 million) respectively;

(ii) Lion DRI Sdn Bhd, a wholly-owned subsidiary of the Company, has temporarily ceased its operation since the previous financial year;

(iii) As disclosed in Note 36(iii), a wholly-owned subsidiary of the Company and the Company have been jointly served with a notice of claims of approximately RM97 million for alleged non-performance of a contract. The Company has provided a guarantee in respect of this contract; and

(iv) As disclosed in Note 23, the cash and bank balances of the subsidiaries in the People's Republic of China ("PRC") amounting to RM321.2 million (2016: RM322.5 million) are subject to the exchange control restriction and are restricted to be used in the PRC for the subsidiaries' operations. The exchange control restrictions will apply if the monies are to be remitted to countries outside the PRC.

The Directors have concluded that the combination of the circumstances highlighted above indicate material uncertainties that may cast significant doubt over the abilities of the Group and of the Company to continue as going concerns and therefore, may be unable to realise their assets and discharge their liabilities in the normal course of business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

The Group is in the midst of formulating a regularisation plan to address the financial condition of the Group and believes that the proposed regularisation plan once formulated and implemented, will enable the Group and the Company to generate sufficient cash flows to meet their financial obligations. For these reasons, the Directors are of the opinion that the Group and the Company will be able to continue in operational existence for the foreseeable future and to realise their assets and settle their liabilities in the ordinary course of business. The appropriateness of the application of going concern basis is dependent on continuing support from the lenders and the creditors of the Group and of the Company, disposals of certain property, plant and equipment and contributions from the property and the contract manufacturing services business segments of the Group.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2016, the Group and the Company adopted the following new and amended FRSs and annual improvements to FRSs mandatory for annual financial periods beginning on or after 1 July 2016.

Amendments to FRS 10, FRS 12 and FRS 128 Investment Entities : Applying the Consolidation Exception
Amendments to FRS 101 Disclosure Initiative
Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 116 and FRS 141 Agriculture: Bearer Plants
Amendments to FRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
FRS 14 Regulatory Deferral Accounts
Amendments to FRS 127 Equity Method in Separate Financial Statements
Annual Improvements to FRSs 2012 – 2014 Cycle

Adoption of the above standards did not have any material effect on the financial performance or position of the Group and of the Company.

2.3 Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to FRS 12 Disclosure of Interests in Other Entities (Annual Improvements to FRSs 2012 – 2014 Cycle)	1 January 2017
Amendments to FRS 107 Disclosure Initiative	1 January 2017
Amendments to FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 2 Classification and Measurement of Share-Based Payment Transactions	1 January 2018
FRS 9 Financial Instruments	1 January 2018
Amendments to FRS 140 Transfer of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to FRS 10 and FRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.3 **Standards issued but not yet effective** (Continued)

The Directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below:

FRS 9 Financial Instruments

In November 2014, Malaysian Accounting Standards Board ("MASB") issued the final version of FRS 9: Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139: Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's and of the Company's financial assets, but no impact on the classification and measurement of the Group's and of the Company's financial liabilities.

Malaysian Financial Reporting Standards ("MFRS Framework")

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework. The MFRS Framework comprises Standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012. It also comprises new/revised Standards that will be effective after 1 January 2012. All other Standards under the FRS framework where no new/revised Standards that will be effective after 1 January 2012 will transition to MFRS Framework with no further amendments.

The MFRS Framework is to be applied by all entities other than private entities with the exception of entities that are within the scope of MFRS 141: Agriculture and IC Interpretation 15: Agreements for Construction of Real Estates, including its parent, significant investor and venturer ("Transitioning Entities").

On 8 September 2015, the MASB announced that the effective date of MFRS 15: Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018. As a result, the effective date for Transitioning Entities to apply the Malaysian Financial Reporting Standards (MFRSs) will also be deferred to annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the financial year ending 30 June 2019. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company consider that they are achieving their scheduled milestones and expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 June 2019.

The subsidiaries within the Group which do not fall within the scope of Transitioning Entities have adopted the MFRS Framework. As the Group falls within the scope of Transitioning Entities, adjustments (if applicable) have been made to reflect the consolidated financial statements under FRSs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards issued but not yet effective (Continued)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and the Company are currently assessing the impact of adopting MFRS 15 and plan to adopt the new standard on the required effective date.

MFRS 16 Leases

MFRS 16 will replace FRS 117: Leases, IC Interpretation 4: Determining Whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under FRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under FRS 117. Lessors will continue to classify all leases using the same classification principle as in FRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company are currently assessing the impact of adopting MFRS 16 and plan to adopt the new standard on the required effective date.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. Control is achieved when the Group has exposed, or rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over investee. Specifically, the Group controls an investee if, and only if, the Group has:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation (Continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if these result in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation, except for unrealised losses, which are not eliminated when there are indications of impairment.

A change in the ownership of interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a charge to OCI. If the contingent consideration is not within the scope of FRS 139, it is measured in accordance with the appropriate FRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in statements of profit or loss and within equity in the statements of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners’ ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if it results in a deficit balance.

2.6 Current versus non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;

(ii) held primarily for the purpose of trading;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Current versus non-current classification (Continued)

The Group and the Company present assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is: (Continued)

(iii) expected to be realised within twelve months after the reporting period; or

(iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

(i) it is expected to be settled in normal operating cycle;

(ii) it is held primarily for the purpose of trading;

(iii) it is due to be settled within twelve months after the reporting period; or

(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.7 Foreign currencies

The Group's consolidated financial statements are presented in Ringgit Malaysia (RM). For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currencies (Continued)

(b) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.8 Property, plant and equipment

Construction in progress, and plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land is measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Leasehold land is measured at cost less accumulated depreciation and accumulated impairment losses.

Any revaluation surplus is recognised in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statements of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to accumulated losses is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to accumulated losses.

Leasehold land is depreciated based on the period of 99 years.

Depreciation of other property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings, land improvements and infrastructure	2% - 10%
Plant and machinery	3% - 33%
Motor vehicles	10% - 22%
Office equipment, furniture and fittings	2% - 33.33%
Renovation	10% - 20%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, plant and equipment (Continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of profit and loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.9 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.10 Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Land held for property development and property development costs (Continued)

(ii) Property development costs (Continued)

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

2.11 Impairment of non-financial assets

The Group and the Company assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the assets 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group and the Company base its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statements of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statements of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation surplus.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets (Continued)

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.12 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statements of profit or loss.

2.13 Investment in associates and joint ventures

An associate 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 has no control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's and the Company's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Investment in associates and joint ventures (Continued)

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of results of an associate and a joint venture' in the statements of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in statements of profit or loss.

2.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statements of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statements of profit or loss when the asset is derecognised.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.15 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- AFS financial assets.

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by FRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statements of profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in statements of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in statements of profit or loss. The losses arising from impairment are recognised in the statements of profit or loss as finance costs for loans and as cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial assets (Continued)

Subsequent measurement (Continued)

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in profit or loss. The losses arising from impairment are recognised in statements of profit or loss as finance costs.

(d) AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial assets (Continued)

Derecognition (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.16 Impairment of financial assets

The Group and the Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statements of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Impairment of financial assets (Continued)

(b) AFS financial assets

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant' is evaluated against the original cost of the investment and ‘prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in statements of profit or loss – is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

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

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statements of profit or loss, the impairment loss is reversed through the profit or loss.

2.17 Inventories

Industrial land and properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

Other inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value. The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present location and conditions. The cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value is the estimated selling price in ordinary course of business less estimated costs to completion and estimated costs necessary to make the sale.

2.18 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise of cash at banks and on hand and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and bank balances, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in statements of profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in statements of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in FRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.20 Financial liabilities (Continued)

Subsequent measurement (Continued)

(b) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statements of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statements of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

(c) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

2.23 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) As lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statements of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in statements of profit or loss on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Non-current assets held for sale and discontinued operation

A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in statements of profit or loss.

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale. Any differences are included in the statements of profit or loss.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Non-current assets are not depreciated or amortised once classified as held for sale. Additional disclosures are provided in Note 24.

2.25 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The Group has concluded that it is the principal in all of its revenue arrangement since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risk.

The specific recognition criteria described below must also be met before revenue is recognised.

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

(ii) Sale of industrial land and completed properties

Revenue from sale of industrial land and completed properties is recognised upon the transfer of significant risks and rewards of ownership.

(iii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(iv) Rental income

Rental income is recognised on a straight line basis over the term of the lease.

(v) Sales commission

Sales commission is recognised upon fulfilment of the terms of the sales contract.

(vi) Dividend income

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

(vii) Development properties

Revenue from sale of development properties is accounted for by the stage of completion method. The stage of completion is determined by reference to the costs incurred to date to the total estimated costs where the outcome of the projects can be reliably estimated.

2.26 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statements of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the statement of profit or loss.

(c) Goods and Services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and

- When receivables and payables that are stated with the amount of GST included.

The net amount of GST being the difference output and input of GST, payable to or receivable from taxation authority at the reporting date, is included in payables or receivables in the statements of financial position.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.28 Equity instrument

Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge.

The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 42, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Fair value measurement

The Group measures financial instruments such as derivatives and non-financial assets such as freehold land at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring fair value measurement, such as investment properties, unquoted AFS financial assets and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as freehold land, AFS financial assets and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the senior management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, senior management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, senior management and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.31 Earnings/Loss per share ("EPS")/("LPS")

Basic EPS or LPS amounts are calculated by dividing the profit/loss for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares outstanding during the financial year.

Diluted EPS or LPS amounts are calculated by dividing the profit/loss attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the number of ordinary shares outstanding during the financial year plus the number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.32 Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 Investment Property in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.1 Judgements made in applying accounting policies (Continued)

(a) Classification between investment properties and property, plant and equipment (Continued)

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Joint ventures

The Group has interest in several investments which it regards as joint ventures although the Group owns less than half of the equity interest in these entity. The entity has not been regarded as subsidiary of the Group as management has assessed that the contractual arrangements with the respective joint venture parties have given rise to joint control over these entity in accordance with FRS 11 Joint Arrangements.

(c) Financial guarantee contracts

At each reporting date, the Group determines the fair value of the guarantees based on the likelihood of the guaranteed party defaulting within the guarantee period and estimates the loss exposure (after taking into account of the value of assets pledged for the loans).

For the financial year ended 30 June 2017, the Group and the Company have assessed the financial guarantee contracts and determined that the guarantees are more likely not to be called upon by the banks. Financial impact of such guarantees is disclosed in Note 36.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Property development

The Group recognises property development revenue and expenses in the statements of profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

As disclosed in Note 13(b), approvals are being sought for change of development plan and extension of date of completion for 2 pieces of land with carrying amount of approximately RM12.8 million. Failure to obtain such approvals may result in impairment loss to be recognised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(b) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses 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 the level of future taxable profits together with future tax planning strategies.

The Group has unrecognised tax benefits of RM785.6 million (2016: RM750.5 million) in the form of unused tax losses and unabsorbed capital allowances. These tax benefits relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these tax benefits as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the unused tax losses and unabsorbed capital allowances.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill are disclosed in Note 18.

(d) Depreciation, useful lives, residual value and impairment of plant and machinery

The cost of plant and machinery for the manufacture of direct reduced iron products is depreciated on straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 10 to 25 years. The estimation of the useful lives of plant and machinery has been assessed on historical experience and judgement with respect to technical obsolescence, physical deterioration, maintenance programmes and usage capacity of the assets in addition to any legal restriction on usage. Residual value of the plant and machinery is estimated by the Management based on the assets commercial value at the end of their useful lives. These are common life expectancies applied in the steel industry until there is technological development which could impact the economic useful lives and the residual values of these assets.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(d) Depreciation, useful lives, residual value and impairment of plant and machinery (Continued)

Management will review the estimated useful lives and residual values of plant and machinery at each financial year end and adjustments to useful lives are made when considered necessary. Therefore, future depreciation charges could be revised.

The Group has recorded an impairment loss of RM346.2 million on its direct reduced iron ("DRI") plant in the previous financial year based on a valuation prepared by a valuer as disclosed in Note 11(f). The valuation is prepared on the Cost Approach which takes into account various assumptions regarding physical, functional and economic obsolescences. Deviation from these assumptions will result in deviation of the recoverable amount of the DRI plant and such deviation could be material.

(e) Provision for potential claims

The Group determines whether a present obligation from potential claims arising from the arrangement entered with contractors in relation to the construction of property, plant and equipment that exist at the reporting date by taking into account all available evidence. On the basis of such evidence, the Directors considered if provisions are required to be recognised in the financial statements and if required, the estimated amounts are provided. Adequate provisions have been made in respect of financial obligations arising from the potential claims from the arrangement entered with certain contractors of the Group as disclosed in Note 32.

(f) Derivative asset/liability

The Group measures the derivative asset/liability by reference to the fair value of the derivative asset/liability at reporting date. Estimating fair value of the derivative asset/liability requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the derivative asset/liability. This estimate also requires determining the most appropriate inputs into the valuation model including the expected life of the derivative asset/liability, expected volatility and making relevant assumptions about them. The assumptions and models used for estimating fair value of derivative asset/liability and its carrying amount are disclosed in Notes 22 and 30.

(g) Provision for litigation claim

The Group entered into a contract of affreightment ("COA") with Classic Maritime Inc. ("Classic"), a third party service provider, to acquire freight service from Classic above the current market rates.

As disclosed in Note 36(iii), Classic had on 6 July 2016 filed a litigation claim against the Group on breach of the COA dated on or about 29 June 2009.

According to the quantum expert report commissioned by the Group, Classic would not be able to profit if it had performed the 2 index shipments but rather would have incurred a loss. In respect of Classic's claims for the balance 5 shipments, both Limbungan Makmur Sdn Bhd and the Company believe that they have a good defence to the above claims.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(h) Provision for onerous contract

The Group is contractually bound to acquire freight service above the current market rates from a third party service provider as disclosed in Note 3.2(g) above. There may exist an onerous contract where the Group may need to incur unavoidable costs which may exceed the economic benefits expected to be received from it. However, no provision for onerous contract has been made for the aforementioned cost of freight services as the management believes that it may be premature to make any provision at this juncture.

(i) Impairment of investment securities

At reporting date, management determines whether the carrying amounts of its investments are impaired. This involves measuring the recoverable amounts which includes fair value less costs to sell and valuation techniques. Valuation techniques include the use of discounted cash flow analysis, considering the current market value indicators and recent arm's length market transactions. These estimates provide reasonable approximations to the computation of recoverable amounts.

In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. The growth rates used to forecast the projected cash flow for the following year approximate the performances of the respective investments based on the latest available management accounts.

(j) Impairment of loans and receivables

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

To determine whether there is objective evidence of impairment, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's and of the Company's loans and receivables at the reporting date are disclosed in Note 21.

(k) Impairment of investment in subsidiaries

As at the reporting date, the carrying amounts of investments in subsidiaries mainly comprise subsidiaries engaged in contract manufacturing services and property businesses.

Further impairment could arise, should these subsidiaries are unable to meet their profitability target, which would lead to future impairment of the amount due from these subsidiaries of RM162.8 million (2016: RM277.7 million) as disclosed in Note 21.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(l) Impairment of available-for-sale investments

The Group reviews its debt securities classified as AFS investments at each reporting date to assess whether they are impaired. The Group also records impairment charges on AFS equity investments when there has been a 'significant' or 'prolonged' decline in the fair value below their cost.

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. The Group impaired quoted and unquoted equity instruments with 'significant' decline in fair value greater than 20% and 30% respectively, and 'prolonged' period as greater than 12 months or more.

Based on management's review, impairment losses of RM2.3 million (2016: RM34.2 million) and RM Nil (2016: RM0.8 million) were recognised on the Group's and on the Company's investment securities respectively during the financial year.

4. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Sale of goods	**163,974**	455,868	**–**	–
Property development	**258,923**	237,311	**–**	–
Sales commission	**38**	126	**–**	–
Rental income	**318**	315	**–**	–
Dividend income from subsidiaries	**–**	–	**12,361**	64,800
Others	**128**	128	**–**	–
	423,381	693,748	**12,361**	64,800

5. OTHER INCOME

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income from short term deposits and others	**11,843**	8,620	**160**	14
Dividend income	**70**	112	**–**	–
Fair value gain on derivative instruments (Notes 22 and 30)	**–**	5,872	**–**	–
Reversal of impairment loss on unquoted bonds (Note 17(c))	**244**	512	**244**	512
Foreign exchange gain:				
- Realised	**709**	3,186	**–**	1,573
- Unrealised	**17,234**	17,725	**14,371**	17,205
Compensation claim (Note 37(i)(d))	**–**	18,141	**–**	–
Gain on disposal of non-current assets classified as held for sale	**–**	19,769	**–**	–
Gain on disposal of investment securities	**283**	217	**–**	–
Fair value gain on remeasurement of Exchangeable Bonds	**–**	6,105	**–**	–
Gain on disposal of property, plant and equipment	**16,053**	–	**26**	–
Fair value gain on loan	**2,034**	–	**–**	–
Gain on conversion of Exchangeable Bonds	**4,067**	–	**–**	–
Reversal of impairment loss on trade and other receivables	**211**	1,877	**–**	–
Other income	**11,663**	22,503	**–**	–
	64,411	104,639	**14,801**	19,304

6. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Wages, salaries and bonuses	**34,318**	39,332	**540**	540
Pension costs - defined contribution plans	**2,540**	2,935	**65**	65
Other staff related expenses	**6,448**	5,864	**7**	4
	43,306	48,131	**612**	609

Included in employee benefits expense of the Group and of the Company is an executive Director's remuneration as further disclosed in Note 7(a).

7. LOSS BEFORE TAX

In addition to other items disclosed elsewhere in the financial statements, the following items have been included in arriving at loss before tax:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Auditors' remuneration:				
- Current year	**543**	485	**30**	30
- Under/(Over) provision in prior years	**81**	(11)	**–**	–
Directors' remuneration (Note 7(a))	**916**	876	**916**	876
Depreciation:				
- Property, plant and equipment (Note 11)	**31,724**	36,996	**54**	67
- Investment properties (Note 12)	**71**	254	**–**	–
Write off of property, plant and equipment	**18**	693	**–**	–
Amortisation of premium on held-to-maturity investments	**1**	–	**–**	–
Foreign exchange loss:				
- Realised	**7,593**	13,687	**1,803**	6,054
- Unrealised	**24,645**	15,672	**1,742**	–
Rental expenses:				
- Equipment	**176**	2,520	**–**	–
- Premises	**4,547**	4,270	**–**	–
Waiver of debts	**–**	–	**297**	2,229
Inventories written down	**1,058**	–	**–**	–
Bad debts written off	**15**	–	**–**	–
Loss on disposal of property, plant and equipment	**–**	3,895	**–**	–
Loss on conversion on Exchangeble Bonds	**–**	411	**–**	–
Fair value loss on loan	**–**	2,034	**–**	–
Fair value loss on remeasurement of Exchangeable Bonds	**1,831**	–	**–**	–
Fair value loss on derivative instruments	**5,463**	–	**–**	–

7. LOSS BEFORE TAX (Continued)

(a) Directors' remuneration

The details of remuneration receivable by Directors of the Company during the financial year are as follows:

	Group/Company	
	2017	**2016**
	RM'000	**RM'000**
Executive Director:		
Fees	**25**	25
Salary and other emoluments	**545**	546
Pension costs - defined contribution plans	**65**	65
	635	636
Non-executive Directors:		
Fees	**235**	196
Other emoluments	**46**	44
	281	240
	916	876

The number of Directors of the Company whose remuneration during the year fell within the following ranges are analysed below:

	Number of Directors	
	2017	**2016**
<u>Executive Director</u>		
RM600,001 - RM650,000	**1**	1
<u>Non-executive Directors</u>		
RM50,000 and below	**–**	1 *
RM50,001 - RM100,000	**5**	4

Notes:

* A Director who was appointed during the financial year 2016.

8. FINANCE COSTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest expense on:				
- Exchangeable Bonds	**7,579**	9,587	**–**	–
- Loans and borrowings	**26,326**	27,536	**1,448**	3,383
- Amounts owing to subsidiaries and related parties	**27,844**	29,201	**63**	97
- Deferred payments (Note 29)	**3,887**	4,163	**3,887**	4,163
- Product financing liabilities (Note 33)	**153**	1,710	**–**	–
- Obligations under finance leases	**51**	47	**13**	7
- Bank overdrafts	**2,152**	5,385	**2,152**	5,385
Less: Interest expense capitalised in property development cost (Note 13(b))	**–**	(317)	**–**	–
	67,992	77,312	**7,563**	13,035

9. TAXATION

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Statement of profit or loss				
Current income tax:				
- Malaysian income tax	**4,476**	6,383	**–**	–
- Foreign income tax	**6,810**	23,517	**–**	–
	11,286	29,900	**–**	–
Under/(Over) provision in respect of previous years:				
- Malaysian income tax	**3,573**	326	**3,375**	784
- Foreign income tax	**–**	(4)	**–**	–
	3,573	322	**3,375**	784
Deferred income tax (Note 19):				
- Origination and reversal of temporary differences	**3,340**	(107,421)	**–**	–
- (Over)/Under provision in respect of previous years	**(34)**	7,164	**–**	–
	3,306	(100,257)	**–**	–
Withholding tax on dividend	**8,440**	–	**–**	–
Income tax expense/(credit) recognised in profit or loss	**26,605**	(70,035)	**3,375**	784

The Group is subject to income tax on an entity basis on the profit arising or derived from the tax jurisdictions in which members of the Group are domiciled and operates.

9. TAXATION (Continued)

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 30 June 2017 and 30 June 2016 is as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loss before tax	**(39,285)**	(910,052)	**(128,804)**	(472,537)
Tax at Malaysian statutory rate of 24% (2016: 24%)	**(9,428)**	(218,412)	**(30,913)**	(113,409)
Different tax rates in other countries	**(5,560)**	(1,106)	**–**	–
Adjustments:				
Non-deductible expenses	**33,116**	144,505	**34,373**	128,765
Income not subject to tax	**(11,665)**	(27,876)	**(3,460)**	(19,804)
Underprovision of income tax in respect of previous years	**3,573**	322	**3,375**	784
(Over)/Under provision of deferred income tax in respect of previous years	**(34)**	7,164	**–**	–
Deferred tax assets not recognised in current financial year	**8,446**	24,945	**–**	4,448
Deferred tax assets recognised on previously unrecognised tax losses	**(44)**	(213)	**–**	–
Effect of withholding tax at 10% on dividend from foreign subsidiary	**8,440**	–	**–**	–
Effect of tax on share of results of joint venture	**(239)**	636	**–**	–
Income tax expenses/(credit) for the financial year	**26,605**	(70,035)	**3,375**	784

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

Under the relevant People's Republic of China ("PRC") income tax law, the PRC companies of the Group were subject to corporate income tax at a rate of 25% (2016: 25%) on their respective taxable income.

Lion DRI Sdn Bhd ("Lion DRI") was granted Pioneer Status incentive with full tax exemption for 5 years effective from 1 September 2008 to 31 August 2013. In June 2014, Lion DRI was granted the approval for exemption from the authority for another 5 years effective from 1 September 2013 to 31 August 2018 ("Extention of Pioneer Status"). Following the temporary cessation of the operation of the direct reduced iron plant, Lion DRI had on 29 June 2016 submitted an application to surrender the pioneer status to the authority ("Application"). In May 2017, the Application was approved and took effect from 1 July 2015 and the Extension of Pioneer Status was cancelled.

9. TAXATION (Continued)

Tax savings during the financial year arising from:

	Group 2017 RM'000	Group 2016 RM'000
Utilisation of previously unrecognised tax losses	**(44)**	(213)

10. LOSS PER SHARE

(a) Basic

The following reflects the income and share data used in the basic loss per share ("LPS") computations:

	Group 2017	Group 2016
Loss attributable to ordinary equity holders of the Company (RM'000)	**(65,890)**	(840,017)
Number of ordinary shares in issue ('000)	**1,392,147**	1,392,147
Basic LPS (sen)	**(4.7)**	(60.3)

(b) Diluted

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

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, land improvements and infrastructure RM'000 Note (a)	Plant and machinery RM'000 Note (a)	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovation RM'000	Construction in progress RM'000 Note (e)	Total RM'000
Cost/Valuation									
At 1 July 2016	199,600	5,796	165,205	751,563	5,366	7,509	1,939	464,187	1,601,165
Additions	–	–	–	1,013	138	316	24	–	1,491
Transfer from property development cost (Note 13(b))	–	–	87	–	–	–	–	–	87
Disposals	–	(2,210)	(14,389)	(105)	(541)	–	–	–	(17,245)
Written off	–	–	–	(1,794)	(20)	(24)	–	–	(1,838)
Exchange differences	–	–	219	2,467	107	166	114	–	3,073
At 30 June 2017	199,600	3,586	151,122	753,144	5,050	7,967	2,077	464,187	1,586,733
Representing items at:									
Cost	–	3,586	151,122	753,144	5,050	7,967	2,077	464,187	1,387,133
Valuation	199,600	–	–	–	–	–	–	–	199,600
	199,600	3,586	151,122	753,144	5,050	7,967	2,077	464,187	1,586,733
Accumulated depreciation and impairment									
At 1 July 2016	–	655	148,816	534,725	4,477	6,319	1,808	464,187	1,160,987
Depreciation charge for the financial year (Note 7)	–	56	359	30,126	501	585	97	–	31,724
Disposals	–	(260)	(2,508)	(16)	(428)	–	–	–	(3,212)
Written off	–	–	–	(1,778)	(20)	(22)	–	–	(1,820)
Exchange differences	–	–	18	2,401	88	145	104	–	2,756
At 30 June 2017	–	451	146,685	565,458	4,618	7,027	2,009	464,187	1,190,435
Comprising:									
Accumulated depreciation	–	451	34,144	311,844	4,618	7,027	2,009	–	360,093
Accumulated impairment	–	–	112,541	253,614	–	–	–	464,187	830,342
	–	451	146,685	565,458	4,618	7,027	2,009	464,187	1,190,435
Net carrying amount									
At 30 June 2017	199,600	3,135	4,437	187,686	432	940	68	–	396,298

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings, land improvements and infrastructure RM'000 Note (a)	Plant and machinery RM'000 Note (a)	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Renovation RM'000	Construction in progress RM'000 Note (e)	Total RM'000
Cost/Valuation									
At 1 July 2015	199,600	5,793	150,559	750,633	5,309	7,071	1,613	476,329	1,596,907
Additions	–	–	–	2,840	25	396	242	178	3,681
Transfer from investment properties (Note 12)	–	–	23	–	–	–	–	–	23
Transfer from property development cost (Note 13(b))	–	–	246	–	–	–	–	–	246
Disposals	–	–	–	(2,591)	–	(26)	–	(12,320)	(14,937)
Written off	–	–	–	(1,548)	–	(33)	–	–	(1,581)
Reclassified to assets held for sale (Note 24)	–	(2,210)	–	–	–	–	–	–	(2,210)
Reclassified from assets held for sale (Note 24)	–	2,213	14,358	–	–	–	–	–	16,571
Exchange differences	–	–	19	2,229	32	101	84	–	2,465
At 30 June 2016	199,600	5,796	165,205	751,563	5,366	7,509	1,939	464,187	1,601,165
Representing items at:									
Cost	–	5,796	165,205	751,563	5,366	7,509	1,939	464,187	1,401,565
Valuation	199,600	–	–	–	–	–	–	–	199,600
	199,600	5,796	165,205	751,563	5,366	7,509	1,939	464,187	1,601,165
Accumulated depreciation and impairment									
At 1 July 2015	–	593	37,367	262,391	3,676	5,610	1,490	445,970	757,097
Depreciation charge for the financial year (Note 7)	–	88	4,554	30,673	771	677	233	–	36,996
Disposals	–	–	–	(954)	–	(23)	–	–	(977)
Written off	–	–	–	(857)	–	(31)	–	–	(888)
Impairment loss	–	–	104,870	241,286	–	–	–	18,217	364,373
Reclassified to assets held for sale (Note 24)	–	(217)	–	–	–	–	–	–	(217)
Reclassified from assets held for sale (Note 24)	–	191	2,024	–	–	–	–	–	2,215
Exchange differences	–	–	1	2,186	30	86	85	–	2,388
At 30 June 2016	–	655	148,816	534,725	4,477	6,319	1,808	464,187	1,160,987
Comprising:									
Accumulated depreciation	–	655	36,275	281,111	4,477	6,319	1,808	–	330,645
Accumulated impairment	–	–	112,541	253,614	–	–	–	464,187	830,342
	–	655	148,816	534,725	4,477	6,319	1,808	464,187	1,160,987
Net carrying amount									
At 30 June 2016	199,600	5,141	16,389	216,838	889	1,190	131	–	440,178

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	**Motor vehicles RM'000**	**Office equipment, furniture and fittings RM'000**	**Total RM'000**
At 30 June 2017			
Cost			
At 1 July 2016	**1,277**	**18**	**1,295**
Disposal	**(277)**	**–**	**(277)**
At 30 June 2017	**1,000**	**18**	**1,018**
Accumulated depreciation			
At 1 July 2016	**1,201**	**14**	**1,215**
Charge for the financial year (Note 7)	**52**	**2**	**54**
Disposal	**(253)**	**–**	**(253)**
At 30 June 2017	**1,000**	**16**	**1,016**
Net carrying amount			
At 30 June 2017	**–**	**2**	**2**
At 30 June 2016			
Cost			
At 1 July 2015/30 June 2016	1,277	18	1,295
Accumulated depreciation			
At 1 July 2015	1,136	12	1,148
Charge for the financial year (Note 7)	65	2	67
At 30 June 2016	1,201	14	1,215
Net carrying amount			
At 30 June 2016	76	4	80

(a) Included in building, land improvements and infrastructure and plant and machinery of the Group is a direct reduced iron ("DRI") plant of a wholly-owned subsidiary, Lion DRI Sdn Bhd ("Lion DRI"). The DRI plant is constructed on a piece of land leased from Megasteel Sdn Bhd ("Megasteel") for an initial term of thirty (30) years commencing 1 June 2008 and expiring on 31 May 2038, with an option for renewal for a further period of thirty (30) years.

(b) As at 30 June 2017, the property, plant and equipment of the Group with net carrying amounts of RM181.0 million (2016: RM209.6 million) are pledged for bank borrowings and RM155.8 million (2016: RM157.9 million) are caveated for borrowings from licensed money lenders, as disclosed in Note 28(b)(ii).

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Additions of property, plant and equipment were by way of:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cash payments	**1,491**	3,681

(d) Net carrying amounts of property, plant and equipment held under obligations under finance leases as at the reporting date are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Motor vehicles	**133**	605	**–**	72

(e) Impairment of Blast Furnace Project ("Project")

The intended output from the Project is hot metal, which was to be used by Megasteel as its raw material. The Project has been suspended since 2009 pending efforts to secure financing. A term sheet previously signed with a lender had expired in July 2012.

Due to prolonged suspension of the Project, the Project is fully impaired.

(f) Impairment of DRI plant ("Plant")

During the previous financial year, the carrying amount of the Plant was higher than its estimated fair value, resulting in an impairment loss of approximately RM346.2 million. The recoverable amount of the Plant was estimated at RM209.0 million.

In the previous financial year, the fair value of the Plant was determined by an independent professional valuer ("Valuer"). The Valuer has utilised the Cost Approach in valuing the assets.

The Cost Approach considers the cost to replace or reproduce the Plant in accordance with current market prices of similar plants, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history. Adjustments are then made to reflect depreciation resulting from physical deterioration and obsolescence to arrive at a reasonable valuation. The Cost Approach generally furnishes the most reliable indication of value of the Plant where direct market evidence is limited or unavailable.

When assessing the impairment that may be required of the Plant, the Valuer has adopted the following significant assumptions to estimate the replacement cost of the Plant.

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(f) Impairment of DRI plant ("Plant") (Continued)

Significant assumptions used by the Valuer are as follows:

Adjustments made for:

(i) Physical obsolescence

It represents the loss in value due to the decreased usefulness of an asset as the asset's useful life expires. This can be caused by factors such as wear and tear, deterioration, physical stresses and exposure to various elements.

(ii) Functional obsolescence

It represents the loss in value due to the decreased usefulness of an asset that is inefficient or inadequate relative to other more efficient or less costly replacement assets resulting from technological developments.

(iii) Economic obsolescence

It represents the loss in value due to decreased usefulness of an asset caused by external factors, independent from the characteristics of the asset or how it operated. Increased cost of raw materials, labour or utilities that cannot be offset by an increase in price due to competition or limited demand; as well as change in environmental or other regulations, inflation or higher interest rates, may also suggest the presence of economic obsolescence.

(g) Revaluation of freehold land

The revalued freehold land consist of four pieces of land all in Mukim of Tanjong Dua Belas, District Kuala Langat, State of Selangor. Management determined that these constitute one class of asset under FRS 13 Fair Value Measurement, based on the nature, characteristics and risks of the freehold land.

Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. The properties' fair values are based on valuations performed by PPC International Sdn Bhd, an accredited independent valuer who has valuation experience for similar properties in Malaysia.

Fair value measurement disclosures for revalued freehold land are provided in Note 39.

As at 30 June 2017, if freehold land was measured using the cost model, the net carrying amount would be as follows:

	2017	**2016**
	RM'000	**RM'000**
Net carrying amount	**69,450**	69,450

12. INVESTMENT PROPERTIES

	Group 2017 RM'000	Group 2016 RM'000
Cost		
At the beginning of financial year	**3,106**	12,750
Transfer to property, plant and equipment (Note 11)	**–**	(23)
Transfer to assets held for sale (Note 24)	**–**	(9,621)
At the end of financial year	**3,106**	3,106
Accumulated depreciation		
At the beginning of financial year	**1,011**	2,319
Charge for the financial year (Note 7)	**71**	254
Transfer to assets held for sale (Note 24)	**–**	(1,562)
At the end of financial year	**1,082**	1,011
Net carrying amount		
At the end of financial year	**2,024**	2,095
Rental income derived from investment properties	**249**	239
Direct operating expenses	**(140)**	(146)
Estimated fair value at 30 June		
Office premises, factory buildings and apartments	**4,266**	4,308

Fair value for the investment properties, comprising office premises, factory buildings and apartments were computed by reference to market evidence of transaction prices for similar properties.

There was no investment property being pledged for bank borrowings. The Group has no further restrictions on the realisability of its investment properties.

During the previous financial year, investment properties with a net carrying amount of RM8.0 million have been transferred to "non-current assets held for sale" as the recognition criteria of "non-current assets held for sale" was met.

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At the beginning of financial year	**24,551**	24,347
Transferred to property development costs (Note 13(b))	**(11,610)**	–
Additions	**1,654**	98
Exchange differences	**1,180**	106
At the end of financial year	**15,775**	24,551

(b) Property development costs

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At the beginning of financial year:		
- leasehold land	**179,257**	178,487
- development cost	**511,341**	391,929
	690,598	570,416
Cost incurred during the financial year	**112,443**	136,384
Transferred from land held for property development (Note 13(a))	**11,610**	–
Transferred to property, plant and equipment (Note 11)	**(87)**	(246)
Unsold completed units transferred to inventories	**–**	(18,362)
Exchange differences	**33,195**	2,406
At the end of financial year	**847,759**	690,598
Cumulative costs recognised in profit or loss		
At the beginning of financial year	**(576,859)**	(362,034)
Recognised during the financial year	**(187,091)**	(213,319)
Exchange differences	**(27,729)**	(1,506)
At the end of financial year	**(791,679)**	(576,859)
Property development costs as at the end of financial year	**56,080**	113,739

13. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (Continued)

(b) Property development costs (Continued)

The leasehold land under property development costs with carrying value of RM35.4 million in the previous financial year was pledged as security for bank borrowings, as disclosed in Note 28(b)(iii). Included in the property development costs incurred in the previous financial year was interest expense capitalised of RM0.3 million.

Property development in the People's Republic of China

Pursuant to the provision of the land use right contract and supplemental agreement signed between the Group and the Changshu City Land Resources Bureau, China ("Land Resources Bureau") in March 2008 and October 2011 respectively in relation to the 2 pieces of land located in Changshu City, Jiangsu Province, China, the development of the land was required to be completed by October 2013, failing which, the Land Resources Bureau reserves the right to impose penalty or claim back the said land.

As at the reporting date, these 2 pieces of land with a carrying amount of approximately RM12.8 million (2016: RM12.8 million) are still undeveloped. The Group has applied to the Land Resources Bureau to change the development plan and to extend the date of completion but the approval has yet to be obtained.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares, at cost	**651,382**	622,260
Less: Accumulated impairment losses	**(568,018)**	(522,335)
	83,364	99,925

During the financial year, the Company subscribed for additional:

- 21,926,356 ordinary shares in Banting Resources Sdn Bhd ("Banting Resources") by way of capitalisation of intercompany balances payable by Banting Resources to the Company.

- 7,195,634 ordinary shares in Viroy Management Services Sdn Bhd ("Viroy Management Services") by way of capitalisation of the intercompany balances payable by Viroy Management Services to the Company.

The unquoted shares of a subsidiary with a cost of RM150 million (2016: RM150 million) is pledged for bank borrowings as disclosed in Note 28(b)(i)(II). The investment has been fully impaired.

The unquoted share of a subsidiary of HK$1 (equivalent to RM0.50) (2016: HK$1 (equivalent to RM0.50)) is pledged for trade payables as disclosed in Note 31.

The Company had performed impairment assessment on investment in subsidiaries by comparing the carrying amount with the recoverable amount of the investment which is estimated based on the fair value less cost to disposal. A provision for impairment loss of RM45.7 million (2016: RM20.7 million) has been made in the Company statement of profit or loss in the current financial year. The recoverable amounts of these subsidiaries are estimated at RM28.2 million (2016: RM33.2 million) as compared to their carrying amount of RM73.9 million (2016: RM53.9 million).

14. INVESTMENT IN SUBSIDIARIES (Continued)

Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2017 %	Equity interest 2016 %
LDH Manufacturing Sdn Bhd	Malaysia	Investment holding	**100**	100
Graimpi Sdn Bhd	Malaysia	Investment holding and trading in steel products and related services	**100**	100
LDH Trading Sdn Bhd	Malaysia	Investment holding	**100**	100
Lion Subang Parade Sdn Bhd	Malaysia	Investment holding	**100**	100
Urban Resources Sdn Bhd	Malaysia	Property development	**100**	100
Megavest Sdn Bhd	Malaysia	Investment holding	**100**	100
Lion Mahkota Parade Sdn Bhd	Malaysia	Ceased operations	**100**	100
Likom CMS Sdn Bhd	Malaysia	Provision of electronic manufacturing services especially original equipment manufacturing for the assembly of computer peripherals and electronic box build products	**100**	100
Likom Caseworks Sdn Bhd	Malaysia	Manufacturing of metal and plastic components including metal stamping, plastic injection moulding and assembly of parts and services	**100**	100
Parkson Pacific Pte Ltd * (Dissolved on 7.11.2016)	Singapore	Dormant	**–**	100
LDH (S) Pte Ltd *	Singapore	Investment holding	**100**	100
LDH Investment Pte Ltd *	Singapore	Investment holding	**60** (1)	60 (1)
Lion DRI Sdn Bhd	Malaysia	Manufacturing and sale of direct reduced iron products	**100**	100
Well Morning Limited *	Hong Kong SAR	Investment holding	**100**	100
Excel Step Investments Limited	British Virgin Islands	Investment holding	**100**	100

14. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2017 %	2016 %
Fusion Energy Sdn Bhd	Malaysia	Dormant	**100**	100
Lion Blast Furnace Sdn Bhd	Malaysia	Manufacturing and trading in steel products	**100**	100
Ara Seri Bangun Sdn Bhd	Malaysia	Dormant	**100**	100
Temasek Potensi Sdn Bhd	Malaysia	Investment holding	**100**	100
Pioneer Glory International Limited	British Virgin Islands	Investment holding	**100**	100
Banting Resources Sdn Bhd	Malaysia	Property investment	**87.96**	–
Viroy Management Services Sdn Bhd	Malaysia	Investment holding and property management	**98.29**	–
Subsidiary of LDH Manufacturing Sdn Bhd				
CPB Enterprise Sdn Bhd	Malaysia	Property management	**100**	100
Subsidiaries of LDH Trading Sdn Bhd				
LDH Resources Limited	Cayman Islands	Dormant	**100**	100
Banting Resources Sdn Bhd	Malaysia	Property investment	**12.04**	100
Subsidiary of Lion Subang Parade Sdn Bhd				
LDH Management Sdn Bhd	Malaysia	Investment holding and project management	**100**	100
Subsidiaries of LDH Management Sdn Bhd				
Atlantic Dimension Sdn Bhd	Malaysia	Ceased operations	**100**	100
Shanghai LDH Management Consultant Co Ltd *	People's Republic of China	Management consulting services	**100**	100
Viroy Management Services Sdn Bhd	Malaysia	Investment holding and property management	**1.71**	100

14. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2017 %	Equity interest 2016 %
Subsidiary of Likom Caseworks Sdn Bhd				
Likom Caseworks USA Inc *	United States of America	Sale of enclosure for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Likom Caseworks USA Inc				
Likom de Mexico S.A. de C.V *	Mexico	Manufacturing and assembly for set top and security/alarm systems, metal stamping and plastic assemblies for flat televisions, and other related metal stamping and plastic components	**100**	100
Subsidiary of Lion DRI Sdn Bhd				
Limbungan Makmur Sdn Bhd	Malaysia	Provision of chartering services	**100**	100
Subsidiary of Well Morning Limited				
Changshu Lion Enterprise Co Ltd *	People's Republic of China	Property development	**100**	100
Subsidiary of Excel Step Investments Limited				
Teraju Varia Sdn Bhd	Malaysia	Investment holding	**100**	100
Subsidiary of Lion Blast Furnace Sdn Bhd				
LBF Enterprise (L) Limited	Malaysia	Dormant	**100**	100

14. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2017 %	2016 %
Subsidiary of Ara Seri Bangun Sdn Bhd				
Alpha Strategies Sdn Bhd	Malaysia	Dormant	**100**	100
Subsidiaries of Temasek Potensi Sdn Bhd				
Gempower Sdn Bhd (Dissolved on 22.7.2016)	Malaysia	Dormant	–	100
Jernih Aktif Sdn Bhd	Malaysia	Dormant	**100**	70
Subsidiary of Pioneer Glory International Limited				
Fortius Resources (Cambodia) Co Limited	Cambodia	Dormant	**100**	100

All the companies are audited by Ernst & Young Malaysia except for those marked (*) which are audited by other auditors.

(1) 30% held by the Company and 30% held by LDH Manufacturing Sdn Bhd.

Acquisition of a subsidiary

In the previous financial year, the Group acquired 100% equity interest in Alpha Strategies Sdn Bhd for a cash consideration of RM2.00.

The acquisition of a subsidiary has no material effect on the Group's financial results, financial position or cash flows.

The qualification of the financial statements of the following subsidiaries, which are not covered by the Group's financial statements and is material from the point of view of the Directors of the Company are described below:

(a) Lion DRI Sdn Bhd

(i) The preparation of financial statements of Lion DRI Sdn Bhd using the going concern basis of accounting indicates a material uncertainty that may cast significant doubt on Lion DRI Sdn Bhd's Group's and Company's ability to continue as going concerns and therefore may be unable to realise their assets and discharge their liabilities in the normal course of business.

14. INVESTMENT IN SUBSIDIARIES (Continued)

The qualification of the financial statements of the following subsidiaries, which are not covered by the Group's financial statements and is material from the point of view of the Directors of the Company are described below: (Continued)

(a) Lion DRI Sdn Bhd (Continued)

(ii) Inability to obtain sufficient appropriate audit evidences in relation to the measurement of revenue, and raw materials and consumables used of RM277.8 million and RM210.5 million respectively and the valuation of inventories of RM28.6 million in the previous financial year, which resulted in inability to obtain sufficient appropriate audit evidence to determine whether adjustments to the results of operations and the opening accumulated losses might be necessary for the financial year ended 30 June 2017.

(iii) Inability to obtain sufficient appropriate audit evidences to determine whether any adjustments should be made on the recoverable amount and consequently, the depreciation charge of the Direct Reduced Iron Plant during the current financial year.

(iv) Inability to obtain sufficient appropriate audit evidences on the likely legal outcome of the litigation with Classic Maritime Inc.

(b) Limbungan Makmur Sdn Bhd

(i) The preparation of financial statements of Limbungan Makmur Sdn Bhd using the going concern basis of accounting indicates a material uncertainty that may cast significant doubt on its ability to continue as going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business.

(ii) Inability to obtain sufficient appropriate audit evidences in relation to the quantification of the damages for the 2 index shipments and on the likely outcome of the ongoing legal proceedings for the balance 5 shipments.

(iii) Departure from Malaysian Financial Reporting Standards ("MFRS") as no provision for onerous contact has been made for the COA. Under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, Limbungan Makmur Sdn Bhd has a present obligation of approximately RM500.0 million under the COA which exceed the economic benefits expected to be received.

(c) Lion Blast Furnace Sdn Bhd

The preparation of financial statements of Lion Blast Furnace Sdn Bhd using the going concern basis of accounting indicates a material uncertainty that may cast significant doubt on its ability to continue as going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business.

15. INVESTMENT IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Quoted shares in Malaysia, at cost	**–**	20,144	**–**	216,560
Less: Accumulated impairment losses	**–**	(15,861)	**–**	(216,560)
Share of post-acquisition reserves	**–**	(4,283)	**–**	–
	–	–	**–**	–
Unquoted shares in Malaysia, at cost	**344,607**	324,463	**541,023**	324,463
Less: Accumulated impairment losses	**(340,324)**	(324,463)	**(541,023)**	(324,463)
Share of post-acquisition reserves	**(4,283)**	–	**–**	–
	–	–	**–**	–
	–	–	**–**	–
Market value of quoted shares:				
- In Malaysia	**–**	11,191	**–**	2,283

The Group's share of losses of associates has been recognised to the extent of the carrying amount of the investments. The cumulative unrecognised share of these losses amounted to RM464.9 million (2016: RM269.3 million) and current year's unrecognised share of losses amounted to RM195.6 million (2016: RM266.8 million).

Name of subsidiaries	Country of incorporation	Principal activities	Equity interest 2017 %	2016 %
Lion Corporation Berhad ("LCB")* [(2)]	Malaysia	Investment holding	**7.0 [(1)]**	6.9 [(1)]
Megasteel Sdn Bhd	Malaysia	Manufacturing of hot rolled coils and cold rolled coils	**21.1**	21.1
Held through subsidiaries:				
LCB* [(2)]	Malaysia	Investment holding	**27.0[(1)]**	27.1 [(1)]

* The company is audited by a firm other than Ernst & Young.

[(1)] The Group holds in total of approximately 34.0% equity interest in LCB, via the Company (2017: 7.0%; 2016: 6.9%), Graimpi Sdn Bhd (9.6%), Lion DRI (17.4%), LDH (S) Pte Ltd (2017: Nil; 2016: 0.1%), LDH Management Sdn Bhd (0.01%) and Teraju Varia Sdn Bhd (negligible). The shares in LCB are pledged for the deferred payments as disclosed in Note 29.

[(2)] LCB had been de-listed from the Official List of Bursa Malaysia Securities Berhad on 12 October 2016.

15. INVESTMENT IN ASSOCIATES (Continued)

Summarised financial information of the Group's material associates is set out below. The summarised financial information represents the amounts in the financial statements of the material associates and not the Group's share of those amounts:

	LCB	
	2017	**2016**
	RM'000	**RM'000**
(i) Summarised statement of financial position		
Current assets	**315,397**	364,344
Non-current assets	**2,388,732**	2,477,806
Total assets	**2,704,129**	2,842,150
Current liabilities	**(3,497,695)**	(3,285,813)
Non-current liabilities	**(1,234,209)**	(1,187,014)
Total liabilities	**(4,731,904)**	(4,472,827)
Net liabilities	**(2,027,775)**	(1,630,677)
(ii) Summarised statement of profit or loss		
Revenue	**87,167**	701,779
Loss for the financial year	**(297,775)**	(560,781)
(iii) Group's share of net assets, representing carrying amount of the Group's interest in the associate	**–**	–
(iv) Group's share of results of the associate	**–**	–

16. INVESTMENT IN JOINT VENTURE

	Group	
	2017	**2016**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	**88**	88
Share of post-acquisition results	**23,160**	22,163
	23,248	22,251

16. INVESTMENT IN JOINT VENTURE (Continued)

Details of the joint venture are as follows:

Name of joint venture	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2017 %	2016 %
Panareno Sdn Bhd ("Panareno")	Malaysia	Property development and property investment	**35**	35

Panareno is audited by a firm other than Ernst & Young.

Summarised financial information of the joint venture is set out below. The summarised financial information represents the amounts in the financial statements of the joint venture and not the Group's share of those amounts:

		Panareno 2017 RM'000	2016 RM'000
(i)	Summarised statements of financial position		
	Current assets	**82,017**	79,827
	Total assets	**82,017**	79,827
	Current liabilities	**(15,595)**	(16,254)
	Total liabilities	**(15,595)**	(16,254)
	Net assets	**66,422**	63,573
(ii)	Summarised statement of profit or loss		
	Revenue	**7,809**	–
	Profit/(Loss) for the financial year	**2,848**	(7,576)
(iii)	Group's share of net assets, representing carrying amount of the Group's interest in joint venture	**23,248**	22,251
(iv)	Group's share of results of joint venture	**997**	(2,652)

The joint venture had no other contingent liabilities as at 30 June 2017 and 30 June 2016, other than as disclosed in Note 36.

17. INVESTMENT SECURITIES

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Non-current				
Held-to-maturity investments				
Unquoted:				
- Shares in Malaysia [a]	**48**	49	**–**	–
Available-for-sale financial assets				
Quoted:				
- Shares in Malaysia	**37,857**	10,095	**25,935**	6,916
Total non-current investment securities	**37,905**	10,144	**25,935**	6,916
Current				
Available-for-sale financial assets				
Cash management funds [b]	**11,685**	13,455	**–**	–
Quoted:				
- Shares in Malaysia	**6,515**	22,899	**–**	–
Held-to-maturity investments				
Unquoted ACB bonds [c]:				
- Cost	**7,829**	8,073	**7,829**	8,073
- Impairment losses	**(7,829)**	(8,073)	**(7,829)**	(8,073)
	–	–	**–**	–
Total current investment securities	**18,200**	36,354	**–**	–
Total investment securities	**56,105**	46,498	**25,935**	6,916
Consists of the following:				
Investments in:				
- Related party entities	**44,420**	33,043	**25,935**	6,916
- Others	**11,685**	13,455	**–**	–
	56,105	46,498	**25,935**	6,916
Market value of quoted shares:				
- In Malaysia	**44,372**	32,994	**25,935**	6,916

The Group's investments in quoted shares in Malaysia with carrying amounts of RM6.5 million (2016: RM22.9 million) are pledged as security for the Exchangeable Bonds, as disclosed in Note 28(a). During the financial year, approximately RM14.1 million (2016: RM22.1 million) of the value of the quoted shares were delivered upon the exchange of the Secured Bonds by the holders of the Exchangeable Bonds.

17. INVESTMENT SECURITIES (Continued)

(a) Held-to-maturity investments - unquoted shares

	Group	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares in Malaysia, at cost	**15**	15
Unquoted preference shares in Malaysia, at cost	**38**	38
Less: Amortisation of premium*	**(5)**	(4)
	48	49

* The above amortisation represents the amortisation of premium for two preference shares of RM1,000 each which are redeemable at least six months before 5 December 2090 at a redemption price of RM1,000 per share.

(b) Cash management funds

The range of interest rates of cash management funds at the reporting date were as follows:

	Group	
	2017	**2016**
	%	**%**
Cash management funds	**2.4 - 3.7**	3.1 - 4.0

(c) Held-to-maturity investments - unquoted bonds

The unquoted bonds bear a yield to maturity which ranges from 4.0% to 4.75% (2016: 4.0% to 4.75%) per annum. The unquoted bonds have been fully impaired by the Group and the Company in the previous financial years and no interest is recognised in the comprehensive income.

18. INTANGIBLE ASSETS

	Goodwill on consolidation RM'000	**Purchased goodwill RM'000**	**Total RM'000**
Group			
Cost			
At 1 July 2016 and 30 June 2017	**14,662**	**18,814**	**33,476**
Accumulated impairment			
At 1 July 2016 and 30 June 2017	**(14,662)**	**(8,330)**	**(22,992)**
Net carrying amount			
At 30 June 2017	**–**	**10,484**	**10,484**

18. INTANGIBLE ASSETS (Continued)

	Goodwill on consolidation RM'000	Purchased goodwill RM'000	Total RM'000
Group			
Cost			
At 1 July 2015 and 30 June 2016	14,662	18,814	33,476
Accumulated impairment			
At 1 July 2015 and 30 June 2016	(14,662)	(8,330)	(22,992)
Net carrying amount			
At 30 June 2016	–	10,484	10,484

Impairment tests for goodwill

Goodwill has been allocated to the Group's CGU identified according to the country of operation and business segment as follows:

	Total RM'000
Malaysia	
Contract manufacturing services ("CMS")	
At 30 June 2016/2017	**10,484**

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flows projections from financial budgets approved by Management covering a five-year period.

The pre-tax discount rate applied to the cash flow projections and the forecast growth rates used to extrapolate cash flows beyond the five-year period are as follows:

	Group	
	2017	**2016**
Revenue growth rates	**5%**	5%
Pre-tax discount rates	**8%**	8%

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

(i) Budgeted gross margins and revenue growth rates - Management determines budgeted gross margin based on performance achieved in the past five years and its expectations on market development.

(ii) Pre-tax discount rates - Discount rates reflect Management's estimate of the risks specific to these entities. In determining appropriate discount rates for each units, consideration has been given to applicable weighted average cost of capital for each unit.

18. INTANGIBLE ASSETS (Continued)

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use of the respective CGU, Management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the CGU to differ materially from recoverable amounts except for the changes in the prevailing operating environment, the impact of which is not ascertainable.

19. DEFERRED TAX

	Group	
	2017	**2016**
	RM'000	**RM'000**
At the beginning of financial year	**(30,629)**	(130,862)
Recognised in profit or loss (Note 9)	**(3,306)**	100,257
Exchange differences	**(37)**	(24)
At the end of financial year	**(33,972)**	(30,629)

Presented after appropriate offsetting as follows:

Deferred tax assets	**1,026**	1,326
Deferred tax liabilities	**(34,998)**	(31,955)
	(33,972)	(30,629)

The Group offsets tax assets and tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets of the Group:

	Provisions
	RM'000
At 1 July 2016	**1,326**
Recognised in profit or loss	**146**
Transfer from deferred tax liabilities	**(409)**
Exchange differences	**(37)**
At 30 June 2017	**1,026**
At 1 July 2015	847
Recognised in profit or loss	490
Exchange differences	(11)
At 30 June 2016	1,326

19. DEFERRED TAX (Continued)

The components and movements of deferred tax assets and liabilities during the financial year are as follows: (Continued)

Deferred tax liabilities of the Group:

	Property, plant and equipment RM'000	**Others RM'000**	**Total RM'000**
At 1 July 2016	**(31,955)**	**–**	**(31,955)**
Recognised in profit or loss	**(3,452)**	**–**	**(3,452)**
Transfer to deferred tax assets	**409**	**–**	**409**
At 30 June 2017	**(34,998)**	**–**	**(34,998)**
At 1 July 2015	(114,242)	(17,467)	(131,709)
Recognised in profit or loss	82,225	17,542	99,767
Exchange differences	62	(75)	(13)
At 30 June 2016	(31,955)	–	(31,955)

The following are unrecognised tax benefits:

	Group	
	2017 RM'000	**2016 RM'000**
Unused tax losses *	**767,449**	739,295
Unabsorbed capital allowances *	**18,101**	11,245
	785,550	750,540

* The unused tax losses and unabsorbed capital allowances in the previous financial year have been restated upon the finalisation of prior year's tax computation.

Deferred tax assets have not been recognised in respect of the unused tax losses and unabsorbed capital allowances as it is not probable that taxable profit will be available against which the unused tax losses and unabsorbed capital allowances can be utilised, considering that the relevant subsidiaries have been incurring losses and there are no other tax planning opportunities or other evidence of recoverability in the near future.

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the respective subsidiaries are subject to no substantial changes in shareholdings of the respective subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority.

20. INVENTORIES

	Group 2017 RM'000	Group 2016 RM'000
Cost		
Properties held for sale	**4,796**	21,339
Raw materials	**13,753**	12,365
Work-in-progress	**993**	1,017
Finished goods	**1,827**	1,651
Spares, supplies and consumables	**28,708**	28,705
	50,077	65,077
Net realisable value		
Finished goods	**1,699**	2,625
Total	**51,776**	67,702

As disclosed in Note 28(b)(i), inventories of a subsidiary amounting to RM28.7 million (2016: RM29.3 million) are pledged for bank borrowings. During the financial year, RM114.9 million (2016: RM420.1 million) of inventories were recognised as expenses.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade receivables [a]				
- Third parties	**51,606**	73,405	**–**	–
- Related parties	**716,700**	716,373	**–**	–
	768,306	789,778	**–**	–
Less: Allowance for impairment	**(718,068)**	(718,074)	**–**	–
	50,238	71,704	**–**	–
Other receivables:				
Amounts owing by subsidiaries [b]	**–**	–	**1,515,011**	1,534,393
Sundry receivables [c]	**6,753**	3,959	**2**	132
Deposits	**11,448**	11,813	**2**	3
Prepayments	**7,056**	2,019	**–**	18
Amounts owing by related parties [d]	**964**	1,431	**398**	389
Other receivables carried forward	**26,221**	19,222	**1,515,413**	1,534,935

21. TRADE AND OTHER RECEIVABLES (Continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other receivables: (Continued)				
Other receivables brought forward	**26,221**	19,222	**1,515,413**	1,534,935
Less: Allowance for impairment:				
- Sundry receivables	**(1,039)**	(1,039)	**–**	–
- Amounts owing by subsidiaries	**–**	–	**(1,352,227)**	(1,256,649)
- Amounts owing by related parties	**(613)**	(597)	**(345)**	(345)
	(1,652)	(1,636)	**(1,352,572)**	(1,256,994)
	24,569	17,586	**162,841**	277,941
Total trade and other receivables	**74,807**	89,290	**162,841**	277,941

(a) Trade receivables

The credit period is generally for a period of 7 days, extending up to 180 days (2016: 7 to 180 days).

The Group has a significant concentration of credit risk in the form of trade receivable due from Megasteel, constituting approximately 93.2% (2016: 91.0%) of the total gross trade receivables balances as at the reporting date. As at the reporting date, the amount due from Megasteel amounted to RM Nil (2016: RM Nil), net of allowance for impairment loss of RM716.1 million (2016: RM716.3 million).

Megasteel has defaulted on its borrowings, hence indicating significant uncertainty exists over the recoverability of the balance of the amount due from Megasteel.

Except for the amount due from Megasteel, the Group has no other significant concentration of credit risk that may arise from exposure to a single debtor or to groups of debtors.

Aging analysis of trade receivables

The aging analysis of the Group's trade receivables is as follows:

	Group 2017 RM'000	Group 2016 RM'000
Neither past due nor impaired	**37,479**	51,518
1 to 30 days past due but not impaired	**7,028**	13,211
31 to 60 days past due but not impaired	**3,621**	4,540
61 to 90 days past due but not impaired	**568**	923
91 to 180 days past due but not impaired	**903**	1,094
More than 181 days past due but not impaired	**639**	418
Past due but not impaired	**12,759**	20,186
	50,238	71,704
Impaired	**718,068**	718,074
	768,306	789,778

21. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been re-negotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM12.8 million (2016: RM20.2 million) that are past due but not impaired as at the reporting date. None of the trade receivables have been re-negotiated during the financial year. These receivables are unsecured in nature. Management is confident that these receivables are recoverable as these accounts are still active.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2017	**2016**
	RM'000	**RM'000**
Trade receivables - nominal amounts	**718,068**	718,074
Less: Allowance for impairment	**(718,068)**	(718,074)
	–	–

Movement in allowance accounts are as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
At the beginning of financial year	**718,074**	326,988
Charge for the financial year	**194**	391,084
Reversal	**(211)**	–
Exchange differences	**11**	2
At the end of financial year	**718,068**	718,074

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Amounts owing by subsidiaries

The amounts owing by subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

During the financial year, the Company made an allowance for impairment loss on the amount owing by subsidiaries amounting to RM95.6 million (2016: RM512.4 million).

21. TRADE AND OTHER RECEIVABLES (Continued)

(b) Amounts owing by subsidiaries (Continued)

Recovery of these debts is closely related to the operation of Megasteel. Hence, with the temporary cessation of operation of Megasteel, these debts are fully provided for.

As at 30 June 2017, the amount owing by a subsidiary amounted to RM159.1 million (2016: RM219.6 million) is pledged for trade payables as disclosed in Note 31.

(c) Sundry receivables

Included in sundry receivables in the previous financial year of the Group and of the Company were dividend receivable from investment securities of RM0.1 million which were held by the trustees on behalf of the holders of the Exchangeable Bonds.

(d) Amounts owing by related parties

The amounts owing by related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Related parties refer to companies in which certain Directors and substantial shareholders of the Company are directors and/or substantial shareholders.

Further details on related party transactions are disclosed in Note 37.

Movement in allowance accounts (other receivables) are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At the beginning of financial year	**1,636**	4,306	**1,256,994**	744,592
Charge for the financial year	**16**	1,085	**95,578**	512,402
Written off	**–**	(1,878)	**–**	–
Reversal	**–**	(1,877)	**–**	–
At the end of financial year	**1,652**	1,636	**1,352,572**	1,256,994

22. DERIVATIVE ASSETS

	Group			
	2017		2016	
	Contract/ notional amount RM'000	**Assets RM'000**	**Contract/ notional amount RM'000**	**Assets RM'000**
Non-hedging derivative:				
Forward currency contracts	**312**	**19**	4,142	32
Embedded derivatives	**–**	**–**	123,983	5,333
		19		5,365

The description of forward currency contracts and embedded derivatives are disclosed in Note 30.

23. CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances:				
Cash at banks and on hand	**39,385**	79,483	**857**	1,839
Deposits with licensed banks	**302,261**	265,076	**7,200**	42
Total cash and bank balances	**341,646**	344,559	**8,057**	1,881
Less: Bank overdrafts (Note 28)	**–**	(86,311)	**–**	(86,311)
Deposits with licensed banks with maturity of more than three months	**(43,067)**	(170,582)	**–**	–
Cash and cash equivalents	**298,579**	87,666	**8,057**	(84,430)

The cash and bank balances of the subsidiaries in the PRC amounting to RM321.2 million (2016: RM322.5 million) at the reporting date are subject to the exchange control restrictions and are restricted to be used in the PRC for the subsidiaries' operations. These balances are available for use by those subsidiaries and the exchange control restrictions will only apply if the monies are to be remitted to countries outside the PRC.

Included in the Group's deposits with licensed banks in the previous financial year with maturity of more than three months were deposits amounting to RM124.4 million were pledged with financial institutions for banking facilities granted to the Group as disclosed in Note 28(c) and (e).

In the previous financial year, the Company had obtained an overdraft and revolving credit facilities ("OD and RC Facilities") from a lender. The OD and RC Facilities were fully secured by Standby Letters of Credit ("SBLCs") wherein the SBLCs were fully secured by deposits with licensed bank from a wholly-owned subsidiary of the Company. Subsequent to the previous financial year end, the Company had received a notice of recall cum termination of the OD and RC Facilities for the outstanding amounts of approximately RM80.9 million as at the date of recall. The lender had monetised the SBLCs and received the funds for the full settlement of the outstanding OD and RC Facilities via upliftment of deposits with licensed bank in September 2016.

The range of interest rates of deposits at the reporting date are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	**%**	**%**	**%**
Licensed banks	**1.9 - 4.2**	1.6 - 3.1	**2.9 - 3.0**	1.5 - 2.9

Deposits of the Group and of the Company have maturity days ranging from 1 to 109 days (2016: 1 to 364 days) and 1 to 7 days (2016: 1 to 30 days) respectively.

24. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2017 RM'000	2016 RM'000
At the beginning of financial year	**10,052**	29,481
Transfer from property, plant and equipment (Note 11)	–	1,993
Transfer from investment properties (Note 12)	–	8,059
Transfer to property, plant and equipment (Note 11)*	–	(14,356)
Disposal #	–	(15,125)
At the end of financial year	**10,052**	10,052

* The non-current assets classified as held for sale amounting to RM14.4 million have been transferred to property, plant and equipment in the previous financial year due to recognition criteria of non-current assets classified as held for sale were no longer met.

\# The assets classified as held for sale had been disposed of in the previous financial year for RM36.5 million and this gave rise to a net gain of RM19.8 million.

During the financial year, CPB Enterprise Sdn Bhd, a wholly-owned subsidiary of the Company, had on 17 March 2017 entered into two separate sale and purchase agreement with 2 purchasers for the disposals of 2 pieces of leasehold land in Melaka. Further details of the transactions are disclosed in Note 38.

In the previous financial year, the titles of 2 pieces leasehold land of the Group with a carrying amount of RM2.0 million were registered in the name of a related party and were charged as security for a term loan facility as disclosed in Note 28(b)(ii).

25. SHARE CAPITAL

	Group/Company			
	Number of ordinary shares of		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authorised:	–*	9,000,000	–*	9,000,000
Issued and fully paid:				
At the beginning of financial year	**1,392,147**	1,392,147	**696,074**	696,074
Effect of implementation of the Companies Act 2016	–	–	**330,967**	–
At the end of financial year	**1,392,147**	1,392,147	**1,027,041**	696,074

* The Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

26. SHARE PREMIUM

	Group/Company 2017 RM'000	Group/Company 2016 RM'000
Issued and fully paid:		
At the beginning of financial year	**330,967**	330,967
Effect of implementation of the Companies Act 2016 ("Act")	**(330,967)**	–
At the end of financial year	**–**	330,967

Share premium relates to the amount that stockholders have paid for the stocks in excess of the nominal value. With the Act coming into effect on 31 January 2017, the credit standing in the share premium account of RM330,967,000 has been transferred to the share capital account. Pursuant to subsection 618(3) of the Act, the Company may exercise its right to use the credit amount being transferred from share premium within 24 months after the commencement of the Act.

27. OTHER RESERVES

	Fair value adjustment reserves RM'000 (a)	Capital reserves RM'000 (b)	Exchange fluctuation reserves RM'000 (c)	Revaluation reserves RM'000 (d)	Total RM'000
Group					
At 1 July 2016	**–**	**8,016**	**20,141**	**94,177**	**122,334**
Other comprehensive income					
Available-for-sale investments:					
- Gain on fair value changes	**27,762**	**–**	**–**	**–**	**27,762**
Foreign currency translation difference	**–**	**–**	**2,254**	**–**	**2,254**
Transfer from retained profits	**–**	**7,431**	**–**	**–**	**7,431**
At 30 June 2017	**27,762**	**15,447**	**22,395**	**94,177**	**159,781**
At 1 July 2015	–	4,206	30,106	94,177	128,489
Other comprehensive income/(loss)					
Foreign currency translation difference	–	–	(9,965)	–	(9,965)
Transfer from retained profits	–	3,810	–	–	3,810
At 30 June 2016	–	8,016	20,141	94,177	122,334

27. OTHER RESERVES (Continued)

	Fair value adjustment reserve RM'000 (a)
Company	
At 30 June 2016/1 July 2016	–
Other comprehensive income	
Available-for-sale investments:	
- Gain on fair value changes	**19,019**
At 30 June 2017	**19,019**

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes of available-for-sale financial assets.

(b) Capital reserves

The capital reserves represent:

(i) the transfer from distributable earnings of a wholly-owned subsidiary arising from its bonus issue of shares; and

(ii) the reserves maintained by the Group's subsidiary in the PRC in accordance with the regulations in that country and are not available for payment of dividend.

(c) Exchange fluctuation reserves

The exchange fluctuation reserves represent exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Revaluation reserve

The asset revaluation reserve represents the fair value adjustments to the freehold land of the subsidiary.

28. LOANS AND BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Secured:				
Term loans (b)	**20,000**	39,892	**–**	–
Obligations under finance leases (d)	**105**	364	**–**	34
	20,105	40,256	**–**	34

28. LOANS AND BORROWINGS (Continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current				
Secured:				
Exchangeable Bonds [(a)]	**10,633**	27,539	**–**	–
Term loans [(b)]	**159,579**	133,211	**–**	–
Bank overdrafts [(c)]	**–**	86,311	**–**	86,311
Obligations under finance leases [(d)]	**174**	291	**–**	38
Revolving credits [(e)]	**–**	15,000	**–**	15,000
Bankers acceptance [(f)]	**–**	301	**–**	–
	170,386	262,653	**–**	101,349
Unsecured:				
Exchangeable Bonds [(a)]	**75,871**	93,408	**–**	–
	246,257	356,061	**–**	101,349
Total borrowings				
Exchangeable Bonds [(a)]	**86,504**	120,947	**–**	–
Term loans [(b)]	**179,579**	173,103	**–**	–
Bank overdrafts [(c)] (Note 23)	**–**	86,311	**–**	86,311
Obligations under finance leases [(d)]	**279**	655	**–**	72
Revolving credits [(e)]	**–**	15,000	**–**	15,000
Bankers acceptance [(f)]	**–**	301	**–**	–
	266,362	396,317	**–**	101,383

The remaining maturities of the loans and borrowings excluding obligations under finance leases as at 30 June 2017 are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
On demand or within one year	**246,083**	355,770	**–**	101,311
More than one year and less than two years	**20,000**	39,892	**–**	–
	266,083	395,662	**–**	101,311

(a) Exchangeable Bonds

On 16 November 2007, Excel Step Investments Limited ("Excel Step"), a wholly-owned subsidiary of the Company, issued USD132,110,000 nominal value 5-year 2.5% Exchangeable Bonds ("Bonds") which are constituted by a Trust Deed dated 16 November 2007 made between Excel Step ("Issuer"), the Company ("Guarantor"), The Bank of New York Mellon, London Branch ("Trustee") and AmTrustee Berhad ("Security Trustee") ("Trust Deed").

The Bonds would mature on 16 November 2017 and would then be exchangeable into approximately 45.1 million ordinary shares in Parkson Holdings Berhad ("Parkson") ("Parkson Shares").

28. LOANS AND BORROWINGS (Continued)

(a) Exchangeable Bonds (Continued)

The holders of the Bonds had:

(i) on 21 December 2015, signed a written resolution in relation to the extension of the date of Tenth Scheduled Partial Redemption of USD4.0 million (approximately RM16.1 million) which was due on 16 November 2015 to 31 January 2016; and

(ii) on 12 February 2016, approved an Extraordinary Resolution relating to the further restructuring of the Bonds which involved, *inter alia*, the following:

(a) certain modifications of the terms and conditions of the Bonds and the Trust Deed to implement certain amendments to the Bonds;

(b) the release of monies of approximately RM2.2 million held by the Security Trustee under the existing security arrangements under the Bonds for the application of such United States Dollars ("USD") amount in making a partial redemption payment in respect of the Bonds ("Cash Application");

(c) the further reduction of the principal amount of the Bonds in exchange for the issue to the beneficial holders pro rata to their holding of the Bonds of USD27.0 million 8% guaranteed unsecured non-exchangeable bonds due 2019 ("Unsecured Bonds") which shall be repayable in eight instalments, with seven principal repayments of USD3.0 million payable on a semi-anual basis commencing on 16 May 2016, and a final payment of USD6.0 million payable on 16 November 2019; and

(d) the Bonds written down by the Trustee to an outstanding principal amount of USD12.18 million due 2020 ("Secured Bonds") which are exchangeable into 50,235,202 Parkson Shares and shall mature in a single repayment on 16 November 2020.

Following the rounding adjustment, the Cash Application amounted to USD501,000 and the Secured Bonds had been marked down to USD12.179 million. Upon the above further restructuring of the Bonds, the exchange price is adjusted to RM1.0056 per Parkson Share.

During the financial year, the Issuer has redeemed USD6 million (approximately RM25.8 million) Unsecured Bonds.

In the previous financial year, the Issuer has redeemed USD3.5 million (approximately RM14.1 million) Secured Bonds plus accrued interest from the bondholders whereby approximately USD0.5 million (approximately RM2.0 million) was paid using the accrued dividend previously held by the Security Trustee and the remainder by the way of cash.

As at 30 June 2017, the outstanding Unsecured Bonds and Secured Bonds are approximately USD18.0 million (RM75.9 million) (2016: USD24.0 million (RM93.4 million)) and USD2.5 million (RM10.6 million) (2016: USD6.8 million (RM27.5 million)) respectively.

As at the reporting date, the yield to maturity of the Unsecured Bonds is 8% (2016: 8%) per annum calculated on a quarterly basis.

The Secured Bonds are secured by investment in quoted shares in Malaysia with carrying amounts of RM6.5 million (2016: RM22.9 million) as disclosed in Note 17.

The bondholders have the right to exchange their Secured Bonds into Parkson Shares at any time during the exchange period, at any time on and after 16 February 2016 up to close of business on 16 November 2020.

28. LOANS AND BORROWINGS (Continued)

(a) Exchangeable Bonds (Continued)

The number of Parkson Shares to be delivered on exchange of a Secured Bond will be determined by dividing the principal amount of the Bonds to be exchanged (translated into Ringgit Malaysia at a fixed exchange rate of RM4.1473 : USD1.00) by the exchange price. Exchange price has been adjusted to RM1.0056 (2016: RM1.0056) on 16 February 2016.

The agreements governing the Bonds contain certain covenants that entitle the bondholders to accelerate repayment should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

As mentioned in Note 28(b) below, one of the subsidiary has defaulted on payment of its loan during the previous financial year.

(b) Term loans

	Group	
	2017 RM'000	**2016 RM'000**
Current		
RM loan at BLR + 1.25% per annum (i)	**114,579**	113,211
RM loan from licensed money lenders (ii)	**45,000**	20,000
	159,579	133,211
Non-current		
RM loan from licensed money lenders (ii)	**20,000**	37,034
RMB loan at BLR China x 1.15 /1.1 times per annum (iii)	**–**	2,858
	20,000	39,892
Total	**179,579**	173,103

(i) RM loan at BLR + 1.25% per annum

This loan is secured by the following:

(I) debenture incorporating a fixed and floating charge over all present and future assets and undertaking of a wholly-owned subsidiary, Lion DRI, as follows:

	2017 RM'000	**2016 RM'000**
Property, plant and equipment	**181,034**	209,565
Investment securities	**–**	5,734
Inventories	**28,660**	29,295
Trade and other receivables	**730**	685
Tax recoverable	**495**	500
Cash and bank balances	**2,447**	5,675
Total	**213,366**	251,454

28. LOANS AND BORROWINGS (Continued)

(b) Term loans (Continued)

(i) RM loan at BLR + 1.25% per annum (Continued)

This loan is secured by the following: (Continued)

(II) irrevocable and unconditional corporate guarantee from the Company;

(III) first legal charge over the Company's 100% shareholding in Lion DRI;

(IV) irrevocable and unconditional letter of undertaking from the Company to support the operations of Lion DRI;

(V) legal assignment on all present and future rights, title, interests and benefits of Lion DRI in and under the Offtake Agreement dated 16 July 2007 entered into between Lion DRI and Megasteel, and of the lease between Lion DRI and Megasteel of all those pieces and parcels of land;

(VI) legal assignment of all present and future rights, title, interests and benefits of a cash deposit in the sinking fund account (minimum RM45.0 million to be maintained) with the lenders. The Group has utilised the RM45.0 million deposit to partially settle this term loan; and

(VII) irrevocable and unconditional letter of undertaking from the related party addressed to the lenders and to the subsidiary which the related party has right of way to enable Lion DRI to carry on its operations and business of manufacturing direct reduced iron and hot briquetted iron in the vicinity of the lease of land.

Certain financial covenants requirements of this loan were breached during the previous financial years. However as at the date of this report, no formal event of default notice has been served against the Group and the Company. No value is ascribed on the guarantee provided by the Company to secure the banking facilities as the Directors regard the value of the credit enhancement provided by the guarantee as minimal.

(ii) RM loans with licensed money lenders

The loans are secured by a lienholder's caveat over the lands and buildings of the Group with carrying amount of approximately RM155.8 million (2016: RM157.9 million) as disclosed in Notes 11 and 24.

(iii) RMB loan at BLR China x 1.15/1.1 times per annum

The loan was secured by a charge over the leasehold land disclosed under property development cost of a subsidiary with a carrying amount of approximately RM35.4 million in the previous financial year, as disclosed in Note 13.

(c) Bank overdrafts

In the previous financial year, bank overdrafts of the Group and of the Company of RM86.3 million were secured by approximately RM105.8 million SBLCs which were fully secured by cash in fixed deposits from a wholly-owned subsidiary of the Company.

The bank overdraft agreement contains certain covenants that entitle the bank to accelerate repayment or to withdraw the advance of credit should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

On 6 September 2016, the overdrafts amounted to RM65.9 million had been defaulted and had subsequently been fully repaid on 14 September 2016 upon the bank monetising on the SBLCs.

28. LOANS AND BORROWINGS (Continued)

(d) Obligations under finance leases

The Group and the Company have finance leases for motor vehicles as disclosed in Note 11.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Minimum lease payments:				
Not later than one year	**196**	370	–	45
Later than one year and not later than five years	**123**	381	–	40
	319	751	–	85
Less: Future finance charges	**(40)**	(96)	–	(13)
Present value of finance lease liabilities	**279**	655	–	72
Present value of finance lease liabilities:				
Not later than one year	**174**	291	–	38
Later than one year and not later than five years	**105**	364	–	34
	279	655	–	72
Analysed as:				
Due within one year	**174**	291	–	38
Due after one year	**105**	364	–	34
	279	655	–	72

The obligations under finance leases bear interest at the reporting date at rates ranging from 2.4% to 2.7% (2016: 2.3% to 3.3%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and in the Company.

(e) Revolving credit

The Company's RM15.0 million revolving credit facility in the previous financial year was secured by approximately RM18.6 million SBLC which was fully secured by cash in fixed deposits from a wholly-owned subsidiary of the Company.

The revolving credit agreement contains certain covenants that entitle the bank to accelerate repayment or to withdraw the advance of credit should the Company or its subsidiaries default on payments under any other agreements or instruments involving borrowings.

On 6 September 2016, the revolving credit had been defaulted and had subsequently been fully repaid upon the bank monetising on the SBLC.

28. LOANS AND BORROWINGS (Continued)

(f) Bankers acceptance

The Group's bankers acceptance was secured by a guarantee given by the Company to finance sales to a third party customer.

The bankers acceptance was settled on 11 July 2016.

The weighted average effective interest rates at the reporting date for the respective credit facilities are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	%	%	%	%
Bankers acceptance	–	5.0	–	–
Term loans	**11.9**	9.8	–	–
Revolving credits	–	5.4	–	5.4
Bank overdrafts	–	5.9	–	5.9

29. DEFERRED PAYMENTS

	Group/Company	
	2017	**2016**
	RM'000	**RM'000**
At the beginning of the financial year	**45,561**	48,061
Interest expense recognised during the year (Note 8)	**3,887**	4,163
	49,448	52,224
Payments made during the year	**(9,362)**	(6,663)
At the end of the financial year (Note 31)	**40,086**	45,561

Deferred payments represent the outstanding balance of the purchase consideration for the acquisition by the Company and Teraju Varia Sdn Bhd ("Teraju Varia"), a wholly-owned subsidiary of the Company, of RM denominated bonds issued by LCB ("LCB Bonds") for a cash consideration of RM400 million on 27 February 2009. On the same date, the Company and Teraju Varia converted these LCB Bonds into 804,460,000 ordinary shares of RM1.00 each in LCB.

The deferred payments bear interest at the rate of 9% (2016: 9%) per annum and as at 30 June 2017, 91,273,241 (2016: 91,273,241) LCB shares are pledged as security for the outstanding deferred payments.

In the previous financial year, the Company proposed to the creditors for a deferment of the repayment of RM45.6 million on or before 31 December 2016. The Company will propose to the creditors for a further deferment of the repayment of RM40.1 million on or before 31 December 2017.

30. DERIVATIVE LIABILITIES

	Group			
	2017		2016	
	Contract/ notional amount RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Liabilities RM'000
Non-hedging derivative:				
Forward currency contracts	**–**	**–**	3,152	4
Embedded derivatives	**86,504**	**121**	–	–
		121		4

Forward currency contracts

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to manage the foreign currency exposures arising from its receivables denominated in USD which existed at the reporting date, extending to July 2017.

Embedded derivatives

This represents the exchange feature which is a separate embedded derivative contained in the Bonds as disclosed in Note 28(a). Bondholders are able to exchange the Bonds into the shares of Parkson Holdings Berhad ("Parkson Shares") at a fixed exchange price as disclosed in Note 28(a). This derivative instrument is carried at fair value through profit or loss.

	Group	
	2017 RM'000	2016 RM'000
Exchangeable Bonds:		
At the beginning of financial year	**(5,333)**	407
Changes in fair value recognised in profit or loss during the year	**5,454**	(5,740)
At the end of financial year	**121**	(5,333)
Representing:		
Derivative assets (Note 22)	**–**	(5,333)
Derivative liabilities	**121**	–
	121	(5,333)

The fair value changes are calculated using a binomial option pricing model, taking into account the terms and conditions upon which the derivative instrument is issued.

30. DERIVATIVE LIABILITIES (Continued)

Embedded derivatives (Continued)

The list of inputs to the option pricing model is as follows:

	2017	2016
Parkson Share price (RM)	**0.57**	0.81
Exchange price (RM)	**1.01**	1.01
Expected volatility (%)	**21**	24
Expected life of exchange feature (years)	**3.4**	4.4
Risk free rate (% per annum)	**3.7**	3.5

The expected life of exchange feature is based on the contractual life of the Bonds. The expected volatility reflects the assumption that the historical volatility, over a period similar to the life of the exchange feature, is indicative of future trends, which may not necessarily be the actual outcome.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Trade payables [a]	**742,016**	711,726	**–**	–
Other payables				
Sundry payables	**109,318**	101,619	**910**	–
Advances from customers	**65,094**	69,095	**–**	–
Deposits	**12,755**	693	**–**	–
Accruals	**154,733**	124,660	**22,888**	22,658
Project payables [b]	**–**	4	**–**	–
Amounts owing to subsidiaries [c]	**–**	–	**291,435**	181,626
Amounts owing to related parties [d]	**7,031**	6,110	**3,845**	3,851
Deferred payments (Note 28)	**40,086**	45,561	**40,086**	45,561
	389,017	347,742	**359,164**	253,696
Total trade and other payables	**1,131,033**	1,059,468	**359,164**	253,696

(a) Trade payables

These amounts are non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 90 days (2016: 30 to 90 days).

Included in trade payables are amounts due to related parties amounting to approximately RM565.3 million (2016: RM516.7 million) arising from transactions as further disclosed in Note 37. These balances bear interest at rates ranging from 9.0% to 9.1% (2016: 9.0% to 9.1%) per annum and RM431.0 million (2016: RM431.0 million) are secured against assets as disclosed in Notes 14 and 21(b).

Included in trade payables in the previous financial year was an amount of RM14.5 million representing financing by a financial institution for the payments made to contractors of the Group's PRC subsidiary.

31. TRADE AND OTHER PAYABLES (Continued)

(b) Project payables

Project payables represent accrued construction costs for plant and machinery. These payables were unsecured and non-interest bearing.

(c) Amounts owing to subsidiaries

The amounts owing to subsidiaries in the previous financial year were non-interest bearing except for a balance of USD7.2 million (approximately RM28.9 million) which bore interest at a rate of 0.28% per annum. These balances were payable on demand and were unsecured.

(d) Amounts owing to related parties

Amounts owing to related parties are unsecured, non-interest bearing and are payable on demand.

32. PROVISIONS

	Group	
	2017	**2016**
	RM'000	**RM'000**
At the beginnning/end of financial year	**38,000**	38,000

The provision for potential claims represents the estimated quantum of claims by the contractors for the construction of the blast furnace ("the Project") that was suspended as disclosed in Note 11(e). The claims provided are to compensate the losses caused by the delay of the construction of the Project. The Directors are of the opinion that the current provision is adequate to cover the losses incurred. As of the reporting date, no litigation has been initiated by the contractors against the Group. Details of unprovided claims are disclosed in Note 36(i).

33. PRODUCT FINANCING LIABILITIES

	Group	
	2017	**2016**
	RM'000	**RM'000**
Payable within one year:		
- with external parties	**–**	33,895

The liabilities represent trade financing arrangements contracted with certain parties for the purchase of raw materials. The titles to the inventories pertaining to these arrangements were legally with these parties and of which the Group has the obligation to purchase. The terms of trade financing arrangements in the previous financial year were 120 days, bore interest at rates ranging from 2.1% to 3.2% per annum and late payment interest at rates ranging from 7.5% to 12.0% per annum. There is no inventories under such arrangements as at the reporting date.

The trade financing arrangements in the previous financial year were denominated in US Dollar. Further details of foreign exchange currency risk are as disclosed in Note 40(e).

34. EMPLOYEE SHARE-BASED PAYMENT

The main features of the Executive Share Option Scheme ("ESOS") of the Company, which became effective on 2 February 2011, were as follows:

(a) Executive and non-executive Directors of the Company who had held office for at least six months, and confirmed executive employees of the Group who have been employed on a continuous full time basis for a period of not less than six months on the date of offer shall be eligible to participate in the ESOS.

(b) The aggregate number of options exercised and options offered and to be offered under the ESOS shall not exceed 5% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS subject to the following being complied with:

(i) not more than 50% of the shares available under the ESOS shall be allocated, in aggregate, to executive and non-executive Directors, and senior management; and

(ii) not more than 10% of the shares available under the ESOS shall be allocated to any eligible executive who, either singly or collectively through persons connected with him or her (as defined in paragraph 1.01 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements), holds 20% or more of the issued and paid-up share capital of the Company.

(c) No options shall be granted for less than 100 ordinary shares nor more than the maximum allowable allotment and each grant of options shall be in multiples of 100 ordinary shares.

(d) The subscription price of each ordinary share under the ESOS shall be the weighted average market price of the shares for the 5 market days immediately preceding the date of offer on which the shares were traded with a discount of not more than 10%, or the par value of the shares, whichever is the higher.

(e) The ESOS shall continue to be in force for a period of 5 years and the Company may, if the Board deems fit upon the recommendation of the Option Committee, renew the ESOS for a further 5 years, without further approval of the shareholders or the relevant authorities.

The persons to whom the options have been granted have no right to participate, by virtue of the options, in any share issue of any other company.

No options were granted pursuant to the ESOS since the beginning of the previous financial year up to the expiry of the ESOS on 1 February 2016.

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

		Number of Options			
Grant date	**Subscription price per share**	**At the beginning of financial year**	**Granted**	**Lapsed**	**At the beginning of financial year**
25.11.2014	RM0.50	3,305,500	–	(3,305,500)	–

35. COMMITMENTS

	Group 2017 RM'000	Group 2016 RM'000
Non-cancellable operating lease commitments		
Future minimum rentals payable:		
Not later than one year	**4,500**	4,353
Later than one year and not later than five years	**7,205**	7,028
Later than five years	**17,128**	18,270
	28,833	29,651

Operating lease payments represent rentals payable by the Group for use of land and buildings.

36. CONTINGENT LIABILITIES

(i) Claims from contractors

As disclosed in Note 32, contractors for the Project have made claims of RM96.0 million (2016: RM96.0 million) to recover the cost incurred for purchasing parts and components for the Project but not delivered, and the compensation for damages incurred by the contractors due to the delay, of which RM38 million (2016: RM38 million) has been provided in the financial statements. The remaining claims were not provided as the Management is unable to obtain appropriate and satisfactory evidence to satisfy themselves as to the validity of these claims.

(ii) Capital expenditure relating to the Project

The Group is exposed to liabilities on parts purchased from contractors but not delivered to the site due to the delay in construction of the Project as disclosed in Note 11(e). As at the reporting date, the contractors have yet to submit the invoices and proof of claims for parts purchased. The quantum of the liabilities will be determined based on a mutually agreed sum of work done.

Neither the parts nor the liabilities have been recognised in the financial statements as the Directors are of the opinion that the claims from the contractors cannot be reliably measured as at the reporting date.

36. CONTINGENT LIABILITIES (Continued)

(iii) Material outstanding litigations

On 6 July 2016, the Company were served with London High Court of Justice Queen's Bench Division Claim Form by Classic Maritime Inc. ("Classic") as claimant against (i) Limbungan Makmur Sdn Bhd ("Limbungan Makmur"), a wholly-owned subsidiary of the Company, and (ii) the Company ("UK Proceedings"). The claims are for the following:

(a) as against Limbungan Makmur, damages for breach of contract of affreightment dated on or about 29 June 2009 ("COA") in the sum of USD20,497,332.00 (approximately RM88.0 million) and/or USD431,366.88 (approximately RM1.9 million) and/or USD1,422,534.24 (approximately RM6.1 million) and/or USD171,595.57 (approximately RM0.8 million) and/or such other sums as is/are properly due and owing to Classic arising from alleged non-performance of 7 shipments;

(b) as against the Company, pursuant to a contract of suretyship dated on or about 29 June 2009 pursuant to which the Company guaranteed the performance of Limbungan Makmur's obligations under the COA and/or agreed to pay to Classic on demand any and all amounts accruing to Classic from Limbungan Makmur under COA; and

(c) as against both Limbungan Makmur and the Company, interest pursuant to Section 35A of the Supreme Court Act 1981, to be assessed.

On 12 April 2017, the London High Court of Justice Queen's Bench Division ("High Court") allowed judgement to be entered against 2 shipments ("2 Index Shipments") whilst dismissing Classic's application for summary judgement for the balance 5 shipments. Assessment of damages for these 2 Index Shipments shall be at the same time as for the balance 5 shipments. The High Court has fixed 12 November 2018 for trial of the balance 5 shipments.

According to the quantum expert report commissioned by the Group, Classic would not be able to profit if it had performed the 2 Index Shipments but rather would have incurred a loss. In respect of Classic's claims for the balance 5 shipments, both Limbungan Makmur and the Company believe that they have a good defence to the above claims.

In addition to the UK Proceedings, Classic has commenced legal action in the Superior Court of California, County of Los Angeles, United States of America. On 12 June 2017, Classic filed a verified complaint against the Company ("Complaint") seeking for pre-judgement attachment of assets of Likom Caseworks USA Inc. ("Likom USA"), a wholly-owned subsidiary of the Company. On 11 July 2017, Classic obtained a temporary protective order and corresponding writ of attachment ("Pre-Judgement Attachment Order") on all shares and assets of Likom USA, located at 17890 Castleton St., Suite 309, City of Industry, California, owned by the Company, whether held by the Company directly, or beneficially through the Company's wholly-owned subsidiary, Likom Caseworks Sdn Bhd. On 14 August 2017, Likom USA received memorandum of garnishee arising from the Pre-Judgement Attachment Order.

The Company's attorneys are of the view that since there is no property of the Company in the possession of Likom USA, the Superior Court of California lacks jurisdiction and that the Complaint must be dismissed. Likom USA is a separate corporate entity that cannot be made to answer for any alleged claims against the Company. The Company has instructed its attorneys to apply for a motion to quash the Pre-Judgement Attachment Orders and dismissal of the Complaint.

36. CONTINGENT LIABILITIES (Continued)

(iv) Contingent liabilities relating to joint venture

Joint venture

A number of contingent liabilities have arisen as a result of the Group's interests in a joint venture. The amount disclosed below represents the aggregate amount of such contingent liabilities before taking into account the Group's proportion of ownership interest.

(a) Claims from Crest Builder Sdn Bhd ("Crest Builder")

On 1 March 2013, Crest Builder commenced an arbitration against Panareno Sdn Bhd ("Panareno") on an allegation that Crest Builder is entitled to an extension of time for the completion of the works with an extended completion date of 29 July 2011 and claiming for an amount of RM50,398,443 together with interest thereon for balance sum in the development of project known as Twins, 318 units of serviced residence at Damansara Heights, Kuala Lumpur ("Twins Project"). On 19 April 2013, Panareno had filed a defense and counterclaim of approximately RM77 million against Crest Builder on a declaration that Crest Builder is not entitled to the extension of time and claiming liquidated damages for late delivery and compensation for damages incurred by Panareno due to the delay and rectification works in relation to the Twins Project.

The Arbitration Tribunal has completed the hearing of all the parties' witnesses. However, on 13 March 2015, Crest Builder applied to the Arbitrarion Tribunal to allow Crest Builder's application to amend its statement of claim. On 15 June 2015, the Arbitration Tribunal allowed Crest Builder's application to amend its statement of claim with costs in the cause. The amendment to the statement of claim is mainly for (i) increasing Crest Builder's original claimed sum of RM50.4 million to RM51.4 million; and (ii) adding new claims amounting to RM2.0 million for matters arising from nominated sub-contract with Regal Link Sdn Bhd. Both parties have attended the hearing on 11 March 2016 and filed their post hearing submissions on 30 August 2016. An oral clarification was held on 28 June 2017. The parties' closing submissions were filed on 31 July 2017. The parties are now awaiting the Arbitration Tribunal's direction with regards to the objection raised by Crest Builder pertaining to additional documents attached in Panareno's closing submissions.

(b) Claims from Tenaga Nasional Berhad ("TNB")

Panareno had been served with a writ of summon by TNB claiming a sum to be determined by the court, alleging for damage caused to its underground cables. TNB alleged that the cost to change the cables amounted to RM14.9 million. Panareno had since issued Third Party Proceedings against Vital Project Sdn Bhd ("Vital Project"), the main contractor of the water piping works for the Twins Project, seeking indemnity for the TNB's claim. Vital Project had in turn brought in Semantra No-Dig Engineering Sdn Bhd, its sub-contractor into the suit. The court has fixed 6 to 12 December 2017 for trial.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

		Group	
		2017	**2016**
Related Parties	**Nature**	**RM'000**	**RM'000**
Amsteel Mills Sdn Bhd	Trade sales	**60**	4,020
	Rental expense	**456**	523
Antara Steel Mills Sdn Bhd	Trade sales	**2,052**	1,739
Lion Waterway Logistics Sdn Bhd	Logistic services	**62**	30,009
Lion Group Management Services Sdn Bhd	Management fees	**4,122**	1,260
Megasteel Sdn Bhd	Trade sales	**–**	240,207
	Trade purchases	**–**	17,189
	Rental expense	**1,212**	1,212
Secomex Manufacturing (M) Sdn Bhd	Trade purchases	**–**	4,794
Posim Marketing Sdn Bhd	Trade purchases	**–**	24,956
	Trade sales	**–**	65,001
	Interest expense	**27,840**	29,201
Lion Tooling Sdn Bhd	Trade purchases	**–**	247

Amsteel Mills Sdn Bhd, Antara Steel Mills Sdn Bhd, Lion Waterway Logistics Sdn Bhd and Lion Group Management Services Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a substantial shareholder of the Company.

Megasteel Sdn Bhd and Secomex Manufacturing (M) Sdn Bhd are subsidiaries of LCB, a company in which certain Directors and substantial shareholders of the Company are also directors and substantial shareholders.

Posim Marketing Sdn Bhd is subsidiary of Lion Forest Industries Berhad wherein a Director and a substantial shareholder of the Company is also a director and a substantial shareholder.

Lion Tooling Sdn Bhd is subsidiary of ACB Resources Berhad, a company in which a Director and certain substantial shareholders of the Company are also a director and/or substantial shareholders.

On 16 July 2007, Lion DRI, a wholly-owned subsidiary of the Company, entered into an Offtake Agreement ("Offtake Agreement") with Megasteel, to supply to Megasteel its entire production of 1.54 million metric tonnes per annum of the hot direct reduced iron and/or hot briquetted iron ("Steel Products") upon the terms and conditions of the Offtake Agreement as follows:

(a) The selling price of the Steel Products for the 10 years term shall be based on the formula of a cost plus certain margin ("Selling Price");

(b) In the event the average scrap price for 3 months period is higher than the Selling Price, Lion DRI shall invoice Megasteel the Selling Price together with 50% of the price difference;

(c) Megasteel shall settle the invoice within 30 days of the invoice failing which, interest at the rate of 2.25% above Malayan Banking Berhad's base lending rate per annum shall be payable on the outstanding sum from the due date to date of settlement; and

(d) Lion DRI shall be free to dispose of the Steel Products not taken up by Megasteel at the open market and if Lion DRI shall suffer a loss on such sale, Megasteel shall indemnify Lion DRI for such losses. In the event Lion DRI fails to deliver the Steel Products, Megasteel shall be at liberty to source for alternative equivalent and Lion DRI shall indemnify Megasteel for losses suffered.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(i) Transactions with related parties (Continued)

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties.

The offtake Agreement had lapsed on 15 July 2017.

Information regarding outstanding balances arising from related party transactions as at 30 June 2017 are disclosed in Notes 21 and 31.

(ii) Compensation of key management personnel

Other than the remuneration of the Directors of the Group and of the Company as disclosed in Note 7(a), the remuneration of the other key management during the financial year was as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Wages, salaries and bonuses	**1,241**	704
Pension costs - defined contribution plans	**144**	83
	1,385	786

38. SIGNIFICANT EVENTS

(i) The Company had on 24 August 2016 ("First Announcement") announced that it had triggered the prescribed criteria pursuant to Paragraph 8.04 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("LR") and Paragraph 2.1(a) and 2.1(e) of the Practice Note 17 of the LR ("PN17").

Pursuant to PN17 requirements, the Company is required to submit a regularisation plan within 12 months from the date of the First Announcement to the relevant authorities ("Regularisation Plan").

The Company had on 7 August 2017 submitted an application to Bursa Securities for an extension of time from 24 August 2017 to 30 June 2018 for the Company to make the submission of the Regularisation Plan to the relevant authorities.

The Company had on 7 September 2017, announced that Bursa Securities had granted the Company an extension of time of approximately 6 months up to 28 February 2018 to submit a regularisation plan to the regulatory authorities.

(ii) (a) CPB Enterprise Sdn Bhd ("CPB Enterprise"), a wholly-owned subsidiary, had on 4 October 2016 entered into a sale and purchase agreement ("SPA") with Sritama Jetty Sdn Bhd ("Purchaser") for the sale of a piece of leasehold land in Mukim Cheng, Daerah Melaka Tengah, Melaka measuring 4.013 hectares together with a 2-storey building and a 1-storey building erected thereon ("Property") for a cash consideration of RM30.5 million (excluding 6% Goods and Services Tax ("GST") of RM1.83 million); and

(b) Likom Caseworks Sdn Bhd, a wholly-owned subsidiary of the Company shall rent the Property for 3 years from the Purchaser with an option to renew the tenancy for another two terms of 3 years each together with an option to purchase the Property during the tenancy period.

The sales of the Property was completed on 24 March 2017.

38. SIGNIFICANT EVENTS (Continued)

(iii) CPB Enterprise had on 17 March 2017:

(a) entered into a SPA with LTB Power Performance (M) Sdn Bhd for the disposal of a piece of leasehold land in Mukim Cheng, Daerah Melaka Tengah, Melaka measuring 1.873 hectares for a cash consideration of RM4.64 million (excluding 6% GST of RM0.28 million) ("Proposed 1st Disposal"); and

(b) entered into a SPA with Imponotive Auto Sdn Bhd for the disposal of a piece of leasehold land in Mukim Cheng, Daerah Melaka Tengah, Melaka measuring 2.135 hectares together with a single-storey building erected thereon for a cash consideration of RM13.56 million (excluding 6% GST of RM0.81 million) ("Proposal 2nd Disposal").

(The Proposed 1st Disposal and the Proposed 2nd Disposal shall collectively be referred to as the "Proposed Disposals").

The Company had on 31 July 2017 obtained its shareholders' approval for the Proposed Disposals. All conditions precedent set out in the SPAs in relation to the Proposed Disposals have been fulfilled on 31 July 2017. The Proposed Disposals are pending completion.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value of assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Fair value information has not been disclosed for the Group's investments in unquoted equity instruments that are carried at cost because fair values cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market and does not have any comparable industry peer that is listed.

(b) Determination of fair value

(i) Assets and liabilities measured at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 : other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 : techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Assets and liabilities measured at fair value (Continued)

As at 30 June 2017 and 30 June 2016, the Group and the Company held the following assets and liabilities carried at fair values in the statements of financial position:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group			
At 30 June 2017			
Assets measured at fair value			
Property, plant and equipment - freehold land	–	–	**199,600**
Investment securities	**44,372**	**11,733**	–
Derivative assets	**19**	–	–
Assets for which fair values are disclosed			
Investment properties	–	–	**4,266**
Investment securities	**44,372**	–	–
Liability measured at fair value			
Derivative liability	–	**121**	–

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Assets and liabilities measured at fair value (Continued)

As at 30 June 2017 and 30 June 2016, the Group and the Company held the following assets and liabilities carried at fair values in the statements of financial position: (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group			
At 30 June 2016			
Assets measured at fair value			
Property, plant and equipment - freehold land	–	–	199,600
Investment securities	32,994	13,504	–
Derivative assets	32	5,333	–
Assets for which fair values are disclosed			
Investment properties	–	–	4,308
Investment in associates	11,191	–	–
Investment securities	32,994	–	–
Liability measured at fair value			
Derivative liability	4	–	–

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Assets and liabilities measured at fair value (Continued)

As at 30 June 2017 and 30 June 2016, the Group and the Company held the following assets and liabilities carried at fair values in the statements of financial position: (Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Company			
At 30 June 2017			
Assets measured at fair value			
Investment securities	**25,935**	**–**	**–**
Assets for which fair values are disclosed			
Investment securities	**25,935**	**–**	**–**
At 30 June 2016			
Assets measured at fair value			
Investment securities	6,916	–	–
Assets for which fair values are disclosed			
Investment in associates	2,283	–	–
Investment securities	6,916	–	–

During the financial years ended 30 June 2017 and 30 June 2016, there were no transfers between Level 1, Level 2 and Level 3 fair values measurements.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(i) Assets and liabilities measured at fair value (Continued)

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 30 June 2017 and 30 June 2016 are as shown below:

	Valuation technique	Significant unobservable inputs	Sensitivity of the input to fair value
Group			
Assets for which fair values are disclosed			
Property, plant and equipment - freehold land	Comparison method	Transaction price of comparable property which have been sold or are being offered for sale	5% (2016: 5%) increase/ (decrease) in the transaction price would result in an increase/ (decrease) in fair value by RM9,980,000 (2016: RM9,980,000)
Investment properties	Comparison method	Transaction price of comparable property which have been sold or are being offered for sale	5% (2016: 5%) increase/ (decrease) in the transaction price would result in an increase/ (decrease) in fair value by RM213,300 (2016: RM215,400)

(ii) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value are disclosed in the following notes:

	Note
Trade and other receivables	21
Cash and bank balances	23
Loans and borrowings	28
Trade and other payables	31
Product financing liabilities	33

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are repriced to market interest rates on or near the reporting date or due to the insignificant impact of discounting except as discussed below.

(iii) Amounts due from/(to) subsidiaries, related parties and joint ventures

It is not practical to estimate the fair values of the amounts owing by/to subsidiaries, related parties and joint ventures due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Determination of fair value (Continued)

(iv) Unquoted investments

It is not practical to estimate the fair value of the Group's unquoted investments due to lack of market information and the inability to estimate fair value without incurring excessive costs. However, the Group does not expect the carrying amounts to be significantly different from recoverable amounts.

(v) Financial guarantees

The fair values of financial guarantees are determined based on the probability weighted discounted cash flows method. The probability has been estimated and assigned for the following key assumptions:

- the likelihood of the guaranteed party defaulting within the guaranteed period;
- the exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- the estimated loss exposure if the party guaranteed were to default.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, market price risk, liquidity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

<u>Exposure to credit risk</u>

Information regarding the Group's exposure to credit risk is disclosed in Note 21.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21.

Deposits with licensed banks and quoted investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by bank borrowings.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2017				
Group				
Financial liabilities				
Trade and other payables	**1,131,033**	**–**	**–**	**1,131,033**
- Interest	**3,642**	**–**	**–**	**3,642**
Loans and borrowings				
- Principal	**246,257**	**20,105**	**–**	**266,362**
- Interest	**24,341**	**1,117**	**–**	**25,458**
Derivative liabilities	**121**	**–**	**–**	**121**
Total undiscounted financial liabilities	**1,405,394**	**21,222**	**–**	**1,426,616**
Company				
Financial liabilities				
Trade and other payables	**359,164**	**–**	**–**	**359,164**
- Interest	**3,642**	**–**	**–**	**3,642**
Total undiscounted financial liabilities	**362,806**	**–**	**–**	**362,806**

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
2016				
Group				
Financial liabilities				
Trade and other payables	1,059,468	–	–	1,059,468
- Interest	4,100	–	–	4,100
Loans and borrowings				
- Principal	356,061	40,256	–	396,317
- Interest	13,320	4,494	–	17,814
Product financing liabilities	33,895	–	–	33,895
- Interest	1,710	–	–	1,710
Derivative liabilities	4	–	–	4
Total undiscounted financial liabilities	1,468,558	44,750	–	1,513,308
Company				
Financial liabilities				
Trade and other payables	253,696	–	–	253,696
- Interest	4,100	–	–	4,100
Loans and borrowings				
- Principal	101,383	–	–	101,383
- Interest	6,400	–	–	6,400
Total undiscounted financial liabilities	365,579	–	–	365,579

(d) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Interest rate risk (Continued)

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting date was:

	Group	
	2017 RM'000	2016 RM'000
Fixed rate instruments		
Financial assets	**11,685**	13,455
Financial liabilities	**(86,504)**	(124,168)
	(74,819)	(110,713)
Floating rate instruments		
Financial liabilities	**(179,858)**	(272,149)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's loss net of tax would have been RM0.14 million (2016: RM0.15 million) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(e) Foreign currency risk

The Group and the Company are exposed to foreign currency exchange risk as a result of the foreign currency transactions entered into by the Group and the Company in currencies other than its functional currency. As these transactions are mainly denominated in USD, the Group's and the Company's foreign currency exchange risk is primarily due to USD. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

The Group and the Company maintain a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The net unhedged financial assets and financial liabilities of the Group and the Company that are not denominated in its functional currency are as follows:

	Group Net financial assets held in non-functional currencies USD		Company Net financial assets held in non-functional currencies USD	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Functional currency	**(65,982)**	(191,190)	**42**	141

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's loss net of tax to a reasonably possible change in the USD exchange rate against the functional currencies, with all other variables held constant:

		Group Loss, net of tax RM'000	Company Loss, net of tax RM'000
2017			
USD/RM	- strengthened 3%	**(1,979)**	**1**
	- weakened 3%	**1,979**	**(1)**
2016			
USD/RM	- strengthened 3%	(5,736)	4
	- weakened 3%	5,736	(4)

(f) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Main Market of Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale financial assets.

To manage its market price risk arising from investments in quoted equity instruments, the Group diversifies and manages its portfolio in accordance with established guidelines and policies.

Sensitivity analysis for equity price risk

At the reporting date, if the Group's quoted investments listed on the Bursa Securities had been 2% higher/lower, with all other variables held constant, the Group's other reserve in equity would have been RM0.9 million (2016: RM0.7 million) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Categories of financial instruments

In addition to the financial instruments classified as held-to-maturity investments, AFS financial assets and financial assets and liabilities at fair value through profit or loss disclosed in their respective notes, the table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R")
(ii) Other liabilities ("OL")

At 30 June 2017	Note	Carrying amount RM'000	L&R RM'000	OL RM'000
Group				
Financial assets				
Trade and other receivables	21	**74,807**	**74,807**	–
Cash and bank balances	23	**341,646**	**341,646**	–
		416,453	**416,453**	–
Financial liabilities				
Loans and borrowings	28	**(266,362)**	–	**(266,362)**
Trade and other payables	31	**(1,131,033)**	–	**(1,131,033)**
		(1,397,395)	–	**(1,397,395)**
Company				
Financial assets				
Other receivables	21	**162,841**	**162,841**	–
Cash and bank balances	23	**8,057**	**8,057**	–
		170,898	**170,898**	–
Financial liability				
Other payables	31	**(359,164)**	–	**(359,164)**

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(g) Categories of financial instruments (Continued)

In addition to the financial instruments classified as held-to-maturity investments, AFS financial assets and financial assets and liabilities at fair value through profit or loss disclosed in their respective notes, the table below provides an analysis of financial instruments categorised as follows: (Continued)

At 30 June 2016	Note	Carrying amount RM'000	L&R RM'000	OL RM'000
Group				
Financial assets				
Trade and other receivables	21	89,290	89,290	–
Cash and bank balances	23	344,559	344,559	–
		433,849	433,849	–
Financial liabilities				
Loans and borrowings	28	(396,317)	–	(396,317)
Trade and other payables	31	(1,059,468)	–	(1,059,468)
Product financing liabilities	33	(33,895)	–	(33,895)
		(1,489,680)	–	(1,489,680)
Company				
Financial assets				
Other receivables	21	277,941	277,941	–
Cash and bank balances	23	1,881	1,881	–
		279,822	279,822	–
Financial liabilities				
Loans and borrowings	28	(101,383)	–	(101,383)
Other payables	31	(253,696)	–	(253,696)
		(355,079)	–	(355,079)

41. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that it maintains the Group's and the Company's stability and liquidity to meet the demands of creditors and lenders.

The Group regularly reviews and manages its capital structure and make adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2017 and 30 June 2016.

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans and borrowings (Note 28)	**266,362**	396,317	–	101,383
Trade and other payables (Note 31)	**1,131,033**	1,059,468	359,164	253,696
Product financing liabilities (Note 33)	**–**	33,895	–	–
Less: Cash and bank balances (Note 23)	**(341,646)**	(344,559)	(8,057)	(1,881)
Net debts (A)	**1,055,749**	1,145,121	351,107	353,198
Equity attributable to owners of the Company (B)	**(437,901)**	(402,027)	(81,496)	31,664
Total capital and net debts (C = A+B)	**617,848**	743,094	269,611	384,862
Gearing ratio (A/C)	**171%**	154%	130%	92%

42. SEGMENT INFORMATION

(a) Reporting format

The primary segment format is determined to be business segment as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

(b) Business segments

The Group is organised on a worldwide basis into four major business segments:

(i)	Steel	- Manufacturing and sale of steel products
(ii)	Property	- Property development and management
(iii)	Contract manufacturing services ("CMS")	- Electronic and mechanical contract manufacturing services
(iv)	Others	- Investment holding, trading and other

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions on resource allocation and performance assessment. Segment performance is evaluated based on operating profit. Group financing (including finance income and finance costs) and income taxes are managed on a group basis and are not allocated to reportable segments.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

2017	**Steel RM'000**	**Property RM'000**	**CMS RM'000**	**Others RM'000**	**Elimination RM'000**	**Total RM'000**
Revenue						
External sales	–	259,121	163,973	287	–	423,381
Inter-segment sales	–	1,126	–	–	(1,126)	–
Total revenue	–	260,247	163,973	287	(1,126)	423,381
Results						
Segment results	(33,303)	55,013	14,564	9,436	–	45,710
Fair value loss on derivative liabilities	–	–	–	(5,463)	–	(5,463)
Fair value gain on conversion	–	–	–	4,067	–	4,067
Fair value gain/(loss) on loans and borrowings	–	2,034	–	(1,831)	–	203
Realised and unrealised foreign exchange (loss)/gain, net	(15,694)	–	(1,291)	2,690	–	(14,295)
	(48,997)	57,047	13,273	8,899	–	30,222
Finance costs	(22,518)	(7,170)	(8)	(38,296)	–	(67,992)
Impairment losses/(reversal of impairment losses) on:						
- Investment securities	–	–	–	(2,302)	–	(2,302)
- Trade and other receivables	486	–	(194)	(502)	–	(210)
Share of results of joint venture	–	–	–	997	–	997
Taxation	5,240	(15,164)	(4,806)	(11,875)	–	(26,605)
(Loss)/Profit for the year	(65,789)	34,713	8,265	(43,079)	–	(65,890)

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2017	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
Assets						
Segment assets	233,529	603,795	98,726	79,017	–	1,015,067
Investment in joint venture						23,248
Unallocated corporate assets						2,693
Consolidated total assets						1,041,008
Liabilities						
Segment liabilities	571,808	290,937	32,245	540,526	–	1,435,516
Unallocated corporate liabilities						43,393
Consolidated total liabilities						1,478,909
Other disclosures						
Capital expenditure	–	32	1,459	–	–	1,491
Depreciation	28,515	600	2,445	235	–	31,795
Impairment losses	(486)	–	194	503	–	211
Other non-cash expense	–	14	2,160	(1,085)	–	1,089

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2016	Steel RM'000	Property RM'000	CMS RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue						
External sales	277,828	237,515	178,041	364	–	693,748
Inter-segment sales	–	1,551	–	–	(1,551)	–
Total revenue	277,828	239,066	178,041	364	(1,551)	693,748
Results						
Segment results	(98,073)	19,757	21,556	15,952	–	(40,808)
Fair value gain on derivative liabilities	–	–	132	5,740	–	5,872
Fair value (loss)/gain on loans and borrowings	–	(2,034)	–	6,105	–	4,071
Realised and unrealised foreign exchange (loss)/gain, net	(12,231)	–	1,471	2,312	–	(8,448)
	(110,304)	17,723	23,159	30,109	–	(39,313)
Finance costs	(26,270)	(3,892)	(221)	(46,929)	–	(77,312)
Impairment losses on:						
- Investment securities	–	(700)	–	(33,533)	–	(34,233)
- Plant and equipment	(364,373)	–	–	–	–	(364,373)
- Trade and other receivables	(390,866)	–	(217)	(1,086)	–	(392,169)
Share of results of joint venture	–	–	–	(2,652)	–	(2,652)
Taxation	82,105	(5,483)	(6,324)	(263)	–	70,035
(Loss)/Profit for the year	(809,708)	7,648	16,397	(54,354)	–	(840,017)
Assets						
Segment assets	271,970	751,175	77,398	53,970	–	1,154,513
Investment in joint venture						22,251
Unallocated corporate assets						3,619
Consolidated total assets						1,180,383

42. SEGMENT INFORMATION (Continued)

(b) Business segments (Continued)

2016	**Steel RM'000**	**Property RM'000**	**CMS RM'000**	**Others RM'000**	**Elimination RM'000**	**Total RM'000**
Liabilities						
Segment liabilities	596,974	245,429	28,844	656,437	–	1,527,684
Unallocated corporate liabilities						54,726
Consolidated total liabilities						1,582,410
Other disclosures						
Capital expenditure	186	255	3,240	–	–	3,681
Depreciation	32,708	954	2,998	590	–	37,250
Impairment losses	756,090	700	217	33,768	–	790,775
Other non-cash expense	–	3	961	–	–	964

(c) Geographical segments

The Group's four business segments are operated in three main geographical areas:

(i)	Malaysia	- Steel, property, CMS and others
(ii)	People's Republic of China	- Property and others
(iii)	Others	- CMS and others

An analysis of the Group's revenue, carrying amount of segment assets and capital expenditure by geographical segment are as follows:

	Segment Revenue		**Segment Assets**		**Capital Expenditure**	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Malaysia	**18,554**	289,778	**548,998**	550,908	**1,288**	3,199
People's Republic of China	**258,961**	237,347	**432,403**	546,988	**32**	255
Others	**145,866**	166,623	**33,666**	56,617	**171**	227
Total	**423,381**	693,748	**1,015,067**	1,154,513	**1,491**	3,681

(d) Information about major customer

In the previous financial year, revenue from one customer (being related party as disclosed in Note 37) amounting to RM240.2 million arising from sales by the Steel segment.

43. COMPARATIVES

The presentation and classification of items in the current financial year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

44. SUPPLEMENTARY INFORMATION - BREAKDOWN OF ACCUMULATED LOSSES/RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the accumulated losses of the Group and of the Company as at 30 June 2017 into realised and unrealised profits/losses is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad 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 Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total accumulated losses of the Company and its subsidiaries:				
- Realised	**(1,469,369)**	(1,414,552)	**(1,161,938)**	(1,034,231)
- Unrealised	**(111,562)**	(92,061)	**34,382**	38,854
	(1,580,931)	(1,506,613)	**(1,127,556)**	(995,377)
Total share of accumulated losses from associates:				
- Realised	**(4,283)**	(4,283)	**–**	–
Total share of retained profit from joint venture:				
- Realised	**23,160**	22,163	**–**	–
Less: Consolidated adjustments	**(62,669)**	(62,669)	**–**	–
Total accumulated losses	**(1,624,723)**	(1,551,402)	**(1,127,556)**	(995,377)