

FINANCIAL STATEMENTS

2018

For The Financial Year Ended 30 June 2018

DIRECTORS' REPORT

The Directors of **LION FOREST INDUSTRIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	22,840	38,458
Income tax expense	(3,611)	(1,640)
Profit for the year	<u>19,229</u>	<u>36,818</u>
Profit attributable to:		
Owners of the Company	19,228	
Non-controlling interests	1	
	<u>19,229</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 other than the gain on disposal of an associated company and waiver of amount owing to subsidiary companies as disclosed in the statements of profit or loss, Note 6 and Note 22 to the financial statements.

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

As of 30 June 2018, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747, as disclosed in Note 24 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

DIRECTORS

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

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

LIST OF DIRECTORS OF SUBSIDIARY COMPANIES

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

Chan Ho Wai	Khor Toong Yee
Chan Poh Lan	Koh Yong Heng
Cheng Hui Yen, Natalie	Lee Soon Saam
Cheng Hui Ya, Serena (appointed on 15 January 2018)	Lee Whay Keong
Cheng Theng How	Ooi Kim Lai
Chuah Say Chin	Poon Sow Har
Goh Kok Beng	Tan Sri William H.J. Cheng
Haji Mohamad Khalid bin Abdullah	Tan Sri Cheng Yong Kim
Koo Chuan Hong	Wang Wing Ying
Chai Kian Chong (resigned with effect from 25 April 2018)	
Chai Voon Choy (ceased on 24 August 2018)	
Chen Kwong Fatt (resigned with effect from 25 April 2018)	
Cheong Poh Heng (ceased on 24 August 2018)	
Choo Heng-Ghee (ceased on 5 February 2018)	
Lee Kian Lai (resigned with effect from 27 April 2018)	
Liew Choon Yick (ceased on 24 August 2018)	
Lim Siong Lin (ceased on 24 August 2018)	
Loke Shu Sun (passed away on 25 June 2018)	
Ng Chin Kwan (resigned with effect from 24 July 2017)	
Ng Ho Peng (ceased on 24 August 2018)	
Ngan Yow Chong (passed away on 7 September 2017)	
Ong See Chiaw (ceased on 5 February 2018)	
Rahmat bin Ibrahim (resigned with effect from 25 April 2018)	
Shaikh Markhzan Jalani (resigned with effect from 5 March 2018)	
Yap Chan Mei (resigned with effect from 21 May 2018)	
Yeo Keng Leong (resigned with effect from 15 March 2018)	

DIRECTORS' INTERESTS

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

	As of 1.7.2017	Number of ordinary shares		As of 30.6.2018
		Additions	Disposals	
Direct interest				
Tan Sri William H.J. Cheng	400	–	–	400
Dato' Eow Kwan Hoong	8,026	–	–	8,026
Lin Chung Dien	7,060	–	–	7,060
Deemed interest				
Tan Sri William H.J. Cheng	170,360,979	–	(174,789)	170,186,190

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

	As of 1.7.2017	Number of ordinary shares		As of 30.6.2018
		Additions	Disposals	
Tan Sri William H.J. Cheng				
Direct interest				
Lion Industries Corporation Berhad	216,865,498	–	–	216,865,498

	As of 1.7.2017	Number of ordinary shares		As of 30.6.2018
		Additions	Disposals	
Tan Sri William H.J. Cheng				
Deemed interest				
Holdsworth Investment Pte Ltd	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	212,500	–	–	212,500
Lion Industries Corporation Berhad	40,741,411	–	(1,249,091)	39,492,320
Lion Group Management Services Sdn Bhd	5,000,000	–	–	5,000,000
LLB Enterprise Sdn Bhd	690,000	–	–	690,000
Marvenel Sdn Bhd	100	–	–	100
Soga Sdn Bhd	4,525,322	–	–	4,525,322
Steelcorp Sdn Bhd	99,750	–	–	99,750
Zhongsin Biotech Pte Ltd	1,000,000	–	–	1,000,000

Investments in the People's Republic of China	Currency	As of 1.7.2017	Additions	Disposals	As of 30.6.2018
Deemed interest					
Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	USD	10,878,944	–	–	10,878,944

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

HOLDING COMPANIES

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

AUDITORS

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

AUDITORS' REMUNERATION

The remuneration of the auditors for the financial year ended 30 June 2018 is as disclosed in Note 6 to the financial statements.

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
8 October 2018

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION FOREST INDUSTRIES BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LION FOREST INDUSTRIES BERHAD**, which comprise the statements of financial position as of 30 June 2018 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 136.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

<i>Key audit matters</i>	<i>How the matter was addressed in the audit</i>
<p>Assessment of investment properties</p> <p>As disclosed in Note 20(b)(ii) to the financial statements, the Group has in prior years paid deposits totalling USD25,733,000, equivalent to RM110,461,000 for the purpose of an agricultural project in Cambodia.</p> <p>During the current year, the amounts for freehold land and economic land concession amounting to USD25,733,000, equivalent to RM103,980,000, were reclassified to investment properties.</p> <p>The Directors have made an assessment of the revised plan to realise the freehold land and economic land concession.</p> <p>The assessment of investment properties is considered a key audit matter in view that significant judgement is required to be exercised by the Directors to determine the manner in which the recovery could be made and the amounts that could be realised.</p> <p>The significant judgement made by the Directors in this respect is disclosed in Note 4(i)(c) to the financial statements.</p>	<p>Our audit procedures performed in this area included, among others:</p> <ul style="list-style-type: none"> • Read and considered agreements and relevant documentation relating to the acquisition of land and economic land concession in Cambodia; • Inquired of management about plans for the properties and evaluated the possible impact on the realisation of the freehold land and economic land concession; • The Group engaged independent valuers to determine the market value of the properties. We made comparison of the carrying amount against the values determined by the independent valuers to evaluate whether impairment has been incurred; • We assessed the competency, capabilities and objectivity of the valuers and verified their qualifications and challenged the variables and assumptions used in the valuations. • We have also assessed the adequacy and appropriateness of the disclosures in the financial statements.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

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

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

8 October 2018

STATEMENTS OF PROFIT OR LOSS**FOR THE YEAR ENDED 30 JUNE 2018**

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	5	380,474	339,658	10,800	11,028
Other operating income		15,451	17,630	33,899	26,767
Changes in inventories of finished goods and trading merchandise		(680)	792	–	–
Raw materials and consumables used		(36,370)	(35,290)	–	–
Purchase of trading merchandise		(299,505)	(256,158)	–	(26)
Staff costs	6	(21,433)	(20,156)	(1,604)	(1,691)
Directors' remuneration	6	(727)	(684)	(727)	(678)
Depreciation of:					
Property, plant and equipment	10	(3,734)	(5,145)	–	(1)
Investment properties	11	(18)	(18)	(18)	(18)
Gain/(Loss) on foreign exchange:					
Realised		340	1,960	–	3
Unrealised		(335)	352	1,520	(1,651)
Other operating expenses		(20,669)	(28,642)	(2,625)	(2,379)
Profit from operations	6	12,794	14,299	41,245	31,354
Finance costs	7	(496)	(907)	(1)	(3)
Share in results of associated companies		1,463	17,667	–	–
Gain on disposal of an associated company	22	10,231	–	–	–
Provision for indemnity for damages arising from back pay labour claims	27	(1,152)	(3,300)	(1,152)	(3,300)
Impairment losses on:					
Quoted investments		–	(11,043)	–	(10,144)
Investment in subsidiary companies	12	–	–	(1,634)	(34,153)
Profit/(Loss) before tax		22,840	16,716	38,458	(16,246)
Income tax expense	8	(3,611)	(1,957)	(1,640)	(2,782)
Profit/(Loss) for the year		19,229	14,759	36,818	(19,028)
Profit/(Loss) attributable to:					
Owners of the Company		19,228	14,746	36,818	(19,028)
Non-controlling interests		1	13	–	–
Profit/(Loss) for the year		19,229	14,759	36,818	(19,028)
Earnings per ordinary share attributable to owners of the Company (sen)					
Basic	9	8.44	6.47		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) for the year	19,229	14,759	36,818	(19,028)
Other comprehensive income/(loss)				
<u>Items that will not be reclassified subsequently to profit or loss</u>	-	-	-	-
<u>Items that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations	(9,556)	6,634	-	-
Transfer of other reserves to profit or loss upon disposal of an associated company	1,384	-	-	-
Net gain/(loss) on available-for-sale financial assets:				
- Fair value changes	648	31	560	-
- Transfer to profit or loss upon disposal	(184)	-	-	-
Other comprehensive (loss)/income for the year	(7,708)	6,665	560	-
Total comprehensive income/(loss) for the year	11,521	21,424	37,378	(19,028)
Total comprehensive income/(loss) attributable to:				
Owners of the Company	11,519	21,411	37,378	(19,028)
Non-controlling interests	2	13	-	-
Total comprehensive income/(loss) for the year	11,521	21,424	37,378	(19,028)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	18,877	24,553	4,777	4,777
Investment properties	11	104,609	578	560	578
Investment in subsidiary companies	12	–	–	270,471	271,646
Investment in associated companies	13	44,305	46,660	–	–
Other investments	14	34,211	33,837	32,483	31,923
Intangible assets	15	–	–	–	–
Goodwill on consolidation	16	–	–	–	–
Deferred tax assets	17	7,514	6,944	–	–
Total Non-Current Assets		209,516	112,572	308,291	308,924
Current Assets					
Inventories	19	18,482	16,946	–	–
Trade receivables	20(a)	80,053	88,569	–	–
Other receivables, deposits and prepayments	20(b)	14,792	128,505	198	4,294
Amount owing by subsidiary companies	12(a)	–	–	25,650	444
Amount owing by immediate holding company	18	95,405	101,906	–	–
Amount owing by other related companies	18	105,819	108,839	98,123	92,239
Tax recoverable		4,177	4,347	–	62
Fixed deposits, cash and bank balances	21	109,092	90,006	8,944	6,771
		427,820	539,118	132,915	103,810
Asset classified as held for sale	22	–	5,365	–	–
Total Current Assets		427,820	544,483	132,915	103,810
Total Assets		637,336	657,055	441,206	412,734

(Forward)

	Note	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	23	920,902	920,902	920,902	920,902
Reserves	24	(373,086)	(384,605)	(524,901)	(562,279)
Equity attributable to owners of the Company		547,816	536,297	396,001	358,623
Non-controlling interests		–	757	–	–
Total Equity		547,816	537,054	396,001	358,623
Non-Current and Deferred Liabilities					
Hire-purchase payables	25	42	97	–	–
Deferred tax liabilities	17	697	697	280	280
Total Non-Current and Deferred Liabilities		739	794	280	280
Current Liabilities					
Trade payables	26(a)	16,212	23,182	–	–
Other payables and accrued expenses	26(b)	67,595	67,883	15,070	15,349
Provision	27	3,489	3,100	3,489	3,100
Amount owing to other related companies	18	807	1,211	115	341
Amount owing to subsidiary companies	12(b)	–	–	25,955	35,003
Hire-purchase payables	25	54	145	–	38
Bank borrowings	28	309	23,647	–	–
Tax liabilities		315	39	296	–
Total Current Liabilities		88,781	119,207	44,925	53,831
Total Liabilities		89,520	120,001	45,205	54,111
Total Equity and Liabilities		637,336	657,055	441,206	412,734

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

The Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Non-distributable reserves				Attributable to owners of the Company			Non-controlling interests RM'000	Total equity RM'000
				Translation adjustment reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Company RM'000			
As of 1 July 2016	231,572	689,330	(1,857)	44,847	382	280	65	(449,313)	515,306	744	516,050	
Profit for the year	-	-	-	-	-	-	-	14,746	14,746	13	14,759	
Other comprehensive income for the year	-	-	-	6,634	-	-	31	-	6,665	-	6,665	
Total comprehensive income	-	-	-	6,634	-	-	31	14,746	21,411	13	21,424	
Purchase of treasury shares	-	-	(420)	-	-	-	-	-	(420)	-	(420)	
Transfer arising from "no par value" regime (Note 23)	689,330	(689,330)	-	-	-	-	-	-	-	-	-	
Transfer to accumulated losses	-	-	-	-	(382)	(280)	-	662	-	-	-	
As of 30 June 2017	920,902	-	(2,277)	51,481	-	-	96	(433,905)	536,297	757	537,054	
As of 1 July 2017	920,902	-	(2,277)	51,481	-	-	96	(433,905)	536,297	757	537,054	
Profit for the year	-	-	-	-	-	-	-	19,228	19,228	1	19,229	
Other comprehensive (loss)/income for the year	-	-	-	(8,173)	-	-	464	-	(7,709)	1	(7,708)	
Total comprehensive (loss)/income	-	-	-	(8,173)	-	-	464	19,228	11,519	2	11,521	
Dividend paid to non-controlling interest of a subsidiary company	-	-	-	-	-	-	-	-	-	(300)	(300)	
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	(459)	(459)	
As of 30 June 2018	920,902	-	(2,277)	43,308	-	-	560	(414,677)	547,816	-	547,816	

(Forward)

The Company	Non-distributable reserves						Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Fair value reserve RM'000	Capital reserve RM'000	Accumulated losses RM'000	
As of 1 July 2016							
Total comprehensive loss for the year	231,572	689,330	(1,857)	-	382	(541,356)	378,071
Purchase of treasury shares	-	-	-	-	-	(19,028)	(19,028)
Transfer arising from "no par value" regime (Note 2.3)	-	-	(420)	-	-	-	(420)
Transfer to accumulated losses	689,330	(689,330)	-	-	-	-	-
	-	-	-	-	(382)	382	-
As of 30 June 2017	920,902	-	(2,277)	-	-	(560,002)	358,623
As of 1 July 2017	920,902	-	(2,277)	-	-	(560,002)	358,623
Profit for the year	-	-	-	-	-	36,818	36,818
Other comprehensive income for the year	-	-	-	560	-	-	560
Total comprehensive income	-	-	-	560	-	36,818	37,378
As of 30 June 2018	920,902	-	(2,277)	560	-	(523,184)	396,001

STATEMENTS OF CASH FLOWS**FOR THE YEAR ENDED 30 JUNE 2018**

The Group	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit for the year	19,229	14,759
Adjustments for:		
Impairment losses on:		
Trade and other receivables	5,018	4,947
Investment properties	578	–
Property, plant and equipment	225	–
Income tax expense recognised in profit or loss	3,611	1,957
Share in results of associated companies	(1,463)	(17,667)
Depreciation of:		
Property, plant and equipment	3,734	5,145
Investment properties	18	18
Finance costs	496	907
Impairment losses on quoted investments	–	11,043
Allowance for slow-moving and obsolete inventories	359	55
Gain on disposal of an associated company	(10,231)	–
Gain on disposal of quoted investments	(184)	–
Interest income	(9,207)	(10,831)
Impairment losses no longer required for trade and other receivables	(3,627)	(3,245)
Gain on disposal of property, plant and equipment	(2,895)	(876)
Unrealised loss/(gain) on foreign exchange	335	(352)
Impairment losses no longer required for unquoted investments	(74)	(32)
Dividend income from unquoted investments	(286)	(237)
Provision for indemnity for damages arising from back pay labour claims	1,152	3,300
Operating Profit Before Working Capital Changes	6,788	8,891
(Increase)/Decrease in:		
Inventories	(1,895)	(1,916)
Trade receivables	7,125	6,658
Other receivables, deposits and prepayments	3,509	6,297
Amount owing by immediate holding company	6,511	19,058
Amount owing by other related companies	8,806	(16,389)
(Decrease)/Increase in:		
Trade payables	(6,970)	(16,552)
Other payables and accrued expenses	(3,164)	6,139
Cash Generated From Operations	20,710	12,186
Interest received	1,302	2,654
Income tax refunded	184	357
Income tax paid	(3,919)	(5,404)
Net Cash From Operating Activities	18,277	9,793

(Forward)

The Group	Note	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under fixed deposits pledged		27,430	(2,656)
Amount owing by immediate holding company		(10)	(1)
Amount owing by other related companies		(5,786)	13,955
Interest received from:			
Fixed deposits with licensed banks		2,021	2,242
Other related companies		5,884	5,935
Proceeds from disposal of an associated company		17,054	–
Proceeds from disposal of property, plant and equipment		6,989	2,338
Dividend income received from:			
An associated company		448	465
Unquoted investments		286	237
Proceeds from disposal of quoted investments		274	–
Proceeds from redemption of other investments		74	32
Purchase of property, plant and equipment		(2,833)	(1,224)
Acquisition of non-controlling interests		(459)	–
Indemnity paid for litigation claim against a former subsidiary company		(763)	(200)
Investment in quoted shares		–	(42,064)
Net Cash From/(Used in) Investing Activities		50,609	(20,941)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in:			
Bank borrowings		(21,024)	(182)
Amount owing to other related companies		(404)	(3,671)
Finance costs paid		(496)	(907)
Repayment of hire-purchase payables		(146)	(252)
Dividend paid to non-controlling shareholders of a subsidiary company		(300)	–
Purchase of treasury shares		–	(420)
Net Cash Used In Financing Activities		(22,370)	(5,432)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		46,516	(16,580)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		61,678	78,258
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	108,194	61,678
<u>Addition of investment properties</u>			
	Note	2018 RM'000	2017 RM'000
Investment properties were acquired by the following mean:			
Other payables	11	647	–

(Forward)

The Company	2018	2017
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	36,818	(19,028)
Adjustments for:		
Finance costs	1	3
Unrealised (gain)/loss on foreign exchange	(1,520)	1,651
Income tax expense recognised in profit or loss	1,640	2,782
Impairment losses on:		
Investment in subsidiary companies	1,634	34,153
Quoted investments	–	10,144
Depreciation of:		
Property, plant and equipment	–	1
Investment properties	18	18
Dividend income	(10,800)	(11,000)
Interest income	(6,258)	(6,555)
Waiver of amount owing to subsidiary companies	(25,920)	(18,483)
Gain on disposal of property, plant and equipment	(87)	–
Provision for indemnity for damages arising from back pay labour claims	1,152	3,300
Operating Loss Before Working Capital Changes	(3,322)	(3,014)
Decrease in:		
Trade receivables	–	75
Other receivables, deposits and prepayments	4,096	117
(Decrease)/Increase in:		
Trade payables	–	(9)
Other payables and accrued expenses	(279)	45
Cash Generated From/(Used In) Operations	495	(2,786)
Income tax paid	(1,282)	(1,825)
Net Cash Used In Operating Activities	(787)	(4,611)

(Forward)

The Company	Note	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Cash at banks held under fixed deposits pledged		–	3
Amount owing by other related companies		(5,884)	14,065
Amount owing by subsidiary companies		(25,206)	(499)
Dividend received from subsidiary companies		10,100	11,000
Interest received from:			
Fixed deposits with licensed banks		206	293
Other related companies		5,884	5,935
Other receivables		168	327
Proceeds from disposal of property, plant and equipment		87	–
Additions to investment in a subsidiary company		(459)	–
Investment in quoted shares		–	(42,064)
Indemnity paid for litigation claim against a former subsidiary company		(763)	(200)
Purchase of property, plant and equipment		–	(1)
		<hr/>	<hr/>
Net Cash Used In Investing Activities		(15,867)	(11,141)
		<hr/>	<hr/>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies		19,093	7,086
Amount owing to other related companies		(227)	341
Repayment of hire-purchase payables		(38)	(60)
Purchase of treasury shares		–	(420)
Finance costs paid		(1)	(3)
		<hr/>	<hr/>
Net Cash From Financing Activities		18,827	6,944
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,173	(8,808)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,771	15,579
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	8,944	6,771
		<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 2018

1. GENERAL INFORMATION

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

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

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 8 October 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of new and amended Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 July 2017.

Amendments to MFRS 107 Disclosure Initiative

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRSs 2014 - 2016 Cycle

The adoption of these new and amended MFRSs did not result in significant changes on the accounting policies of the Group and of the Company and has no significant effect on the financial performance or position of the Group and of the Company other than the disclosure under Amendments to MFRS 107, as disclosed in Notes 25 and 28.

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

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

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

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014) ¹
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ¹
MFRS 16	Leases ²
MFRS 17	Insurance Contracts ⁴
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts ¹
Amendments to MFRS 9	Prepayment features with Negative Compensation ²
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement ²
Amendments to MFRS 128	Long-term Interest in Associates and Joint Venture ²
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to MFRS 140	Transfers of Investment Property ¹
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
IC Interpretation 23	Uncertainty Over Income Tax Treatments ²
Annual Improvements to MFRSs 2014 - 2016 Cycle	¹
Annual Improvements to MFRSs 2015 - 2017 Cycle	²
Amendments to References to the Conceptual Framework	³

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

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted provided MFRS 15 is also applied.

³ Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

⁵ Effective date deferred to a date to be determined and announced, with earlier application still permitted.

The Directors anticipate that the abovementioned MFRSs, amendments to MFRSs and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as further discussed below.

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

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

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 issued by International Accounting Standard Board (“IASB”) in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013, the new requirements for general hedge accounting was issued by MASB. Another revised version of MFRS 9 was issued by MASB – MFRS 9 (IFRS 9 issued by IASB in July 2014) mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

All recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost (“AC”) at the end of subsequent accounting periods.

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instruments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effect of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

MFRS 9 Financial Instruments (continued)

The Directors have preliminary assessed the following for its MFRS 9 adoption:

Financial assets	30.06.2018 RM'000	Classification under	
		MFRS 139	MFRS 9
Group			
Available-for-sale investments	34,211	AFS	FVTOCI
Trade receivables	80,053	L&R	AC
Other receivables and refundable deposits	13,423	L&R	AC
Amount owing by immediate holding company	95,405	L&R	AC
Amount owing by other related companies	105,819	L&R	AC
Fixed deposits, cash and bank balances	109,092	L&R	AC
	<hr/> <hr/>		
Company			
Available-for-sale investments	32,483	AFS	FVTOCI
Other receivables and refundable deposits	114	L&R	AC
Amount owing by subsidiary companies	25,650	L&R	AC
Amount owing by other related companies	98,123	L&R	AC
Fixed deposits, cash and bank balances	8,944	L&R	AC
	<hr/> <hr/>		

The Group and the Company expect to apply the simplified approach and record lifetime expected losses on all receivables.

Apart from the impact arising from the expected credit loss model on impairment and providing more extensive disclosures on the Group's and the Company's financial instruments, the Directors do not anticipate that the application of MFRS 9 will have a significant impact on the financial position and/or financial performance of the Group and of the Company.

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

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

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

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In June 2016, the MASB issued Clarifications to MFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors have specifically considered MFRS 15's guidance on contract medication arising from variation orders, identifying performance obligations, and the assessment of whether there is a significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of service to the customer and the timing of the related payments.

Based on the preliminary assessment, the Group estimates that the impact of the revenue allocation to each recognition of revenue and associated costs to fulfil the contract will not be significantly different from that currently determined.

The Directors intend to use the full retrospective method of transition to MFRS 15. Apart from providing more extensive disclosures on the Group's revenue transactions, the Directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

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

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

MFRS 16 Leases

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessees accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset as a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

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

The Directors anticipate that the application of MFRS 16 may have an impact on the amounts reported and disclosures made in the financial statements of the Group. However, it is not practical to provide a reasonable estimate of the effect of the MFRS 16 until the Group completes a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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

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

Basis of Consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation (continued)

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

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

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

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

Business Combinations

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

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

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are 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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies (continued)

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

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

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

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

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

Revenue and Revenue Recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

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

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

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

Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

Foreign Currency Conversion

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Conversion (continued)

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

Impairment of Assets

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets Acquired Under Hire-Purchase Arrangements

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

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

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

Non-Current Assets Classified as Held for Sale

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

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

Intangible Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill on Consolidation

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

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

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

Inventories

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

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

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

Provisions

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

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

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

Financial Instruments

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

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

Financial Assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets at FVTPL (continued)

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

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

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

Held-to-maturity investments

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

AFS financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition of financial assets

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

Financial guarantee contract liabilities

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities at FVTPL (continued)

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

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

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

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

(a) Impairment of Receivables

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

As of 30 June 2018, the Group has trade and other receivables due from three major related parties namely Megasteel Sdn Bhd ("Megasteel"), Lion DRI Sdn Bhd ("Lion DRI") and Graimpi Sdn Bhd ("Graimpi"):

	The Group	
	2018 RM'000	2017 RM'000
Trade receivables	382,004	382,256
Other receivables	279,038	279,038
	<hr/>	<hr/>
	661,042	661,294
Less: Accumulated impairment losses	(661,042)	(661,294)
	<hr/>	<hr/>
Net	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

(b) Impairment of available-for-sale investments

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

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

As at 30 June 2018, the amount of accumulated impairment loss recognised for the available-for-sale investments was RM11,043,000 and RM10,144,200 (2017: RM11,043,000 and RM10,144,200) for the Group and for the Company respectively.

(c) Assessment of Investment Properties

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

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

(ii) Key sources of estimation uncertainty

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

(a) Impairment of Non-Current Assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 2018, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment	225	3,216	–	–
Investment properties	578	–	–	–
Investment in subsidiary companies	–	–	413,587	411,953
Other investments	52,885	52,959	–	–
Intangible assets	304	304	–	–
Goodwill on consolidation	191	191	–	–

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

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

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

(b) Depreciation of Property, Plant and Equipment

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

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

(c) Deferred Tax Assets

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

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sales of goods	377,722	333,425	–	28
Services rendered	2,752	6,233	–	–
Gross dividend income from subsidiary companies	–	–	10,800	11,000
	380,474	339,658	10,800	11,028

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income on:				
Fixed deposits with licensed banks	2,021	2,242	206	293
Other receivables	168	327	168	327
Advances to other related company	5,884	5,935	5,884	5,935
Others	1,134	2,327	–	–
Impairment losses no longer required for trade and other receivables	3,627	3,245	–	–
Gain on disposal of:				
Property, plant and equipment	2,895	876	87	–
Quoted investments	184	–	–	–
Waiver of amount owing to subsidiary companies	–	–	25,920	18,483
Dividend income from unquoted investments	286	237	–	–
Impairment losses no longer required for unquoted investments	74	32	–	–
Rental income from:				
Investment properties rented to:				
Subsidiary companies	–	–	7	7
Third party	–	–	5	–
Others	1,999	1,107	–	–
Bad debts recovered	14	70	–	8

6. PROFIT FROM OPERATIONS (continued)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment losses on:				
Trade and other receivables	(5,018)	(4,947)	-	-
Investment properties	(578)	-	-	-
Property, plant and equipment	(225)	-	-	-
Hire of plant and machinery	(5)	(354)	-	-
Rental of premises payable to:				
Third parties	(351)	(368)	-	-
Subsidiary company	-	-	(14)	(14)
Directors' remuneration	(727)	(684)	(727)	(678)
Auditors' remuneration:				
Statutory audit:				
Auditors of the Company:				
Current year	(180)	(169)	(70)	(65)
Over/(Under)provision in prior years	6	1	(5)	(2)
Other auditors	(43)	(49)	-	-
Non-audit services	(6)	(6)	(6)	(6)
Allowance for slow-moving and obsolete inventories	(359)	(55)	-	-

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM2,303,000 and RM146,000 (2017: RM2,154,000 and RM175,000), respectively.

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fees				
Executive Directors	40	40	40	40
Non-executive Directors	150	150	150	144
	190	190	190	184
Salaries and other emoluments				
Executive Directors	499	458	499	458
Non-executive Directors	38	36	38	36
	537	494	537	494
	727	684	727	678

7. FINANCE COSTS

Finance costs represent:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:				
Hire-purchase	9	20	1	3
Other borrowings	487	887	-	-
	<u>496</u>	<u>907</u>	<u>1</u>	<u>3</u>

8. INCOME TAX EXPENSE

Income tax expense consists of the following:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Estimated tax payable:				
Current	(4,683)	(6,150)	(1,437)	(1,281)
Over/(under)provision in prior years	502	1,822	(203)	(1,501)
	<u>(4,181)</u>	<u>(4,328)</u>	<u>(1,640)</u>	<u>(2,782)</u>
Deferred tax (Note 17):				
Current	570	1,245	-	-
Overprovision in prior years	-	1,126	-	-
	<u>570</u>	<u>2,371</u>	<u>-</u>	<u>-</u>
	<u>(3,611)</u>	<u>(1,957)</u>	<u>(1,640)</u>	<u>(2,782)</u>

8. INCOME TAX EXPENSE (continued)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) before tax	22,840	16,716	38,458	(16,246)
Tax at applicable tax rate of 24%	(5,482)	(4,012)	(9,230)	3,899
Tax effects of:				
Non-deductible expenses	(2,055)	(6,055)	(315)	(11,040)
Non-taxable income	3,131	1,378	8,108	5,860
Tax effect on share in results of associated companies	352	4,240	–	–
Deferred tax assets not recognised	–	(517)	–	–
Realisation of deferred tax assets previously not recognised	(59)	61	–	–
Over/(Under) provision in prior years:				
Income tax	502	1,822	(203)	(1,501)
Deferred tax	–	1,126	–	–
	(3,611)	(1,957)	(1,640)	(2,782)

As mentioned in Note 3, the tax effects of deductible temporary differences, unutilised tax losses and unutilised tax credits which would give rise to net deferred tax asset are recognised to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of 30 June 2018, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets is not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Temporary differences arising from:		
Trade and other receivables	659,494	659,494
Property, plant and equipment	32	32
Others	21	21
Unused tax losses and unabsorbed capital allowances	5,195	4,949
	664,742	664,496

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

9. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2018	2017
	RM'000	RM'000
Profit attributable to owners of the Company	19,228	14,746
	2018	2017
	'000	'000
Weighted average number of ordinary shares in issue	227,827	228,624
Effect of treasury shares	-	(679)
Adjusted weighted average number of ordinary shares	227,827	227,945
	2018	2017
Basic earnings per share (sen)	8.44	6.47

(b) Diluted earnings per share

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

10. PROPERTY, PLANT AND EQUIPMENT

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

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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED DEPRECIATION					As of 30 June 2017 RM'000
	As of 1 July 2016 RM'000	Charge for the year RM'000	Disposals RM'000	Write-off RM'000	Currency translation RM'000	
Freehold land	–	–	–	–	–	–
Freehold buildings	2,574	167	–	–	–	2,741
Plant and machinery	16,326	2,647	(749)	–	218	18,442
Office equipment	1,076	86	(5)	(15)	–	1,142
Furniture and fittings	1,961	191	–	(5)	–	2,147
Motor vehicles	2,639	255	(183)	–	19	2,730
Prime movers and trailers	17,042	1,640	(3,441)	–	–	15,241
Office renovation	684	4	–	–	–	688
Computer equipment	2,222	155	(38)	(31)	1	2,309
	44,524	5,145	(4,416)	(51)	238	45,440

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

The Group	ACCUMULATED IMPAIRMENT LOSSES			NET BOOK VALUE		
	As of 1 July 2016/ 30 June 2017/ 1 July 2017/ RM'000	Addition RM'000	Disposals RM'000	As of 30 June 2018 RM'000	As of 30 June 2018 RM'000	As of 30 June 2017 RM'000
Freehold land	–	–	–	–	4,777	4,777
Freehold buildings	–	–	–	–	5,556	5,681
Plant and machinery	–	225	–	225	7,793	10,813
Office equipment	–	–	–	–	64	5
Furniture and fittings	–	–	–	–	147	330
Motor vehicles	–	–	–	–	253	298
Prime movers and trailers	3,216	–	(3,216)	–	–	2,274
Office renovation	–	–	–	–	2	6
Computer equipment	–	–	–	–	285	369
	3,216	225	(3,216)	225	18,877	24,553

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	COST								
	As of 1 July 2016 RM'000	Addition RM'000	Disposal RM'000	As of 30 June 2017 RM'000					
Freehold land	4,777	–	–	4,777					
Office equipment	222	–	–	222					
Furniture and fittings	392	1	–	393					
Motor vehicles	558	–	–	558					
Office renovation	256	–	–	256					
Computer equipment	224	–	(23)	201					
	<u>6,429</u>	<u>1</u>	<u>(23)</u>	<u>6,407</u>					
The Company	COST								
	As of 1 July 2017 RM'000	Addition RM'000	Disposal RM'000	As of 30 June 2018 RM'000					
Freehold land	4,777	–	–	4,777					
Office equipment	222	–	–	222					
Furniture and fittings	393	–	–	393					
Motor vehicles	558	–	(379)	179					
Office renovation	256	–	–	256					
Computer equipment	201	–	–	201					
	<u>6,407</u>	<u>–</u>	<u>(379)</u>	<u>6,028</u>					
The Company	ACCUMULATED DEPRECIATION						NET BOOK VALUE		
	As of 1 July 2016 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2017/ 2017 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2018 RM'000	As of 30 June 2018 RM'000	As of 30 June 2017 RM'000
Freehold land	–	–	–	–	–	–	–	4,777	4,777
Office equipment	222	–	–	222	–	–	222	–	–
Furniture and fittings	392	1	–	393	–	–	393	–	–
Motor vehicles	558	–	–	558	–	(379)	179	–	–
Office renovation	256	–	–	256	–	–	256	–	–
Computer equipment	224	–	(23)	201	–	–	201	–	–
	<u>1,652</u>	<u>1</u>	<u>(23)</u>	<u>1,630</u>	<u>–</u>	<u>(379)</u>	<u>1,251</u>	<u>4,777</u>	<u>4,777</u>

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

	The Group	
	2018 RM'000	2017 RM'000
Motor vehicles	–	198

11. INVESTMENT PROPERTIES

	The Group			
	Freehold land RM'000	Freehold land and buildings RM'000	Work-in- progress RM'000	Total RM'000
Cost:				
As of 1 July 2016/30 June 2017	–	906	–	906
Addition	–	–	647	647
Transferred from other receivables, deposits and prepayments	48,047	–	55,933	103,980
As of 30 June 2018	48,047	906	56,580	105,533
Accumulated depreciation:				
As of 1 July 2016	–	310	–	310
Charge for the year	–	18	–	18
As of 30 June 2017	–	328	–	328
Charge for the year	–	18	–	18
As of 30 June 2018	–	346	–	346
Accumulated impairment loss:				
As of 1 July 2016/30 June 2017	–	–	–	–
Addition	578	–	–	578
As of 30 June 2018	578	–	–	578
Net book value				
As of 30 June 2017	–	578	–	578
Net book value				
As of 30 June 2018	47,469	560	56,580	104,609
Fair value	47,469	865	Note a	

11. INVESTMENT PROPERTIES (continued)

	The Company	
	2018 RM'000	2017 RM'000
Cost:		
At beginning and end of year	906	906
Accumulated depreciation:		
At beginning of year	328	310
Charge for the year	18	18
At end of year	346	328
Net book value	560	578
Fair value	865	865

The income earned by the Company from the rental of investment properties to subsidiary companies amounted to RM7,200 (2017: RM7,200).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year amounted to RM3,143 (2017: RM633). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year amounted to RM7,705 (2017: RM10,215).

The fair value of investment properties is estimated by reference to market evidence of transaction prices for similar properties and the latest valuation carried out by independent firm of professional valuers in July 2018.

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

Note a

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

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2018 RM'000	2017 RM'000
Unquoted shares - at cost	329,058	328,599
Capital contribution	355,000	355,000
Less: Accumulated impairment losses	(413,587)	(411,953)
Net	<u>270,471</u>	<u>271,646</u>

Movement in the accumulated impairment losses

	The Company	
	2018 RM'000	2017 RM'000
At beginning of year	411,953	377,800
Addition	1,634	34,153
At end of year	<u>413,587</u>	<u>411,953</u>

(a) Amount owing by subsidiary companies

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

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

(b) Amount owing to subsidiary companies

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

During the financial year, an amount owing to certain subsidiary companies of RM25,920,000 (2017: RM18,483,000) has been waived by the subsidiary companies.

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

	The Company	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	1,630	9,149
United States Dollar	24,325	25,854
	<u>25,955</u>	<u>35,003</u>

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

	Profit allocated to NCI RM'000	Accumulated NCI RM'000
2018		
Other individually immaterial subsidiary companies	<u>1</u>	<u>-</u>
2017		
Other individually immaterial subsidiary companies	<u>13</u>	<u>757</u>

The subsidiary companies are as follows:

Name of companies	Country of incorporation	Percentage ownership		Principal activities
		2018 %	2017 %	
Gama Harta Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Jadeford International Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Lion AMB Resources Berhad #	Malaysia	100.00	100.00	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	100.00	100.00	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	100.00	100.00	Investment holding
Ototek Sdn Bhd	Malaysia	100.00	70.00	Dormant
Posim EMS Sdn Bhd	Malaysia	100.00	100.00	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	Malaysia	100.00	100.00	Trading and distribution of building materials and steel products
Posim Petroleum Marketing Sdn Bhd	Malaysia	100.00	100.00	Trading and distribution of petroleum products
Singa Logistics Sdn Bhd #	Malaysia	100.00	100.00	Provision of transportation services

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership		Principal activities
		2018 %	2017 %	
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	100.00	100.00	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary company of Intra Inspirasi Sdn Bhd				
Beijing Youshi Trading Co Ltd # (Dissolved on 5 February 2018)	People's Republic of China	–	100.00	Dormant
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
Alpha Deal Group Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Bright Triumph Investments Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Brilliant Elite Investments Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Classy Elite Investments Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Distinct Harvest Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Double Merits Enterprise Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Dynamic Shine Holdings Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Elite Harvest Group Limited ^	British Virgin Islands	100.00	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership		Principal activities
		2018 %	2017 %	
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Elite Image Investments Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Eminent Elite Investments Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Eminent Prosper Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Grand Ray Investments Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Great Zone Investments Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Green Choice Holdings Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Harvest Boom Investments Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Jade Harvest International Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Jade Power Holdings Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Mile Treasure Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Pinnacle Treasure Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Radiant Elite Holdings Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Sky Yield Group Limited ^	British Virgin Islands	100.00	100.00	Investment holding

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership		Principal activities
		2018 %	2017 %	
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
Superb Harvest Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Superb Reap Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Ultra Strategy Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Up Reach Limited ^	British Virgin Islands	100.00	100.00	Investment holding
Subsidiary companies of BVI Companies				
Bright Triumph (Cambodia) Co., Limited ^	Cambodia	100.00	100.00	Investment and development in agriculture
Brilliant Elite (Cambodia) Co., Limited ^ (Dissolved on 9 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Classy Elite (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Distinct Harvest (Cambodia) Co., Ltd ^	Cambodia	100.00	100.00	Investment and development in agriculture
Double Merits (Cambodia) Co., Limited ^	Cambodia	100.00	100.00	Investment and development in agriculture
Dynamic Shine (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership		Principal activities
		2018 %	2017 %	
Subsidiary companies of BVI Companies (continued)				
Elite Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Elite Image (Cambodia) Co., Ltd ^ (In voluntary liquidation)	Cambodia	100.00	100.00	Investment and development in agriculture
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	100.00	100.00	Investment and development in agriculture
Eminent Prosper (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Grand Ray (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	100.00	100.00	Investment and development in agriculture
Great Zone (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Green Choice (Cambodia) Co., Limited ^	Cambodia	100.00	100.00	Investment and development in agriculture
Harvest Boom (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership		Principal activities
		2018 %	2017 %	
Subsidiary companies of BVI Companies (continued)				
Jade Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Jade Power (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Mile Treasure (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Radiant Elite (Cambodia) Co., Ltd ^	Cambodia	100.00	100.00	Investment and development in agriculture
Sky Yield (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Superb Harvest (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Superb Reap (Cambodia) Co., Limited ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Ultra Strategy (Cambodia) Co., Ltd ^ (Dissolved on 24 August 2018)	Cambodia	100.00	100.00	Investment and development in agriculture
Up Reach (Cambodia) Co., Limited ^ (In voluntary liquidation)	Cambodia	100.00	100.00	Investment and development in agriculture

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Country of incorporation	Percentage ownership		Principal activities
		2018 %	2017 %	
Subsidiary companies of Lion AMB Resources Berhad				
AMB Harta (L) Limited	Malaysia	100.00	100.00	Treasury business
AMB Harta (M) Sdn Bhd #	Malaysia	100.00	100.00	Managing of debts novated from Lion AMB 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	100.00	100.00	Investment holding
CeDR Corporate Consulting Sdn Bhd #	Malaysia	100.00	100.00	Provision of training services
Subsidiary companies of AMB Venture Sdn Bhd				
Chrome Marketing Sdn Bhd #	Malaysia	100.00	100.00	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	100.00	100.00	Investment holding
Range Grove Sdn Bhd #	Malaysia	100.00	100.00	Investment holding
Seintasi Sdn Bhd #	Malaysia	100.00	100.00	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
Shanghai AMB Management Consulting Co Ltd #	People's Republic of China	100.00	100.00	Provision of management services
Subsidiary companies of Seintasi Sdn Bhd				
Willet Investment Pte Ltd # (Dissolved on 8 January 2018)	Singapore	–	100.00	Investment holding

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

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

12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

During the financial year, the Company completed the acquisition of the remaining 30% equity interest in Ototek Sdn Bhd for a cash consideration of RM459,000. Consequently, Ototek Sdn Bhd became a wholly-owned subsidiary company of the Company.

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

13. INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2018	2017
	RM'000	RM'000
At cost:		
Quoted investment outside Malaysia	83,486	83,486
Unquoted investments	3,212	15,289
	86,698	98,775
Share of post-acquisition results and reserves less dividends received	(42,393)	(46,750)
	44,305	52,025
Reclassified as asset held for sale (Note 22)	-	(5,365)
	44,305	46,660
Market value of quoted investment outside Malaysia	43,948	42,585

The associated companies are as follows:

Name of companies	Financial Year-end	Country of incorporation	Percentage ownership		Principal activities
			2018	2017	
			%	%	
Lion Asiapac Limited #	30 June	Singapore	36.68	36.68	Investment holding
Renor Pte Ltd #	30 June	Singapore	20.00	20.00	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd # (Disposed of on 14 September 2017)	31 March	Malaysia	-	20.00	Investment holding

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

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

2018	LAP RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised of financial information			
Proportion of the Group's percentage ownership	36.68%		
Assets and liabilities			
Non-current assets	10,645	–	10,645
Current assets	242,414	–	242,414
Non-current liabilities	(662)	–	(662)
Current liabilities	(8,385)	–	(8,385)
Net assets	<u>244,012</u>	<u>–</u>	<u>244,012</u>
Results			
Revenue	36,719	5,463	42,182
Profit for the year	3,785	380	4,165
Group's share of profit of associated companies	1,387	76	1,463
Dividend received from associated companies	448	–	448
Reconciliation of net assets to carrying amount			
Group's share of net assets	89,505	–	89,505
Other adjustments on equity	(45,200)	–	(45,200)
Carrying amount in the statements of financial position	<u>44,305</u>	<u>–</u>	<u>44,305</u>

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

The Group's share in results of an associated company which is under winding-up was recognised to the extent of the carrying amount of the investment. The cumulative and current year's unrecognised share of losses are as follows:

	The Group	
	2018 RM'000	2017 RM'000
At beginning and end of year	<u>26,739</u>	<u>26,739</u>

Amount owing by an associated company is as follows:

	The Group	
	2018 RM'000	2017 RM'000
Amount owing by an associated company	-	1,606
Less: Accumulated impairment losses	-	(1,606)
Net	<u>-</u>	<u>-</u>

13. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2018 RM'000	2017 RM'000
<u>Movement in the accumulated impairment losses</u>		
At beginning of year	1,606	1,606
Written off	(1,606)	-
	<u>-</u>	<u>1,606</u>
At end of year	<u>-</u>	<u>1,606</u>

14. OTHER INVESTMENTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Available-for-sale investments				
At fair value:				
Quoted investments in Malaysia:				
Shares	32,480	31,920	32,480	31,920
Quoted investments outside Malaysia:				
Shares	-	186	-	-
	<u>32,480</u>	<u>32,106</u>	<u>32,480</u>	<u>31,920</u>
At cost:				
Unquoted investments	1,731	1,731	3	3
	<u>34,211</u>	<u>33,837</u>	<u>32,483</u>	<u>31,923</u>
Held-to-maturity investments				
At amortised cost:				
Unquoted bonds (at cost, adjusted for accretion of interest)	52,885	52,959	-	-
Less: Accumulated impairment losses	(52,885)	(52,959)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>34,211</u>	<u>33,837</u>	<u>32,483</u>	<u>31,923</u>
Market value of quoted investments:				
In Malaysia	32,480	31,920	32,480	31,920
Outside Malaysia	-	186	-	-
	<u>-</u>	<u>186</u>	<u>-</u>	<u>-</u>

Investment in unquoted bonds of the Group bears yield-to-maturity at 4.75% (2017: 4.75%) per annum.

In 2017, the Group and the Company recognised an impairment loss amounting to RM11,043,000 and RM10,144,000 respectively in respect of quoted investments designated as available-for-sale financial assets due to significant and prolonged decline in the fair values of these investments below their costs.

15. INTANGIBLE ASSETS

	The Group	
	2018	2017
	RM'000	RM'000
Cost:		
At beginning and end of year	500	500
Accumulated amortisation:		
At beginning and end of year	(196)	(196)
Accumulated impairment losses:		
At beginning and end of year	(304)	(304)
	<u>–</u>	<u>–</u>

16. GOODWILL ON CONSOLIDATION

	The Group	
	2018	2017
	RM'000	RM'000
Goodwill on consolidation:		
At beginning and end of year	191	191
Accumulated impairment losses:		
At beginning and end of year	(191)	(191)
	<u>–</u>	<u>–</u>

17. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At beginning of year	6,247	3,876	(280)	(280)
Transfer from/(to) profit or loss (Note 8):				
Property, plant and equipment	570	1,163	–	–
Inventories	–	(13)	–	–
Other payables and accrued expenses	–	1,221	–	–
	<u>570</u>	<u>2,371</u>	<u>–</u>	<u>–</u>
At end of year	<u>6,817</u>	<u>6,247</u>	<u>(280)</u>	<u>(280)</u>

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

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	7,514	6,944	-	-
Deferred tax liabilities	(697)	(697)	(280)	(280)
	6,817	6,247	(280)	(280)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets				
Temporary differences arising from:				
Property, plant and equipment	852	282	-	-
Inventories	302	302	-	-
Other payables and accrued expenses	6,507	6,507	-	-
	7,661	7,091	-	-
Offsetting	(147)	(147)	-	-
Deferred tax assets (after offsetting)	7,514	6,944	-	-
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	826	826	262	262
Other payables and accrued expenses	18	18	18	18
	844	844	280	280
Offsetting	(147)	(147)	-	-
Deferred tax liabilities (after offsetting)	697	697	280	280

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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

- (a) Amount owing by immediate holding company, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, is interest-free and repayable on demand except for trade amounts which have a credit period of 60 days (2017: 60 days).
- (b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (2017: 60 days). The entire amount owing by other related companies of the Group and of the Company are interest-free except for an amount of RM98,123,000 (2017: RM92,239,000) which bears interest at 6.20% (2017: 6.20%) per annum.

As of 30 June 2018, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group, RM98,123,000 (2017: RM92,239,000) is due from a related company, LLB Harta (M) Sdn Bhd, which constitutes approximately 93% (2017: 85%) of the Group's amount owing by other related companies.

- (c) Amounts owing to other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2017: 60 days).

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

Name of Companies	Nature	The Company	
		2018 RM'000	2017 RM'000
With subsidiary companies:			
Posim Marketing Sdn Bhd	Trade sales	–	28
	Rental income	4	4
	Management fee income	770	1,108
Posim Petroleum Marketing Sdn Bhd	Rental income	3	3
	Management fee income	574	556
Lion Petroleum Products Sdn Bhd	Rental expenses	15	14
	Management fee income	49	50
Lion Rubber Industries Sdn Bhd	Waiver of debts	–	(18,483)
Ototek Sdn Bhd	Waiver of debts	(1,528)	–
Lion AMB Resources Berhad	Waiver of debts	(24,292)	–

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Name of Companies	Nature	The Group		The Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	1,806	1,599	–	–
	Provision of transportation services	793	2,512	–	–
With other related companies:					
LLB Harta (M) Sdn Bhd	Interest income on advances	5,884	5,935	5,884	5,935
Lion Group Management Services Sdn Bhd	Management fee expenses	3,082	4,659	1,917	1,864
Antara Steel Mills Sdn Bhd	Trade sales	374	156	–	–
Amsteel Mills Marketing Sdn Bhd	Trade purchases	142,047	89,680	–	–
With related parties					
Parkson Corporation Sdn Bhd	Trade sales	1,469	1,814	–	–
Akurjaya Sdn Bhd	Interest income	168	327	168	327

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

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

18. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Receivables:				
Included in trade receivables	382,754	383,081	–	–
Included in other receivables	283,271	287,349	14	4,092
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Payables:				
Included in trade payables	410	410	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Compensation of key management personnel

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

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other remuneration	1,106	1,625	772	1,313
Defined contribution plans	74	134	34	96
Benefits-in-kind	7	38	1	31
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,187</u>	<u>1,797</u>	<u>807</u>	<u>1,440</u>

19. INVENTORIES

	The Group	
	2018 RM'000	2017 RM'000
Finished goods	83	234
Raw materials	8,568	6,462
Trading merchandise	10,304	10,832
Others	967	674
	<u> </u>	<u> </u>
	19,922	18,202
Less: Allowance for slow-moving and obsolete inventories	(1,440)	(1,256)
	<u> </u>	<u> </u>
Net	<u>18,482</u>	<u>16,946</u>

During the financial year, inventories amounting to RM175,000 (2017: RM131,000) were written off against allowance for slow-moving and obsolete inventories.

20. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables	482,752	491,816	4,345	4,345
Less: Accumulated impairment losses	(402,699)	(403,247)	(4,345)	(4,345)
Net	80,053	88,569	-	-

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

The credit period granted for sale of goods ranges from 30 to 90 days (2017: 30 to 90 days). Impairment losses are recognised against trade receivables that are past due based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

The Group and the Company have trade receivables totalling RM14,023,000 and RMNil (2017: RM15,415,000 and RMNil) respectively that are past due at the end of the reporting period but against which the Group and the Company have not recognised impairment losses as the amounts are still considered recoverable.

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Neither past due nor impaired	66,030	73,154	-	-
Past due but not impaired	14,023	15,415	-	-
Past due and impaired	402,699	403,247	4,345	4,345
	482,752	491,816	4,345	4,345
<u>Ageing of past due but not impaired</u>				
1 to 30 days	9,805	10,807	-	-
31 to 60 days	3,830	3,526	-	-
61 to 90 days	116	120	-	-
More than 90 days	272	962	-	-
	14,023	15,415	-	-

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

(a) Trade receivables (continued)

Movement in the accumulated impairment losses

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	403,247	400,135	4,345	4,345
Addition	5,018	4,947	-	-
No longer required	(3,627)	(1,511)	-	-
Written off	(1,939)	(324)	-	-
At end of year	<u>402,699</u>	<u>403,247</u>	<u>4,345</u>	<u>4,345</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.

As of 30 June 2018, the Group has trade receivables due from two major related parties, Megasteel and Lion DRI as follows:

	The Group	
	2018 RM'000	2017 RM'000
Megasteel	329,997	330,249
Lion DRI	52,007	52,007
	<u>382,004</u>	<u>382,256</u>
Less: Accumulated impairment losses	<u>(382,004)</u>	<u>(382,256)</u>
Net	<u>-</u>	<u>-</u>

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

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	293,912	296,933	47	4,120
Less: Accumulated impairment losses	(283,203)	(283,203)	-	-
	<u>10,709</u>	<u>13,730</u>	<u>47</u>	<u>4,120</u>
Deposits	2,834	112,940	65	81
Prepaid expenses	1,249	1,835	86	93
	<u>14,792</u>	<u>128,505</u>	<u>198</u>	<u>4,294</u>

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

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

Movement in the accumulated impairment losses

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	283,203	284,937	–	–
No longer required	–	(1,734)	–	–
At end of year*	<u>283,203</u>	<u>283,203</u>	<u>–</u>	<u>–</u>

* Included in this amount is an impairment loss of RM279,038,000 (2017: RM279,038,000) on the amounts due from Graimpi and Megasteel, both are related parties.

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

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

- RM272,180,000 (2017: RM272,180,000) due from Graimpi representing debts novated from Lion DRI in prior years, which bears interest at 8.85% per annum.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM272,180,000 (2017: RM272,180,000) on the said outstanding receivables due from Graimpi.

- In 2017, RM4,078,000 due from Akurjaya Sdn Bhd (“Akurjaya”), a related party, represents a reimbursement for amounts incurred by the Group pursuant to the share sale agreement entered into between Akurjaya and the Company for the disposal of the entire equity interest in Lion Agriculture (Indonesia) Sdn Bhd together with the proposed investment in PT Varita Majutama to Akurjaya. The said amount bears interest of 1% above base lending rate per annum.

The amount was fully settled during the financial year.

- RM6,858,000 (2017: RM6,858,000) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years. At the end of the reporting period, the Group recognised an impairment loss amounting to RM6,858,000 (2017: RM6,858,000) on the said outstanding receivables due from Megasteel.

(ii) In 2017, included in deposits of the Group were deposits totalling USD25,733,000 (equivalent to RM110,461,000) paid by the Group in prior years mainly for the purposes of the procurement of economic land concession and freehold land in connection with an agricultural project in Cambodia. The amount has been transferred to investment properties as disclosed in Note 11.

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

	The Group	
	2018 RM'000	2017 RM'000
Ringgit Malaysia	295,022	299,663
United States Dollar	2,973	112,045
	<u>297,995</u>	<u>411,708</u>

21. FIXED DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed deposits with licensed banks:				
Restricted	898	26,953	–	–
Unrestricted	88,314	38,848	6,928	4,810
	89,212	65,801	6,928	4,810
Cash and bank balances:				
Restricted	–	1,375	–	–
Unrestricted	19,880	22,830	2,016	1,961
	19,880	24,205	2,016	1,961
	109,092	90,006	8,944	6,771

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

Fixed deposits with licensed banks earn interest at rates ranging from 1.20% to 2.90% (2017: 1.20% to 2.90%) per annum and have maturity periods ranging from 1 to 365 days (2017: 1 to 366 days).

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	82,159	60,396	8,933	6,759
Chinese Renminbi	25,307	27,343	–	–
United States Dollar	1,626	2,229	11	12
Others	–	38	–	–
	109,092	90,006	8,944	6,771

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company in the People's Republic of China ("PRC") amounting to RM25,307,000 (2017: RM27,343,000) are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

In 2017, included in the fixed deposits with licensed banks of the said subsidiary company in PRC was an amount of RM26,000,000 secured for banking facilities as disclosed in Note 28.

22. ASSET CLASSIFIED AS HELD FOR SALE

	The Group	
	2018 RM'000	2017 RM'000
Transfer from investment in associated companies (Note 13)	–	5,365

On 14 April 2017, the Group entered into a share sale agreement with Suzuki Motor Corporation to dispose of its entire 20% equity interest in Suzuki Motorcycle Malaysia Sdn Bhd, an associated company, for a cash consideration of RM17,270,000 (“Disposal”). The Disposal was completed on 14 September 2017 which resulted in a gain of RM10,231,000 for the year ended 30 June 2018.

23. SHARE CAPITAL

	The Group and The Company			
	2018		2017	
	Number of shares (‘000)	RM'000	Number of shares (‘000)	RM'000
Issued share capital:				
Ordinary shares:				
At beginning of year	231,572	920,902	231,572	231,572
Transfer from share premium	–	–	–	689,330
At end of year	<u>231,572</u>	<u>920,902</u>	<u>231,572</u>	<u>920,902</u>

In accordance with the requirements of the Companies Act 2016, the amount standing to the credit of the Company’s share premium account has become part of the Company’s share capital. The change does not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

24. RESERVES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable reserves:				
Treasury shares	(2,277)	(2,277)	(2,277)	(2,277)
Translation adjustment reserve	43,308	51,481	–	–
Fair value reserve	560	96	560	–
Accumulated losses	(414,677)	(433,905)	(523,184)	(560,002)
	<u>(373,086)</u>	<u>(384,605)</u>	<u>(524,901)</u>	<u>(562,279)</u>

24. 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. In 2017, the amount was 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.

As of 30 June 2018, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747.

Translation adjustment reserve

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

Capital reserve

The capital reserve, which arose from share options lapsed, reclassified from equity compensation reserve in prior years. In 2017, the amount was reclassified to accumulated losses.

Capital redemption reserve

The capital redemption reserve, which is not available for the payment of dividends, arose from the redemption of redeemable preference shares by subsidiary companies. In 2017, the amount was reclassified to accumulated losses.

Fair value reserve

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

25. HIRE-PURCHASE PAYABLES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total outstanding	102	257	–	39
Less: Interest-in-suspense	(6)	(15)	–	(1)
Principal portion	<u>96</u>	<u>242</u>	<u>–</u>	<u>38</u>
Payable as follows:				
Within the next 12 months (shown under current liabilities)	54	145	–	38
After the next 12 months	42	97	–	–
	<u>96</u>	<u>242</u>	<u>–</u>	<u>38</u>

The interest rates implicit in these hire-purchase obligations range from 2.47% to 4.68% (2017: 2.47% to 4.68%) per annum.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows have been, or future cash flows will be, classified in the Group and the Company's statement of cash flows as cash flow from financing activities.

	1.7.2017 RM	Financing cash flows RM	30.6.2018 RM
The Group			
Hire-purchase payables	<u>242</u>	<u>(146)</u>	<u>96</u>
The Company			
Hire-purchase payables	<u>38</u>	<u>(38)</u>	<u>–</u>

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (2017: 30 to 90 days).

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	14,639	22,336	–	–
United States Dollar	1,573	846	–	–
	16,212	23,182	–	–

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables	27,022	28,955	10,108	10,108
Accrued expenses	24,315	24,224	4,962	5,241
Deferred revenue	16,258	14,704	–	–
	67,595	67,883	15,070	15,349

Deferred revenue

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

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	62,325	63,659	15,070	15,349
Chinese Renminbi	4,059	4,222	–	–
Others	1,211	2	–	–
	67,595	67,883	15,070	15,349

27. PROVISION

	The Group and The Company	
	2018 RM'000	2017 RM'000
Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees:		
At beginning of year	3,100	–
Provision during the year	1,152	3,300
Utilised during the year	(763)	(200)
	3,489	3,100
At end of year	3,489	3,100

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

SFI entered into a settlement agreement with certain of SFI's employees for a cash sum of RM762,976 (2017: RM200,156) to settle the claim in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006, as disclosed in Note 30.

A provision for the indemnity loss of RM3,489,000 (2017: RM3,100,000) has been made for the remaining employees.

28. BANK BORROWINGS

	The Group	
	2018 RM'000	2017 RM'000
Secured		
Revolving credit	–	23,129
Unsecured		
Bankers acceptances	309	518
	309	23,647
	309	23,647

The Company has given corporate guarantees of RM309,000 (2017: RM518,000) to financial institutions for the granting of credit facilities to certain subsidiary companies. The credit facilities bear interest at rates ranging from 4.67% to 5.28% (2017: 5.16% to 5.31%) per annum.

The revolving credit facility pertaining to a subsidiary company was denominated in United States Dollar and secured by a charge on another subsidiary company's fixed deposits with a licensed bank as disclosed in Note 21. The facility bore an average interest rate of 2.50% plus 6 months LIBOR per annum and was fully settled during the financial year.

28. BANK BORROWINGS (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows have been, or future cash flows will be, classified in the Group's statement of cash flows as cash flow from financing activities.

	1.7.2017 RM	Financing cash flows RM	Translation adjustment RM	30.6.2018 RM
The Group				
Bank borrowings	23,647	(21,024)	(2,314)	309

29. FINANCIAL INSTRUMENTS

Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2017.

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

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

Gearing Ratio

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Debt (i)	405	23,889	-	38
Equity (ii)	547,816	537,054	396,001	358,623
Debt to equity ratio	0.07%	4.45%	N/A	0.01%

- (i) Debt is defined as hire-purchase payables and bank borrowings as disclosed in Notes 25 and 28 respectively.
- (ii) Equity includes share capital, reserves and non-controlling interests.

29. FINANCIAL INSTRUMENTS (continued)

Significant accounting policies

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

Categories of financial instruments

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial assets				
Available-for-sale investments	34,211	33,837	32,483	31,923
Loans and receivables:				
Trade receivables	80,053	88,569	–	–
Other receivables and refundable deposits	13,423	24,749	114	4,201
Amount owing by subsidiary companies	–	–	25,650	444
Amount owing by immediate holding company	95,405	101,906	–	–
Amount owing by other related companies	105,819	108,839	98,123	92,239
Fixed deposits, cash and bank balances	109,092	90,006	8,944	6,771
Financial liabilities				
Other financial liabilities:				
Trade payables	16,212	23,182	–	–
Other payables and accrued expenses	51,337	53,179	15,070	15,349
Amount owing to other related companies	807	1,211	115	341
Amount owing to subsidiary companies	–	–	25,955	35,003
Hire-purchase payables	96	242	–	38
Bank borrowings	309	23,647	–	–

Financial Risk Management Objectives and Policies

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

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

29. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk

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

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

Foreign currency sensitivity analysis

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

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

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
United States Dollar ("USD")	634	1,267	2,433	2,585

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

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

Interest rate risk

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

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

29. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

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

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

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 30 June 2018, is the carrying amount of these receivables as disclosed in the statements of financial position.

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

Cash flow risk

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

Liquidity risk

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

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

29. FINANCIAL INSTRUMENTS (continued)

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

The Group 2018	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities						
Non-interest bearing:						
Trade payables	16,212	–	–	–	16,212	–
Other payables and accrued expenses	51,337	–	–	–	51,337	–
Amount owing to other related companies	807	–	–	–	807	–
	68,356	–	–	–	68,356	
Interest bearing:						
Hire-purchase payables	58	28	16	–	102	2.47 - 4.68
Bank borrowings	309	–	–	–	309	4.67 - 5.28
	367	28	16	–	411	
	68,723	28	16	–	68,767	
2017						
Financial liabilities						
Non-interest bearing:						
Trade payables	23,182	–	–	–	23,182	–
Other payables and accrued expenses	53,179	–	–	–	53,179	–
Amount owing to other related companies	1,211	–	–	–	1,211	–
	77,572	–	–	–	77,572	
Interest bearing:						
Hire-purchase payables	154	58	45	–	257	2.47 - 4.68
Bank borrowings	23,647	–	–	–	23,647	5.16 - 5.31
	23,801	58	45	–	23,904	
	101,373	58	45	–	101,476	

29. FINANCIAL INSTRUMENTS (continued)

The Company 2018	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities						
Non-interest bearing:						
Other payables and accrued expenses	15,070	-	-	-	15,070	-
Amount owing to subsidiary companies	25,955	-	-	-	25,955	-
Amount owing to other related companies	115	-	-	-	115	-
	41,140	-	-	-	41,140	
Interest bearing:						
Hire-purchase payables	-	-	-	-	-	-
	41,140	-	-	-	41,140	
2017						
Financial liabilities						
Non-interest bearing:						
Other payables and accrued expenses	15,349	-	-	-	15,349	-
Amount owing to subsidiary companies	35,003	-	-	-	35,003	-
Amount owing to other related companies	341	-	-	-	341	-
	50,693	-	-	-	50,693	
Interest bearing:						
Hire-purchase payables	39	-	-	-	39	2.47 - 4.68
	50,732	-	-	-	50,732	

29. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments

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

	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2018				
Financial assets				
Available-for-sale investments:				
Quoted investments	32,480	32,480 [^]	32,480	32,480 [^]
Unquoted investments	1,731	– #	3	– #
Financial liability				
Hire-purchase payables	96	101*	–	–
2017				
Financial assets				
Available-for-sale investments:				
Quoted investments	32,106	32,106 [^]	31,920	31,920 [^]
Unquoted investments	1,731	– #	3	– #
Financial liability				
Hire-purchase payables	242	252 *	38	39 *

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

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

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

Fair value hierarchy

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

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

29. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2018				
Financial Asset				
Quoted investments	32,480	-	-	32,480
2017				
Financial Asset				
Quoted investments	32,106	-	-	32,106
The Company				
2018				
Financial Asset				
Quoted investments	32,480	-	-	32,480
2017				
Financial Asset				
Quoted investments	31,920	-	-	31,920

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2018				
Financial Liability				
Hire-purchase payables	-	-	101	101
2017				
Financial Liability				
Hire-purchase payables	-	-	252	252
The Company				
2018				
Financial Liability				
Hire-purchase payables	-	-	-	-
2017				
Financial Liability				
Hire-purchase payables	-	-	39	39

30. CONTINGENT LIABILITIES

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

Indemnity for back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments. The contingent liabilities in relation to these claims have been reduced from RM18,897,258 to RM13,556,275 after the cash settlement with certain SFI's employees and provision made during the financial year as disclosed in Note 27.

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

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

On 13 July 2017, SFI obtained a restraining order whereby all proceedings including but not limited to all proceedings in the Labour Court shall be restrained and stayed ("Restraining Order"). The Restraining Order is currently valid until 13 October 2018.

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

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

On 14 February 2005, a registered owner of a piece of land ("Plaintiff") filed a claim against SFI for wrongful encroachment and damages for the trespassing of Plaintiff's land. The litigation claim has been completely withdrawn and discontinued without liberty to file afresh with a settlement agreement entered into by SFI and the Plaintiff as full and final settlement of the claim.

Corporate guarantees

	The Company	
	2018	2017
	RM'000	RM'000
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies (Note 28)	309	518

31. CAPITAL COMMITMENTS

As of 30 June 2018, the Group has the following capital commitments in respect of land registration fees:

	The Group	
	2018	2017
	RM'000	RM'000
Approved but not contracted for	2,810	–

32. SEGMENT INFORMATION

Business Segments

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

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

Others include mainly investment holding, provision of transportation services, treasury businesses, provision of training services, distributing and retailing of consumer products, none of which is of sufficient size to be reported separately.

The inter-segment transactions are conducted at arm's length basis under terms, conditions, and prices not materially different from transactions with non-related parties.

The Group 2018	Building materials and steel products RM'000	Lubricants, petroleum and automotive products RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue					
External customers	292,640	84,541	3,293	–	380,474
Inter-segment sales	–	13	33	(46)	–
Total revenue	<u>292,640</u>	<u>84,554</u>	<u>3,326</u>	<u>(46)</u>	<u>380,474</u>
Results					
Segment results	1,314	9,719	(2,869)	–	8,164
Unallocated expenses					(1,254)
Unallocated income					<u>5,884</u>
Profit from operations					12,794
Finance costs	(6)	(43)	(447)	–	(496)
Share in results of associated companies	–	–	1,463	–	1,463
Gain on disposal of an associated company	–	–	10,231	–	10,231
Provision for indemnity for damages arising from back pay labour claims	–	–	(1,152)	–	<u>(1,152)</u>
Profit before tax					22,840
Income tax expense					<u>(3,611)</u>
Profit for the year					<u>19,229</u>

32. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2018	Building materials and steel products RM'000	Lubricants, petroleum and automotive products RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Consolidated Statement of Financial Position					
Segment assets	215,796	81,136	184,490	–	481,422
Investment in associated companies					44,305
Unallocated corporate assets					111,609
Consolidated Total Assets					637,336
Segment liabilities	28,783	37,937	20,981	–	87,701
Unallocated corporate liabilities					1,819
Consolidated Total Liabilities					89,520
Other Information					
Capital expenditure	411	2,409	660	–	3,480
Depreciation	180	1,748	1,824	–	3,752
Other non-cash items	1,519	612	1,835	–	3,966

32. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2017	Building materials and steel products RM'000	Lubricants, petroleum and automotive products RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue					
External customers	251,428	81,389	6,841	–	339,658
Inter-segment sales	–	7	16	(23)	–
Total revenue	<u>251,428</u>	<u>81,396</u>	<u>6,857</u>	<u>(23)</u>	<u>339,658</u>
Results					
Segment results	2,390	11,348	(4,261)	–	9,477
Unallocated expenses					(1,113)
Unallocated income					5,935
Profit from operations					<u>14,299</u>
Finance costs	(8)	(39)	(860)	–	(907)
Share in results of associated companies	–	–	17,667	–	17,667
Provision for indemnity for damages arising from back pay labour claims	–	–	(3,300)	–	(3,300)
Impairment losses on quoted investments	(185)	(255)	(10,603)	–	(11,043)
Profit before tax					<u>16,716</u>
Income tax expense					(1,957)
Profit for the year					<u><u>14,759</u></u>

32. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2017	Building materials and steel products RM'000	Lubricants, petroleum and automotive products RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Consolidated Statement of Financial Position					
Segment assets	222,937	81,980	200,163	–	505,080
Investment in associated companies					46,660
Unallocated corporate assets					105,315
Consolidated Total Assets					657,055
Segment liabilities	35,602	34,573	47,879	–	118,054
Unallocated corporate liabilities					1,947
Consolidated Total Liabilities					120,001
Other Information					
Capital expenditure	3	1,218	3	–	1,224
Depreciation	154	1,816	3,193	–	5,163
Other non-cash items	3,453	358	1,561	–	5,372

Geographical Segments

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

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

32. SEGMENT INFORMATION (continued)

Geographical Segments (continued)

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

	Revenue			
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	379,202	337,909		
Other countries	1,272	1,749		
	380,474	339,658		

	Total assets		Capital expenditures	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	456,091	464,258	2,833	1,224
Singapore	44,305	46,660	–	–
Other countries	136,940	146,137	647	–
	637,336	657,055	3,480	1,224

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

Information about major customers

Revenue of the Group of approximately RM2,599,000 (2017: RM4,111,000) from the building materials, steel products and lubricants, petroleum and automotive products divisions and transportation services is derived from immediate holding company (2017: immediate holding company).

33. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed deposits with licensed banks (unrestricted) (Note 21)	88,314	38,848	6,928	4,810
Cash and bank balances (unrestricted) (Note 21)	19,880	22,830	2,016	1,961
	108,194	61,678	8,944	6,771

STATEMENT BY DIRECTORS

The Directors of **LION FOREST INDUSTRIES BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2018 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

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

TAN SRI WILLIAM H.J. CHENG

CHAN HO WAI

Kuala Lumpur
8 October 2018

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

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

CHAN HO WAI

Subscribed and solemnly declared by the
abovenamed **CHAN HO WAI** at
KUALA LUMPUR in the **FEDERAL TERRITORY**
on this 8th day of October, 2018.

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS