

FINANCIAL STATEMENTS

2017

For The Financial Year Ended 30 June 2017

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and property development.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is disclosed in Note 42 to the financial statements.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit/(Loss) for the year	113,465	(17,174)
Profit attributable to:		
Owners of the Company	105,311	
Non-controlling interests	8,154	
	<u>113,465</u>	

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

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

During the current financial year, the Company repurchased a total of 13,168,300 of its issued ordinary shares from the open market at an average price of RM0.39 per share. The total consideration paid for the repurchase including transaction costs was RM5,106,356. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As of 30 June 2017, the Company held 37,105,300 treasury shares at a carrying amount of RM13,192,722 as disclosed in Note 28 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

DIRECTORS

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

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
Tan Sri Cheng Yong Kim
Dato' Kamaruddin @ Abas bin Nordin
Chong Jee Min
Yap Soo Har

LIST OF DIRECTORS OF SUBSIDIARY COMPANIES

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

Chai Kian Chong	Koh Yong Heng
Chai Voon Choy	Lee Khian Lai
Chan Ho Wai	Lee Soon Saam
Chan Poh Lan	Lee Whay Keong
Chen Kwong Fatt	Liew Choon Yick
Chen Xian Ping	Lim Siong Lin
Cheng Hui Ya, Serena	Lin Chung Dien
Cheng Hui Yen, Natalie	Liu Cheng Xu
Cheng Theng How	Loke Shu Sun
Cheng Toek Waa	Ng Ho Peng
Cheng Yong Liang	Ong Kek Seng
Cheong Poh Heng	Ong See Chiaw
Choo Heng-Ghee	Ooi Kim Lai
Chuah Say Chin	Pang Fook Fah
Dato' Eow Kwan Hoong	Poon Sow Har (appointed on 16 December 2016)
Dato' Kalsom binti Abd. Rahman	Rahmat bin Ibrahim
Dato' Kamaruddin @ Abas bin Nordin	Shaikh Markhzan Jalani
Dato' Teoh Teik Jin	Sun Li Zhong
Goh Kok Beng	Tan Sri Cheng Heng Jem
Haji Mohamad Khalid bin Abdullah	Tan Sri Cheng Yong Kim
Hu Li Ke	Teoh Lean Keat
Hu Qing Guo	Wang Wing Ying
Jiang Hong Xin	Yap Chan Mei
Khoo Chuan Hong	Yeo Keng Leong
Khor Toong Yee	

Dato' Haji Hashim bin Saad (resigned with effect from 10 October 2016)

Datuk Lee Kok Leong (resigned with effect from 5 August 2016)

Ng Chin Kwan (resigned with effect from 24 July 2017)

Ngan Yow Chong (passed away on 7 September 2017)

Teo Chor Pheow (retired on 22 November 2016)

Yeow Teck Chai (retired on 23 November 2016)

DIRECTORS' INTERESTS

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

	As of 1.7.2016	Number of ordinary shares		As of 30.6.2017
		Additions	Disposals	
Direct interest				
Tan Sri Cheng Yong Kim	9,253,289	–	–	9,253,289
Dato' Kamaruddin @ Abas bin Nordin	128,000	–	–	128,000
Deemed interest				
Tan Sri Cheng Yong Kim	107,716,340	–	(164,900)	107,551,440

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

	As of 1.7.2016	Number of Shares		As of 30.6.2017	
		Additions	Disposals		
Tan Sri Cheng Yong Kim					
Direct interest					
Lion Forest Industries Berhad	130	–	–	130	
Deemed interest					
Holdsworth Investment Pte Ltd	4,500,000	–	(3,150,000)	1,350,000	
Inspirasi Elit Sdn Bhd	212,500	–	(212,500)	–	
Lion Forest Industries Berhad	168,960,954	–	(168,914,715)	46,239	
Lion Group Management Services Sdn Bhd	4,950,000	–	(3,300,000)	1,650,000	
LLB Enterprise Sdn Bhd	690,000	–	(690,000)	–	
Marvenel Sdn Bhd	70	–	(70)	–	
Ototek Sdn Bhd	1,050,000	–	(1,050,000)	–	
Soga Sdn Bhd	4,525,322	–	(4,525,322)	–	
Steelcorp Sdn Bhd	99,750	–	(99,000)	750	
Zhongsin Biotech Pte Ltd	1,000,000	–	(510,000)	490,000	
Investments in the People's Republic of China					
	Currency	As of 1.7.2016	Additions	Disposals	As of 30.6.2017
Tan Sri Cheng Yong Kim					
Deemed interest					
Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	USD	5,000,000	–	(5,000,000)	–
Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	USD	10,878,944	–	(10,878,944)	–

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which certain Directors of the Company have interests as disclosed in Note 36 to the financial statements.

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

AUDITORS

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

AUDITORS' REMUNERATION

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

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

TAN SRI CHENG YONG KIM

DATO' KAMARUDDIN @ ABAS BIN NORDIN

Kuala Lumpur
10 October 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION INDUSTRIES CORPORATION BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2017, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 162.

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

Basis of Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matter	How the scope of our audit responded to the key audit matter
<p><u>Impairment of property, plant and equipment</u></p> <p>As of 30 June 2017, accumulated impairment losses of RM260,618,000 (2016: RM242,618,000) have been provided on the assets located at Banting Plant as well as the assets related to one of its subsidiary companies, Lion Waterway Logistics Sdn Bhd (collectively referred as "these assets"), as a consequence of Banting Plant temporarily stopping production since 2014 and Lion Waterway Logistics Sdn Bhd slowing down its operations as its major customers have temporarily stopped operations since 2016.</p> <p>The recoverable amount of these assets were determined based on the higher of fair value less costs to sell and their value-in-use. In determining the fair value less cost to sell, the Group made reference to the independent valuation report on Banting Plant as well as by determining the future economic benefits to be expected from the continued use of these assets.</p> <p>(Forward)</p>	<p>Our audit procedures in assessing the recoverable amount of these assets include:</p> <ul style="list-style-type: none"> The Group engaged an independent external valuer to determine the market value of these assets located at Banting Plant. We have assessed the competence, capabilities and objectivity of the valuer, and verified their qualifications, and challenged the variables and assumptions used by the valuer to determine the market value of the assets located at Banting Plant. We also evaluated the reasonableness of the assessment prepared by management in respect of the measurement of value-in-use of these assets and the approach used in estimating the future cash flows expected to arise therefrom.

Key audit matter	How the scope of our audit responded to the key audit matter
<p>Significant estimates and judgements were consequently applied by management in determining the recoverable amount of these assets.</p> <p>The key sources of estimation uncertainty relating to the impairment of property, plant and equipment have been disclosed in Notes 4(ii)(e)(i) and (ii) to the financial statements.</p>	<ul style="list-style-type: none"> We performed a physical inspection of a selected sample of the assets to ensure the existence and the condition of the respective assets.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibility of the Directors for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

(Forward)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 42 to the financial statements.

(Forward)

Other Reporting Responsibilities

The supplementary information set out on page 163 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

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 towards any other person for the contents of this report.

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

SITI HAJAR BINTI OSMAN
Partner - 03061/04/2019 J
Chartered Accountant

Kuala Lumpur
10 October 2017

STATEMENTS OF PROFIT OR LOSS**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	5	2,667,492	2,514,921	2,210	–
Other income		75,125	140,437	42,946	18,885
Net changes in inventories		(29,473)	(185,181)	–	–
Raw materials and consumables used		(1,876,840)	(1,495,627)	–	–
Purchase of trading merchandise		(256,158)	(475,524)	–	–
Cost of completed units sold		(1,003)	(35,816)	–	–
Property development costs	15(b)	(55,354)	(73,867)	–	–
Staff costs	6	(160,598)	(140,277)	(342)	(1,331)
Directors' remuneration	7	(1,388)	(1,369)	(1,388)	(1,369)
Depreciation of property, plant and equipment	12	(102,044)	(131,263)	(374)	(485)
Amortisation of prepaid land lease payments	14	(2,176)	(1,900)	–	–
Other expenses		(99,338)	(114,245)	(58,543)	(13,073)
Investment income	8	9,562	21,185	934	6,115
Finance costs	9	(25,006)	(38,763)	(2,455)	(7,993)
Profit/(Loss) from operations	6	142,801	(17,289)	(17,012)	749
Share in results of:					
Associated companies	17	(9,288)	(35,970)	–	–
Joint venture	18	650	826	–	–
Impairment loss on:					
Property, plant and equipment	12	(18,000)	(193,132)	–	–
Quoted and unquoted investments	19	(46)	–	(162)	(1,399)
Trade and other receivables	23	(5,375)	(606,971)	–	–
Provision for indemnity for damages arising from back pay labour claims	33	(3,300)	–	–	–
Profit/(Loss) before tax		107,442	(852,536)	(17,174)	(650)
Tax credit/(expense)	10	6,023	(53,269)	–	–
Profit/(Loss) for the year		113,465	(905,805)	(17,174)	(650)

(Forward)

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2017

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	629,988	747,392	1,301	1,676
Investment properties	13	578	1,880	–	–
Prepaid land lease payments	14	59,811	61,987	–	–
Land held for property development	15(a)	49,508	32,504	26	26
Investment in subsidiary companies	16	–	–	768,323	185,894
Investment in associated companies	17	816,381	789,972	102,448	102,448
Investment in joint venture	18	11,051	10,401	–	–
Long-term investments	19	12,311	11,246	2,338	2,301
Deferred tax assets	20	56,456	55,150	–	–
Goodwill	21	130,443	130,443	–	–
Total Non-Current Assets		1,766,527	1,840,975	874,436	292,345
Current Assets					
Property development costs	15(b)	13,209	35,246	–	–
Inventories	22	372,831	330,260	43	43
Trade receivables	23(a)	201,972	213,170	8	8
Other receivables, deposits and prepayments	23(b)	211,135	232,990	7,348	9,554
Accrued billings for property development projects		–	7,609	–	–
Amount owing by associated companies	24(b)	314	17	–	–
Amount owing by joint venture	18	1,480	1,528	–	–
Amount owing by subsidiary companies	24(a)	–	–	495,971	1,084,970
Deposits, cash and bank balances	25	337,948	318,071	9,693	7,754
		1,138,889	1,138,891	513,063	1,102,329
Assets classified as held for sale	26	7,073	–	–	–
Total Current Assets		1,145,962	1,138,891	513,063	1,102,329
Total Assets		2,912,489	2,979,866	1,387,499	1,394,674

(Forward)

	Note	The Group		The Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	27	1,250,536	717,909	1,250,536	717,909
Reserves	28	458,144	878,142	(222,971)	331,926
Equity attributable to owners of the Company		1,708,680	1,596,051	1,027,565	1,049,835
Non-controlling interests	16	164,814	155,649	–	–
Total Equity		1,873,494	1,751,700	1,027,565	1,049,835
Non-Current and Deferred Liabilities					
Long-term borrowings	29	–	59,622	–	–
Finance lease payables	30	10,282	27,795	–	–
Hire-purchase obligations	31	657	1,321	–	41
Deferred tax liabilities	20	13,609	24,113	–	–
Total Non-Current and Deferred Liabilities		24,548	112,851	–	41
Current Liabilities					
Trade payables	32(a)	397,675	490,691	166	166
Other payables, deposits and accrued expenses	32(b)	384,429	347,853	818	834
Provisions	33	3,100	–	–	–
Advance billings of property development projects		1,834	11,852	–	–
Amount owing to subsidiary companies	24(a)	–	–	343,285	293,235
Finance lease payables	30	54,713	55,484	–	–
Hire-purchase obligations	31	576	912	41	85
Short-term borrowings	34	169,862	206,534	15,624	50,478
Tax liabilities		2,258	1,989	–	–
Total Current Liabilities		1,014,447	1,115,315	359,934	344,798
Total Liabilities		1,038,995	1,228,166	359,934	344,839
Total Equity and Liabilities		2,912,489	2,979,866	1,387,499	1,394,674

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

The Group	Note	Non-distributable reserves				Distributable reserve			Total equity RM'000			
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Equity Translation adjustment reserve RM'000	Capital reserve RM'000	Equity reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000
As of 1 July 2015		717,909	532,627	(2,071)	13,471	(21,662)	274	18,259	1,122,041	2,380,848	286,909	2,667,757
Loss for the year		-	-	-	-	-	-	-	(796,477)	(796,477)	(109,328)	(905,805)
Other comprehensive income/(loss)		-	-	-	2,607	13,665	-	(8,581)	-	7,691	1,582	9,273
Total comprehensive income/(loss) for the year		-	-	-	2,607	13,665	-	(8,581)	(796,477)	(788,786)	(107,746)	(896,532)
Share-based payments		-	-	-	-	274	(274)	-	-	-	-	-
Purchase of treasury shares	28	-	-	(6,015)	-	-	-	-	-	(6,015)	(1,808)	(7,823)
Acquisition of non-controlling interests		-	-	-	-	-	-	-	10,004	10,004	(24,106)	(14,102)
Effect of dilution on equity interest in a subsidiary company		-	-	-	-	-	-	-	-	-	2,400	2,400
As of 30 June 2016		717,909	532,627	(8,086)	16,078	(7,723)	-	9,678	335,568	1,596,051	155,649	1,751,700

The Group	Note	Non-distributable reserves					Distributable		Total equity RM'000			
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Capital reserve RM'000	Equity compensation reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000	Attributable to owners of the Company RM'000	Non- controlling interests RM'000
As of 1 July 2016		717,909	532,627	(8,086)	16,078	(7,723)	-	9,678	335,568	1,596,051	155,649	1,751,700
Profit for the year		-	-	-	-	-	-	-	105,311	105,311	8,154	113,465
Other comprehensive income		-	-	-	10,143	1,171	-	1,111	-	12,425	1,431	13,856
Total comprehensive income for the year		-	-	-	10,143	1,171	-	1,111	105,311	117,736	9,585	127,321
Purchase of treasury shares	28	-	-	(5,107)	-	-	-	-	-	(5,107)	(420)	(5,527)
Transfer of reserve		-	-	-	-	(5,812)	-	-	5,812	-	-	-
Transfer arising from "no par value" regime	27	532,627	(532,627)	-	-	-	-	-	-	-	-	-
As of 30 June 2017		1,250,536	-	(13,193)	26,221	(12,364)	-	10,789	446,691	1,708,680	164,814	1,873,494

The Company	Note	Non-distributable reserves							Total equity RM'000
		Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Fair value reserve RM'000	Equity compensation reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	
As of 1 July 2015		717,909	532,627	(2,071)	219	274	5,145	(197,379)	1,056,724
Loss for the year		-	-	-	-	-	-	(650)	(650)
Other comprehensive loss		-	-	-	(224)	-	-	-	(224)
Total comprehensive loss for the year		-	-	-	(224)	-	-	(650)	(874)
Share-based payments		-	-	-	-	(274)	274	-	-
Purchase of treasury shares	28	-	-	(6,015)	-	-	-	-	(6,015)
As of 30 June 2016		717,909	532,627	(8,086)	(5)	-	5,419	(198,029)	1,049,835
As of 1 July 2016		717,909	532,627	(8,086)	(5)	-	5,419	(198,029)	1,049,835
Loss for the year		-	-	-	-	-	-	(17,174)	(17,174)
Other comprehensive income		-	-	-	11	-	-	-	11
Total comprehensive income/(loss) for the year		-	-	-	11	-	-	(17,174)	(17,163)
Purchase of treasury shares	28	-	-	(5,107)	-	-	-	-	(5,107)
Transfer arising from "no par value" regime	27	532,627	(532,627)	-	-	-	-	-	-
As of 30 June 2017		1,250,536	-	(13,193)	6	-	5,419	(215,203)	1,027,565

The accompanying Notes form an integral part of the Financial Statements

STATEMENTS OF CASH FLOWS**FOR THE YEAR ENDED 30 JUNE 2017**

The Group	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	113,465	(905,805)
Adjustments for:		
Depreciation of property, plant and equipment	102,044	131,263
Inventories written down	–	1,307
Tax (credit)/expense recognised in profit or loss	(6,023)	53,269
Finance costs	25,006	38,763
Allowance for obsolescence of inventories	4,322	3,214
Unrealised (gain)/loss on foreign exchange	(1,440)	12,529
Impairment loss on:		
Long-term investments	46	–
Trade and other receivables	5,375	606,971
Property, plant and equipment	18,000	193,132
Amortisation of prepaid land lease payments	2,176	1,900
Property, plant and equipment written off	443	1,824
Bad debts written off	–	742
Fair value adjustments on investment properties	(345)	161
Share in results of:		
Associated companies	9,288	35,970
Joint venture	(650)	(826)
Interest income	(10,567)	(22,211)
Impairment losses no longer required for:		
Trade and other receivables	(8,989)	(1,848)
Long-term investments	(596)	(1,253)
Amount owing by associated companies	–	(24,465)
Allowance no longer required for obsolescence of inventories	–	(3,252)
Gain on disposal of:		
Property, plant and equipment	(1,040)	(42)
Associated companies	–	(80,482)
Assets classified as held for sale	–	(3,132)
Provision for indemnity for damages arising from back pay labour claims	3,300	–
Provision for liquidated damages no longer required	(25)	(200)
Operating Profit Before Working Capital Changes	253,790	37,529
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	(46,893)	276,450
Trade and other receivables, deposits and prepayments	45,716	(62,027)
Amount owing by associated companies	(297)	24,470
Property development costs	22,054	19,635
Amount owing by joint venture	48	51
Decrease in trade and other payables, deposits and accrued expenses	(57,676)	(150,153)
Cash Generated From Operations	216,742	145,955
Tax paid	(5,518)	(19,781)
Net Cash From Operating Activities	211,224	126,174

(Forward)

The Group	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividends received from associated companies		3,051	1,435
Interest received		10,567	22,211
Proceeds from redemption of investments		596	1,253
Proceeds from disposal of:			
Property, plant and equipment		2,674	1,078
Associated companies		–	80,482
Assets classified as held for sale		–	6,520
Additions to:			
Property, plant and equipment		(4,163)	(11,682)
Associated companies		(42,064)	(5,677)
Acquisition of non-controlling interests		–	(14,102)
Increase in land held for property development		(17,021)	(199)
Indemnity paid for litigation claim against a former subsidiary company		(200)	–
Net Cash (Used In)/From Investing Activities		(46,560)	81,319
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in cash and cash equivalents - restricted		643	955
Repayment of:			
Long-term borrowings		(60,000)	(60,000)
Short-term borrowings		(32,151)	(115,838)
Finance lease liabilities		(18,284)	(6,503)
Hire-purchase obligations		(1,000)	(720)
Interest and profit element paid		(24,632)	(38,389)
Purchase of treasury shares		(5,527)	(7,823)
Net Cash Used In Financing Activities		(140,951)	(228,318)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		23,713	(20,825)
Effect of foreign exchange differences		1,324	(848)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		271,942	293,615
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	296,979	271,942

(Forward)

The Company	2017	2016
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	(17,174)	(650)
Adjustments for:		
Finance costs	2,455	7,993
Unrealised (gain)/loss on foreign exchange	(370)	1,549
Depreciation of property, plant and equipment	374	485
Impairment loss on long term investments	162	1,399
Impairment loss on amount owing by subsidiary companies	12,764	–
Interest income	(1,013)	(6,192)
Dividend income	(2,210)	–
Impairment losses on amount owing by subsidiary companies no longer required	(32,135)	(18,470)
Gain on disposal of property, plant and equipment	(1)	(37)
Impairment loss on long term investments no longer required	(188)	–
Impairment losses on investment in subsidiary companies	43,738	4,651
Impairment losses on investment in subsidiary company no longer required	(10,225)	–
Provision for liquidated damages no longer required	–	(66)
	<hr/>	<hr/>
Operating Loss Before Working Capital Changes	(3,823)	(9,338)
Movements in working capital:		
Decrease in trade and other receivables, deposits and prepayments	2,359	4,841
Decrease in trade and other payables, deposits and accrued expenses	(16)	(276)
	<hr/>	<hr/>
Cash Used In Operations	(1,480)	(4,773)
Tax refunded	–	54
Tax paid	(153)	–
	<hr/>	<hr/>
Net Cash Used In Operating Activities	(1,633)	(4,719)
	<hr/>	<hr/>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Dividend income received	2,210	–
Interest income received	1,013	524
(Increase)/Decrease in amount owing by subsidiary companies	(7,202)	25,609
Purchase of property, plant and equipment	–	(83)
Proceeds from disposal of property, plant and equipment	2	38
	<hr/>	<hr/>
Net Cash (Used In)/From Investing Activities	(3,977)	26,088
	<hr/>	<hr/>

(Forward)

The Company	Note	2017 RM'000	2016 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayment of:			
Borrowings		(34,818)	(115,945)
Hire-purchase obligations		(85)	(81)
Finance costs paid		(2,455)	(7,993)
Purchase of treasury shares		(5,107)	(6,015)
Increase in cash and cash equivalents - restricted		(91)	(85)
Increase in amount owing to subsidiary companies		50,050	108,865
		<hr/>	<hr/>
Net Cash From/(Used In) Financing Activities		7,494	(21,254)
		<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,884	115
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		161	46
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	2,045	161
		<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

The Company's principal activities are investment holding and property development.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is disclosed in Note 42.

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

The Registered Office of the Company is located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan.

The principal place of business of the Company is located at Level 2-5, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 10 October 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 *Agriculture* and/or IC Interpretation 15: *Agreements for the Construction of Real Estate*, including its parents, significant investors and venturers were allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB. On 2 September 2014, with the issuance of MFRS 15 *Revenue from Contracts with Customers* and Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*, the MASB announced that TEs which have chosen to continue with the FRS Framework is now required to adopt the MFRS Framework latest by 1 January 2017.

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

Malaysian Financial Reporting Standards (continued)

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15 will be deferred to annual periods beginning on or after 1 January 2018. However, early application of MFRS 15 is still permitted.

The Group falls within the scope of definition of TEs and has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group will be required to apply MFRS 1 *First-time adoption of Malaysian Financial Reporting Standards* in its financial statements for the financial year ending 30 June 2019, being the first set of financial statements prepared in accordance with new MFRS Framework.

The Group is currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of authorisation for issue of these financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

Adoption of New and Revised Financial Reporting Standards and Amendments

In the current financial year, the Group and the Company adopted all the new and revised and amendments FRSs issued by the Malaysian Accounting Standards Board ("MASB") and effective for financial periods beginning on or after 1 July 2016:

FRS 14	Regulatory Deferral Accounts
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and FRS 138	Classification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRSs	Annual Improvements to FRSs 2012 - 2014 Cycle

The adoption of these new and revised FRSs and Amendments to FRSs did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company.

New and Revised Standards, Amendments and Issues Committee Interpretations ("IC Interpretation") in issue but not yet effective

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

FRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) ²
Amendments to FRSs	Annual Improvements to FRSs 2014-2016 Cycle ^{1 or 2}
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to FRS 4	Applying MFRS 9 <i>Financial Instruments</i> with MFRS 4 <i>Insurance Contracts</i> ²
Amendments to FRS 107	Disclosure Initiative ¹
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to FRS 140	Transfers of Investment Property ²
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ²

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

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

New and Revised Standards, Amendments and Issues Committee Interpretations (“IC Interpretation”) in issue but not yet effective (continued)

The Directors anticipate that the abovementioned Standards, Amendments and IC Interpretation will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards, Amendments and IC Interpretation will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for MFRS 9, MFRS 15 and MFRS 16, where the Group and the Company are currently in the process of assessing the impact of adoption of these standards.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

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

Basis of Consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

Business Combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

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

Investment in Subsidiary Companies

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

Investment in Associated Companies and Joint Venture

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies and Joint Venture (continued)

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

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

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

The Group continues to use the equity method when an investment in an associated company becomes an investment in a joint venture or an investment in joint venture becomes an investment in an associated company. There is no remeasurement to fair value upon such changes in ownership interests.

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

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

Revenue and Revenue Recognition

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

Revenue of the Group consists of the sales invoice value of goods and services supplied to third parties, net of discounts and returns, proportion of the aggregate sales value of property development projects sold attributable to the percentage of development work performed, sales value of land under development and completed property units, gross rental income and dividend income receivable from quoted and unquoted investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

Revenue of the Company represents income recognised from the sales of land held under property development and gross dividend from the subsidiary companies and associated companies.

The revenue recognition policies of the Group and of the Company are as follows:

(i) **Steel Division**

Gross invoice value of goods sold - upon delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

(ii) **Property Development Division**

Property development projects - upon signing of the individual sale and purchase agreements, based on the percentage of completion method.

Sale of land under development and completed property units - when the significant risks and rewards of ownership have passed to the buyer.

Rental income - on accrual basis.

Interest income - recognised as it accrues, taking into account the effective yield on the assets.

(iii) **Building Materials Division**

Gross invoice value of goods sold - upon delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

(iv) **Other Divisions**

Gross invoice value of goods sold and services rendered - upon performance of services and delivery of products and customers' acceptance, net of discounts and returns and when the risks and rewards of ownership have passed to the buyer.

Gross dividend income - where the shareholders' right to receive payment is established.

Foreign Currency

(i) **Functional and Presentation Currencies**

The individual financial statements of each entity in the Group are presented in Ringgit Malaysia, United States Dollar, Renminbi or Singapore Dollar, the currency of the primary economic environment in which the entities operate (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity, are expressed in Ringgit Malaysia, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency (continued)

(ii) Foreign Currency Transactions

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

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

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

Employee Benefits

(i) Short-term Employee Benefits

Salaries, wages, bonuses, social security contributions and annual leaves are accrued for in the year in which the associated services are rendered by the employees of the Group and of the Company.

(ii) Defined Contribution Plans

The Company, its subsidiary companies incorporated in Malaysia and their eligible employees are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a local statutory defined contribution plans, at certain prescribed rates based on the employees' salaries. The Group's foreign incorporated subsidiary companies and their eligible employees also make contributions to their respective countries' statutory pension scheme. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, there are no further payment obligations.

(iii) Equity Compensation Benefits

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits (continued)

(iii) Equity Compensation Benefits (continued)

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the equity compensation reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to capital reserve.

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

Income Tax

Income tax expense on profit or loss for the year comprises current and deferred tax.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Deferred tax is charged or credited to profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

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

The tax effects of the unutilised reinvestment allowances are recognised only upon actual realisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

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

Freehold land has unlimited useful life and therefore is not depreciated. Construction work-in-progress is not depreciated as this asset is also not available for use. All other property, plant and equipment are depreciated on a straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

Freehold buildings	2% - 4%
Other buildings	2% - 18%
Plant, machinery and equipment	2% - 25%
Prime movers and trailers	15%
Motor vehicles	8% - 25%
Furniture and office equipment	5% - 25%
Computer equipment	10% - 20%
Floating cranes	8%
Tug boats and barges	10%
Infrastructure	7%
Renovations	2% - 20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for prospectively.

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

Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 38 to 81 years (2016: 39 to 82 years).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalisation of Borrowing Cost

Borrowing cost incurred on the construction of assets which require a substantial period of time to get them ready for their intended use are capitalised and included as part of the related assets. Capitalisation of borrowing cost will cease when the assets are ready for their intended use and is suspended during extended period in which active development is interrupted.

Investment Properties

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

Investment properties are stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

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

Leases

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

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

Property, Plant and Equipment under Finance Leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included at the end of the reporting period as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Property, Plant and Equipment under Hire-Purchase Arrangement

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

Land held for Property Development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Land held for Property Development (continued)

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities are expected to be completed within the Group's normal operating cycle.

Non-Current Assets Classified as Held for Sale

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

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

Goodwill on Consolidation

Goodwill on consolidation represents the excess of the cost of acquisition of subsidiary companies over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies at the date of acquisition. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Property Development Activities

Property development revenue is recognised for all units sold using the percentage of completion method, by reference to the stage of completion of the property development projects at the end of the reporting period as measured by the proportion that development costs incurred for work performed to-date bear to the estimated total property development costs on completion.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised to the extent of property development costs incurred that are probable of recovery.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Development Activities (continued)

Inventories of unsold completed development units are stated at the lower of cost and net realisable value.

Accrued billings represent the excess of property development revenue recognised in profit or loss over the billings to purchasers while advance billings represent the excess of billings to purchasers over property development revenue recognised in profit or loss.

Inventories

Trading merchandise, finished goods, work-in-progress, raw materials and other products are valued at the lower of cost and net realisable value. Cost is determined principally on the 'weighted average' method. The costs of raw materials comprise the original purchase price plus the incidental cost incurred in bringing the inventories to their present locations and conditions. The cost of work-in-progress and finished goods comprise the cost of raw materials, direct labour, direct charges and an appropriate proportion of production overheads.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

Goods-in-transit are valued at the lower of cost and net realisable value.

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

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

Islamic Securities Programme ("Sukuk")

The Sukuk is bond issued in accordance with the Islamic finance concept of Bai' Bithaman Ajil. In accordance with such concept, the Group sold certain assets to a trustee, and repurchased them at the same price together with an agreed profit margin. The Group's payment of the purchase price is deferred in accordance with the maturities of this bond, whilst the profit element is paid half-yearly.

The bond is initially recognised at cost, being the fair value of the consideration received. After initial recognition, the profit element attributable to the bond in each period is recognised as an expense on a straight-line basis to the maturity of each series respectively.

Provisions

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

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

Segment Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent Liabilities

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

Financial Guarantee Contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised less cumulative amortisation.

Financial Instruments

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

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

Financial Assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

Held-to-maturity investments

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

Loans and receivables

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

AFS investments

AFS investments are those that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, AFS investments are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss.

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

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

AFS investments are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Impairment of financial assets

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

(a) Loans and receivables

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

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

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

(b) AFS investments

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

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

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

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

(c) Held-to-maturity investments

The Group assesses at the end of each reporting period whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial assets' original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. Ordinary shares are equity instruments.

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities and Equity Instruments (continued)

Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and accrued expenses, amount owing to subsidiary companies and borrowings.

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

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

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of Receivables

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

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

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

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

	The Group	
	2017	2016
	RM'000	RM'000
Trade receivables		
Megasteel Sdn Bhd ("Megasteel")	542,903	542,903
Lion DRI Sdn Bhd ("Lion DRI")	156,211	157,576
	<hr/>	<hr/>
	699,114	700,479
Less: Accumulated impairment losses	(699,114)	(700,479)
	<hr/>	<hr/>
Net	-	-
	<hr/> <hr/>	<hr/> <hr/>
Other receivables		
Megasteel	48,558	48,558
Lion DRI	37,900	37,900
Graimpi Sdn Bhd ("Graimpi")	272,180	272,180
	<hr/>	<hr/>
	358,638	358,638
Less: Accumulated impairment losses	(358,638)	(358,638)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>
Concentration of credit risk	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

- (ii) the ability of Lion DRI and Graimpi to generate sufficient cash flows to repay their debts to the Group is highly dependent on the performance of Megasteel and availability of raw material for the production of direct reduced iron; and
- (iii) the probability of insolvency or significant financial difficulties of these related parties and default or significant delay in payments.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**(i) Critical judgements in applying the Group's and the Company's accounting policies (continued)**Recovery of Deposits Paid

As disclosed in Note 23(b)(iii), the Group has paid deposits totalling USD25,733,000, equivalent to RM110,461,000 in prior years mainly with respect to land clearing, and the procurement of economic land concession and freehold land for the purpose of an agricultural project in Cambodia. Due to a change in the original plan, the Directors are considering alternative plans to recover the deposits paid. Significant judgement is exercised in determining the manner in which the recovery of the said deposits could be made and the amounts that could be realised. The amount expected to be recovered for the deposits paid was estimated based on the revised plan to realise the freehold land and economic land concession and on this basis, the carrying amount of the deposits paid was not impaired.

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Non-Current Assets

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Land held for property development	1,319	2,425	–	–
Property development costs	16,604	15,498	–	–
Long-term investments	71,561	72,157	–	–
Investment in associated companies	12,655	12,655	–	–
Investment in subsidiary companies	–	–	212,975	179,462

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**(ii) Key sources of estimation uncertainty (continued)****(b) Impairment of Goodwill**

Determining whether goodwill is impaired requires an estimation of the VIU of the cash-generating units to which goodwill has been allocated. The VIU calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2016: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 21.

(c) Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group amounts to RM56,456,000 (2016: RM55,150,000).

(d) Depreciation of Property, Plant and Equipment

The cost of property, plant and equipment except for freehold land and construction work-in-progress, is depreciated on a straight-line basis over the assets' useful lives. The Group reviews the remaining useful lives of property, plant and equipment at the end of each reporting period and ensures consistency with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives of property, plant and equipment may result in revision of future depreciation charges.

(e) Impairment of Property, Plant and Equipment

(i) As of 30 June 2017, the Directors have made a further impairment assessment on the steel making plant of a subsidiary company located at Banting ("the Banting plant"), which has temporarily stopped production since the previous financial years. The recoverable amount of the plant, which consists of land and buildings and plant and machinery, was determined based on fair value less cost to sell, by a reference to the latest valuation carried out by an independent firm of professional valuers in July 2017. The basis of fair value less cost to sell for the said assets was determined as follows:

- (a) Land - direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, market condition, size, shape and terrain of land, tenurial interest and restriction if any, availability of infrastructure, vacant possession and developmental approval and other relevant characteristics.
- (b) Building - depreciated replacement cost method, where the building value is taken to be equal to the cost of replacing the building in its existing condition. This is determined by taking the current replacement cost of the building as new and allowing for depreciation of physical, functional and economic obsolescence.
- (c) Plant and machineries - depreciated replacement cost method by estimating the replacement cost new ("RCN") for the assets as of the valuation date, where the estimated RCN was derived based on information from web research.

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

(ii) Key sources of estimation uncertainty (continued)

(e) Impairment of Property, Plant and Equipment (continued)

The Directors believe that the chosen valuation method is appropriate in determining the recoverable amounts of the Banting plant.

Premised on the above, the Group has recognised an impairment loss of RM18,000,000 (2016: RM127,840,000) for the financial year on these assets as the carrying amount of these assets exceeded their estimated recoverable amount. The Directors are of the opinion that the carrying amount of the Banting plant is RM291,850,000, net of accumulated impairment loss of RM189,879,000 (2016: RM356,802,000, net of accumulated impairment loss of RM171,879,000) is recoverable.

- (ii) During the previous financial year, major customers of Lion Waterway Logistics Sdn Bhd (“Lion Waterway”) (a subsidiary of the Company), Lion DRI and Megasteel had temporarily stopped operations.

As a result of the above, there is an indication that the related plant and machineries, infrastructure, tug boats and barges as well as floating cranes (collectively known as “these assets”) are impaired. The Directors have made an impairment assessment and determined the recoverable amount by measuring these assets at the higher of the fair value less cost of disposal and their value-in-use. The value-in-use of these assets, is the future economic benefits to be expected from their continued use by using the income approach internally and ultimate disposal. The estimation of value-in-use requires the Directors to estimate the future cash flows expected to arise from the cash-generating units.

Premised on the above, the Group has recognised an impairment loss of RM65,292,000 in the previous financial year on these assets as the carrying amount of certain of these assets exceeded their estimated recoverable amount. The Directors are of the opinion that the carrying amount of RM55,861,000, net of accumulated impairment loss of RM65,292,000 (2016: carrying amount of RM70,350,000 net of accumulated impairment loss of RM65,292,000) is recoverable.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	2,536,994	2,303,379	–	–
Revenue from:				
Property development	88,737	110,502	–	–
Sale of land under development and completed property units	6,815	44,313	–	–
Gross rental income	1,553	1,426	–	–
Service rendered	33,393	55,301	–	–
Gross dividend income from associated companies	–	–	2,210	–
	2,667,492	2,514,921	2,210	–

6. PROFIT/(LOSS) FROM OPERATIONS

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Impairment losses no longer required for:				
Long-term investments	596	1,253	188	–
Trade and other receivables (Note 23)	8,989	1,848	–	–
Amount owing by associated companies (Note 24(b))	–	24,465	–	–
Allowance for obsolescence of inventories no longer required	–	3,252	–	–
Inventories written down	–	(1,307)	–	–
Allowance for obsolescence of inventories	(4,322)	(3,214)	–	–
Property, plant and equipment written off	(443)	(1,824)	–	–
Impairment losses on amount owing by subsidiary companies no longer required (Note 24(a))	–	–	32,135	18,470
Impairment losses on amount owing by subsidiary companies (Note 24(a))	–	–	(12,764)	–
Impairment losses on investment in subsidiary companies (Note 16)	–	–	(43,738)	(4,651)
Impairment losses on investment in subsidiary companies no longer required (Note 16)	–	–	10,225	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	(828)	(809)	(125)	(125)
Over/(Under)provision in prior years	3	(9)	–	(5)
Other auditors:				
Current year	(49)	(70)	–	–
Bad debts recovered	70	43	–	–
Provision for liquidated damages no longer required	25	200	–	66
Rental income from premises	2,268	932	–	–
Rental expense of:				
Premises	(2,087)	(1,473)	–	–
Plant, machinery and equipment	(4,003)	(5,769)	–	–
Jetties and leasehold land	(4,817)	(4,817)	–	–
Bad debts written off	–	(742)	–	–
Gain on disposal of:				
Property, plant and equipment	1,040	42	1	37
Associated company	–	80,482	–	–
Assets classified as held for sale	–	3,132	–	–
Gain/(Loss) on foreign exchange (net):				
Realised	7,940	15,747	(648)	(4,708)
Unrealised	1,440	(12,529)	370	(1,549)
Fair value adjustments on investment properties (Note 13)	345	(161)	–	–
Interest income from Housing Development Accounts	1,005	1,026	79	77

6. PROFIT/(LOSS) FROM OPERATIONS (continued)

Analysis of staff costs is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries, bonuses and allowances	146,013	126,973	327	1,231
Defined contribution plans	14,585	13,304	15	100
	160,598	140,277	342	1,331

Included in staff costs are the remuneration of members of key management, other than the Directors of the Group and of the Company as disclosed in Note 7, as follows:

	The Group	
	2017 RM'000	2016 RM'000
Salaries, bonuses and allowances	3,516	3,349
Defined contribution plans	330	317
	3,846	3,666

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group and of the Company as disclosed in Note 7, otherwise than in cash from the Group amounted to RM59,907 (2016: RM57,531).

7. DIRECTORS' REMUNERATION

Directors' remuneration of the Group and of the Company classified into executive and non-executive Directors are as follows:

	The Group and The Company	
	2017 RM'000	2016 RM'000
Executive Director:		
Fee	25	25
Salary and other emoluments	992	992
Defined contribution plans	118	118
	1,135	1,135
Non-executive Directors:		
Fees	210	191
Other emoluments	43	43
Total	1,388	1,369

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM107,398 (2016: RM108,227).

8. INVESTMENT INCOME

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income from:				
Fixed deposits	5,465	8,640	150	218
Related parties	1,681	5,267	–	–
Subsidiary companies	–	–	512	5,668
Associated company	–	6,261	–	–
Others	2,416	1,017	272	229
	9,562	21,185	934	6,115

9. FINANCE COSTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Term loans	5,319	7,624	2,063	7,624
Security deposits received from customers	1,719	1,564	–	–
Bills payable	665	632	–	–
Bank overdrafts	549	850	384	354
Finance lease and hire-purchase	4,691	8,447	4	7
Product financing liabilities	–	2,956	–	–
Others	6,609	8,644	4	8
Profit element on Sukuk	5,454	8,046	–	–
	25,006	38,763	2,455	7,993

10. TAX CREDIT/(EXPENSE)

Tax credit/(expense) for the Group and the Company consists of:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Estimated tax payable:				
Current year	(16,328)	(19,138)	–	–
Overprovision in prior years	10,541	17,979	–	–
	(5,787)	(1,159)	–	–
Deferred taxation (Note 20):				
Current year	6,479	(52,073)	–	–
Over/(Under)provision in prior years	5,331	(37)	–	–
	11,810	(52,110)	–	–
Total tax credit/(expense)	6,023	(53,269)	–	–

The tax credit/(expense) varied from the amount of tax credit/(expense) determined by applying the applicable income tax rate to profit/(loss) before tax as a result of the following differences:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit/(Loss) before tax	107,442	(852,536)	(17,174)	(650)
Tax (expense)/credit at statutory tax rate of 24% (2016: 24%)	(25,786)	204,609	4,122	156
Tax effects of:				
Non-taxable income	5,828	19,476	10,644	5,818
Non-deductible expenses	(12,392)	(71,816)	(11,772)	(5,243)
Tax effect on share in results of associated companies and joint venture	(2,073)	(8,435)	–	–
Deferred tax assets not recognised	–	(216,497)	(2,994)	(731)
Realisation of deferred tax assets previously not recognised	24,574	1,452	–	–
Over/(Under)provision in prior years:				
Income tax	10,541	17,979	–	–
Deferred taxation	5,331	(37)	–	–
	6,023	(53,269)	–	–

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the year of assessment 2017.

11. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) **Basic earnings/(loss) per share**

Basic earnings/(loss) per share of the Group is calculated by dividing profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:

	2017	2016
	RM'000	RM'000
Profit/(Loss) attributable to owners of the Company	105,311	(796,477)
	2017	2016
	'000	'000
Weighted average number of ordinary shares in issue	693,973	715,023
Less: Effect of treasury shares	(8,659)	(13,281)
	685,314	701,742
	2017	2016
Basic earnings/(loss) per share (sen)	15.37	(113.50)

(b) **Diluted earnings/(loss) per share**

The basic and diluted earnings/(loss) per share are the same for 2017 and 2016 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

12. PROPERTY, PLANT AND EQUIPMENT

The Group

	COST							As of 30 June 2016 RM'000	
	As of 1 July 2015 RM'000	Additions RM'000	Disposals RM'000	Transfer to investment properties (Note 13) RM'000	Write-offs RM'000	Reclass- ification RM'000	Transfer to prepaid land lease payments (Note 14) RM'000		Exchange differences RM'000
Freehold land	77,101	-	-	-	-	-	-	-	77,101
Freehold buildings	305,155	-	-	-	-	-	-	-	305,155
Buildings under long lease	133,880	-	-	124	-	-	(19,606)	-	114,398
Buildings under short lease	466	-	-	-	-	-	-	-	466
Plant, machinery and equipment	1,496,492	2,078	(1,772)	-	(1,824)	6,997	-	797	1,502,768
Prime movers and trailers	26,415	-	(1,419)	-	-	-	-	-	24,996
Motor vehicles	17,414	222	(429)	-	-	-	-	29	17,236
Furniture and office equipment	69,067	1,221	(133)	-	(156)	191	-	1	70,191
Computer equipment	6,150	216	(4)	-	(4)	-	-	1	6,359
Floating cranes	87,616	-	-	-	-	-	-	-	87,616
Tug boats and barges	74,179	-	-	-	-	-	-	-	74,179
Infrastructure	107,100	-	-	-	-	-	-	-	107,100
Renovations	1,892	-	-	-	-	-	-	-	1,892
Construction work-in-progress	141,030	7,945	-	-	(1,634)	(7,188)	-	-	140,153
Total	2,543,957	11,682	(3,757)	124	(3,618)	-	(19,606)	828	2,529,610

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	As of 1 July 2016 RM'000	Additions RM'000	Disposals RM'000	Transfer from investment properties (Note 13) RM'000	COST				As of 30 June 2017 RM'000
					Write-offs RM'000	Reclass- ification RM'000	Transfer to assets held for sale (Note 26) RM'000	Exchange differences RM'000	
Freehold land	77,101	-	-	-	-	-	-	-	77,101
Freehold buildings	305,155	-	-	-	-	-	-	-	305,155
Buildings under long lease	114,398	-	-	-	-	(1,657)	-	-	112,741
Buildings under short lease	466	-	-	-	-	-	-	-	466
Plant, machinery and equipment	1,502,768	1,534	(1,539)	-	-	-	815	-	1,503,578
Prime movers and trailers	24,996	-	(4,265)	-	-	-	-	-	20,731
Motor vehicles	17,236	-	(1,014)	-	-	-	33	-	16,255
Furniture and office equipment	70,191	603	(9)	-	(81)	-	1	-	70,705
Computer equipment	6,359	221	(51)	-	(31)	-	1	-	6,499
Floating cranes	87,616	-	-	-	-	-	-	-	87,616
Tug boats and barges	74,179	-	-	-	-	-	-	-	74,179
Infrastructure	107,100	-	-	-	-	-	-	-	107,100
Renovations	1,892	-	-	-	-	-	-	-	1,892
Construction work-in-progress	140,153	1,805	(92)	-	(430)	-	-	-	141,436
Total	2,529,610	4,163	(6,970)	-	(542)	(1,657)	850	-	2,525,454

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED DEPRECIATION								
	As of 1 July 2015 RM'000	Charge for the year RM'000	Disposals RM'000	Transfer to investment properties (Note 13) RM'000	Write-offs RM'000	Reclass- ification RM'000	Transfer to prepaid land lease payments (Note 14) RM'000	Exchange differences RM'000	As of 30 June 2016 RM'000
Freehold land	-	-	-	-	-	-	-	-	-
Freehold buildings	174,403	14,916	-	-	-	-	-	-	189,319
Buildings under long lease	90,956	2,565	-	-	-	-	(1,758)	-	91,763
Buildings under short lease	466	-	-	-	-	-	-	-	466
Plant, machinery and equipment	951,349	71,649	(765)	-	(1,649)	-	-	108	1,020,692
Prime movers and trailers	16,575	1,865	(1,398)	-	-	-	-	-	17,042
Motor vehicles	12,136	1,777	(429)	-	-	-	-	11	13,495
Furniture and office equipment	50,798	3,371	(128)	-	(142)	-	-	-	53,899
Computer equipment	4,387	476	(1)	-	(3)	-	-	-	4,859
Floating cranes	22,595	20,216	-	-	-	-	-	-	42,811
Tug boats and barges	46,657	7,184	-	-	-	-	-	-	53,841
Infrastructure	42,840	7,140	-	-	-	-	-	-	49,980
Renovations	1,329	104	-	-	-	-	-	-	1,433
Construction work-in-progress	-	-	-	-	-	-	-	-	-
Total	1,414,491	131,263	(2,721)	-	(1,794)	-	(1,758)	119	1,539,600

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED DEPRECIATION								
	As of 1 July 2016 RM'000	Charge for the year RM'000	Disposals RM'000	Transfer from investment properties (Note 13) RM'000	Write-offs RM'000	Reclass- ification RM'000	Transfer to assets held for sale (Note 26) RM'000	Exchange differences RM'000	As of 30 June 2017 RM'000
Freehold land	-	-	-	-	-	-	-	-	-
Freehold buildings	189,319	13,501	-	-	-	-	-	-	202,820
Buildings under long lease	91,763	2,050	-	-	-	-	(1,596)	-	92,217
Buildings under short lease	466	-	-	-	-	-	-	-	466
Plant, machinery and equipment	1,020,692	66,411	(828)	-	-	-	-	217	1,086,492
Prime movers and trailers	17,042	1,640	(3,441)	-	-	-	-	-	15,241
Motor vehicles	13,495	1,144	(1,003)	-	-	-	-	18	13,654
Furniture and office equipment	53,899	3,198	(21)	-	(67)	-	-	-	57,009
Computer equipment	4,859	418	(43)	-	(32)	-	-	-	5,202
Floating cranes	42,811	6,659	-	-	-	-	-	-	49,470
Tug boats and barges	53,841	6,918	-	-	-	-	-	-	60,759
Infrastructure	49,980	-	-	-	-	-	-	-	49,980
Renovations	1,433	105	-	-	-	-	-	-	1,538
Construction work-in-progress	-	-	-	-	-	-	-	-	-
Total	1,539,600	102,044	(5,336)	-	(99)	-	(1,596)	235	1,634,848

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	As of		Charge for		As of		Charge for		As of		As of	
	1 July 2015	30 June 2016	the year	the year	30 June 2016	30 June 2017	the year	the year	30 June 2017	30 June 2017	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	1,754	1,754	-	-	1,754	1,754	-	-	1,754	1,754	75,347	75,347
Freehold buildings	-	28,299	28,299	-	28,299	28,299	-	-	28,299	74,036	87,537	87,537
Buildings under long lease	-	-	-	-	-	-	-	-	-	20,524	22,635	22,635
Plant, machinery and equipment	478	66,843	66,843	18,000	67,321	85,321	18,000	18,000	85,321	331,765	414,755	414,755
Prime movers and trailers	3,215	-	-	-	3,215	3,215	-	-	3,215	2,275	4,739	4,739
Motor vehicles	-	-	-	-	-	-	-	-	-	2,601	3,741	3,741
Furniture and office equipment	-	-	-	-	-	-	-	-	-	13,696	16,292	16,292
Computer equipment	-	-	-	-	-	-	-	-	-	1,297	1,500	1,500
Floating cranes	-	-	-	-	-	-	-	-	-	38,146	44,805	44,805
Tug boats and barges	-	-	-	-	-	-	-	-	-	13,420	20,338	20,338
Infrastructure	-	-	57,120	-	57,120	57,120	-	-	57,120	-	-	-
Renovations	-	-	-	-	-	-	-	-	-	354	459	459
Construction work-in-progress	44,039	40,870	40,870	-	84,909	84,909	-	-	84,909	56,527	55,244	55,244
Total	49,486	193,132	193,132	18,000	242,618	260,618	18,000	18,000	260,618	629,988	747,392	747,392

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	COST				As of 30 June 2016 RM'000
	As of 1 July 2015 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	
Motor vehicles	989	–	(311)	–	678
Furniture and office equipment	1,619	3	–	–	1,622
Computer equipment	3,423	80	(4)	–	3,499
Renovations	1,007	–	–	–	1,007
Total	7,038	83	(315)	–	6,806

	COST				As of 30 June 2017 RM'000
	As of 1 July 2016 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	
Motor vehicles	678	–	–	–	678
Furniture and office equipment	1,622	–	(10)	–	1,612
Computer equipment	3,499	–	(4)	–	3,495
Renovations	1,007	–	–	–	1,007
Total	6,806	–	(14)	–	6,792

	ACCUMULATED DEPRECIATION				As of 30 June 2016 RM'000	NET BOOK VALUE As of 30 June 2016 RM'000
	As of 1 July 2015 RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000		
Motor vehicles	884	103	(311)	–	676	2
Furniture and office equipment	1,397	36	–	–	1,433	189
Computer equipment	2,219	245	(3)	–	2,461	1,038
Renovations	459	101	–	–	560	447
Total	4,959	485	(314)	–	5,130	1,676

	ACCUMULATED DEPRECIATION				As of 30 June 2017 RM'000	NET BOOK VALUE As of 30 June 2017 RM'000
	As of 1 July 2016 RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000		
Motor vehicles	676	–	–	–	676	2
Furniture and office equipment	1,433	36	(10)	–	1,459	153
Computer equipment	2,461	237	(3)	–	2,695	800
Renovations	560	101	–	–	661	346
Total	5,130	374	(13)	–	5,491	1,301

12. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) As of 30 June 2017, the Group has recognised an impairment loss of RM18,000,000 (2016: RM193,132,000) in respect of the assets located at Banting plant as well as the assets related to one of its subsidiary companies, Lion Waterway Logistics Sdn Bhd ("Lion Waterway"), as a result of the said Banting plant has temporarily stopped productions since previous years and the major customers of Lion Waterway have temporarily stopped operations in previous year. The said impairment loss was determined based on the assumptions as disclosed in Notes 4(ii)(e)(i) and (ii), respectively.
- (b) As of 30 June 2017, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM216.5 million (2016: RM274.9 million) have been charged as collateral to certain financial institutions for the finance lease payables and borrowings granted to the Group (Notes 29, 30 and 34).
- (c) Included in property, plant and equipment of the Group and of the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM50,089,000 (2016: RM63,522,000) and RM2,000 (2016: RM2,000) respectively.

13. INVESTMENT PROPERTIES

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	1,880	2,165
Fair value adjustments during the year (Note 6)	345	(161)
Transfer to property, plant and equipment (Note 12)	–	(124)
Transfer to assets classified as held for sale (Note 26)	(1,647)	–
	578	1,880
At end of year	578	1,880

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

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

The rental income earned by the Group from its investment properties amounted to RMNil (2016: RM5,475). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the financial year amounted to RMNil (2016: RM601).

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM10,848 (2016: RM13,897).

As of 30 June 2017, all freehold and leasehold land and buildings of the Group included as part of investment properties with fair values totalling RMNil (2016: RM1,284,000) have been charged as collaterals to certain local banks for the bank overdrafts and other credit facilities granted to the Group (Note 34).

Investment properties amounting to RM285,362 (2016: RM1,284,000) for the Group are held under leasehold interest.

14. PREPAID LAND LEASE PAYMENTS

	The Group	
	2017	2016
	RM'000	RM'000
Cost:		
At beginning of year	103,355	83,749
Transfer from property, plant and equipment (Note 12)	–	19,606
	<hr/>	<hr/>
At end of year	103,355	103,355
	<hr/>	<hr/>
Cumulative amortisation:		
At beginning of year	41,368	37,710
Amortisation for the year	2,176	1,900
Transfer from property, plant and equipment (Note 12)	–	1,758
	<hr/>	<hr/>
At end of year	43,544	41,368
	<hr/>	<hr/>
Net book value	59,811	61,987
	<hr/> <hr/>	<hr/> <hr/>

Prepaid land lease payments relate to lease of land for the Group's factory buildings, office complexes and warehouses located in the Mukim of Bukit Raja, Klang, Selangor and Pasir Gudang Industrial Estate, Johor and the leases will expire between the years 2025 and 2091. The Group does not have an option to purchase the leased land upon the expiry of the lease period.

Prepaid land lease payments are amortised over the lease terms of the land/rights.

As of 30 June 2017, certain parcels of leasehold land of the Group with carrying values totalling RM17.0 million (2016: RM17.8 million) have been charged as collateral to certain financial institutions for the borrowings granted to the Group (Note 34).

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of year:				
Land costs	29,806	31,804	13	13
Development costs	5,123	5,852	13	13
	34,929	37,656	26	26
Costs incurred:				
Development costs	17,021	199	–	–
Costs transferred to property development costs (Note 15(b))				
Land costs	(1,047)	(1,998)	–	–
Development costs	(76)	(928)	–	–
	(1,123)	(2,926)	–	–
At end of year:				
Land costs	28,759	29,806	13	13
Development costs	22,068	5,123	13	13
	50,827	34,929	26	26
Accumulated impairment losses:				
At beginning of year	(2,425)	(4,535)	–	–
Transferred to property development costs (Note 15(b))	1,106	2,110	–	–
At end of year	(1,319)	(2,425)	–	–
Net	49,508	32,504	26	26

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (continued)

(b) Property Development Costs

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year:		
Land costs	62,631	60,633
Development costs	173,947	119,237
	236,578	179,870
Costs incurred:		
Development costs	37,549	54,232
Transfer to completed unit for sale	(4,249)	(450)
Transferred from land held for property development (Note 15(a))		
Land costs	1,047	1,998
Development costs	76	928
	1,123	2,926
At end of year:		
Land costs	63,678	62,631
Development costs	207,323	173,947
	271,001	236,578
Costs recognised as expenses in profit or loss:		
Previous years	(185,834)	(111,967)
Current year	(55,354)	(73,867)
	(241,188)	(185,834)
Accumulated impairment losses:		
At beginning of year	(15,498)	(13,388)
Transferred from land held for property development (Note 15(a))	(1,106)	(2,110)
At end of year	(16,604)	(15,498)
Net	13,209	35,246

Included in the current additions to property development costs are the following:

	The Group	
	2017 RM'000	2016 RM'000
Interest expense on term loan	-	44

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2017 RM'000	2016 RM'000
Shares quoted in Malaysia:		
At beginning and end of year	42,232	42,232
Unquoted shares in Malaysia:		
At cost	309,495	309,495
Addition	615,942	–
Deemed capital contribution	13,629	13,629
	939,066	323,124
Accumulated impairment losses	(212,975)	(179,462)
	726,091	143,662
Total	768,323	185,894
Market value of quoted shares	25,723	27,528

Movements in the accumulated impairment losses are as follows:

	The Company	
	2017 RM'000	2016 RM'000
At beginning of year	179,462	174,811
Impairment losses recognised during the year (Note 6)	43,738	4,651
Impairment losses no longer required (Note 6)	(10,225)	–
At end of year	212,975	179,462

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that accumulated impairment losses of RM212,975,000 (2016: RM179,462,000) is deemed adequate in respect of investment in subsidiary companies.

As of 30 June 2017, the investment in a quoted subsidiary company of the Company with carrying value of RM41,973,000 (2016: RM41,973,000) has been pledged as collateral to certain financial institutions for the borrowings granted to the Company (Note 34).

During the financial year, certain subsidiary companies issued 615,942,855 new ordinary shares amounting to RM615,942,855. The Company subscribed 100% of the new ordinary shares issued by these subsidiary companies. The said subscription of shares was satisfied through capitalisation of amount owing by subsidiary companies to the Company.

16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Composition of the Group

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

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiary companies		Number of non wholly-owned subsidiary companies	
		2017	2016	2017	2016
Property development	Malaysia	7	7	2	2
Manufacture and sale and distribution of steel products	Malaysia	–	–	3	3
Manufacture and sale and distribution of other products	Malaysia	–	–	6	6
Investment and development in agriculture	Cambodia	–	–	23	23
Investment holding	British Virgin Islands	–	–	25	26
Others	Malaysia	26	27	23	23
Others	Other countries	–	–	7	9
		33	34	89	92

Non-Controlling Interests in Subsidiary Companies

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

The Group’s subsidiary company that has material non-controlling interests (“NCI”) is LFIB.

	Percentage of ownership interests held by NCI	Profit/(Loss) allocated to NCI RM’000	Accumulated NCI RM’000
2017			
LFIB	26%	3,823	139,041
Other individually immaterial subsidiary companies with NCI		4,331	25,773
		8,154	164,814
2016			
LFIB	26%	(101,386)	134,931
Other individually immaterial subsidiary companies with NCI		(7,942)	20,718
		(109,328)	155,649

16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Non-Controlling Interests in Subsidiary Companies (continued)

Summarised financial information in respect of each of the Group's subsidiary company that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2017 RM'000	LFIB 2016 RM'000
Non-current assets	112,572	72,289
Current assets	544,483	575,693
Non-current liabilities	(794)	(2,028)
Current liabilities	(119,207)	(129,904)
Total equity	<u>537,054</u>	<u>516,050</u>
Equity attributable to owners of the Company	536,297	515,306
Non-controlling interests	757	744
	<u>537,054</u>	<u>516,050</u>
Revenue	339,658	565,103
Profit/(Loss) for the year	14,759	(386,871)
Profit/(Loss) attributable to:		
Owners of the Company	14,746	(387,197)
Non-controlling interests	13	326
	<u>14,759</u>	<u>(386,871)</u>
Other comprehensive income attributable to:		
Owners of the Company	6,665	6,845
Non-controlling interests	-	149
	<u>6,665</u>	<u>6,994</u>
Total comprehensive income/(loss) attributable to:		
Owners of the Company	21,411	(380,352)
Non-controlling interests	13	475
	<u>21,424</u>	<u>(379,877)</u>
Net cash inflow/(outflow) from:		
Operating activities	9,793	(38,056)
Investing activities	(20,941)	26,985
Financing activities	(5,432)	(4,616)
Net cash outflow	<u>(16,580)</u>	<u>(15,687)</u>

17. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost:				
Quoted investments	239,501	197,437	64,394	64,394
Unquoted investments	139,641	139,641	38,054	38,054
	379,142	337,078	102,448	102,448
Share in post-acquisition results and reserves less dividends received	455,259	465,549	–	–
Accumulated impairment losses	(12,655)	(12,655)	–	–
	821,746	789,972	–	–
Reclassified as asset held for sale (Note 26)	(5,365)	–	–	–
	816,381	789,972	102,448	102,448
Market value of quoted investments	209,230	222,877	38,335	54,619

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

2017	Parkson RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised financial information			
Proportion of the Group's effective ownership interest	28%		
Assets and Liabilities			
Current assets	4,329,847	518,566	4,848,413
Non-current assets	5,427,298	118,580	5,545,878
Current liabilities	(4,899,811)	(110,557)	(5,010,368)
Non-current liabilities	(1,008,607)	(12,126)	(1,020,733)
Non-controlling interests	(1,457,413)	–	(1,457,413)
Net assets	2,391,314	514,463	2,905,777
Results			
Revenue	3,964,024	340,223	4,304,247
(Loss)/Profit for the year	(113,411)	64,503	(48,908)
Other comprehensive income for the year	89,444	–	89,444
Total comprehensive (loss)/income for the year	(23,967)	64,503	40,536
Group's share of (loss)/profit of associated companies	(32,299)	23,011	(9,288)
Dividend received from associated companies	–	3,051	3,051
Reconciliation of net assets to carrying amount			
Group's share of net assets	681,046	134,404	815,450
Other adjustments	931	–	931
Carrying amount in the statements of financial position	681,977	134,404	816,381

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

2016	Parkson RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised financial information			
Proportion of the Group's effective ownership interest	23%		
Assets and Liabilities			
Current assets	3,092,826	385,607	3,478,433
Non-current assets	6,424,238	248,036	6,672,274
Current liabilities	(2,780,944)	(255,822)	(3,036,766)
Non-current liabilities	(2,807,084)	(12,543)	(2,819,627)
Non-controlling interests	(1,446,301)	3,769	(1,442,532)
Net assets	<u>2,482,735</u>	<u>369,047</u>	<u>2,851,782</u>
Results			
Revenue	3,884,082	345,572	4,229,654
Loss for the year	(159,320)	(35,236)	(194,556)
Other comprehensive loss for the year	(21,066)	(6,156)	(27,222)
Total comprehensive loss for the year	(180,386)	(41,392)	(221,778)
Group's share of loss of associated companies	(21,873)	(14,097)	(35,970)
Dividend received from associated companies	–	1,435	1,435
Reconciliation of net assets to carrying amount			
Group's share of net assets	562,339	117,296	679,635
Other adjustments	110,337	–	110,337
Carrying amount in the statements of financial position	<u>672,676</u>	<u>117,296</u>	<u>789,972</u>

The carrying value of the Group's investment in associated companies is represented by:

	The Group	
	2017 RM'000	2016 RM'000
Share of net assets (excluding goodwill)	442,734	440,576
Share of goodwill of associated companies	373,647	349,396
	<u>816,381</u>	<u>789,972</u>

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	(26,739)	(59,227)
Current year	-	663
Disposal during the year	-	31,825
At end of year	<u>(26,739)</u>	<u>(26,739)</u>

As of 30 June 2017, the investment in quoted associated companies of the Group and of the Company with costs amounting to RM118,846,000 and RM64,394,000 (2016: RM118,846,000 and RM64,394,000) respectively have been pledged as collateral to certain financial institutions for the borrowings granted to the Group (Note 34).

18. INVESTMENT IN JOINT VENTURE

	The Group	
	2017 RM'000	2016 RM'000
Unquoted shares:		
At cost	125	125
Share in post-acquisition results less dividend received	10,926	10,276
	<u>11,051</u>	<u>10,401</u>

Details of the joint venture are as follows:

Name of Joint Venture	Financial Year End	Country of Incorporation	Effective Percentage Ownership		Principal Activity
			2017 %	2016 %	
Mergexcel Property Development Sdn Bhd	31 March	Malaysia	49	49	Property development

The joint venture is audited by a firm of auditors other than the auditors of the Company.

18. INVESTMENT IN JOINT VENTURE (continued)

The summarised unaudited financial information in respect of the Group's joint venture is set out below:

	The Group	
	2017	2016
	RM'000	RM'000
Assets and Liabilities		
Current assets	36,085	37,731
Non-current assets	116	131
Current liabilities	(1,585)	(4,420)
Net assets	34,616	33,442
Results		
Revenue	–	–
Profit for the year	1,174	1,494
Group's share of profit of joint venture	650	826
Reconciliation of net assets to carrying amount		
Group's share of net assets	19,150	18,500
Other adjustments	(8,099)	(8,099)
Carrying amount in the statements of financial position	11,051	10,401

The above profit for the year including the following:

	The Group	
	2017	2016
	RM'000	RM'000
Depreciation of property, plant and equipment	15	15
Interest income	1,378	866
Finance cost	–	(9)

Amount owing by joint venture arose mainly from advances granted and payments made on behalf of the joint venture. The said amount is interest-free (2016: interest-free) and repayable on demand.

19. LONG-TERM INVESTMENTS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Available-for-sale investments				
Quoted investments in Malaysia:				
At fair value				
Shares	10,686	9,618	1,876	1,831
Warrants	–	46	–	19
	10,686	9,664	1,876	1,850
Quoted investments outside Malaysia:				
Shares – at fair value	250	207	62	51
Unquoted investments:				
Shares – at cost	1,375	1,375	400	400
	12,311	11,246	2,338	2,301
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, adjusted for accretion of interest	71,561	72,157	–	–
Less: Accumulated impairment losses	(71,561)	(72,157)	–	–
	–	–	–	–
Total	12,311	11,246	2,338	2,301

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have recognised an impairment loss amounting to RM46,000 (2016: RMNil) and RM162,000 (2016: RM1,399,000) in profit or loss of the Group and of the Company respectively.

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

20. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) of the Group and of the Company are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of year	31,037	83,147	–	–
Transfer to/(from) profit or loss (Note 10):				
Property, plant and equipment	82,657	16,619	(61)	(78)
Others	(8,236)	14,811	–	–
Unused tax losses and unabsorbed capital allowances	(62,611)	(83,540)	61	78
	11,810	(52,110)	–	–
At end of year	42,847	31,037	–	–

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

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	56,456	55,150	-	-
Deferred tax liabilities	(13,609)	(24,113)	-	-
	<u>42,847</u>	<u>31,037</u>	<u>-</u>	<u>-</u>

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets				
Temporary differences arising from others	29,280	37,699	-	-
Unused tax losses and unabsorbed capital allowances	44,888	107,499	252	324
	<u>74,168</u>	<u>145,198</u>	<u>252</u>	<u>324</u>
Offsetting	(17,712)	(90,048)	(252)	(324)
Deferred tax assets (after offsetting)	<u>56,456</u>	<u>55,150</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	25,280	107,937	252	324
Others	6,041	6,224	-	-
	<u>31,321</u>	<u>114,161</u>	<u>252</u>	<u>324</u>
Offsetting	(17,712)	(90,048)	(252)	(324)
Deferred tax liabilities (after offsetting)	<u>13,609</u>	<u>24,113</u>	<u>-</u>	<u>-</u>

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

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Temporary differences arising from:				
Trade and other receivables	970,059	969,855	–	–
Property, plant and equipment	(402)	146	–	–
Property development activities	737	2,864	–	–
Others	151,169	252,844	–	–
Unused tax losses and unabsorbed capital allowances	245,014	243,260	73,531	61,055
	<u>1,366,577</u>	<u>1,468,969</u>	<u>73,531</u>	<u>61,055</u>

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

21. GOODWILL

	The Group	
	2017 RM'000	2016 RM'000
Goodwill on consolidation:		
At beginning and end of year	131,644	131,644
Cumulative impairment loss:		
At beginning and end of year	(1,201)	(1,201)
Net	<u>130,443</u>	<u>130,443</u>

Goodwill acquired in business combinations is allocated, at acquisition date, to cash-generating units ("CGU") that are expected to benefit from that business combination. Goodwill has been allocated to the steel operations of the Group.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from a value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. The growth rates and changes in selling prices and direct costs are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on an estimated growth rate of 5% (2016: 5%) per annum. The pre-tax discount rate used is 8% (2016: 8%) per annum.

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

22. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property:				
Completed units for sale	6,130	2,884	43	43
Products at cost:				
Raw materials	128,215	82,434	–	–
Finished goods	69,173	99,530	–	–
General and consumable stores	143,715	124,901	–	–
Trading merchandise	10,832	9,948	–	–
Goods-in-transit	46,251	37,857	–	–
	398,186	354,670	–	–
Less: Allowance for obsolescence of inventories	(31,485)	(27,294)	–	–
	366,701	327,376	–	–
Net	372,831	330,260	43	43

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

Certain of the Group's inventories with carrying values totalling RM143.4 million (2016: RM141.3 million) have been pledged as collateral to certain financial institutions for the borrowings granted to the Group (Note 34).

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	934,536	947,961	8	8
Less: Accumulated impairment losses	(732,564)	(734,791)	–	–
	201,972	213,170	8	8
Net	201,972	213,170	8	8

Trade receivables of the Group comprise amounts receivable for the sale of goods and services rendered. Trade receivable of the Company comprise amounts receivable for the sale of land previously held for development. Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

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

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

(a) Trade receivables (continued)

The Group has trade receivables amounting to RM30.3 million (2016: RM35.8 million) that are past due at the end of the reporting period but against which the Group has not recognised impairment losses as the amounts are still considered recoverable.

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	171,668	177,379	8	8
31 - 60 days past due but not impaired	12,744	15,774	-	-
61 - 90 days past due but not impaired	6,829	14,187	-	-
91 - 120 days past due but not impaired	1,248	3,147	-	-
More than 120 days past due but not impaired	9,483	2,683	-	-
	<u>201,972</u>	<u>213,170</u>	<u>8</u>	<u>8</u>
Past due and impaired	732,564	734,791	-	-
Total trade receivables	<u><u>934,536</u></u>	<u><u>947,961</u></u>	<u><u>8</u></u>	<u><u>8</u></u>

Movements in the accumulated impairment losses are as follows:

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	734,791	316,264
Impairment loss recognised during the year	5,375	421,582
Amount recovered during the year	(7,248)	(1,696)
Amount written off during the year	(354)	(1,359)
At end of year	<u><u>732,564</u></u>	<u><u>734,791</u></u>

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

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

(a) Trade receivables (continued)

As of 30 June 2017, the Group has trade receivables due from the following two major related parties, Megasteel and Lion DRI which have been fully impaired in the previous year:

	The Group	
	2017 RM'000	2016 RM'000
Megasteel	542,903	542,903
Lion DRI	156,211	157,576
	699,114	700,479
Less: Accumulated impairment losses	(699,114)	(700,479)
Net	-	-

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

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	160,132	186,766	8	8
United States Dollar	39,134	24,732	-	-
Singapore Dollar	2,706	1,672	-	-
	201,972	213,170	8	8

As of 30 June 2017, the trade receivables of the Group amounting to RM35.2 million (2016: RM23.1 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Note 34).

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	436,399	466,331	7,353	9,711
Less: Accumulated impairment losses	(388,069)	(389,813)	(948)	(948)
	48,330	76,518	6,405	8,763
Tax recoverable	18,087	10,974	242	89
Refundable deposits	119,097	111,968	701	702
Prepayments	25,621	33,530	-	-
	211,135	232,990	7,348	9,554

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

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

Movements in the accumulated impairment losses are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of year	389,813	204,813	948	948
Impairment losses recognised during the year	–	185,389	–	–
Amount recovered during the year	(1,741)	(152)	–	–
Amount written off during the year	(3)	(237)	–	–
At end of year	388,069	389,813	948	948

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

As of 30 June 2017, the Group has other receivables due from the following three major related parties, Megasteel, Lion DRI and Graimpi:

	The Group	
	2017 RM'000	2016 RM'000
Other receivables		
Megasteel	48,558	48,558
Lion DRI	37,900	37,900
Graimpi	272,180	272,180
	358,638	358,638
Less: Accumulated impairment losses	(358,638)	(358,638)
	–	–

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

- (i) As of 30 June 2017, other receivables, deposits and prepayments of the Group with carrying values of RM12.9 million (2016: RM19.5 million) have been pledged as collaterals to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Note 34).

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

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

(ii) Included in other receivables of the Group is an amount of:

- (a) RM272.2 million (2016: RM272.2 million) due from Graimpi, representing debts novated from Lion DRI, which bore interest at 8.85% per annum in the previous years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM272.2 million (2016: RM272.2 million) on the said outstanding receivables due from Graimpi.

- (b) RM4.1 million (2016: RM4.2 million) due from Akurjaya Sdn Bhd (“Akurjaya”), a related party, represents a reimbursement for amounts incurred by the Group pursuant to the share sale agreement entered into between Akurjaya and LFIB for the disposal of the entire equity interest in Lion Agriculture (Indonesia) Sdn Bhd together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% (2016: 1%) above base lending rate per annum.

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

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

- (c) RM48.6 million (2016: RM48.6 million) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM48.6 million (2016: RM48.6 million) on the said outstanding receivables due from Megasteel.

- (d) RM37.9 million (2016: RM37.9 million) due from Lion DRI, are unsecured, interest-free and repayable on demand.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM37.9 million (2016: RM37.9 million) on the said outstanding receivables due from Lion DRI.

(iii) Included in refundable deposits of the Group are refundable deposits totalling USD25.7 million equivalent to RM110.5 million (2016: USD25.7 million equivalent to RM103.4 million) paid by the Group in prior years mainly for the purposes of land clearing and the procurement of economic land concession and freehold land in connection with an agriculture project in Cambodia.

(iv) The currency profile of other receivables, tax recoverable, refundable deposits and prepayments is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	84,036	118,763	7,348	9,554
United States Dollar	122,909	111,497	–	–
Chinese Renminbi	3,232	2,340	–	–
Singapore Dollar	29	13	–	–
Others	929	377	–	–
	211,135	232,990	7,348	9,554

24. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company	
	2017 RM'000	2016 RM'000
Amount owing by subsidiary companies	630,777	1,239,147
Less: Accumulated impairment losses	(134,806)	(154,177)
Net	<u>495,971</u>	<u>1,084,970</u>
Amount owing to subsidiary companies	<u>343,285</u>	<u>293,235</u>

Movement in the accumulated impairment losses is as follows:

	The Company	
	2017 RM'000	2016 RM'000
At beginning of year	154,177	172,647
Impairment losses recognised during the year (Note 6)	12,764	–
Impairment losses on amount owing by subsidiary companies no longer required (Note 6)	(32,135)	(18,470)
At end of year	<u>134,806</u>	<u>154,177</u>

Amount owing by subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is either interest-free or bears interest at 8% (2016: 8%) per annum and repayable on demand.

Amount owing to subsidiary companies which arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is interest-free (2016: interest-free) and repayable on demand.

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

	The Company	
	2017 RM'000	2016 RM'000
Ringgit Malaysia	495,951	1,084,957
United States Dollar	20	13
	<u>495,971</u>	<u>1,084,970</u>

24. RELATED COMPANY TRANSACTIONS (continued)

(a) Amount owing by/to subsidiary companies (continued)

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

	The Company	
	2017 RM'000	2016 RM'000
Ringgit Malaysia	334,449	272,617
Singapore Dollar	–	11,782
Chinese Renminbi	8,836	8,836
	<u>343,285</u>	<u>293,235</u>

(b) Amount owing by associated companies

	The Group	
	2017 RM'000	2016 RM'000
Amount owing by associated companies	314	17
Less: Accumulated impairment losses	–	–
Net	<u>314</u>	<u>17</u>

Movement in the accumulated impairment losses is as follows:

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	–	24,465
Amount recovered during the year (Note 6)	–	(24,465)
At end of year	<u>–</u>	<u>–</u>

Amount owing by associated companies, which arose from trade and advances, bears interest at 8% per annum (2016: bore interest at 8% per annum) and repayable on demand.

The currency profile of amount owing by associated companies is as follows:

	The Group	
	2017 RM'000	2016 RM'000
Singapore Dollar	<u>314</u>	<u>17</u>

25. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks and financial institutions:				
Restricted	34,933	36,847	2,886	2,795
Unrestricted (Note 35)	119,415	97,689	1,000	300
	154,348	134,536	3,886	3,095
Housing Development Accounts (Note 35)	72,299	73,136	4,033	3,955
Cash and bank balances:				
Restricted	1,375	104	101	101
Unrestricted (Note 35)	109,926	110,295	1,673	603
	337,948	318,071	9,693	7,754

The Housing Development Accounts are maintained in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts, which consist of monies received from purchasers, are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the Company and certain subsidiary companies upon the completion of the property development projects and after all property development expenditure have been fully settled.

Included in deposits with licensed banks and financial institutions, and cash and bank balances are the amount totalling RM36.3 million (2016: RM37.0 million) and RM3.0 million (2016: RM2.9 million) of the Group and of the Company, respectively, which have been earmarked for the purposes of repayment of the borrowings and pledged as collaterals for bank guarantees granted.

The effective interest rates during the financial year are ranged as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks and financial institutions	1.03% to 6.15%	1.03% to 6.15%	2.70% to 2.90%	2.70% to 2.90%

Deposits of the Group and of the Company have an average maturity of 182 days (2016: 182 days) and 365 days (2016: 365 days) respectively.

25. DEPOSITS, CASH AND BANK BALANCES (continued)

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	242,714	248,421	9,693	7,754
Chinese Renminbi	27,346	25,749	–	–
United States Dollar	67,337	43,888	–	–
Singapore Dollar	480	13	–	–
Others	71	–	–	–
	<u>337,948</u>	<u>318,071</u>	<u>9,693</u>	<u>7,754</u>

The deposits, cash and bank balances denominated in Chinese Renminbi of the subsidiary companies in the People's Republic of China ("PRC") are subject to the exchange control restrictions of that country. The said deposits, cash and bank balances are available for use by the subsidiary companies in the PRC and the exchange control restrictions are applicable only if the monies are to be remitted to countries outside the PRC.

26. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group	
	2017 RM'000	2016 RM'000
At beginning of year	–	3,388
Transfer from property, plant and equipment (Note 12)	61	–
Transfer from investment properties (Note 13)	1,647	–
Transfer from investment in associated companies (Note 17)	5,365	–
Disposals	–	(3,388)
At end of year	<u>7,073</u>	<u>–</u>

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

Antara Steel Mills Sdn Bhd ("Antara"), a subsidiary company of the Company, is actively seeking potential buyers to dispose of 2 parcels of commercial land within the next 12 months. The property located on the leasehold land was previously partially self-occupied by the staff of Antara. No impairment loss was recognised on reclassification on the land held for sale as of 30 June 2017 as the Directors of Antara expect that the fair value (estimated based on recent quotation raised by potential buyers) less costs to sell is higher than the carrying amount.

In prior year, Antara had completed the disposal of the investment properties and property, plant and equipment with a third party purchaser for a cash consideration of RM6,519,937, which had resulted in a gain of RM3,132,000 as disclosed in Note 6.

27. SHARE CAPITAL

Share capital of the Group and of the Company is presented by:

	The Group and The Company		2016	
	2017			
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Authorised:				
Ordinary shares*	–	–	1,000,000	1,000,000
Issued and fully paid:				
Ordinary shares:				
At beginning of year	717,909	717,909	717,909	717,909
Transfer from share premium	–	532,627	–	–
At end of year	717,909	1,250,536	717,909	717,909

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

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

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

28. RESERVES

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-distributable reserves:				
Share premium	–	532,627	–	532,627
Treasury shares	(13,193)	(8,086)	(13,193)	(8,086)
Capital reserve	(12,364)	(7,723)	5,419	5,419
Fair value reserve	10,789	9,678	6	(5)
Translation adjustment reserve	26,221	16,078	–	–
	11,453	542,574	(7,768)	529,955
Retained earnings/ (Accumulated losses)	446,691	335,568	(215,203)	(198,029)
	458,144	878,142	(222,971)	331,926

28. RESERVES (continued)

Share premium

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

Treasury shares

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

During the current financial year, the Company repurchased a total of 13,168,300 (2016: 21,050,600) of its issued ordinary shares from the open market at an average price of RM0.39 (2016: RM0.29) per share. The total consideration paid for the repurchase including transaction costs was RM5,106,356 (2016: RM6,015,362). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

As of 30 June 2017, the Company held 37,105,300 treasury shares at a carrying amount of RM13,192,722.

Capital reserve

Capital reserve, which arose from share options lapsed, reclassified from equity compensation reserve and share of other reserves in Lion Forest Industries Berhad, a public listed subsidiary company, and associated companies.

Equity compensation reserve

Equity compensation reserve, which relates to the equity-settled share options granted to eligible employees by the Company, is made up of the cumulative value of services received from employees recorded on grant of share options, net of the amount reclassified to share premium and capital reserve for options exercised and lapsed.

Fair value reserve

Fair value reserve comprises fair value changes on revaluation of available-for-sale investments.

Translation adjustment reserve

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

29. LONG-TERM BORROWINGS

	The Group	
	2017	2016
	RM'000	RM'000
Islamic Securities ("Sukuk")		
Outstanding principal	60,000	120,000
Debts issuance cost	(381)	(755)
	59,619	119,245
Less : Portion due within one year (Note 34)	(59,619)	(59,623)
Non-current portion	–	59,622
Total non-current portion	–	59,622

The non-current portion is repayable as follows:

	The Group	
	2017	2016
	RM'000	RM'000
Financial years ending 30 June:		
2018	–	59,622

The Sukuk is denominated in Ringgit Malaysia and bears profit at rates ranging from 4.02% to 4.62% (2016: 4.02% to 4.62%) per annum.

On 28 and 29 June 2011, Antara Steel Mills Sdn Bhd ("Antara"), a subsidiary company of the Company, issued RM300 million 7-year Islamic securities ("Sukuk") for the following purposes:

- i. to redeem the outstanding notes under Antara's existing RM500 million Bai' Bithaman Ajil Islamic Debt Securities;
- ii. to finance the purchase of machinery and equipment as replacement parts;
- iii. to pre-fund the Finance Service Reserve Account; and
- iv. to finance the purchase of raw materials.

29. LONG-TERM BORROWINGS (continued)

Islamic Securities (“Sukuk”) (continued)

The payment of profit which is assumed to be paid semi-annually commencing six months from the date of issue and the payment of redemption sum under the Sukuk are as follows:

Series	Redemption sum due (RM)	Tenure	Profit rates
A	60,000,000	3	4.02%
B	60,000,000	4	4.17%
C	60,000,000	5	4.32%
D	60,000,000	6	4.47%
E	60,000,000	7	4.62%
	300,000,000		

The Sukuk is secured by the following:

- (i) National Land Code charges over three parcels of land and the lease of the land all located at Mukim Plentong, Daerah Johor Bahru, Negeri Johor (“Charges”) as disclosed in Note 12 where Antara’s existing fully-integrated steel plant is located (“Antara Steel Plant”);
- (ii) A debenture creating a fixed and floating charge over all existing and future assets of Antara;
- (iii) Assignment and first charge over the designated accounts opened and maintained by Antara;
- (iv) Assignment of all insurance policies and contracts of insurance and reinsurance and all the benefits thereof received or receivable by Antara in relation to the Antara Steel Plant and the hot briquetted iron operations; and
- (v) Corporate guarantee from the Company.

30. FINANCE LEASE PAYABLES

	The Group		Present value of	
	Minimum lease payment		Minimum lease payment	
	2017	2016	2017	2016
	RM’000	RM’000	RM’000	RM’000
Amounts payable under finance lease:				
Within one year	56,581	60,049	54,713	55,484
In the second to third year inclusive	10,589	29,970	10,282	27,795
	67,170	90,019	64,995	83,279
Less: Future finance charges	(2,175)	(6,740)	NA	NA
Present value of lease payables	64,995	83,279	64,995	83,279
Less: Amount due within the next 12 months (shown under current liabilities)			(54,713)	(55,484)
Non-current portion			10,282	27,795

30. FINANCE LEASE PAYABLES (continued)

The non-current portions of the finance lease obligations are repayable as follows:

	The Group	
	Minimum lease payment 2017 RM'000	2016 RM'000
Financial years ending 30 June:		
2018	–	17,513
2019	10,282	10,282
	10,282	27,795

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 10.30% (2016: 9.25% to 10.30%) per annum.

The finance lease obligations above are secured by charges on certain of the property, plant and equipment (Note 12).

31. HIRE-PURCHASE OBLIGATIONS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total outstanding	1,328	2,454	42	131
Less: Interest-in-suspense	(95)	(221)	(1)	(5)
Principal outstanding	1,233	2,233	41	126
Less: Portion payable within one year (shown under current liabilities)	(576)	(912)	(41)	(85)
Non-current portion	657	1,321	–	41

The non-current portion of the hire-purchase obligations are payable as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial years ending 30 June:				
2018	–	664	–	41
2019 and thereafter	657	657	–	–
	657	1,321	–	41

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.46% to 5.58% (2016: 2.46% to 5.58%) and 2.47% to 2.50% (2016: 2.47% to 2.50%) per annum, respectively.

32. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES

(a) Trade payables

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables	390,042	482,437	139	139
Retention monies	7,633	8,254	27	27
	<u>397,675</u>	<u>490,691</u>	<u>166</u>	<u>166</u>

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2016: 30 to 60 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	368,702	474,556	166	166
United States Dollar	20,160	3,938	–	–
Singapore Dollar	7,554	10,072	–	–
Chinese Renminbi	267	–	–	–
Others	992	2,125	–	–
	<u>397,675</u>	<u>490,691</u>	<u>166</u>	<u>166</u>

(b) Other payables, deposits and accrued expenses

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables and deposits	181,060	142,455	458	454
Accrued expenses	203,369	205,398	360	380
	<u>384,429</u>	<u>347,853</u>	<u>818</u>	<u>834</u>

Included in other payables of the Group, is an amount of RM12.1 million (2016: RM12.1 million) representing security deposits received from customers, which bear interest at 9.50% (2016: 9.50%) per annum and have repayment periods ranging from 1 to 90 days (2016: 1 to 90 days).

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	379,614	343,225	818	834
United States Dollar	–	12	–	–
Chinese Renminbi	4,664	4,472	–	–
Others	151	144	–	–
	<u>384,429</u>	<u>347,853</u>	<u>818</u>	<u>834</u>

33. PROVISIONS

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

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

During the financial year, SFI entered into a settlement agreement with certain of SFI's employees for a cash sum of RM200,156 to settle the claim in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006 as disclosed in Note 38.

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

34. SHORT-TERM BORROWINGS

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term loans from financial institutions - Secured	10,963	45,781	10,963	45,781
Bank overdrafts - Secured (Note 35)	4,661	9,178	4,661	4,697
Bills payable	94,619	91,952	-	-
Portion of Sukuk due within one year - Secured (Note 29)	59,619	59,623	-	-
	169,862	206,534	15,624	50,478
	169,862	206,534	15,624	50,478

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 12), investment properties (Note 13), prepaid land lease payments (Note 14), inventories (Note 22) and floating charges over the other assets of the subsidiary companies.

The short-term borrowings of the Company are secured by charges on the investment in associated companies (Note 17) and investment in subsidiary companies (Note 16).

The short-term borrowings of the Group and of the Company bear interest at rates ranging from 2.50% to 8.35% (2016: 3.18% to 9.85%) and 4.33% to 8.35% (2016: 4.33% to 8.86%) per annum, respectively.

34. SHORT-TERM BORROWINGS (continued)

The currency profile of short-term borrowings is as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	146,733	170,673	15,624	36,735
United States Dollar	23,129	35,861	–	13,743
	<u>169,862</u>	<u>206,534</u>	<u>15,624</u>	<u>50,478</u>

35. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances (unrestricted) (Note 25)	109,926	110,295	1,673	603
Deposits with licensed banks and financial institutions (unrestricted) (Note 25)	119,415	97,689	1,000	300
Housing Development Accounts (Note 25)	72,299	73,136	4,033	3,955
Bank overdrafts (Note 34)	(4,661)	(9,178)	(4,661)	(4,697)
	<u>296,979</u>	<u>271,942</u>	<u>2,045</u>	<u>161</u>

36. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders have interest, excluding those parties disclosed in Notes 16, 17, 18 and 24.

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

Name of Company	Nature	The Company	
		2017 RM'000	2016 RM'000
Subsidiary companies			
Inspirasi Elit Sdn Bhd	Sales commission	26	67
	Administrative fee income	76	95
Amsteel Mills Sdn Bhd	Interest income	512	5,668

Sales and purchase of goods and services and interest

Name of Company	Nature	The Group	
		2017 RM'000	2016 RM'000
Megasteel Sdn Bhd	Sale of goods	–	115,984
	Purchase of goods, raw materials and consumables	4,835	90,406
	Provision of transportation services	–	7,663
	Rental income	–	744
	Interest income	–	4,932
	Provision of training services	47	158
Angkasa Amsteel (M) Sdn Bhd	Sale of goods	15,237	24,653
Lion DRI Sdn Bhd	Sale of goods	–	21,127
	Provision of transportation services	59	20,245
	Purchase of raw materials	2,040	61,549
	Rental income	–	181
Akurjaya Sdn Bhd	Interest income	327	335
Secomex Manufacturing (M) Sdn Bhd	Purchase of gas	–	103
	Rental of equipment	–	8
LAP Trading & Marketing Pte Ltd	Late payment interest charged	–	744
Lion Blast Furnace Sdn Bhd	Rental income	–	296
	Purchase of goods	1,863	1,016
Bright Steel Sdn Bhd	Sale of goods	2,351	9,639
	Purchase of goods	159	119

36. RELATED COMPANIES AND PARTY TRANSACTIONS (continued)

Sales and purchase of goods and services and interest (continued)

Name of Company	Nature	The Group	
		2017 RM'000	2016 RM'000
Lion Tooling Sdn Bhd	Purchase of toolings	1,587	1,292
	Provision of engineering services	165	405
Parkson Corporation Sdn Bhd	Sale of goods	1,540	5,142
	Provision of training services	15	31
Compact Energy Sdn Bhd	Purchase of consumables	12,992	15,836
	Rental income	213	366
Lion Tin Sdn Bhd	Rental income	187	177
Lion Steelworks Sdn Bhd	Purchase of goods	113	97

The gross outstanding balances arising from the above transactions with related parties are as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Receivables:				
Included in trade receivables	702,528	707,582	–	–
Included in other receivables	367,217	397,115	3,339	5,594
Payables:				
Included in trade payables	8,935	12,653	–	–
Included in other payables	17,471	14,909	56	87

The outstanding balances with related parties are either interest-free or bear interest at 8.00% (2016: either interest-free or bore interest at 8.00%) per annum and repayable on demand.

37. SEGMENTAL INFORMATION

Segment reporting is presented in respect of the Group's business segments in a manner consistent with the internal reporting provided to and regularly reviewed by the chief operating decision makers in order to allocate resources to a segment and to assess its performance.

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transaction are within the Group.

(a) Business Segments:

The Group's activities are classified into four major business segments:

- Steel - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, and provision of chartering services;
- Property development - property development and management;
- Building materials - trading and distribution of building materials and other steel products; and
- Others - investment holding, treasury business, manufacture and trading of lubricants, spark plugs and provision of transportation services, agriculture, distributing and retailing of customer products, none of which is of a sufficient size to be reported separately.

Inter-segment revenue comprises sales of goods and income from other business segments. These transactions are conducted on an arm's length basis under terms, conditions and prices not materially different from transactions with non-related parties.

Capital additions comprise additions to property, plant and equipment, investment properties and prepaid land lease payments.

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2017

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Profit or Loss						
Revenue						
External revenue	2,205,741	108,203	251,428	102,120	-	2,667,492
Inter-segment revenue	93,619	-	-	17,307	(110,926)	-
Total revenue	<u>2,299,360</u>	<u>108,203</u>	<u>251,428</u>	<u>119,427</u>	<u>(110,926)</u>	<u>2,667,492</u>
Results						
Segment results	124,178	20,895	5,716	7,456	-	158,245
Finance costs	(21,249)	(2,850)	(8)	(899)	-	(25,006)
Share in results of:						
Associated companies	6,453	-	-	(15,741)	-	(9,288)
Joint venture	-	650	-	-	-	650
Investment income	1,824	2,800	1,453	3,485	-	9,562
Provision for indemnity for damages arising from back pay labour claims	-	-	-	(3,300)	-	(3,300)
Impairment losses on:						
Quoted investment	(10)	(19)	-	(17)	-	(46)
Property, plant and equipment	(18,000)	-	-	-	-	(18,000)
Trade and other receivables	(428)	-	(4,779)	(168)	-	(5,375)
Profit before tax						107,442
Tax credit						6,023
Profit for the year						<u>113,465</u>

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2017

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	1,393,141	245,498	122,929	248,946	-	2,010,514
Investment in associated companies and joint venture	79,545	11,051	-	736,836	-	827,432
Unallocated corporate assets						74,543
Consolidated Total Assets						2,912,489
Segment liabilities	779,763	30,465	38,701	174,199	-	1,023,128
Unallocated liabilities						15,867
Consolidated Total Liabilities						1,038,995
Other Information						
Capital expenditure	2,830	60	234	1,039	-	4,163
Depreciation and amortisation	98,163	894	154	5,009	-	104,220
Other non-cash expenses/ (income)	19,277	(13)	3,268	(6,912)	-	15,620

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2016

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Profit or Loss						
Revenue						
External revenue	1,775,739	161,571	476,894	100,717	–	2,514,921
Inter-segment revenue	60,302	–	985	18,782	(80,069)	–
Total revenue	1,836,041	161,571	477,879	119,499	(80,069)	2,514,921
Results						
Segment results	(142,474)	17,254	6,277	119,232	–	289
Finance costs	(29,975)	(378)	(8)	(8,402)	–	(38,763)
Share in results of:						
Associated companies	(8,476)	–	–	(27,494)	–	(35,970)
Joint venture	–	826	–	–	–	826
Investment income	7,957	8,812	1,045	3,371	–	21,185
Impairment losses on:						
Trade and other receivables	(201,867)	–	(357,962)	(47,142)	–	(606,971)
Property, plant and equipment	(193,132)	–	–	–	–	(193,132)
Loss before tax						(852,536)
Tax expense						(53,269)
Loss for the year						(905,805)

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments: (continued)

The Group
2016

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	1,480,886	252,333	136,999	243,151	-	2,113,369
Investment in associated companies and joint venture	83,052	10,401	-	706,920	-	800,373
Unallocated corporate assets						66,124
Consolidated Total Assets						2,979,866
Segment liabilities	950,342	52,518	51,243	147,961	-	1,202,064
Unallocated liabilities						26,102
Consolidated Total Liabilities						1,228,166
Other Information						
Capital expenditure	9,889	116	234	1,443	-	11,682
Depreciation and amortisation	126,037	1,050	202	5,874	-	133,163
Other non-cash expenses/(income)	396,113	10,384	357,985	(59,276)	-	705,206

37. SEGMENTAL INFORMATION (continued)

(b) Geographical Segments:

The Group operates in two main geographical areas:

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, provision of chartering services, property development and management, trading and distribution of building materials and consumables, manufacture and trading of lubricants, spark plugs and provision of transportation services, distributing and retailing of consumer products; and
- Others countries which are not sizable to be reported separately.

	Revenue	
	2017 RM'000	2016 RM'000
Malaysia	1,966,929	2,036,021
Other countries	700,563	478,900
	<u>2,667,492</u>	<u>2,514,921</u>

	Total assets		Capital expenditure	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	2,719,671	2,812,513	4,163	11,671
Other countries	192,818	167,353	-	11
	<u>2,912,489</u>	<u>2,979,866</u>	<u>4,163</u>	<u>11,682</u>

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

Information about major customers

Revenue of the Group for the current financial year amounting to RM0.1 million (2016: RM165.2 million) from the Steel Division and the Building Materials Division are derived from two related parties.

38. CONTINGENT LIABILITIES

- (a) Contingent liabilities in respect of guarantees given by the Company for borrowings and other credit facilities obtained and utilised by a subsidiary company are as follows:

	The Company	
	2017 RM'000	2016 RM'000
Unsecured: Subsidiary company	<u>60,000</u>	<u>120,000</u>

38. CONTINGENT LIABILITIES (continued)

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

Indemnity for back pay labour claims from SFI’s employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as “Complainants”) lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments. The contingent liabilities in relation to these claims have been reduced from RM23,427,401 to RM18,897,258 after the cash settlement with certain SFI’s employees and provision made during the financial year as disclosed in Note 33.

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

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

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

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

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

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

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

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

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

38. CONTINGENT LIABILITIES (continued)

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

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

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

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

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

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

39. CAPITAL COMMITMENTS

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

	The Group	
	2017	2016
	RM'000	RM'000
Purchase of property, plant and equipment:		
Approved and contracted for	34,057	30,713
Approved but not contracted for	22,529	28,533
	56,586	59,246
	56,586	59,246

40. LEASE COMMITMENTS

As of 30 June 2017, lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

	The Group	
	2017	2016
	RM'000	RM'000
Within one year	11,562	9,434
Within two to five years	32,601	33,412
After five years	1,815	1,964
	45,978	44,810
	45,978	44,810

41. FINANCIAL INSTRUMENTS

Capital Risk Management

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

The capital structure of the Group and of the Company consists of net debts (borrowings offset by cash and cash equivalents) and equity of the Group and of the Company (comprising issued capital, reserves and non-controlling interests).

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

Gearing Ratio

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Debt (i)	236,090	351,668	15,665	50,604
Cash and cash equivalents (excluding bank overdrafts)	(301,640)	(281,120)	(6,706)	(4,858)
Net (cash)/debt	(65,550)	70,548	8,959	45,746
Equity (ii)	1,873,494	1,751,700	1,027,565	1,049,835
Debt to equity ratio	N/A*	4.03%	0.87%	4.36%

* Group is in net cash position, thus debt to equity ratio is not applicable.

(i) Debt is defined as finance lease payables, hire-purchase obligations, long-term and short-term borrowings as disclosed in Notes 29, 30, 31, and 34 respectively.

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

Significant accounting policies

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

41. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
Available-for-sale investments	12,311	11,246	2,338	2,301
Loans and receivables:				
Trade receivables	201,972	213,170	8	8
Other receivables and refundable deposits	167,427	188,486	7,106	9,465
Amount owing by subsidiary companies	–	–	495,971	1,084,970
Amount owing by associated companies	314	17	–	–
Amount owing by joint venture	1,480	1,528	–	–
Deposits, cash and bank balances	337,948	318,071	9,693	7,754
	337,948	318,071	9,693	7,754
Financial liabilities				
Other financial liabilities:				
Finance lease payables	64,995	83,279	–	–
Hire-purchase obligations	1,233	2,233	41	126
Trade payables	397,675	490,691	166	166
Other payables, deposits and accrued expenses	384,429	347,853	818	834
Amount owing to subsidiary companies	–	–	343,285	293,235
Borrowings	169,862	266,156	15,624	50,478
	169,862	266,156	15,624	50,478

Financial Risk Management Objectives and Policies

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

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

41. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Group and the Company undertake transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuation arise.

The carrying amounts of the Group's and of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group		The Company	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
2017				
United States Dollar	229,380	43,289	20	–
Chinese Renminbi	30,578	4,931	–	8,836
Singapore Dollar	3,529	7,554	–	–
Others	1,000	1,143	–	–
	264,487	56,917	20	8,836
2016				
United States Dollar	180,117	39,811	13	13,743
Chinese Renminbi	28,089	4,472	–	8,836
Singapore Dollar	1,715	10,072	–	11,782
Others	377	2,269	–	–
	210,298	56,624	13	34,361

Foreign currency sensitivity analysis

The Group and the Company are exposed to the foreign currencies of United States Dollar, Singapore Dollar and Chinese Renminbi.

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

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar	(18,609)	(14,031)	(2)	1,373
Chinese Renminbi	(2,565)	(2,362)	884	884
Singapore Dollar	403	836	–	1,178
	(20,771)	(15,557)	882	3,435

41. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 34.

The interest rates for the term loans, Sukuk, finance lease payables and hire-purchase obligations, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 29, 30 and 31 respectively.

Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analysis below has been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's profit or loss before tax for the year ended 30 June 2017 would increase or decrease by as follows:

	The Group		The Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Floating rate liabilities				
Bank overdrafts	23	46	23	23
Bills payable	473	460	–	–
Borrowings	55	229	55	229
	<u>551</u>	<u>735</u>	<u>78</u>	<u>252</u>

Credit risk

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

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

The Company is exposed to credit risk mainly from subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies, and repayments made by the subsidiary companies.

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

Liquidity risk

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

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

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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

The Group 2017	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities						
Non-interest bearing:						
Trade payables	397,675	–	–	–	397,675	–
Other payables, deposits and accrued expenses	372,326	–	–	–	372,326	–
Interest bearing:						
Other payables, deposits and accrued expenses	12,103	–	–	–	12,103	9.50
Hire-purchase obligations	610	357	361	–	1,328	2.46 – 5.58
Finance lease payables	56,581	10,589	–	–	67,170	9.25 – 10.30
Bank borrowings:						
Bank overdrafts	4,661	–	–	–	4,661	3.18 – 9.85
Bills payable	94,619	–	–	–	94,619	3.69 – 8.35
Borrowings	73,335	–	–	–	73,335	4.33 – 8.20
	1,011,910	10,946	361	–	1,023,217	
The Group 2016						
	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities						
Non-interest bearing:						
Trade payables	490,691	–	–	–	490,691	–
Other payables, deposits and accrued expenses	335,750	–	–	–	335,750	–
Interest bearing:						
Other payables, deposits and accrued expenses	12,103	–	–	–	12,103	9.50
Hire-purchase obligations	1,042	1,303	109	–	2,454	2.46 – 5.58
Finance lease payables	60,049	29,970	–	–	90,019	9.25 – 10.30
Bank borrowings:						
Bank overdrafts	9,178	–	–	–	9,178	3.18 – 9.85
Bills payable	91,952	–	–	–	91,952	3.18 – 8.35
Borrowings	110,857	62,394	–	–	173,251	4.33 – 8.00
	1,111,622	93,667	109	–	1,205,398	

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Company 2017	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities						
Non-interest bearing:						
Trade payables	166	–	–	–	166	–
Other payables, deposits and accrued expenses	818	–	–	–	818	–
Amount owing to subsidiary companies	343,285	–	–	–	343,285	–
Interest bearing:						
Hire-purchase obligations	42	–	–	–	42	2.47 – 2.50
Bank overdrafts	4,661	–	–	–	4,661	8.35
Borrowings	10,963	–	–	–	10,963	4.33 – 8.20
	359,935	–	–	–	359,935	
The Company 2016						
	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities						
Non-interest bearing:						
Trade payables	166	–	–	–	166	–
Other payables, deposits and accrued expenses	834	–	–	–	834	–
Amount owing to subsidiary companies	293,235	–	–	–	293,235	–
Interest bearing:						
Hire-purchase obligations	88	43	–	–	131	2.47 – 2.50
Bank overdrafts	4,697	–	–	–	4,697	8.35
Borrowings	45,781	–	–	–	45,781	4.33 – 8.20
	344,801	43	–	–	344,844	

At the end of the reporting period, it was not probable that the counter parties to the financial guarantee contracts will claim under the contracts. Consequently, the amount of financial guarantee is estimated at Nil.

41. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

2017	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Loan and receivables:				
Trade and other receivables	250,302	250,302 [^]	6,413	6,413
Financial liabilities				
Finance lease payables	64,995	66,262 *	–	–
Hire-purchase obligations	1,233	1,271 *	41	41 *
Borrowings	169,862	169,862 *	15,624	15,624 *
2016				
2016	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Loan and receivables:				
Trade and other receivables	289,688	289,688 [^]	8,771	8,771
Financial liabilities				
Finance lease payables	83,279	86,617 *	–	–
Hire-purchase obligations	2,233	2,404 *	126	126 *
Borrowings	266,156	266,156 *	50,478	50,478 *

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

[^] The fair values of these financial instruments are estimated using discounted cash flow analysis based on the weighted average cost of capital of the Group.

No disclosure is made for balances with related companies and related parties as it is impractical to determine their fair values with sufficient reliability given these balances are repayable on demand.

41. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2017				
Financial Assets				
Quoted investments	10,936	–	–	10,936
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
2016				
Financial Assets				
Quoted investments	9,871	–	–	9,871
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
The Company				
2017				
Financial Assets				
Quoted investments	1,938	–	–	1,938
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
2016				
Financial Assets				
Quoted investments	1,901	–	–	1,901
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

41. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2017				
Financial Assets				
Trade and other receivables	-	-	250,302	250,302
Financial Liabilities				
Finance lease payables	-	-	66,262	66,262
Hire-purchase obligations	-	-	1,271	1,271
Borrowings	-	-	169,862	169,862
The Group				
2016				
Financial Assets				
Trade and other receivables	-	-	289,688	289,688
Financial Liabilities				
Finance lease payables	-	-	86,617	86,617
Hire-purchase obligations	-	-	2,404	2,404
Borrowings	-	-	266,156	266,156
The Company				
2017				
Financial Asset				
Trade and other receivables	-	-	6,413	6,413
Financial Liabilities				
Hire-purchase obligations	-	-	41	41
Borrowings	-	-	15,624	15,624
2016				
Financial Asset				
Trade and other receivables	-	-	8,771	8,771
Financial Liabilities				
Hire-purchase obligations	-	-	126	126
Borrowings	-	-	50,478	50,478

42. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
* Amble Legacy Sdn Bhd	Malaysia	100	100	Investment holding
* Crest Wonder Sdn Bhd	Malaysia	100	100	Investment holding
Lion Courts Sdn Bhd	Malaysia	100	100	Property development and investment holding
Lion Forest Industries Berhad	Malaysia	74 ^a	74 ^a	Investment holding, trading and distribution of building materials, and trading of steel products
Lion Group Management Services Sdn Bhd	Malaysia	52 ^b	52 ^b	Provision of management services
* Lion Metal Industries Sdn Bhd	Malaysia	100	100	Provision of storage facilities
* Lion Motor Venture Sdn Bhd	Malaysia	100	100	Investment holding
LLB Enterprise Sdn Bhd	Malaysia	69	69	Dormant
LLB Harta (L) Limited	Malaysia	100	100	Treasury business
LLB Harta (M) Sdn Bhd	Malaysia	100	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies
LLB Nominees Sdn Bhd	Malaysia	100	100	Investment holding
* LLB Steel Industries Sdn Bhd	Malaysia	100	100	Investment holding
LLB Strategic Holdings Berhad	Malaysia	100	100	Dormant
* LLB Venture Sdn Bhd	Malaysia	100	100	Dormant
Malim Courts Property Development Sdn Bhd	Malaysia	100	100	Property development and investment holding
* Matrix Control Sdn Bhd	Malaysia	100	100	Ceased operations
Mcken Sdn Bhd	Malaysia	100	100	Ceased operations
* Slag Aggregate Sdn Bhd	Malaysia	100	100	Investment holding
Sucorp Enterprise Sdn Bhd	Malaysia	100	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
Subsidiary company of Amble Legacy Sdn Bhd				
* Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	People's Republic of China	95	95	Property development
Subsidiary company of Crest Wonder Sdn Bhd				
Oriental Shield Sdn Bhd	Malaysia	100	100	Dormant
Subsidiary company of Lion Motor Venture Sdn Bhd				
* Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	People's Republic of China	56	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Subsidiary companies of LLB Nominees Sdn Bhd				
* Holdsworth Investment Pte Ltd	Singapore	70	70	Investment holding
* Zhongsin Biotech Pte Ltd	Singapore	51	51	Investment holding
Subsidiary company of LLB Steel Industries Sdn Bhd				
* Steelcorp Sdn Bhd	Malaysia	99	99	Investment holding
Subsidiary company of LLB Venture Sdn Bhd				
Marvenel Sdn Bhd	Malaysia	70	70	Dormant
Subsidiary companies of Malim Courts Property Development Sdn Bhd				
Berkat Timor Sdn Bhd	Malaysia	100	100	Dormant
Inspirasi Elit Sdn Bhd	Malaysia	85	85	Property development
JOPP Builders Sdn Bhd	Malaysia	100	100	Dormant
LLB Bina Sdn Bhd	Malaysia	100	100	Ceased operations
LLB Damai Holdings Sdn Bhd	Malaysia	100	100	Investment holding
LLB Indah Permai Sdn Bhd	Malaysia	100	100	Property development
LLB Suria Sdn Bhd	Malaysia	100	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
Subsidiary companies of Malim Courts Property Development Sdn Bhd (continued)				
PM Holdings Sdn Bhd	Malaysia	100	100	Investment holding and property development
Soga Sdn Bhd	Malaysia	98	98	Property development
Sumber Realty Sdn Bhd	Malaysia	100	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	Malaysia	100	100	Dormant
Subsidiary company of Sucorp Enterprise Sdn Bhd				
Kisan Agency Sdn Bhd	Malaysia	100	100	Property development
Subsidiary company of LLB Damai Holdings Sdn Bhd				
Worldwide Unilink Education and Consultancy Sdn Bhd (Dissolved on 24 November 2016)	Malaysia	–	100	Ceased operations
Subsidiary companies of PM Holdings Sdn Bhd				
Citibaru Sendirian Berhad	Malaysia	100	100	Dormant
Malim Jaya (Melaka) Sdn Bhd	Malaysia	100	100	Property development
Subsidiary company of Soga Sdn Bhd				
Batu Pahat Enterprise Sdn Berhad	Malaysia	100	100	Dormant
Subsidiary company of Steelcorp Sdn Bhd				
Amsteel Mills Sdn Bhd	Malaysia	100	100	Manufacture and marketing of steel bars and wire rods
Subsidiary companies of Sumber Realty Sdn Bhd				
Seri Lalang Development Sdn Bhd	Malaysia	100	100	Ceased operations
Projek Jaya Sdn Bhd	Malaysia	100	100	Investment holding
Sharikat Pengangkutan East West Sdn Bhd	Malaysia	100	100	Dormant

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
Subsidiary companies of Amsteel Mills Sdn Bhd				
Amsteel Mills Marketing Sdn Bhd	Malaysia	100	100	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	Malaysia	100	100	Ceased operations
Antara Steel Mills Sdn Bhd	Malaysia	100	100	Manufacture and sale of steel and related products
# Lion Waterway Logistics Sdn Bhd	Malaysia	100	100	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd	Malaysia	100	100	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties (yet to commence operations as of 30 June 2017)
Subsidiary companies of Lion Forest Industries Berhad				
Gama Harta Sdn Bhd	Malaysia	100	100	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	100	100	Investment holding
^ Jadedford International Limited	British Virgin Islands	100	100	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	100	100	Investment holding
* Lion AMB Resources Berhad	Malaysia	100	100	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	100	100	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	100	100	Investment holding
Ototek Sdn Bhd	Malaysia	70	70	Dormant
Posim EMS Sdn Bhd	Malaysia	100	80	Provision of energy management and conservation services

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
Subsidiary companies of Lion Forest Industries Berhad (continued)				
Posim Marketing Sdn Bhd	Malaysia	100	100	Trading and distribution of building materials and steel products
Posim Petroleum Marketing Sdn Bhd	Malaysia	100	100	Trading and distribution of petroleum products
* Singa Logistics Sdn Bhd	Malaysia	100	100	Provision of transportation services
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	100	100	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary company of Intra Inspirasi Sdn Bhd				
* Beijing Youshi Trading Co Ltd	People's Republic of China	100	100	Dormant
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
^ Alpha Deal Group Limited	British Virgin Islands	100	100	Investment holding
^ Bright Triumph Investments Limited	British Virgin Islands	100	100	Investment holding
^ Brilliant Elite Investments Limited	British Virgin Islands	100	100	Investment holding
^ Classy Elite Investments Limited	British Virgin Islands	100	100	Investment holding
^ Distinct Harvest Limited	British Virgin Islands	100	100	Investment holding
^ Double Merits Enterprise Limited	British Virgin Islands	100	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd (“BVI Companies”) (continued)				
^ Dynamic Shine Holdings Limited	British Virgin Islands	100	100	Investment holding
^ Elite Harvest Group Limited	British Virgin Islands	100	100	Investment holding
^ Elite Image Investments Limited	British Virgin Islands	100	100	Investment holding
^ Eminent Elite Investments Limited	British Virgin Islands	100	100	Investment holding
^ Eminent Prosper Limited	British Virgin Islands	100	100	Investment holding
^ Grand Ray Investments Limited	British Virgin Islands	100	100	Investment holding
^ Great Zone Investments Limited	British Virgin Islands	100	100	Investment holding
^ Green Choice Holdings Limited	British Virgin Islands	100	100	Investment holding
^ Harvest Boom Investments Limited	British Virgin Islands	100	100	Investment holding
^ Jade Harvest International Limited	British Virgin Islands	100	100	Investment holding
^ Jade Power Holdings Limited	British Virgin Islands	100	100	Investment holding
^ Mile Treasure Limited	British Virgin Islands	100	100	Investment holding
^ Pinnacle Treasure Limited	British Virgin Islands	100	100	Investment holding
^ Radiant Elite Holdings Limited	British Virgin Islands	100	100	Investment holding
^ Sky Yield Group Limited	British Virgin Islands	100	100	Investment holding
^ Superb Harvest Limited	British Virgin Islands	100	100	Investment holding
^ Superb Reap Limited	British Virgin Islands	100	100	Investment holding
^ Ultra Strategy Limited	British Virgin Islands	100	100	Investment holding
^ Up Reach Limited	British Virgin Islands	100	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
Subsidiary companies of BVI Companies				
^ Bright Triumph (Cambodia) Co., Limited	Cambodia	100	100	Investment and development in agriculture
^ Brilliant Elite (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Classy Elite (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Distinct Harvest (Cambodia) Co., Ltd	Cambodia	100	100	Investment and development in agriculture
^ Double Merits (Cambodia) Co., Limited	Cambodia	100	100	Investment and development in agriculture
^ Dynamic Shine (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Elite Harvest (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Elite Image (Cambodia) Co., Ltd (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Eminent Elite (Cambodia) Co., Ltd	Cambodia	100	100	Investment and development in agriculture
^ Eminent Prosper (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Grand Ray (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
Subsidiary companies of BVI Companies (continued)				
^ Great Zone (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Green Choice (Cambodia) Co., Limited	Cambodia	100	100	Investment and development in agriculture
^ Harvest Boom (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Jade Harvest (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Jade Power (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Mile Treasure (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Radiant Elite (Cambodia) Co., Ltd	Cambodia	100	100	Investment and development in agriculture
^ Sky Yield (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Superb Harvest (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Superb Reap (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Ultra Strategy (Cambodia) Co., Ltd (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
^ Up Reach (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2017 %	2016 %	
Subsidiary companies of Lion AMB Resources Berhad				
AMB Harta (L) Limited	Malaysia	100	100	Treasury business
* AMB Harta (M) Sdn Bhd	Malaysia	100	100	Managing of debts novated from Lion AMB Resources Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Berhad and certain of its subsidiary companies
* AMB Venture Sdn Bhd	Malaysia	100	100	Investment holding
* CeDR Corporate Consulting Sdn Bhd	Malaysia	100	100	Provision of training services
Subsidiary companies of AMB Venture Sdn Bhd				
* Chrome Marketing Sdn Bhd	Malaysia	100	100	Investment holding
* Lion Tyre Venture Sdn Bhd	Malaysia	100	100	Investment holding
* Range Grove Sdn Bhd	Malaysia	100	100	Investment holding
* Seintasi Sdn Bhd	Malaysia	100	100	Investment holding
^ AMB Aerovest Limited (Dissolved on 4 May 2017)	British Virgin Islands	–	100	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
* Shanghai AMB Management Consulting Co Ltd	People's Republic of China	100	100	Provision of management services
Subsidiary companies of Seintasi Sdn Bhd				
* Willet Investment Pte Ltd	Singapore	100	100	Investment holding
* Lion AMB Holdings Pte Ltd (Dissolved on 4 October 2016)	Singapore	–	100	Investment holding
* Lion Rubber Industries Pte Ltd (Dissolved on 4 October 2016)	Singapore	–	100	Investment holding

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

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

α 20% held by the Company and 54% held by Amsteel Mills Sdn Bhd.

β 35% held by Sucorp Enterprise Sdn Bhd and 17% held by Posim Petroleum Marketing Sdn Bhd.

The auditors' report on the financial statements of the subsidiary company include a material uncertainty related to going-concern in view of its capital deficiency positions at the end of the reporting period. The financial statements of the subsidiary company have been prepared on a going-concern basis as its ultimate holding company has undertaken to continue to provide financial support to the subsidiary company.

43. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of company	Financial year-end	Country of incorporation	Percentage ownership		Principal activities
			2017 %	2016 %	
Angkasa Amsteel Pte Ltd	30 June	Singapore	50	50	Manufacturing and distribution of fabricated steel reinforcement bars
Renor Pte Ltd	30 June	Singapore	40	40	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	41	41	Captive insurance business
Parkson Holdings Berhad	30 June	Malaysia	28	23	Investment holding
Lion Titco Resources Sdn Bhd	30 June	Malaysia	40	40	Processing of steel slag and metal extraction
Lion Corporation Berhad	30 June	Malaysia	21	21	Investment holding
Lion Asiapac Limited	30 June	Singapore	37	37	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd (Disposed of on 14 September 2017)	31 March	Malaysia	20	20	Investment holding

Except for Lion Insurance Company Limited, the financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Securities”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements which requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the prescribed format of disclosure.

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

	The Group		The Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiary companies				
Realised	(28,261)	(125,967)	(215,573)	(196,480)
Unrealised	22,533	478	370	(1,549)
	(5,728)	(125,489)	(215,203)	(198,029)
Total retained earnings from associated companies and joint venture				
Realised	446,953	442,415	–	–
Unrealised	1,151	14,327	–	–
	448,104	456,742	–	–
Consolidation adjustments	4,315	4,315	–	–
Total retained earnings/ (accumulated losses)	446,691	335,568	(215,203)	(198,029)

STATEMENT BY DIRECTORS

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

The supplementary information set out on page 163, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 'Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements' as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

TAN SRI CHENG YONG KIM

**DATO' KAMARUDDIN @
ABAS BIN NORDIN**

Kuala Lumpur
10 October 2017

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

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

TAN SRI CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 10th day of October, 2017

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS