FINANCIAL STATEMENTS 2018

For The Financial Year Ended 30 June 2018

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is disclosed in Note 43 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events of the Group are disclosed in Note 42 to the financial statements.

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit/(Loss) for the year	181,269	(18,403)
Profit attributable to:		
Owners of the Company	172,629	
Non-controlling interests	8,640	
	181,269	

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

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

As of 30 June 2018, the Company held 37,105,300 treasury shares at a carrying amount of RM13,192,722 as disclosed in Note 28 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made, other than those disclosed in Note 42 to the financial statements.

DIRECTORS

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

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
Tan Sri Cheng Yong Kim
Dato' Kamaruddin @ Abas bin Nordin
Dato' Nik Rahmat bin Nik Taib (Appointed on 28 February 2018)
Chong Jee Min
Yap Soo Har
Cheng Hui Ya, Serena (Appointed on 23 November 2017)

LIST OF DIRECTORS OF SUBSIDIARY COMPANIES

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

Chai Voon Choy
Chan Ho Wai
Chan Poh Lan
Chen Xian Ping
Cheng Hui Ya, Serena
Cheng Hui Yen, Natalie
Cheng Theng How
Cheng Toek Waa
Cheng Yong Liang
Chuah Say Chin
Dato' Eow Kwan Hoong
Dato' Kalsom binti Abd. Rahman
Dato' Kamaruddin @ Abas bin Nordin
Dato' Teoh Teik Jin
Goh Kok Beng
Haji Mohamad Khalid bin Abdullah
Hu Li Ke
Hu Qing Guo
Jiang Hong Xin
Khor Toong Yee
Koh Yong Heng
Koo Chuan Hong
Lee Khian Lai
Lee Soon Saam
Lee Whay Keong
Lin Chung Dien
Liu Cheng Xu
Ong Kek Seng
Ooi Kim Lai
Pang Fook Fah
Poon Sow Har
Sun Li Zhong
Tan Sri Cheng Heng Jem
Tan Sri Cheng Yong Kim
Teoh Lean Keat
Wang Wing Ying

Chai Kian Chong (resigned with effect from 25 April 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)
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)
R Ramesh A/L Rasu (appointed on 10 April 2018; resigned with effect from 8 May 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 shareholdings in the Company of those who were Directors at the end of the financial year are as follows:

	Number of ordinary shares			
	As of 1.7.2017	Additions	Disposals	As of 30.6.2018
Direct interest				
Tan Sri Cheng Yong Kim	9,253,289	–	–	**9,253,289**
Dato' Kamaruddin @ Abas bin Nordin	128,000	–	–	**128,000**
Deemed interest				
Tan Sri Cheng Yong Kim	107,551,440	–	(32,805,791)	**74,745,649**

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

	Number of ordinary shares			
	As of 1.7.2017	Additions	Disposals	As of 30.6.2018
Tan Sri Cheng Yong Kim				
Direct interest				
Lion Forest Industries Berhad	130	–	–	**130**
Deemed interest				
Holdsworth Investment Pte Ltd	1,350,000	–	(1,350,000)	**–**
Lion Forest Industries Berhad	46,239	–	(44,180)	**2,059**
Lion Group Management Services Sdn Bhd	1,650,000	–	(1,650,000)	**–**
Steelcorp Sdn Bhd	750	–	(750)	**–**
Zhongsin Biotech Pte Ltd	490,000	–	(490,000)	**–**

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

DIRECTORS' BENEFITS

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

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

AUDITORS

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

AUDITORS' REMUNERATION

The remuneration of the auditors for the financial year ended 30 June 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 CHENG YONG KIM

CHENG HUI YA, SERENA

Kuala Lumpur
11 October 2018

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2018, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 63 to 168.

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 Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matter	How the scope of our audit responded to the key audit matter
<u>Impairment of property, plant and equipment</u> As of 30 June 2018, accumulated impairment losses of RM255,171,000 (2017: RM255,171,000) have been provided on the assets located at Banting Plant as well as the assets related to one of its subsidiary companies, Lion Waterway Logistics Sdn Bhd (collectively referred as "these assets"), as a consequence of Banting Plant temporarily stopped production since previous years and Lion Waterway Logistics Sdn Bhd slowing down its operations as its major customers had ceased operations since previous years. Significant estimates and judgements were consequently applied by management in determining the recoverable amount of these assets. The recoverable amounts of the assets located at Banting Plant were determined based on the fair value less cost to sell, by reference to the latest valuation carried out by an independent firm of professional valuers in June 2018 as disclosed in Note 4(ii)(e)(i) to the financial statements. (Forward)	Our audit procedures in assessing the recoverable amount of these assets include: • The Group engaged an independent external valuer to determine the market value of these assets located at Banting Plant. We have assessed the competency, capabilities and objectivity of the valuer, and verified their qualifications, and challenged the variables and assumptions used by the valuer to determine the market value of the assets located at Banting Plant. • We also evaluated the reasonableness of the assessment prepared by management in respect of the measurement of value-in-use of these assets and the approach used in estimating the future cash flows expected to arise therefrom. • We performed a physical inspection of a selected sample of these assets to ensure the existence and condition of the respective assets.

Key audit matter	How the scope of our audit responded to the key audit matter
The recoverable amount of the assets of Lion Waterway Logistics Sdn Bhd were determined based on the higher of the fair value less cost of disposal and their value-in-use by using the income approach internally as disclosed in Note 4(ii)(e)(ii) to 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.

Responsibility of the Directors for the Financial Statements

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

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

(Forward)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

(Forward)

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 43 to the financial statements.

Other Matter

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

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

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

Kuala Lumpur
11 October 2018

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Revenue	5	**3,294,795**	2,667,492	**3,093**	2,210
Other income		**57,856**	75,125	**3,110**	42,946
Net changes in inventories		**(70,520)**	(29,473)	**–**	–
Raw materials and consumables used		**(2,428,566)**	(1,876,840)	**–**	–
Purchase of trading merchandise		**(299,505)**	(256,158)	**–**	–
Cost of completed units sold		**(3,034)**	(1,003)	**–**	–
Property development costs	15(b)	**(2,304)**	(55,354)	**–**	–
Staff costs	6	**(171,267)**	(160,598)	**(354)**	(342)
Directors' remuneration	7	**(1,653)**	(1,388)	**(1,448)**	(1,388)
Depreciation of property, plant and equipment	12	**(92,892)**	(102,044)	**(369)**	(374)
Amortisation of prepaid land lease payments	14	**(2,267)**	(2,176)	**–**	–
Other expenses		**(86,006)**	(126,059)	**(20,820)**	(58,705)
Investment income	8	**7,352**	9,562	**725**	934
Finance costs	9	**(20,876)**	(25,006)	**(1,001)**	(2,455)
Profit/(Loss) from operations	6	**181,113**	116,080	**(17,064)**	(17,174)
Share in results of:					
Associated companies	17	**(18,266)**	(9,288)	**–**	–
Joint venture	18	**1,396**	650	**–**	–
Gain on disposal of investment in an associated company	26	**10,231**	–	**–**	–
Profit/(Loss) before tax		**174,474**	107,442	**(17,064)**	(17,174)
Tax credit/(expense)	10	**6,795**	6,023	**(1,339)**	–
Profit/(Loss) for the year		**181,269**	113,465	**(18,403)**	(17,174)
Profit/(Loss) attributable to:					
Owners of the Company		**172,629**	105,311	**(18,403)**	(17,174)
Non-controlling interests		**8,640**	8,154	**–**	–
		181,269	113,465	**(18,403)**	(17,174)
Earnings per ordinary share attributable to owners of the Company (sen):					
Basic and diluted	11	**25.36**	15.37		

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	**181,269**	113,465	**(18,403)**	(17,174)
Other comprehensive income/(loss)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	**(11,287)**	11,574	**–**	–
Share of other comprehensive (loss)/income of associated companies	**(12,994)**	1,171	**–**	–
Transfer of other reserve to profit or loss upon disposal of investment in an associated company	**1,384**	–	**–**	–
Net (loss)/gain on available-for-sale financial assets:				
- Fair value changes	**(10,686)**	1,111	**–**	11
- Transfer to profit or loss upon disposal	**(103)**	–	**(6)**	–
Other comprehensive (loss)/income for the year, net of tax	**(33,686)**	13,856	**(6)**	11
Total comprehensive income/(loss) for the year	**147,583**	127,321	**(18,409)**	(17,163)

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) attributable to:				
Owners of the Company	**141,061**	117,736	**(18,409)**	(17,163)
Non-controlling interests	**6,522**	9,585	**–**	–
	147,583	127,321	**(18,409)**	(17,163)

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2018

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	**539,181**	629,988	**936**	1,301
Investment properties	13	**106,812**	578	**–**	–
Prepaid land lease payments	14	**57,544**	59,811	**–**	–
Land held for property development	15(a)	**50,286**	49,508	**26**	26
Investment in subsidiary companies	16	**–**	–	**751,034**	768,323
Investment in associated companies	17	**777,753**	816,381	**102,448**	102,448
Investment in joint venture	18	**–**	11,051	**–**	–
Long-term investments	19	**1,228**	12,311	**400**	2,338
Deferred tax assets	20	**73,762**	56,456	**–**	–
Goodwill	21	**130,443**	130,443	**–**	–
Total Non-Current Assets		**1,737,009**	1,766,527	**854,844**	874,436
Current Assets					
Property development costs	15(b)	**11,903**	13,209	**–**	–
Inventories	22	**623,806**	372,831	**43**	43
Trade receivables	23(a)	**207,222**	201,972	**–**	8
Other receivables, deposits and prepayments	23(b)	**170,202**	211,135	**4,744**	7,348
Amount owing by associated companies	24(b)	**336**	314	**–**	–
Amount owing by joint venture	18	**1,458**	1,480	**–**	–
Amount owing by subsidiary companies	24(a)	**–**	–	**500,182**	495,971
Deposits, cash and bank balances	25	**319,395**	337,948	**10,837**	9,693
		1,334,322	1,138,889	**515,806**	513,063
Assets classified as held for sale	26	**–**	7,073	**–**	–
Total Current Assets		**1,334,322**	1,145,962	**515,806**	513,063
Total Assets		**3,071,331**	2,912,489	**1,370,650**	1,387,499

(Forward)

	Note	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	27	**1,250,536**	1,250,536	**1,250,536**	1,250,536
Reserves	28	**599,205**	458,144	**(241,380)**	(222,971)
Equity attributable to owners of the Company		**1,849,741**	1,708,680	**1,009,156**	1,027,565
Non-controlling interests	16	**170,577**	164,814	**–**	–
Total Equity		**2,020,318**	1,873,494	**1,009,156**	1,027,565
Non-Current and Deferred Liabilities					
Long-term borrowings	29	**–**	–	**–**	–
Finance lease payables	30	**41,625**	10,282	**–**	–
Hire-purchase obligations	31	**353**	657	**–**	–
Deferred tax liabilities	20	**8,005**	13,609	**–**	–
Total Non-Current and Deferred Liabilities		**49,983**	24,548	**–**	–
Current Liabilities					
Trade payables	32(a)	**544,234**	397,675	**166**	166
Other payables, deposits and accrued expenses	32(b)	**319,026**	384,429	**1,524**	818
Provisions	33	**3,489**	3,100	**–**	–
Advance billings of property development projects		**–**	1,834	**–**	–
Amount owing to subsidiary companies	24(a)	**–**	–	**349,675**	343,285
Finance lease payables	30	**48,755**	54,713	**–**	–
Hire-purchase obligations	31	**309**	576	**–**	41
Short-term borrowings	34	**80,637**	169,862	**9,651**	15,624
Tax liabilities		**4,580**	2,258	**478**	–
Total Current Liabilities		**1,001,030**	1,014,447	**361,494**	359,934
Total Liabilities		**1,051,013**	1,038,995	**361,494**	359,934
Total Equity and Liabilities		**3,071,331**	2,912,489	**1,370,650**	1,387,499

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	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Distributable reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non–controlling interests RM'000	Total equity RM'000
			← Non-distributable reserves →								
As of 1 July 2016		717,909	532,627	(8,086)	16,078	(7,723)	9,678	335,568	1,596,051	155,649	1,751,700
Profit for the year		–	–	–	–	–	–	105,311	105,311	8,154	113,465
Other comprehensive income		–	–	–	10,143	1,171	1,111	–	12,425	1,431	13,856
Total comprehensive income for the year		–	–	–	10,143	1,171	1,111	105,311	117,736	9,585	127,321
Purchase of treasury shares	28	–	–	(5,107)	–	–	–	–	(5,107)	(420)	(5,527)
Transfer of reserve		–	–	–	–	(5,812)	–	5,812	–	–	–
Transfer arising from "no par value" regime	27	532,627	(532,627)	–	–	–	–	–	–	–	–
As of 30 June 2017		1,250,536	–	(13,193)	26,221	(12,364)	10,789	446,691	1,708,680	164,814	1,873,494
As of 1 July 2017		**1,250,536**	**–**	**(13,193)**	**26,221**	**(12,364)**	**10,789**	**446,691**	**1,708,680**	**164,814**	**1,873,494**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**172,629**	**172,629**	**8,640**	**181,269**
Other comprehensive loss		**–**	**–**	**–**	**(7,785)**	**(12,994)**	**(10,789)**	**–**	**(31,568)**	**(2,118)**	**(33,686)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(7,785)**	**(12,994)**	**(10,789)**	**172,629**	**141,061**	**6,522**	**147,583**
Dividend paid to non-controlling interests of a subsidiary company		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(300)**	**(300)**
Acquisition of non-controlling interest	16	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(459)**	**(459)**
As of 30 June 2018		**1,250,536**	**–**	**(13,193)**	**18,436**	**(25,358)**	**–**	**619,320**	**1,849,741**	**170,577**	**2,020,318**

The Company

	Note	Share capital RM'000	← Non-distributable reserves: Share premium RM'000	Treasury shares RM'000	Fair value reserve RM'000	Capital reserve RM'000 →	Accumulated losses RM'000	Total equity RM'000
As of 1 July 2016		717,909	532,627	(8,086)	(5)	5,419	(198,029)	1,049,835
Loss for the year		–	–	–	–	–	(17,174)	(17,174)
Other comprehensive income		–	–	–	11	–	–	11
Total comprehensive income/(loss) for the year		–	–	–	11	–	(17,174)	(17,163)
Purchase of treasury shares	28	–	–	(5,107)	–	–	–	(5,107)
Transfer arising from "no par value" regime	27	532,627	(532,627)	–	–	–	–	–
As of 30 June 2017		1,250,536	–	(13,193)	6	5,419	(215,203)	1,027,565
As of 1 July 2017		**1,250,536**	**–**	**(13,193)**	**6**	**5,419**	**(215,203)**	**1,027,565**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(18,403)**	**(18,403)**
Other comprehensive loss		**–**	**–**	**–**	**(6)**	**–**	**–**	**(6)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(6)**	**–**	**(18,403)**	**(18,409)**
As of 30 June 2018		**1,250,536**	**–**	**(13,193)**	**–**	**5,419**	**(233,606)**	**1,009,156**

The accompanying Notes form an integral part of the Financial Statements

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	**181,269**	113,465
Adjustments for:		
Depreciation of property, plant and equipment	**92,892**	102,044
Tax credit recognised in profit or loss	**(6,795)**	(6,023)
Finance costs	**20,876**	25,006
Allowance for obsolescence of inventories	**438**	4,322
Unrealised loss/(gain) on foreign exchange	**5,007**	(1,440)
Impairment loss on:		
Long-term investments	**147**	46
Trade and other receivables	**6,286**	5,375
Property, plant and equipment	**1,740**	18,000
Amortisation of prepaid land lease payments	**2,267**	2,176
Property, plant and equipment written off	**23**	443
Fair value adjustments on investment properties	**101**	(345)
Share in results of:		
Associated companies	**18,266**	9,288
Joint venture	**(1,396)**	(650)
Interest income	**(8,792)**	(10,567)
Impairment losses no longer required for:		
Trade and other receivables	**(7,263)**	(8,989)
Long-term investments	**(1,427)**	(596)
Allowance no longer required for obsolescence of inventories	**(356)**	–
Gain on disposal of:		
Property, plant and equipment	**(3,359)**	(1,040)
Investment in an associated company	**(10,231)**	–
Long-term investments	**(218)**	–
Provision for indemnity for damages arising from back pay labour claims	**1,152**	3,300
Provision for liquidated damages no longer required	**–**	(25)
Operating Profit Before Working Capital Changes	**290,627**	253,790
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	**(251,057)**	(46,893)
Trade and other receivables, deposits and prepayments	**(65,893)**	45,716
Amount owing by associated companies	**(22)**	(297)
Property development costs	**1,306**	22,054
Amount owing by joint venture	**22**	48
Increase/(Decrease) in trade and other payables, deposits and accrued expenses	**106,706**	(57,676)
Cash Generated From Operations	**81,689**	216,742
Tax paid	**(16,280)**	(5,518)
Net Cash From Operating Activities	**65,409**	211,224

(Forward)

The Group	Note	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividends received from associated companies and joint venture		**16,443**	3,051
Interest received		**8,792**	10,567
Proceeds from redemption of investments		**1,427**	596
Acquisition of non-controlling interest		**(459)**	–
Proceeds from disposal of:			
Property, plant and equipment		**8,550**	2,674
Long-term investment		**365**	–
Investment in an associated company		**17,054**	–
Additions to:			
Property, plant and equipment		**(9,496)**	(4,163)
Associated companies		**–**	(42,064)
Increase in land held for property development		**(778)**	(17,021)
Indemnity paid for litigation claim against a former subsidiary company		**(763)**	(200)
Net Cash From/(Used In) Investing Activities		**41,135**	(46,560)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Decrease in cash and cash equivalents - restricted		**32,251**	643
Repayments of:			
Long-term borrowings		**(60,000)**	(60,000)
Short-term borrowings		**(27,292)**	(32,151)
Finance lease liabilities		**(19,615)**	(18,284)
Hire-purchase obligations		**(571)**	(1,000)
Interest and profit element paid		**(20,457)**	(24,632)
Dividend paid to non-controlling interests of a subsidiary company		**(300)**	–
Purchase of treasury shares		**–**	(5,527)
Net Cash Used In Financing Activities		**(95,984)**	(140,951)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**10,560**	23,713
Effect of foreign exchange differences		**(1,796)**	1,324
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**296,979**	271,942
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**305,743**	296,979

Addition of investment properties

	Note	2018 RM'000	2017 RM'000
Investment properties were acquired by the following mean:			
Other payables	13	**647**	–

(Forward)

The Company	**2018 RM'000**	**2017 RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss for the year	**(18,403)**	(17,174)
Adjustments for:		
Finance costs	**1,001**	2,455
Unrealised loss/(gain) on foreign exchange	**96**	(370)
Tax expense recognised in profit or loss	**1,339**	–
Depreciation of property, plant and equipment	**369**	374
Impairment loss on long-term investments	**1,876**	162
Impairment loss on other receivables	**152**	–
Impairment loss on amount owing by subsidiary companies	**52**	12,764
Interest income	**(814)**	(1,013)
Dividend income	**(3,093)**	(2,210)
Impairment losses no longer required for:		
Amount owing by subsidiary companies	**(2,051)**	(32,135)
Long-term investments	**–**	(188)
Investment in subsidiary companies	**–**	(10,225)
Gain on disposal of long-term investment	**(34)**	–
Loss/(Gain) on disposal of property, plant and equipment	**1**	(1)
Impairment losses on investment in subsidiary companies	**17,289**	43,738
Operating Loss Before Working Capital Changes	**(2,220)**	(3,823)
Movements in working capital:		
Decrease in trade and other receivables, deposits and prepayments	**2,218**	2,359
Increase/(Decrease) in trade and other payables, deposits and accrued expenses	**678**	(16)
Cash Generated From/(Used In) Operations	**676**	(1,480)
Tax refunded	**35**	–
Tax paid	**(654)**	(153)
Net Cash From/(Used In) Operating Activities	**57**	(1,633)

(Forward)

The Company	Note	2018 RM'000	2017 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividend income received		**3,093**	2,210
Interest income received		**814**	1,013
Increase in amount owing by subsidiary companies		**(2,308)**	(7,202)
Purchase of property, plant and equipment		**(5)**	–
Proceeds from disposal of long-term investment		**90**	–
Proceeds from disposal of property, plant and equipment		**–**	2
Net Cash From/(Used In) Investing Activities		**1,684**	(3,977)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayments of:			
Borrowings		**(5,973)**	(34,818)
Hire-purchase obligations		**(41)**	(85)
Finance costs paid		**(1,001)**	(2,455)
Purchase of treasury shares		**–**	(5,107)
Increase in cash and cash equivalents - restricted		**(87)**	(91)
Increase in amount owing to subsidiary companies		**6,390**	50,050
Net Cash (Used In)/From Financing Activities		**(712)**	7,494
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,029**	1,884
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,045**	161
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**3,074**	2,045

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's principal activities are investment holding and property development.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is disclosed in Note 43.

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 11 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 Financial Reporting Standards ("FRS") and the provisions of the Companies Act 2016 in Malaysia.

Malaysian Financial Reporting Standards

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

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

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

Malaysian Financial Reporting Standards (continued)

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

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

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

Adoption of New and Revised Financial Reporting Standards

In the current financial year, the Group and the Company adopted all the amendments of FRSs issued by the MASB and effective for financial periods beginning on or after 1 July 2017:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRSs	Annual Improvements to FRSs 2014-2016 Cycle

The adoption of these amendments to FRSs did not result in significant changes in the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company, other than the disclosure under Amendments to FRS 107, as disclosed in Note 34.

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

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

MFRS 9	Financial Instruments[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 interests in Associates and Joint Ventures[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

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

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

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 Payments[2]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle[1]
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle[2]

Amendments to References to the Conceptual Framework in MFRS Standards[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 Standards, Amendments and IC Interpretation will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards, Amendments and IC Interpretation will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for as further discussed below.

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.

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

MFRS 9 Financial Instruments (continued)

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.

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

Financial assets	2018 RM'000	Existing classification under MFRS 139	New classification under MFRS 9
The Group			
Available-for-sale investments	**1,228**	AFS	FVTOCI
Trade receivables	**207,222**	L&R	AC
Other receivables and refundable deposits	**72,487**	L&R	AC
Amount owing by associated companies	**336**	L&R	AC
Amount owing by joint venture	**1,458**	L&R	AC
Deposits, cash and bank balances	**319,395**	L&R	AC
The Company			
Available-for-sale investments	**400**	AFS	FVTOCI
Other receivables and refundable deposits	**4,744**	L&R	AC
Amount owing by subsidiary companies	**500,182**	L&R	AC
Fixed deposits, cash and bank balances	**10,837**	L&R	AC

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)

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.

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 takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 2, leasing transactions that are within the scope of FRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 102 or value-in-use in FRS 136.

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

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

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

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

Basis of Consolidation

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

- has power over the investee;

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation(continued)

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

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

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

- rights arising from other contractual arrangements; and

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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

Investment in Subsidiary Companies

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

Investment in Associated Companies and Joint Venture

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

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

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

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

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

Investment in Associated Companies and Joint Venture (continued)

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

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

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

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

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

Revenue and Revenue Recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

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

(i) Steel Division

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

(ii) Property Development Division

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

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

Rental income - on accrual basis.

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

(iii) Building Materials Division

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

(iv) Other Divisions

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

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

Foreign Currency

(i) Functional and Presentation Currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency (continued)

(ii) Foreign Currency Transactions

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

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

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

Employee Benefits

(i) Short-term Employee Benefits

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

(ii) Defined Contribution Plans

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

Income Tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax (continued)

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

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

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

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

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

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

Impairment of Assets Excluding Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

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

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

The annual depreciation rates are as follows:

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

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

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

Prepaid Land Lease Payments

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as operating lease. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as prepaid land lease payments and are stated at cost less amount amortised. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 37 to 80 years (2017: 38 to 81 years).

Capitalisation of Borrowing Cost

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

Investment Properties

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

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

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

Investment Properties (continued)

For investment properties under construction or work-in-progress, which the fair value of these investment properties are not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it shall measure that these investment properties at cost until either the fair value becomes reliably measurable or construction is completed (whichever is earlier).

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

Leases

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

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

Property, Plant and Equipment under Finance Leases

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

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

Property, Plant and Equipment under Hire-Purchase Arrangement

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

Land held for Property Development

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Current Assets Classified as Held for Sale

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

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

Goodwill on Consolidation

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

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

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

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

Property Development Activities

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

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

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

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

Islamic Securities Programme ("Sukuk")

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

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

Provisions

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

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

Segment Reporting

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

Contingent Liabilities

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

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

Financial Guarantee Contracts

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

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

Financial Instruments

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

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

Financial Assets

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

<u>Effective interest method</u>

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

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

<u>Financial assets at FVTPL</u>

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

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

Financial Assets (continued)

Financial assets at FVTPL (continued)

A financial asset is classified as held for trading if:

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

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

Held-to-maturity investments

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

Loans and receivables

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

AFS investments

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets (continued)

Impairment of financial assets

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

(a) Loans and receivables

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

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

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

(b) AFS investments

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

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

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

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

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

Financial Assets (continued)

Impairment of financial assets (continued)

(c) Held-to-maturity investments

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

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

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 they transfer 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.

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

Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities and Equity Instruments (continued)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(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	2017
	RM'000	RM'000
Trade receivables	**696,111**	699,114
Other receivables	**358,638**	358,638
	1,054,749	1,057,752
Less: Accumulated impairment losses	**(1,054,749)**	(1,057,752)
Net	**–**	–

In view of Megasteel having stopped operations 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) Assessment of Investment Properties

As disclosed in Note 13, 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 valuation carried out by an independent firm of professional valuers in July 2018.

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 period except for the following:

(a) **Impairment of Non-Current Assets**

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As of 30 June 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**
Land held for property development	**1,319**	1,319	**–**	–
Property development costs	**221**	16,604	**–**	–
Long-term investments	**70,134**	71,561	**–**	–
Investment in associated companies	**12,655**	12,655	**–**	–
Investment in subsidiary companies	**–**	–	**230,264**	212,975

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

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

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

(b) **Impairment of Goodwill**

Determining whether goodwill is impaired requires an estimation of the VIU of the cash-generating units to which goodwill has been allocated. The VIU calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2017: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 21.

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

(ii) Key sources of estimation uncertainty (continued)

(c) Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group amounts to RM73,762,000 (2017: RM56,456,000).

(d) Depreciation of Property, Plant and Equipment

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

(e) Impairment of Property, Plant and Equipment

(i) As of 30 June 2018, the Directors have made a further impairment assessment on the steel making plant of a subsidiary company located at Banting ("the Banting plant"), which has temporarily stopped production since the previous financial years. The recoverable amount of the plant, which consists of land and buildings and plant and machinery, was determined based on fair value less cost to sell, by a reference to the latest valuation carried out by an independent firm of professional valuers in June 2018. The basis of fair value less cost to sell for the said assets was determined as follows:

(a) Land - direct comparison method, being comparison of current prices in an active market for similar properties in the same location and condition and where necessary, adjusting for location, accessibility, market condition, size, shape and terrain of land, tenurial interest and restriction if any, availability of infrastructure, vacant possession and developmental approval and other relevant characteristics.

(b) Building - depreciated replacement cost method, where the building value is taken to be equal to the cost of replacing the building in its existing condition. This is determined by taking the current replacement cost of the building as new and allowing for depreciation of physical, functional and economic obsolescence.

(c) Plant and machineries - depreciated replacement cost method by estimating the replacement cost new ("RCN") for the assets as of the valuation date, where the estimated RCN was derived based on information from web research.

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

The Directors are of the opinion that the carrying amount of the Banting plant is RM245,528,000, net of accumulated impairment loss of RM189,879,000 (2017: RM291,850,000, net of accumulated impairment loss of RM189,879,000) is recoverable.

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

(ii) Key sources of estimation uncertainty (continued)

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

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

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

The Directors are of the opinion that the carrying amount of RM43,483,000, net of accumulated impairment loss of RM65,292,000 (2017: carrying amount of RM55,861,000 net of accumulated impairment loss of RM65,292,000) is recoverable.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Sale of goods	**3,262,671**	2,536,994	**–**	–
Revenue from:				
Property development	**2,516**	88,737	**–**	–
Sale of land under development and completed property units	**4,566**	6,815	**–**	–
Gross rental income	**674**	1,553	**–**	–
Service rendered	**24,368**	33,393	**–**	–
Gross dividend income from associated companies	**–**	–	**3,093**	2,210
	3,294,795	2,667,492	**3,093**	2,210

6. PROFIT/(LOSS) FROM OPERATIONS

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

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Impairment losses on:				
Property, plant and equipment (Note 12)	**(1,740)**	(18,000)	**–**	–
Long-term investments (Note 19)	**(147)**	(46)	**(1,876)**	(162)
Trade and other receivables (Note 23)	**(6,286)**	(5,375)	**(152)**	–
Investment in subsidiary companies (Note 16)	**–**	–	**(17,289)**	(43,738)
Amount owing by subsidiary companies (Note 24(a))	**–**	–	**(52)**	(12,764)
Property, plant and equipment written off	**(23)**	(443)	**–**	–
Provision for indemnity for damages arising from back pay labour claims (Note 33)	**(1,152)**	(3,300)	**–**	–
Allowance for obsolescence of inventories	**(438)**	(4,322)	**–**	–
Impairment losses no longer required for:				
Long-term investments	**1,427**	596	**–**	188
Trade and other receivables (Note 23)	**7,263**	8,989	**–**	–
Investment in subsidiary companies (Note 16)	**–**	–	**–**	10,225
Amount owing by subsidiary companies (Note 24(a))	**–**	–	**2,051**	32,135
Gain/(Loss) on disposal of:				
Property, plant and equipment	**3,359**	1,040	**(1)**	1
Long-term investments (Note 19)	**218**	–	**34**	–
Allowance for obsolescence of inventories no longer required	**356**	–	**–**	–
Provision for liquidated damages no longer required	**–**	25	**–**	–

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

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Fair value adjustments on				
investment properties (Note 13)	**(101)**	345	**–**	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	**(817)**	(822)	**(125)**	(125)
Overprovision in prior years	**12**	3	**–**	–
Other auditors:				
Current year	**(55)**	(55)	**–**	–
Bad debts recovered	**14**	70	**–**	–
Rental income from premises	**2,186**	2,268	**–**	–
Rental expense of:				
Premises	**(5,112)**	(4,552)	**–**	–
Plant, machinery and equipment	**(4,056)**	(4,003)	**–**	–
Jetties and leasehold land	**(4,692)**	(4,817)	**–**	–
Gain/(Loss) on foreign exchange (net):				
Realised	**5,018**	7,940	**–**	(648)
Unrealised	**(5,007)**	1,440	**(96)**	370
Interest income from Housing				
Development Accounts	**1,440**	1,005	**89**	79

Analysis of staff costs is as follows:

	The Group		The Company	
	2018	2017	**2018**	2017
	RM'000	RM'000	**RM'000**	RM'000
Salaries, bonuses and allowances	**157,482**	146,013	**341**	327
Defined contribution plans	**13,785**	14,585	**13**	15
	171,267	160,598	**354**	342

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

	The Group	
	2018	2017
	RM'000	RM'000
Salaries, bonuses and allowances	**3,073**	3,516
Defined contribution plans	**235**	330
	3,308	3,846

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group and of the Company as disclosed in Note 7, otherwise than in cash from the Group amounted to RM25,593 (2017: RM59,907).

7. DIRECTORS' REMUNERATION

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive Director:				
Fee	**35**	25	**35**	25
Salary and other emoluments	**992**	992	**992**	992
Defined contribution plans	**63**	118	**63**	118
	1,090	1,135	**1,090**	1,135
Non-executive Directors:				
Fees	**315**	210	**295**	210
Salary and other emoluments	**229**	43	**63**	43
Defined contribution plans	**19**	–	**–**	–
	563	253	**358**	253
Total	**1,653**	1,388	**1,448**	1,388

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM108,419 (2017: RM107,398).

8. INVESTMENT INCOME

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income from:				
Fixed deposits	**4,898**	5,465	**130**	150
Related parties	**327**	1,681	**–**	–
Subsidiary companies	**–**	–	**268**	512
Others	**2,127**	2,416	**327**	272
	7,352	9,562	**725**	934

9. FINANCE COSTS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on:				
Term loans	**580**	2,063	**580**	2,063
Security deposits received from customers	**2,316**	1,719	**–**	–
Bills payable	**3,905**	3,921	**–**	–
Bank overdrafts	**676**	549	**416**	384
Finance lease and hire-purchase	**1,916**	4,691	**1**	4
Product financing liabilities	**2,715**	–	**–**	–
Others	**5,996**	6,609	**4**	4
Profit element on Sukuk	**2,772**	5,454	**–**	–
	20,876	25,006	**1,001**	2,455

10. TAX CREDIT/(EXPENSE)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Estimated tax payable:				
Current year	**(9,743)**	(16,328)	**–**	–
(Under)/Overprovision in prior years	**(6,372)**	10,541	**(1,339)**	–
	(16,115)	(5,787)	**(1,339)**	–
Deferred taxation (Note 20):				
Current year	**21,242**	6,479	**–**	–
Over provision in prior years	**1,668**	5,331	**–**	–
	22,910	11,810	**–**	–
Total tax credit/(expense)	**6,795**	6,023	**(1,339)**	–

10. TAX CREDIT/(EXPENSE) (continued)

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

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(Loss) before tax	**174,474**	107,442	**(17,064)**	(17,174)
Tax (expense)/credit at statutory tax rate of 24% (2017: 24%)	**(41,874)**	(25,786)	**4,095**	4,122
Tax effects of:				
Non-taxable income	**7,294**	5,828	**492**	10,644
Non-deductible expenses	**(13,544)**	(12,392)	**(4,961)**	(11,772)
Tax effect on share in results of associated companies and joint venture	**(4,032)**	(2,073)	**–**	–
Deferred tax assets not recognised	**(192)**	–	**–**	(2,994)
Realisation of deferred tax assets previously not recognised	**63,847**	24,574	**374**	–
(Under)/Over provision in prior years:				
Income tax	**(6,372)**	10,541	**(1,339)**	–
Deferred taxation	**1,668**	5,331	**–**	–
	6,795	6,023	**(1,339)**	–

11. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per share

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

	2018 RM'000	**2017 RM'000**
Profit attributable to owners of the Company	**172,629**	105,311

	2018 '000	**2017 '000**
Weighted average number of ordinary shares in issue	**680,804**	693,973
Less: Effect of treasury shares	**–**	(8,659)
	680,804	685,314

	2018	**2017**
Basic earnings per share (sen)	**25.36**	15.37

(b) Diluted earnings per share

The basic and diluted earnings per share are the same for 2018 and 2017 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

12. PROPERTY, PLANT AND EQUIPMENT

The Group

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	COST					
	As of 1 July 2017 RM'000	**Additions RM'000**	**Disposals RM'000**	**Write–offs RM'000**	**Exchange differences RM'000**	**As of 30 June 2018 RM'000**
Freehold land	77,101	–	–	–	–	**77,101**
Freehold buildings	305,155	42	–	–	–	**305,197**
Buildings under long lease	112,741	–	–	–	–	**112,741**
Buildings under short lease	466	–	–	–	–	**466**
Plant, machinery and equipment	1,503,578	3,885	(7,036)	(6)	(709)	**1,499,712**
Prime movers and trailers	20,731	–	(18,437)	–	–	**2,294**
Motor vehicles	16,255	534	(1,944)	–	(29)	**14,816**
Furniture and office equipment	70,705	952	(423)	(240)	(2)	**70,992**
Computer equipment	6,499	144	(6)	–	–	**6,637**
Floating cranes	87,616	–	–	–	–	**87,616**
Tug boats and barges	74,179	–	(4,669)	–	–	**69,510**
Infrastructure	107,100	–	–	–	–	**107,100**
Renovations	1,892	–	–	–	–	**1,892**
Construction work-in-progress	141,436	3,939	–	–	–	**145,375**
Total	2,525,454	9,496	(32,515)	(246)	(740)	**2,501,449**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group

	ACCUMULATED DEPRECIATION					
	As of 1 July 2017 RM'000	Charge for the year RM'000	Disposals RM'000	Write–offs RM'000	Exchange differences RM'000	As of 30 June 2018 RM'000
Freehold land	–	–	–	–	–	**–**
Freehold buildings	202,820	13,501	–	–	–	**216,321**
Buildings under long lease	92,217	2,172	–	–	–	**94,389**
Buildings under short lease	466	–	–	–	–	**466**
Plant, machinery and equipment	1,086,492	62,142	(5,144)	(4)	(257)	**1,143,229**
Prime movers and trailers	15,241	431	(13,378)	–	–	**2,294**
Motor vehicles	13,654	814	(1,592)	–	(24)	**12,852**
Furniture and office equipment	57,009	2,921	(418)	(219)	(1)	**59,292**
Computer equipment	5,202	414	(4)	–	(1)	**5,611**
Floating cranes	49,470	6,659	–	–	–	**56,129**
Tug boats and barges	60,759	3,733	(3,573)	–	–	**60,919**
Infrastructure	49,980	–	–	–	–	**49,980**
Renovations	1,538	105	–	–	–	**1,643**
Construction work-in-progress	–	–	–	–	–	**–**
Total	1,634,848	92,892	(24,109)	(223)	(283)	**1,703,125**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group			ACCUMULATED IMPAIRMENT LOSSES				NET BOOK VALUE	
	As of 1 July 2016 RM'000	Charge for the year RM'000	As of 30 June 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	1,754	–	1,754	–	–	**1,754**	**75,347**	75,347
Freehold buildings	28,299	–	28,299	–	–	**28,299**	**60,577**	74,036
Buildings under long lease	–	–	–	1,515	–	**1,515**	**16,837**	20,524
Buildings under short lease	–	–	–	–	–	–	**–**	–
Plant, machinery and equipment	67,321	18,000	85,321	225	–	**85,546**	**270,937**	331,765
Prime movers and trailers	3,215	–	3,215	–	(3,215)	**–**	**–**	2,275
Motor vehicles	–	–	–	–	–	**–**	**1,964**	2,601
Furniture and office equipment	–	–	–	–	–	**–**	**11,700**	13,696
Computer equipment	–	–	–	–	–	**–**	**1,026**	1,297
Floating cranes	–	–	–	–	–	**–**	**31,487**	38,146
Tug boats and barges	–	–	–	–	–	**–**	**8,591**	13,420
Infrastructure	57,120	–	57,120	–	–	**57,120**	**–**	–
Renovations	–	–	–	–	–	**–**	**249**	354
Construction work-in-progress	84,909	–	84,909	–	–	**84,909**	**60,466**	56,527
Total	242,618	18,000	260,618	1,740	(3,215)	**259,143**	**539,181**	629,988

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

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

	COST			
	As of 1 July 2017 RM'000	**Addition RM'000**	**Disposal RM'000**	**As of 30 June 2018 RM'000**
Motor vehicles	678	–	–	**678**
Furniture and office equipment	1,612	5	–	**1,617**
Computer equipment	3,495	–	(5)	**3,490**
Renovations	1,007	–	–	**1,007**
Total	6,792	5	(5)	**6,792**

	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 RM'000**	**As of 30 June 2017 RM'000**
Motor vehicles	676	–	–	676	2
Furniture and office equipment	1,433	36	(10)	1,459	153
Computer equipment	2,461	237	(3)	2,695	800
Renovations	560	101	–	661	346
Total	5,130	374	(13)	5,491	1,301

	ACCUMULATED DEPRECIATION				NET BOOK VALUE
	As of 1 July 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**
Motor vehicles	676	–	–	**676**	**2**
Furniture and office equipment	1,459	36	–	**1,495**	**122**
Computer equipment	2,695	232	(4)	**2,923**	**567**
Renovations	661	101	–	**762**	**245**
Total	5,491	369	(4)	**5,856**	**936**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) As of 30 June 2018, the Group has recognised accumulated impairment losses of RM255,171,000 (2017: RM255,171,000) in respect of the assets located at Banting plant as well as the assets related to one of its subsidiary companies, Lion Waterway as a result of the said Banting plant has temporarily stopped productions since previous years and the major customers of Lion Waterway had temporarily operations since previous years. The said impairment loss was determined based on the assumptions as disclosed in Notes 4(ii)(e)(i) and (ii).

(b) As of 30 June 2018, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM38.7 million (2017: RM216.5 million) have been charged as collateral to certain financial institutions for the finance lease payables and borrowings granted to the Group (Notes 30 and 34).

(c) Included in property, plant and equipment of the Group and of the Company are assets acquired under lease and hire-purchase arrangements with net book values of RM38,979,000 (2017: RM50,089,000) and RMNil (2017: RM2,000) respectively.

13. INVESTMENT PROPERTIES

	The Group				
	Freehold land RM'000	**Freehold land and buildings RM'000**	**Leasehold land RM'000**	**Work-in-progress RM'000**	**Total RM'000**
As of 1 July 2016	–	596	1,284	–	1,880
Fair value adjustments during the year (Note 6)	–	(18)	363	–	345
Transfer to assets classified as held for sale (Note 26)	–	–	(1,647)	–	(1,647)
As of 30 June 2017/1 July 2017	**–**	**578**	**–**	**–**	**578**
Addition	**–**	**–**	**–**	**647**	**647**
Transferred from other receivables, deposits and prepayments (Note 23(b)(iii))	**48,047**	**–**	**–**	**55,933**	**103,980**
Reclassified from assets classified as held for sale (Note 26)	**–**	**–**	**1,708**	**–**	**1,708**
Fair value adjustments during the year (Note 6)	**(578)**	**(18)**	**495**	**–**	**(101)**
As of 30 June 2018	**47,469**	**560**	**2,203**	**56,580**	**106,812**

13. INVESTMENT PROPERTIES (continued)

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

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 work-in-progress is stated at cost as of the end of the reporting period. 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.

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

The rental income earned by the Group from its investment properties amounted to RM10,850 (2017: RMNil). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the financial year amounted to RM5,991 (2017: RM633).

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM9,603 (2017: RM10,215).

14. PREPAID LAND LEASE PAYMENTS

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Cost:		
At beginning and end of year	**103,355**	103,355
Accumulated amortisation:		
At beginning of year	**43,544**	41,368
Amortisation for the year	**2,267**	2,176
At end of year	**45,811**	43,544
Net book value	**57,544**	59,811

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

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

As of 30 June 2017, certain parcels of leasehold land of the Group with carrying values totalling RM17.0 million were charged as collateral to certain financial institutions for the borrowings granted to the Group.

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year:				
Land costs	**28,759**	29,806	**13**	13
Development costs	**22,068**	5,123	**13**	13
	50,827	34,929	**26**	26
Costs incurred:				
Development costs	**778**	17,021	**–**	–
Costs transferred to property development costs (Note 15(b))				
Land costs	**–**	(1,047)	**–**	–
Development costs	**–**	(76)	**–**	–
	–	(1,123)	**–**	–
At end of year:				
Land costs	**28,759**	28,759	**13**	13
Development costs	**22,846**	22,068	**13**	13
	51,605	50,827	**26**	26
Accumulated impairment losses:				
At beginning of year	**(1,319)**	(2,425)	**–**	–
Transferred to property development costs (Note 15(b))	**–**	1,106	**–**	–
At end of year	**(1,319)**	(1,319)	**–**	–
Net	**50,286**	49,508	**26**	26

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

(b) Property Development Costs

	The Group	
	2018	**2017**
	RM'000	**RM'000**
At beginning of year:		
Land costs	**63,678**	62,631
Development costs	**207,323**	173,947
	271,001	236,578
Costs incurred:		
Development costs	**1,018**	37,549
Transfer to completed unit for sale	**–**	(4,249)
Transferred from land held for property development (Note 15(a))		
Land costs	**–**	1,047
Development costs	**–**	76
	–	1,123
At end of year:		
Land costs	**63,678**	63,678
Development costs	**208,341**	207,323
	272,019	271,001
Costs recognised as expenses in profit or loss:		
Previous years	**(241,188)**	(185,834)
Current year	**(2,304)**	(55,354)
Eliminated due to completion of projects	**(16,403)**	–
	(259,895)	(241,188)
Accumulated impairment losses:		
At beginning of year	**(16,604)**	(15,498)
Transferred from land held for property development (Note 15(a))	**–**	(1,106)
Eliminated due to completion of projects	**16,383**	–
At end of year	**(221)**	(16,604)
Net	**11,903**	13,209

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2018 RM'000	2017 RM'000
Shares quoted in Malaysia:		
At beginning and end of year	**42,232**	42,232
Unquoted shares in Malaysia:		
At cost	**925,437**	309,495
Addition	**–**	615,942
Deemed capital contribution	**13,629**	13,629
	939,066	939,066
Accumulated impairment losses	**(230,264)**	(212,975)
	708,802	726,091
Total	**751,034**	768,323
Market value of quoted shares	**23,692**	25,723

Movements in the accumulated impairment losses are as follows:

	The Company 2018 RM'000	2017 RM'000
At beginning of year	**212,975**	179,462
Impairment losses recognised during the year (Note 6)	**17,289**	43,738
Impairment losses no longer required (Note 6)	**–**	(10,225)
At end of year	**230,264**	212,975

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that accumulated impairment losses of RM230,264,000 (2017: RM212,975,000) is deemed adequate in respect of investment in subsidiary companies.

On 8 May 2018, Crest Wonder Sdn Bhd, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of Lunas Cemerlang Sdn Bhd for a cash consideration of RM1; and Lunas Cemerlang Sdn Bhd acquired the entire issued share capital of Gelora Berkat Sdn Bhd for a cash consideration of RM1. Consequent thereupon, Lunas Cemerlang Sdn Bhd and Gelora Berkat Sdn Bhd became wholly-owned subsidiaries of the Company. The acquisition of Lunas Cemerlang Sdn Bhd and Gelora Berkat Sdn Bhd does not have a material impact on the earnings and net assets of the Group for the financial year ended 30 June 2018.

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

16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Composition of the Group

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

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiary companies		Number of non wholly-owned subsidiary companies	
		2018	**2017**	**2018**	**2017**
Property development	Malaysia	**7**	7	**2**	2
Manufacture and sale and distribution of steel products	Malaysia	**–**	–	**3**	3
Manufacture and sale and distribution of other products	Malaysia	**–**	–	**6**	6
Investment and development in agriculture	Cambodia	**–**	–	**23**	23
Investment holding	British Virgin Islands	**–**	–	**25**	25
Others	Malaysia	**28**	26	**22**	23
Others	Other countries	**–**	–	**5**	7
		35	33	**86**	89

Non-Controlling Interests in Subsidiary Companies

During the financial year, Lion Forest Industries Berhad ("LFIB"), a subsidiary of 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 LFIB.

The Group's subsidiary company that has material non-controlling interests ("NCI") is LFIB.

	Percentage of ownership interests held by NCI	Profit allocated to NCI RM'000	Accumulated NCI RM'000
2018			
LFIB	**26%**	**4,985**	**142,028**
Other individually immaterial subsidiary companies with NCI		**3,655**	**28,549**
		8,640	**170,577**
2017			
LFIB	26%	3,823	139,041
Other individually immaterial subsidiary companies with NCI		4,331	25,773
		8,154	164,814

16. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

	LFIB	
	2018 RM'000	**2017 RM'000**
Non-current assets	**209,516**	112,572
Current assets	**427,820**	544,483
Non-current liabilities	**(739)**	(794)
Current liabilities	**(88,781)**	(119,207)
Total equity	**547,816**	537,054
Equity attributable to owners of the Company	**547,816**	536,297
Non-controlling interests	**–**	757
	547,816	537,054
Revenue	**380,474**	339,658
Profit for the year	**19,229**	14,759
Profit attributable to:		
Owners of the Company	**19,228**	14,746
Non-controlling interests	**1**	13
	19,229	14,759
Other comprehensive (loss)/income attributable to:		
Owners of the Company	**(7,709)**	6,665
Non-controlling interests	**1**	–
	(7,708)	6,665
Total comprehensive income attributable to:		
Owners of the Company	**11,519**	21,411
Non-controlling interests	**2**	13
	11,521	21,424
Net cash inflow/(outflow) from:		
Operating activities	**18,277**	9,793
Investing activities	**50,609**	(20,941)
Financing activities	**(22,370)**	(5,432)
Net cash inflow/(outflow)	**46,516**	(16,580)

17. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At cost:				
Quoted investments	**239,501**	239,501	**64,394**	64,394
Unquoted investments	**127,564**	139,641	**38,054**	38,054
	367,065	379,142	**102,448**	102,448
Share in post-acquisition results and reserves less dividends received	**423,343**	455,259	**–**	–
Accumulated impairment losses	**(12,655)**	(12,655)	**–**	–
	777,753	821,746	**–**	–
Reclassified as assets held for sale (Note 26)	**–**	(5,365)	**–**	–
	777,753	816,381	**102,448**	102,448
Market value of quoted investments	**220,371**	209,230	**40,958**	38,335

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

2018	**Parkson RM'000**	**Other individually immaterial associated companies RM'000**	**Total RM'000**
Summarised financial information			
Proportion of the Group's effective ownership interest	28%		
Assets and Liabilities			
Current assets	**3,091,844**	**489,168**	**3,581,012**
Non-current assets	**5,855,659**	**85,049**	**5,940,708**
Current liabilities	**(2,618,859)**	**(91,493)**	**(2,710,352)**
Non-current liabilities	**(2,721,087)**	**(11,335)**	**(2,732,422)**
Non-controlling interests	**(1,373,780)**	**–**	**(1,373,780)**
Net assets	**2,233,777**	**471,389**	**2,705,166**

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

2018	Parkson RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised financial information (continued)			
Results			
Revenue	**3,981,735**	**403,268**	**4,385,003**
(Loss)/Profit for the year	**(169,757)**	**21,715**	**(148,042)**
Other comprehensive loss for the year	**(74,732)**	**–**	**(74,732)**
Total comprehensive (loss)/income for the year	**(244,489)**	**21,715**	**(222,774)**
Group's share of (loss)/profit of associated companies	**(28,199)**	**9,933**	**(18,266)**
Dividend received from associated companies	**–**	**3,996**	**3,996**
Reconciliation of net assets to carrying amount			
Group's share of net assets	**636,068**	**136,972**	**773,040**
Other adjustments	**4,713**	**–**	**4,713**
Carrying amount in the statements of financial position	**640,781**	**136,972**	**777,753**

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

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	The Group	
	2018 RM'000	2017 RM'000
Share of net assets (excluding goodwill)	**414,948**	442,734
Share of goodwill of associated companies	**362,805**	373,647
	777,753	816,381

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

	The Group	
	2018 RM'000	2017 RM'000
At beginning and end of year	**26,739**	26,739

18. INVESTMENT IN JOINT VENTURE

	The Group	
	2018 RM'000	2017 RM'000
Unquoted shares:		
At cost	**125**	125
Share in post-acquisition results less dividend received	**(125)**	10,926
	–	11,051

Details of the joint venture are as follows:

Name of Joint Venture	Financial Year End	Country of Incorporation	Effective Percentage Ownership 2018 %	Effective Percentage Ownership 2017 %	Principal Activity
Mergexcel Property Development Sdn Bhd	31 March	Malaysia	**49**	49	Property development

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

18. INVESTMENT IN JOINT VENTURE (continued)

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

	The Group	
	2018 RM'000	2017 RM'000
Assets and Liabilities		
Current assets	**13,824**	36,085
Non-current assets	**101**	116
Current liabilities	**(1,446)**	(1,585)
Net assets	**12,479**	34,616
Results		
Revenue	**–**	–
Profit for the year	**2,523**	1,174
Group's share of profit of joint venture	**1,396**	650
Reconciliation of net assets to carrying amount		
Group's share of net assets	**6,904**	19,150
Other adjustments	**(6,904)**	(8,099)
Carrying amount in the statements of financial position	**–**	11,051

The above profit for the year including the following:

	The Group	
	2018 RM'000	2017 RM'000
Depreciation of property, plant and equipment	**15**	15
Interest income	**388**	1,378

Amount owing by joint venture arose mainly from advances granted and payments made on behalf of the joint venture. The said amount is interest-free (2017: interest-free) and repayable on demand.

19. LONG-TERM INVESTMENTS

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Available-for-sale investments				
Quoted investments in Malaysia:				
At fair value				
Shares	**–**	10,686	**–**	1,876
Quoted investments outside Malaysia:				
Shares – at fair value	**–**	250	**–**	62
Unquoted investments:				
Shares – at cost	**1,228**	1,375	**400**	400
	1,228	12,311	**400**	2,338
Held-to-maturity investments				
At amortised cost				
Unquoted bonds, adjusted for accretion of interest	**70,134**	71,561	**–**	–
Less: Accumulated impairment losses	**(70,134)**	(71,561)	**–**	–
	–	–	**–**	–
Total	**1,228**	12,311	**400**	2,338

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments for indication of impairment and concluded that the carrying amounts are in excess of their recoverable amounts. Accordingly, the Directors have recognised an impairment loss amounting to RM147,000 (2017: RM46,000) and RM1,876,000 (2017: RM162,000) in profit or loss of the Group and of the Company respectively.

During the current financial year, the Group and the Company have disposed of the quoted investments outside Malaysia with a sales consideration of RM364,000 and RM90,000 respectively. The Group and the Company recognised a gain on disposal of RM218,000 and RM34,000 respectively in the current year profit or loss.

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

20. DEFERRED TAX ASSETS/(LIABILITIES)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	**42,847**	31,037	**–**	–
Transfer to/(from) profit or loss (Note 10):				
Property, plant and equipment	**(20,647)**	82,657	**–**	(61)
Trade and other receivables	**6,231**	(5,419)	**–**	–
Inventories	**19**	267	**–**	–
Others	**2,699**	(3,084)	**–**	–
Unused tax losses and unabsorbed capital allowances	**34,608**	(62,611)	**–**	61
	22,910	11,810	**–**	–
At end of year	**65,757**	42,847	**–**	–

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	**73,762**	56,456	**–**	–
Deferred tax liabilities	**(8,005)**	(13,609)	**–**	–
	65,757	42,847	**–**	–

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets				
Temporary differences arising from:				
Trade and other receivables	**25,230**	18,999	**–**	–
Inventories	**2,574**	2,555	**–**	–
Others	**7,359**	7,726	**–**	–
Unused tax losses and unabsorbed capital allowances	**79,496**	44,888	**193**	252
	114,659	74,168	**193**	252
Offsetting	**(40,897)**	(17,712)	**(193)**	(252)
Deferred tax assets (after offsetting)	**73,762**	56,456	**–**	–

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

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	**45,927**	25,280	**193**	252
Others	**2,975**	6,041	**–**	–
	48,902	31,321	**193**	252
Offsetting	**(40,897)**	(17,712)	**(193)**	(252)
Deferred tax liabilities (after offsetting)	**8,005**	13,609	**–**	–

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Temporary differences arising from:				
Property, plant and equipment	**(985)**	(314)	**–**	–
Trade and other receivables	**967,103**	970,329	**–**	–
Others	**5,693**	3,911	**–**	–
Unused tax losses and unabsorbed capital allowances	**578,302**	752,566	**70,697**	72,256
Unused reinvestment allowances	**74,793**	163,647	**–**	–
	1,624,906	1,890,139	**70,697**	72,256

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

21. GOODWILL

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Goodwill on consolidation:		
At beginning and end of year	**131,644**	131,644
Cumulative impairment loss:		
At beginning and end of year	**(1,201)**	(1,201)
Net	**130,443**	130,443

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 2 years and extrapolates cash flows for the following 3 years based on an estimated growth rate of 5% (2017: 5%) per annum. The pre-tax discount rate used is 8% (2017: 8%) per annum.

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

22. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property:				
Completed units for sale	**3,096**	6,130	**43**	43
Products at cost:				
Raw materials	**342,194**	128,215	**–**	–
Finished goods	**140,221**	69,173	**–**	–
General and consumable stores	**159,383**	143,715	**–**	–
Trading merchandise	**10,304**	10,832	**–**	–
Goods-in-transit	**–**	46,251	**–**	–
	652,102	398,186	**–**	–
Less: Allowance for obsolescence of inventories	**(31,392)**	(31,485)	**–**	–
	620,710	366,701	**–**	–
Net	**623,806**	372,831	**43**	43

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

Certain of the Group's inventories with carrying values totalling RMNil (2017: RM143.4 million) have been pledged as collateral to certain financial institutions for the borrowings granted to the Group.

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**935,903**	934,536	**–**	8
Less: Accumulated impairment losses	**(728,681)**	(732,564)	**–**	–
Net	**207,222**	201,972	**–**	8

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

The credit period granted to customers ranges from 30 to 90 days (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 has trade receivables amounting to RM26.7 million (2017: RM30.3 million) that are past due at the end of the reporting period but against which the Group has not recognised impairment lossess as the amounts are still considered recoverable.

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

(a) Trade receivables (continued)

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	**180,495**	171,668	**–**	8
31 - 60 days past due but not impaired	**10,396**	12,744	**–**	–
61 - 90 days past due but not impaired	**7,138**	6,829	**–**	–
91 - 120 days past due but not impaired	**1,444**	1,248	**–**	–
More than 120 days past due but not impaired	**7,749**	9,483	**–**	–
	207,222	201,972	**–**	8
Past due and impaired	**728,681**	732,564	**–**	–
Total trade receivables	**935,903**	934,536	**–**	8

<u>Movements in the accumulated impairment losses are as follows:</u>

	The Group	
	2018 RM'000	2017 RM'000
At beginning of year	**732,564**	734,791
Impairment loss recognised during the year	**5,018**	5,375
Amount recovered during the year	**(6,962)**	(7,248)
Amount written off during the year	**(1,939)**	(354)
At end of year	**728,681**	732,564

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 the following two major related parties, Megasteel and Lion DRI which have been fully impaired in the previous year:

	The Group	
	2018 RM'000	2017 RM'000
Megasteel	**542,569**	542,903
Lion DRI	**153,542**	156,211
	696,111	699,114
Less: Accumulated impairment losses	**(696,111)**	(699,114)
Net	**–**	–

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

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

(a) Trade receivables (continued)

The currency profile of trade receivables is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**170,759**	160,132	**–**	8
United States Dollar	**36,463**	39,134	**–**	–
Singapore Dollar	**–**	2,706	**–**	–
	207,222	201,972	**–**	8

As of 30 June 2018, the trade receivables of the Group amounting to RMNil (2017: RM35.2 million) have been pledged as collateral to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Note 34).

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other receivables	**441,028**	436,399	**5,592**	7,353
Less: Accumulated impairment losses	**(388,191)**	(388,069)	**(1,100)**	(948)
	52,837	48,330	**4,492**	6,405
Advance payments to suppliers	**67,128**	15,999	**–**	–
Tax recoverable	**20,574**	18,087	**–**	242
Deposits	**19,650**	119,097	**252**	701
Prepayments	**10,013**	9,622	**–**	–
	170,202	211,135	**4,744**	7,348

Movements in the accumulated impairment losses are as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of year	**388,069**	389,813	**948**	948
Impairment losses recognised during the year	**1,268**	–	**152**	–
Amount recovered during the year	**(301)**	(1,741)	**–**	–
Amount written off during the year	**(845)**	(3)	**–**	–
At end of year	**388,191**	388,069	**1,100**	948

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

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

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

As of 30 June 2018, the Group has other receivables due from the following three major related parties, Megasteel, Lion DRI and Graimpi:

	The Group	
	2018 RM'000	**2017 RM'000**
Other receivables		
Megasteel	**48,558**	48,558
Lion DRI	**37,900**	37,900
Graimpi	**272,180**	272,180
	358,638	358,638
Less: Accumulated impairment losses	**(358,638)**	(358,638)
	–	–

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

(i) As of 30 June 2018, other receivables, deposits and prepayments of the Group with carrying values of RMNil (2017: RM12.9 million) have been pledged as collateral to certain financial institutions, by way of a floating charge, for the borrowings obtained by the Group (Note 34).

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

(a) RM272.2 million (2017: RM272.2 million) due from Graimpi, representing debts novated from Lion DRI, which bore interest at 8.85% per annum in the previous years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM272.2 million (2017: RM272.2 million) on the said outstanding receivables due from Graimpi.

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

The amount was fully settled during the financial year.

(c) RM48.6 million (2017: RM48.6 million) represents deferred cash payment receivable from Megasteel pursuant to a settlement scheme implemented to settle its outstanding trade amount in the previous financial years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM48.6 million (2017: RM48.6 million) on the said outstanding receivables due from Megasteel.

(d) RM37.9 million (2017: RM37.9 million) due from Lion DRI, are unsecured, interest-free and repayable on demand.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM37.9 million (2017: RM37.9 million) on the said outstanding receivables due from Lion DRI.

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

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

(iii) In 2017, included in deposits of the Group are refundable deposits totalling USD25.7 million (equivalent to RM110.5 million) 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 13.

(iv) The currency profile of other receivables, tax recoverable, deposits, prepayments and advance payments to suppliers is as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**133,822**	84,036	**4,744**	7,348
United States Dollar	**26,219**	122,909	**–**	–
Euro	**5,080**	892	**–**	–
Chinese Renminbi	**4,885**	3,232	**–**	–
Singapore Dollar	**30**	29	**–**	–
Others	**166**	37	**–**	–
	170,202	211,135	**4,744**	7,348

24. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company	
	2018	**2017**
	RM'000	**RM'000**
Amount owing by subsidiary companies	**632,989**	630,777
Less: Accumulated impairment losses	**(132,807)**	(134,806)
Net	**500,182**	495,971
Amount owing to subsidiary companies	**349,675**	343,285

24. RELATED COMPANY TRANSACTIONS (continued)

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

Movement in the accumulated impairment losses is as follows:

	The Company	
	2018	**2017**
	RM'000	**RM'000**
At beginning of year	**134,806**	154,177
Impairment losses recognised during the year (Note 6)	**52**	12,764
Impairment losses on amount owing by subsidiary companies no longer required (Note 6)	**(2,051)**	(32,135)
At end of year	**132,807**	134,806

Amount owing by subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is either interest-free or bears interest at 8% (2017: 8%) per annum and repayable on demand.

Amount owing to subsidiary companies which arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is interest-free (2017: interest-free) and repayable on demand.

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

	The Company	
	2018	**2017**
	RM'000	**RM'000**
Ringgit Malaysia	**500,150**	495,951
United States Dollar	**32**	20
	500,182	495,971

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

	The Company	
	2018	**2017**
	RM'000	**RM'000**
Ringgit Malaysia	**340,839**	334,449
Chinese Renminbi	**8,836**	8,836
	349,675	343,285

24. RELATED COMPANY TRANSACTIONS (continued)

(b) Amount owing by associated companies

	The Group	
	2018 RM'000	2017 RM'000
Amount owing by associated companies	**336**	314

Amount owing by associated companies, which arose from trade and advances, bears interest at 8% per annum (2017: bore interest at 8% per annum) and repayable on demand.

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

	The Group	
	2018 RM'000	2017 RM'000
Singapore Dollar	**336**	314

25. DEPOSITS, CASH AND BANK BALANCES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks and financial institutions:				
Restricted	**3,956**	34,933	**2,973**	2,886
Unrestricted (Note 35)	**133,847**	119,415	**2,400**	1,000
	137,803	154,348	**5,373**	3,886
Housing Development Accounts (Note 35)	**68,832**	72,299	**4,123**	4,033
Cash and bank balances:				
Restricted	**101**	1,375	**101**	101
Unrestricted (Note 35)	**112,659**	109,926	**1,240**	1,673
	319,395	337,948	**10,837**	9,693

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

Included in deposits with licensed banks and financial institutions, and cash and bank balances are the amount totalling RM4.1 million (2017: RM36.3 million) and RM3.0 million (2017: RM3.0 million) of the Group and of the Company, respectively, which have been earmarked for the purposes of repayment of the borrowings and pledged as collateral for bank guarantees granted.

25. DEPOSITS, CASH AND BANK BALANCES (continued)

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

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
Deposits with licensed banks and financial institutions	**1.20% to 6.15%**	1.03% to 6.15%	**2.70% to 2.90%**	2.70% to 2.90%

Deposits of the Group and of the Company have an average maturity of 182 days (2017: 182 days) and 365 days (2017: 365 days) respectively.

The currency profile of 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	**238,873**	242,714	**10,837**	9,693
Chinese Renminbi	**25,310**	27,346	**–**	–
United States Dollar	**55,203**	67,337	**–**	–
Singapore Dollar	**9**	480	**–**	–
Others	**–**	71	**–**	–
	319,395	337,948	**10,837**	9,693

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

26. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group	
	2018 RM'000	**2017 RM'000**
At beginning of year	**7,073**	–
Transfer from property, plant and equipment (Note 12)	**–**	61
Transfer (to)/from investment properties (Note 13)	**(1,708)**	1,647
Transfer from investment in associated companies (Note 17)	**–**	5,365
Disposals	**(5,365)**	–
At end of year	**–**	7,073

On 14 April 2017, Lion AMB Resources Berhad, a wholly-owned subsidiary company of LFIB, 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 and a gain on disposal of RM10,231,000 was recognised during the financial year.

26. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Antara Steel Mills Sdn Bhd ("Antara"), a subsidiary company of the Company, is actively seeking potential buyers to dispose of 2 parcels of commercial land with a carrying amount of RM1,708,000 within the next 12 months. The property located on the leasehold land was previously partially self-occupied by the staff of Antara. On 21 August 2017, Antara signed a letter of option with a third party to grant an option to sell the property. During the year, there were changes to the plan of sale due to economic conditions and management's intention. Accordingly, the leasehold land was reclassified to investment properties.

27. SHARE CAPITAL

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

	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	**717,909**	**1,250,536**	717,909	717,909
Transfer from share premium	**–**	**–**	–	532,627
At end of year	**717,909**	**1,250,536**	717,909	1,250,536

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.

28. RESERVES

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-distributable reserves:				
Treasury shares	**(13,193)**	(13,193)	**(13,193)**	(13,193)
Capital reserve	**(25,358)**	(12,364)	**5,419**	5,419
Fair value reserve	**–**	10,789	**–**	6
Translation adjustment reserve	**18,436**	26,221	**–**	–
	(20,115)	11,453	**(7,774)**	(7,768)
Retained earnings/ (Accumulated losses)	**619,320**	446,691	**(233,606)**	(215,203)
	599,205	458,144	**(241,380)**	(222,971)

28. RESERVES (continued)

Treasury shares

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

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

As of 30 June 2018, the Company held 37,105,300 treasury shares at a carrying amount of RM13,192,722.

Capital reserve

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

Fair value reserve

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

Translation adjustment reserve

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

29. LONG-TERM BORROWINGS

	The Group	
	2018	**2017**
	RM'000	**RM'000**
Islamic Securities ("Sukuk")		
Outstanding principal	–	60,000
Debts issuance cost	–	(381)
	–	59,619
Less : Portion due within one year (Note 34)	–	(59,619)
Total non-current portion	–	–

The Sukuk is denominated in Ringgit Malaysia and bears profit at rates ranging from 4.02% to 4.62% (2017: 4.02% to 4.62%) per annum.

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

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

29. LONG-TERM BORROWINGS (continued)

Islamic Securities ("Sukuk") (continued)

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

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

The Sukuk is secured by the following:

(i) National Land Code charges over three parcels of land and the lease of the land all located at Mukim Plentong, Daerah Johor Bahru, Negeri Johor ("Charges") as disclosed in Note 12 where Antara's existing fully-integrated steel plant is located ("Antara Steel Plant");

(ii) A debenture creating a fixed and floating charge over all existing and future assets of Antara;

(iii) Assignment and first charge over the designated accounts opened and maintained by Antara;

(iv) Assignment of all insurance policies and contracts of insurance and reinsurance and all the benefits thereof received or receivable by Antara in relation to the Antara Steel Plant and the hot briquetted iron operations; and

(v) Corporate guarantee from the Company.

The Sukuk was fully settled during the financial year.

30. FINANCE LEASE PAYABLES

	The Group			
	Minimum lease payment		Present value of minimum lease payment	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amounts payable under finance lease:				
Within one year	**49,062**	56,581	**48,755**	54,713
In the second to fifth year inclusive	**41,625**	10,589	**41,625**	10,282
	90,687	67,170	**90,380**	64,995
Less: Future finance charges	**(307)**	(2,175)	**NA**	NA
Present value of lease payables	**90,380**	64,995	**90,380**	64,995
Less: Amount due within the next 12 months (shown under current liabilities)			**(48,755)**	(54,713)
Non-current portion			**41,625**	10,282

30. FINANCE LEASE PAYABLES (continued)

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

	The Group Minimum lease payment 2018 RM'000	2017 RM'000
Financial years ending 30 June:		
2018	–	7,051
2019	**2,250**	3,231
2020	**2,250**	–
2021	**2,250**	–
2022	**2,250**	–
2023	**32,625**	–
	41,625	10,282

During the financial year, Lion Metal Industries Sdn Bhd, a wholly-owned subsidiary of the Company disposed of its leasehold land and building to a third party. The said leasehold land and building is subsequently leaseback by Amsteel Mills Sdn Bhd ("Amsteel Mills"), a subsidiary of the Company, with a contractual lease period of 5 years. Amsteel Mills has an option to purchase the leasehold land and building within the lease period. This lease arrangement had been assessed and classified as finance lease.

Finance lease obligations, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 10.30% (2017: 9.25% to 10.30%) per annum.

Finance lease obligations of RM46,506,000 (2017: RM64,995,000) are secured by charges on certain of the property, plant and equipment (Note 12).

31. HIRE-PURCHASE OBLIGATIONS

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Total outstanding	**709**	1,328	–	42
Less: Interest-in-suspense	**(47)**	(95)	–	(1)
Principal outstanding	**662**	1,233	–	41
Less: Portion payable within one year (shown under current liabilities)	**(309)**	(576)	–	(41)
Non-current portion	**353**	657	–	–

31. HIRE-PURCHASE OBLIGATIONS (continued)

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial years ending 30 June:				
2019	**–**	309	**–**	–
2020 and thereafter	**353**	348	**–**	–
	353	657	**–**	–

Hire-purchase obligations of the Group and of the Company, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.46% to 5.58% (2017: 2.46% to 5.58%) and Nil (2017: 2.47% to 2.50%) per annum, respectively.

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

(a) Trade payables

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables	**535,586**	390,042	**139**	139
Retention monies	**8,648**	7,633	**27**	27
	544,234	397,675	**166**	166

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2017: 30 to 60 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**530,533**	368,702	**166**	166
United States Dollar	**10,713**	20,160	**–**	–
Euro	**1,224**	319	**–**	–
Singapore Dollar	**861**	7,554	**–**	–
Chinese Renminbi	**873**	267	**–**	–
Others	**30**	673	**–**	–
	544,234	397,675	**166**	166

32. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES (continued)

(b) Other payables, deposits and accrued expenses

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Other payables and deposits	**167,485**	181,060	**1,069**	458
Accrued expenses	**151,541**	203,369	**455**	360
	319,026	384,429	**1,524**	818

Included in other payables of the Group, is an amount of RM14.1 million (2017: RM12.1 million) representing security deposits received from customers, which bear interest ranging from 11.25% to 11.75% (2017: 9.50%) per annum and have repayment periods ranging from 1 to 120 days (2017: 1 to 90 days).

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**235,892**	338,523	**1,524**	818
United States Dollar	**52,172**	17,247	**–**	–
Euro	**25,515**	23,844	**–**	–
Chinese Renminbi	**4,553**	4,664	**–**	–
Singapore Dollar	**178**	5	**–**	–
Others	**716**	146	**–**	–
	319,026	384,429	**1,524**	818

33. PROVISIONS

	The Group	
	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 (Note 6)	**1,152**	3,300
Utilised during the year	**(763)**	(200)
At end of year	**3,489**	3,100

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

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 38.

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

34. SHORT-TERM BORROWINGS

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term loans from financial institutions - Secured	**4,962**	10,963	**4,962**	10,963
Bank overdrafts - Secured (Note 35)	**9,595**	4,661	**4,689**	4,661
Bills payable - Unsecured	**66,080**	94,619	**–**	–
Portion of Sukuk due within one year - Secured (Note 29)	**–**	59,619	**–**	–
	80,637	169,862	**9,651**	15,624

The short-term borrowings (excluding Sukuk) pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 12) and floating charges over the other assets of the subsidiary companies.

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

The short-term borrowings of the Group and of the Company bear interest at rates ranging from 3.96% to 9.52% (2017: 2.50% to 8.35%) and 4.33% to 8.35% (2017: 4.33% to 8.35%) per annum, respectively.

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Ringgit Malaysia	**80,637**	146,733	**9,651**	15,624
United States Dollar	**–**	23,129	**–**	–
	80,637	169,862	**9,651**	15,624

Reconciliation of liabilities arising from financing activities

	As of 1 July 2017 RM'000	Financing cash flow RM'000	Other* changes RM'000	As of 30 June 2018 RM'000
The Group				
Islamic Securities ("Sukuk")	59,619	(60,000)	381	**–**
Finance lease payables	64,995	(19,615)	45,000	**90,380**
Hire-purchase obligations	1,233	(571)	–	**662**
Short-term borrowings (other than Sukuk, finance lease payables and hire-purchase obligations)	110,243	(27,292)	(2,314)	**80,637**
	236,090	(107,478)	43,067	**171,679**
The Company				
Hire-purchase obligations	15,624	–	(5,973)	**9,651**
Short-term borrowings	41	–	(41)	**–**
	15,665	**–**	(6,014)	**9,651**

* Other changes consist of unamortised borrowings costs, sales and leaseback transaction and foreign exchange differences.

35. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances (unrestricted) (Note 25)	**112,659**	109,926	**1,240**	1,673
Deposits with licensed banks and financial institutions (unrestricted) (Note 25)	**133,847**	119,415	**2,400**	1,000
Housing Development Accounts (Note 25)	**68,832**	72,299	**4,123**	4,033
Bank overdrafts (Note 34)	**(9,595)**	(4,661)	**(4,689)**	(4,661)
	305,743	296,979	**3,074**	2,045

36. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS

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

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

		The Company	
Name of Company	**Nature**	**2018 RM'000**	**2017 RM'000**
Subsidiary companies			
Inspirasi Elit Sdn Bhd	Sales commission	**19**	26
	Administrative fee income	**13**	76
Amsteel Mills Sdn Bhd	Interest income	**268**	512

		The Group	
		2018 RM'000	**2017 RM'000**
Sales and purchase of goods and services and interest			
Megasteel Sdn Bhd	Purchase of goods, raw materials and consumables	**1,143**	4,835
CPB Enterprise Sdn Bhd	Purchase of goods, raw materials and consumables	**83,843**	–
	Scrap financing charges	**9,998**	–

36. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

		The Group 2018 RM'000	The Group 2017 RM'000
Sales and purchase of goods and services and interest (continued)			
Angkasa Amsteel (M) Sdn Bhd	Sale of goods	**22,202**	15,237
	Purchase of goods, raw materials and consumables	**4,683**	4,045
Lion DRI Sdn Bhd	Provision of transportation services	**–**	59
	Purchase of raw materials	**–**	2,040
Akurjaya Sdn Bhd	Interest income	**168**	327
Lion Blast Furnace Sdn Bhd	Purchase of goods	**486**	1,863
Bright Steel Sdn Bhd	Sale of goods	**22,605**	2,351
	Purchase of goods	**25**	159
Lion Tooling Sdn Bhd	Purchase of toolings	**1,798**	1,587
	Provision of engineering services	**228**	165
Parkson Corporation Sdn Bhd	Sale of goods	**1,469**	1,540
	Provision of training services	**24**	15
Lion Steelworks Sdn Bhd	Purchase of goods	**153**	113
Compact Energy Sdn Bhd	Purchase of consumables	**14,583**	12,992
	Rental income	**322**	213
	Interest expense	**180**	179

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

	The Group 2018 RM'000	The Group 2017 RM'000	The Company 2018 RM'000	The Company 2017 RM'000
Receivables:				
Included in trade receivables	**700,172**	702,528	**–**	–
Included in other receivables	**363,358**	367,217	**2,450**	3,339
Payables:				
Included in trade payables	**52,709**	8,935	**–**	–
Included in other payables	**16,870**	17,471	**57**	56

The outstanding balances with related parties are either interest-free or bear interest at 8.00% (2017: either interest-free or bore interest at 8.00%) per annum and repayable on demand.

37. SEGMENTAL INFORMATION

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

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

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

(a) Business Segments:

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

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

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

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

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments (continued):

The Group
2018

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Profit or Loss						
Revenue						
External revenue	2,886,529	7,756	292,640	107,870	–	3,294,795
Inter-segment revenue	150,098	–	–	16,443	(166,541)	–
Total revenue	3,036,627	7,756	292,640	124,313	(166,541)	3,294,795
Results						
Segment results	194,346	(2,909)	1,314	1,886	–	194,637
Finance costs	(19,378)	(964)	(6)	(528)	–	(20,876)
Share in results of:						
Associated companies	7,991	–	–	(26,257)	–	(18,266)
Joint venture	–	1,396	–	–	–	1,396
Investment income	1,744	2,233	3,323	52	–	7,352
Gain on disposal of investment in an associated company	–	–	–	10,231	–	10,231
Profit before tax						174,474
Tax credit						6,795
Profit for the year						181,269

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments (continued):

The Group
2018

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	1,670,805	176,563	115,229	236,645	–	2,199,242
Investment in associated companies and joint venture	92,195	–	–	685,558	–	777,753
Unallocated corporate assets						94,336
Consolidated Total Assets						3,071,331
Segment liabilities	931,375	23,103	28,783	55,167	–	1,038,428
Unallocated liabilities						12,585
Consolidated Total Liabilities						1,051,013
Other Information						
Capital expenditure	6,540	33	411	3,159	–	10,143
Depreciation and amortisation	90,999	396	180	3,584	–	95,159
Other non-cash expenses	1,307	557	1,519	2,465	–	5,848

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments (continued):

The Group
2017

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Profit or Loss						
Revenue						
External revenue	2,205,741	108,203	251,428	102,120	–	2,667,492
Inter-segment revenue	93,619	–	–	17,307	(110,926)	–
Total revenue	2,299,360	108,203	251,428	119,427	(110,926)	2,667,492
Results						
Segment results	105,740	20,876	2,390	2,518	–	131,524
Finance costs	(21,249)	(2,850)	(8)	(899)	–	(25,006)
Share in results of:						
Associated companies	6,453	–	–	(15,741)	–	(9,288)
Joint venture	–	650	–	–	–	650
Investment income	1,824	2,800	1,453	3,485	–	9,562
Profit before tax						107,442
Tax credit						6,023
Profit for the year						113,465

37. SEGMENTAL INFORMATION (continued)

(a) Business Segments (continued):

The Group
2017

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Consolidated Statement of Financial Position						
Segment assets	1,393,141	245,498	122,929	248,946	–	2,010,514
Investment in associated companies and joint venture	79,545	11,051	–	736,836	–	827,432
Unallocated corporate assets						74,543
Consolidated Total Assets						2,912,489
Segment liabilities	779,763	30,465	38,701	174,199	–	1,023,128
Unallocated liabilities						15,867
Consolidated Total Liabilities						1,038,995
Other Information						
Capital expenditure	2,830	60	234	1,039	–	4,163
Depreciation and amortisation	98,163	894	154	5,009	–	104,220
Other non-cash expenses/ (income)	21,096	(13)	3,453	(4,445)	–	20,091

37. SEGMENTAL INFORMATION (continued)

(b) Geographical Segments:

The Group operates in two main geographical areas:

- Malaysia - manufacture and marketing of steel bars, wire rods, hot briquetted iron and steel related products, provision of chartering services, property development and management, trading and distribution of building materials and consumables, manufacture and trading of lubricants, spark plugs and provision of transportation services, distributing and retailing of consumer products; and

- Others countries which are not sizable to be reported separately.

	Revenue	
	2018	**2017**
	RM'000	**RM'000**
Malaysia	**2,446,782**	1,966,929
Other countries	**848,013**	700,563
	3,294,795	2,667,492

	Total assets		Capital expenditure	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**2,890,074**	2,719,671	**9,496**	4,163
Other countries	**181,257**	192,818	**647**	–
	3,071,331	2,912,489	**10,143**	4,163

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

38. CONTINGENT LIABILITIES

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

	The Company	
	2018	**2017**
	RM'000	**RM'000**
Unsecured:		
Subsidiary companies	**216,590**	148,980

38. CONTINGENT LIABILITIES (continued)

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

Indemnity for back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments. The contingent liabilities in relation to these claims have been reduced from 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 33.

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

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

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

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

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

On 14 February 2005, a registered owner of a piece of land ("Plaintiff") filed a claim against SFI for wrongful encroachment and damages for the trespassing of Plaintiff's land. 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.

39. CAPITAL COMMITMENTS

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

	The Group	
	2018 RM'000	**2017 RM'000**
Purchase of property, plant and equipment and others:		
Approved and contracted for	**30,713**	30,713
Approved but not contracted for	**49,217**	25,873
	79,930	56,586

40. LEASE COMMITMENTS

As of 30 June 2018, lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

	The Group	
	2018 RM'000	2017 RM'000
Within one year	**11,799**	11,562
Within two to five years	**22,617**	32,601
After five years	**–**	1,815
	34,416	45,978

41. FINANCIAL INSTRUMENTS

Capital Risk Management

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

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

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

Gearing Ratio

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Debt (i)	**171,679**	236,090	**9,651**	15,665
Cash and cash equivalents (excluding bank overdrafts)	**(315,338)**	(301,640)	**(7,763)**	(6,706)
Net (cash)/debt	**(143,659)**	(65,550)	**1,888**	8,959
Equity (ii)	**2,020,318**	1,873,494	**1,009,156**	1,027,565
Debt to equity ratio	**N/A***	N/A*	**0.19%**	0.87%

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

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

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

41. 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	**1,228**	12,311	**400**	2,338
Loans and receivables:				
Trade receivables	**207,222**	201,972	**–**	8
Other receivables and refundable deposits	**72,487**	56,966	**4,744**	7,106
Amount owing by subsidiary companies	**–**	–	**500,182**	495,971
Amount owing by associated companies	**336**	314	**–**	–
Amount owing by joint venture	**1,458**	1,480	**–**	–
Deposits, cash and bank balances	**319,395**	337,948	**10,837**	9,693
Financial liabilities				
Other financial liabilities:				
Finance lease payables	**90,380**	64,995	**–**	–
Hire-purchase obligations	**662**	1,233	**–**	41
Trade payables	**544,234**	397,675	**166**	166
Other payables, deposits and accrued expenses	**319,026**	384,429	**1,524**	818
Amount owing to subsidiary companies	**–**	–	**349,675**	343,285
Short-term borrowings	**80,637**	169,862	**9,651**	15,624

Financial Risk Management Objectives and Policies

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

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

Foreign currency risk

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

41. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

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

	The Group		The Company	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
2018				
United States Dollar	**117,885**	**62,885**	**32**	**–**
Chinese Renminbi	**30,195**	**5,426**	**–**	**8,836**
Euro	**5,080**	**26,739**	**–**	**–**
Singapore Dollar	**375**	**1,039**	**–**	**–**
Others	**166**	**746**	**–**	**–**
	153,701	**96,835**	**32**	**8,836**
2017				
United States Dollar	229,380	60,536	20	–
Chinese Renminbi	30,578	4,931	–	8,836
Euro	892	24,163	–	–
Singapore Dollar	3,529	7,559	–	–
Others	108	819	–	–
	264,487	98,008	20	8,836

Foreign currency sensitivity analysis

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

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

	The Group		The Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
United States Dollar	**(5,500)**	(16,884)	**(3)**	(2)
Chinese Renminbi	**(2,477)**	(2,565)	**884**	884
Euro	**2,165**	2,327	**–**	–
Singapore Dollar	**66**	403	**–**	–
	(5,746)	(16,719)	**881**	882

41. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's profit or loss before tax for the year ended 30 June 2018 would increase or decrease by as follows:

	The Group		The Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Floating rate liabilities				
Bank overdrafts	**48**	23	**23**	23
Bills payable	**330**	473	**–**	–
Borrowings	**25**	55	**25**	55
	403	551	**48**	78

Credit risk

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

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

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

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

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

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

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

The Group

2018	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities					
Non-interest bearing:					
Trade payables	**544,234**	**–**	**–**	**544,234**	**–**
Other payables, deposits and accrued expenses	**304,895**	**–**	**–**	**304,895**	**–**
Interest bearing:					
Other payables, deposits and accrued expenses	**14,131**	**–**	**–**	**14,131**	**11.25 – 11.75**
Hire-purchase obligations	**334**	**334**	**41**	**709**	**2.46 – 5.58**
Finance lease payables	**49,062**	**4,500**	**37,125**	**90,687**	**9.25 – 10.30**
Bank borrowings:					
Bank overdrafts	**9,595**	**–**	**–**	**9,595**	**3.96 – 8.35**
Bills payable	**66,080**	**–**	**–**	**66,080**	**3.96 – 8.35**
Borrowings	**4,962**	**–**	**–**	**4,962**	**4.33 – 9.52**
	993,293	**4,834**	**37,166**	**1,035,293**	

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Group

2017	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities					
Non-interest bearing:					
Trade payables	397,675	–	–	397,675	–
Other payables, deposits and accrued expenses	372,326	–	–	372,326	–
Interest bearing:					
Other payables, deposits and accrued expenses	12,103	–	–	12,103	9.50
Hire-purchase obligations	610	357	361	1,328	2.46 – 5.58
Finance lease payables	56,581	10,589	–	67,170	9.25 – 10.30
Bank borrowings:					
Bank overdrafts	4,661	–	–	4,661	4.33 – 8.35
Bills payable	94,619	–	–	94,619	3.69 – 8.35
Borrowings	73,335	–	–	73,335	2.50 – 8.35
	1,011,910	10,946	361	1,023,217	

The Company

2018	**Less than 1 year RM'000**	**1 to 2 years RM'000**	**2 to 5 years RM'000**	**Total RM'000**	**Contractual interest rate %**
Financial liabilities					
Non-interest bearing:					
Trade payables	**166**	**–**	**–**	**166**	**–**
Other payables, deposits and accrued expenses	**1,524**	**–**	**–**	**1,524**	**–**
Amount owing to subsidiary companies	**349,675**	**–**	**–**	**349,675**	**–**
Interest bearing:					
Bank overdrafts	**4,689**	**–**	**–**	**4,689**	**8.35**
Borrowings	**4,962**	**–**	**–**	**4,962**	**4.33 – 8.35**
	361,016	**–**	**–**	**361,016**	

41. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Company

2017	Less than 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	Total RM'000	Contractual interest rate %
Financial liabilities					
Non-interest bearing:					
Trade payables	166	–	–	166	–
Other payables, deposits and accrued expenses	818	–	–	818	–
Amount owing to subsidiary companies	343,285	–	–	343,285	–
Interest bearing:					
Hire-purchase obligations	42	–	–	42	2.47 – 2.50
Bank overdrafts	4,661	–	–	4,661	8.35
Borrowings	10,963	–	–	10,963	4.33 – 8.20
	359,935	–	–	359,935	

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

Fair values of financial instruments

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

	The Group		The Company	
2018	**Carrying amount RM'000**	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
Financial assets				
Loan and receivables:				
Trade and other receivables	**260,059**	**260,059 ^**	**4,492**	**4,492**
Financial liabilities				
Finance lease payables	**90,380**	**90,687 ***	**–**	**–**
Hire-purchase obligations	**662**	**709 ***	**–**	**–**
Borrowings	**80,637**	**80,637 ***	**9,651**	**9,651 ***

41. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments (continued)

2017	The Group Carrying amount RM'000	The Group Fair value RM'000		The Company Carrying amount RM'000	The Company Fair value RM'000
Financial assets					
Loan and receivables:					
Trade and other receivables	250,302	250,302	^	6,413	6,413
Financial liabilities					
Finance lease payables	64,995	66,262	*	–	–
Hire-purchase obligations	1,233	1,271	*	41	41 *
Borrowings	169,862	169,862	*	15,624	15,624 *

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

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

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

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).

41. 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	**–**	**–**	**–**	**–**
2017				
Financial Asset				
Quoted investments	10,936	–	–	10,936
The Company				
2018				
Financial Asset				
Quoted investments	**–**	**–**	**–**	**–**
2017				
Financial Asset				
Quoted investments	1,938	–	–	1,938

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 Asset				
Trade and other receivables	**–**	**–**	**260,059**	**260,059**
Financial Liabilities				
Finance lease payables	**–**	**–**	**90,687**	**90,687**
Hire-purchase obligations	**–**	**–**	**709**	**709**
Borrowings	**–**	**–**	**80,637**	**80,637**
The Group				
2017				
Financial Asset				
Trade and other receivables	–	–	250,302	250,302

41. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Liabilities				
Finance lease payables	–	–	66,262	66,262
Hire-purchase obligations	–	–	1,271	1,271
Borrowings	–	–	169,862	169,862
The Company				
2018				
Financial Asset				
Trade and other receivables	**–**	**–**	**4,492**	**4,492**
Financial Liability				
Borrowings	**–**	**–**	**9,651**	**9,651**
2017				
Financial Asset				
Trade and other receivables	–	–	6,413	6,413
Financial Liabilities				
Hire-purchase obligations	–	–	41	41
Borrowings	–	–	15,624	15,624

42. SUBSEQUENT EVENTS

On 3 July 2018, the Company had announced the Proposed Expansion into Flat Steel Business involving the following corporate proposals:

(a) Proposed acquisition by Oriental Shield Sdn Bhd, a wholly-owned subsidiary of the Company, of all encumbered fixed and floating assets owned by Megasteel Sdn Bhd ("Megasteel") that are charged to the secured lenders of Megasteel ("Megasteel Secured Lenders") from Megasteel for a purchase consideration of approximately RM537.73 million;

(b) Proposed assignment to Gelora Berkat Sdn Bhd ("Gelora"), a wholly-owned subsidiary of the Company, of the benefits accruing to the Megasteel Secured Lenders for the under-secured portion debts from the Megasteel Secured Lenders under the secured scheme of Megasteel (being the scheme of arrangement and compromise under the Companies Act 2016 for the Megasteel Secured Lenders) ("Megasteel Secured Scheme") for a cash consideration of RM8.50 million;

(c) Proposed acquisition by Gelora of all the unencumbered assets of Megasteel (comprising 2 pieces of land in the district of Kuala Langat, Selangor not charged to any financial institution) for a cash consideration of approximately RM24.50 million; and

(d) Proposed supply of electricity to the Company and its subsidiaries in Banting by Tenaga Nasional Berhad to facilitate the Proposed Expansion into Flat Steel Business for a cash consideration of RM35.80 million.

43. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

Name of company	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
* Amble Legacy Sdn Bhd	Malaysia	**100**	100	Investment holding
* Crest Wonder Sdn Bhd	Malaysia	**100**	100	Investment holding
Lion Courts Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
Lion Forest Industries Berhad	Malaysia	**74**[a]	74[a]	Investment holding, trading and distribution of building materials, and trading of steel products
Lion Group Management Services Sdn Bhd	Malaysia	**52**[b]	52[b]	Provision of management services
* Lion Metal Industries Sdn Bhd	Malaysia	**100**	100	Provision of storage facilities
* Lion Motor Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Enterprise Sdn Bhd	Malaysia	**69**	69	Dormant
LLB Harta (L) Limited	Malaysia	**100**	100	Treasury business
LLB Harta (M) Sdn Bhd	Malaysia	**100**	100	Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies
LLB Nominees Sdn Bhd	Malaysia	**100**	100	Investment holding
* LLB Steel Industries Sdn Bhd	Malaysia	**100**	100	Investment holding
LLB Strategic Holdings Berhad	Malaysia	**100**	100	Dormant
* LLB Venture Sdn Bhd	Malaysia	**100**	100	Dormant
Malim Courts Property Development Sdn Bhd	Malaysia	**100**	100	Property development and investment holding
* Matrix Control Sdn Bhd	Malaysia	**100**	100	Ceased operations
Mcken Sdn Bhd	Malaysia	**100**	100	Ceased operations
* Slag Aggregate Sdn Bhd	Malaysia	**100**	100	Investment holding
Sucorp Enterprise Sdn Bhd	Malaysia	**100**	100	Investment holding

43. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary company of Amble Legacy Sdn Bhd				
* Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	People's Republic of China	**95**	95	Property development
Subsidiary company of Crest Wonder Sdn Bhd				
Lunas Cemerlang Sdn Bhd	Malaysia	**100**	–	Investment holding
Subsidiary companies of Lunas Cemerlang Sdn Bhd				
Gelora Berkat Sdn Bhd	Malaysia	**100**	–	Dormant
Oriental Shield Sdn Bhd	Malaysia	**100**	100	Dormant
Subsidiary company of Lion Motor Venture Sdn Bhd				
* Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	People's Republic of China	**56**	56	Manufacture of meters for motor vehicles and after sales services (ceased operations)
Subsidiary companies of LLB Nominees Sdn Bhd				
* Holdsworth Investment Pte Ltd	Singapore	**70**	70	Investment holding
* Zhongsin Biotech Pte Ltd	Singapore	**51**	51	Investment holding
Subsidiary company of LLB Steel Industries Sdn Bhd				
* Steelcorp Sdn Bhd	Malaysia	**99**	99	Investment holding
Subsidiary company of LLB Venture Sdn Bhd				
Marvenel Sdn Bhd	Malaysia	**70**	70	Dormant
Subsidiary companies of Malim Courts Property Development Sdn Bhd				
Berkat Timor Sdn Bhd	Malaysia	**100**	100	Dormant
Inspirasi Elit Sdn Bhd	Malaysia	**85**	85	Property development
JOPP Builders Sdn Bhd	Malaysia	**100**	100	Dormant
LLB Bina Sdn Bhd	Malaysia	**100**	100	Ceased operations
LLB Damai Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding

43. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of Malim Courts Property Development Sdn Bhd (continued)				
LLB Indah Permai Sdn Bhd	Malaysia	**100**	100	Property development
LLB Suria Sdn Bhd	Malaysia	**100**	100	Investment holding
PM Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Soga Sdn Bhd	Malaysia	**98**	98	Property development
Sumber Realty Sdn Bhd	Malaysia	**100**	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Berhad	Malaysia	**100**	100	Dormant
Subsidiary company of Sucorp Enterprise Sdn Bhd				
Kisan Agency Sdn Bhd	Malaysia	**100**	100	Property development
Subsidiary companies of PM Holdings Sdn Bhd				
Citibaru Sendirian Berhad	Malaysia	**100**	100	Dormant
Malim Jaya (Melaka) Sdn Bhd	Malaysia	**100**	100	Property development
Subsidiary company of Soga Sdn Bhd				
Batu Pahat Enterprise Sdn Berhad	Malaysia	**100**	100	Dormant
Subsidiary company of Steelcorp Sdn Bhd				
Amsteel Mills Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of steel bars and wire rods
Subsidiary companies of Sumber Realty Sdn Bhd				
Projek Jaya Sdn Bhd	Malaysia	**100**	100	Investment holding
Seri Lalang Development Sdn Bhd	Malaysia	**100**	100	Ceased operations
Sharikat Pengangkutan East West Sdn Bhd	Malaysia	**100**	100	Dormant

43. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of Amsteel Mills Sdn Bhd				
Amsteel Mills Marketing Sdn Bhd	Malaysia	**100**	100	Sale and distribution of steel products
* Amsteel Mills Realty Sdn Bhd	Malaysia	**100**	100	Ceased operations
Antara Steel Mills Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of steel and related products
# Lion Waterway Logistics Sdn Bhd	Malaysia	**100**	100	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Lion-Kimtrans Logistics Sdn Bhd (Dissolved on 19 January 2018)	Malaysia	–	100	Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties
Subsidiary companies of Lion Forest Industries Berhad				
Gama Harta Sdn Bhd	Malaysia	**100**	100	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100**	100	Investment holding
^ Jadeford International Limited	British Virgin Islands	**100**	100	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	**100**	100	Investment holding
* Lion AMB Resources Berhad	Malaysia	**100**	100	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100**	100	Manufacturing of petroleum products
Lion Rubber Industries Sdn Bhd	Malaysia	**100**	100	Investment holding
Ototek Sdn Bhd	Malaysia	**100**	70	Dormant
Posim EMS Sdn Bhd	Malaysia	**100**	100	Provision of energy management and conservation services
Posim Marketing Sdn Bhd	Malaysia	**100**	100	Trading and distribution of building materials and steel products

43. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of Lion Forest Industries Berhad (continued)				
Posim Petroleum Marketing Sdn Bhd	Malaysia	**100**	100	Trading and distribution of petroleum products
* Singa Logistics Sdn Bhd	Malaysia	**100**	100	Provision of transportation services
Subsidiary company of Gama Harta Sdn Bhd				
Brands Pro Management Sdn Bhd	Malaysia	**100**	100	Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands
Subsidiary company of Intra Inspirasi Sdn Bhd				
* Beijing Youshi Trading Co Ltd (Dissolved on 5 February 2018)	People's Republic of China	**–**	100	Dormant
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")				
^ Alpha Deal Group Limited	British Virgin Islands	**100**	100	Investment holding
^ Bright Triumph Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Brilliant Elite Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Classy Elite Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Distinct Harvest Limited	British Virgin Islands	**100**	100	Investment holding
^ Double Merits Enterprise Limited	British Virgin Islands	**100**	100	Investment holding
^ Dynamic Shine Holdings Limited	British Virgin Islands	**100**	100	Investment holding
^ Elite Harvest Group Limited	British Virgin Islands	**100**	100	Investment holding

43. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
^ Elite Image Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Eminent Elite Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Eminent Prosper Limited	British Virgin Islands	**100**	100	Investment holding
^ Grand Ray Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Great Zone Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Green Choice Holdings Limited	British Virgin Islands	**100**	100	Investment holding
^ Harvest Boom Investments Limited	British Virgin Islands	**100**	100	Investment holding
^ Jade Harvest International Limited	British Virgin Islands	**100**	100	Investment holding
^ Jade Power Holdings Limited	British Virgin Islands	**100**	100	Investment holding
^ Mile Treasure Limited	British Virgin Islands	**100**	100	Investment holding
^ Pinnacle Treasure Limited	British Virgin Islands	**100**	100	Investment holding
^ Radiant Elite Holdings Limited	British Virgin Islands	**100**	100	Investment holding
^ Sky Yield Group Limited	British Virgin Islands	**100**	100	Investment holding
^ Superb Harvest Limited	British Virgin Islands	**100**	100	Investment holding
^ Superb Reap Limited	British Virgin Islands	**100**	100	Investment holding
^ Ultra Strategy Limited	British Virgin Islands	**100**	100	Investment holding
^ Up Reach Limited	British Virgin Islands	**100**	100	Investment holding

43. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2018 %	Percentage ownership 2017 %	Principal activities
Subsidiary companies of BVI Companies				
^ Bright Triumph (Cambodia) Co., Limited	Cambodia	**100**	100	Investment and development in agriculture
^ Brilliant Elite (Cambodia) Co., Limited (Dissolved on 9 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Classy Elite (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Distinct Harvest (Cambodia) Co., Ltd	Cambodia	**100**	100	Investment and development in agriculture
^ Double Merits (Cambodia) Co., Limited	Cambodia	**100**	100	Investment and development in agriculture
^ Dynamic Shine (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Elite Harvest (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Elite Image (Cambodia) Co., Ltd (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Eminent Elite (Cambodia) Co., Ltd	Cambodia	**100**	100	Investment and development in agriculture
^ Eminent Prosper (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Grand Ray (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture
^ Great Zone (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture

43. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of BVI Companies (continued)				
^ Green Choice (Cambodia) Co., Limited	Cambodia	**100**	100	Investment and development in agriculture
^ Harvest Boom (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Jade Harvest (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Jade Power (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Mile Treasure (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Radiant Elite (Cambodia) Co., Ltd	Cambodia	**100**	100	Investment and development in agriculture
^ Sky Yield (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Superb Harvest (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Superb Reap (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Ultra Strategy (Cambodia) Co., Ltd (Dissolved on 24 August 2018)	Cambodia	**100**	100	Investment and development in agriculture
^ Up Reach (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	**100**	100	Investment and development in agriculture

43. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership 2018 %	2017 %	Principal activities
Subsidiary companies of Lion AMB Resources Berhad				
AMB Harta (L) Limited	Malaysia	**100**	100	Treasury business
* AMB Harta (M) Sdn Bhd	Malaysia	**100**	100	Managing of debts novated from Lion AMB Resources Berhad and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by Lion AMB Resources Berhad and certain of its subsidiary companies
* AMB Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
* CeDR Corporate Consulting Sdn Bhd	Malaysia	**100**	100	Provision of training services
Subsidiary companies of AMB Venture Sdn Bhd				
* Chrome Marketing Sdn Bhd	Malaysia	**100**	100	Investment holding
* Lion Tyre Venture Sdn Bhd	Malaysia	**100**	100	Investment holding
* Range Grove Sdn Bhd	Malaysia	**100**	100	Investment holding
* Seintasi Sdn Bhd	Malaysia	**100**	100	Investment holding
Subsidiary company of Range Grove Sdn Bhd				
* Shanghai AMB Management Consulting Co Ltd	People's Republic of China	**100**	100	Provision of management services
Subsidiary company of Seintasi Sdn Bhd				
* Willet Investment Pte Ltd (Dissolved on 8 January 2018)	Singapore	**–**	100	Investment holding

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

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

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

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

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

44. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of company	Financial year-end	Country of incorporation	Percentage ownership 2018 %	Percentage ownership 2017 %	Principal activities
Angkasa Amsteel Pte Ltd	30 June	Singapore	**50**	50	Manufacturing and distribution of fabricated steel reinforcement bars
Renor Pte Ltd	30 June	Singapore	**40**	40	Investment holding
Lion Insurance Company Limited	30 June	Malaysia	**41**	41	Captive insurance business
Parkson Holdings Berhad	30 June	Malaysia	**28**	28	Investment holding
Lion Titco Resources Sdn Bhd	30 June	Malaysia	**40**	40	Processing of steel slag and metal extraction
Lion Corporation Berhad	30 June	Malaysia	**21**	21	Investment holding
Lion Asiapac Limited	30 June	Singapore	**37**	37	Investment holding
Suzuki Motorcycle Malaysia Sdn Bhd (Disposed of on 14 September 2017)	31 March	Malaysia	**–**	20	Investment holding

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

STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 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 CHENG YONG KIM **CHENG HUI YA, SERENA**

Kuala Lumpur
11 October 2018

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

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

TAN SRI CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 11th day of October, 2018.

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS