



**LION INDUSTRIES
CORPORATION**

LION INDUSTRIES CORPORATION BERHAD

(415-D)

Laporan Tahunan

2019

Annual Report

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 89th Annual General Meeting of Lion Industries Corporation Berhad (“89th AGM”) will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Thursday, 28 November 2019 at 10.30 am for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 and the Reports of the Directors and Auditors thereon. **Note 1**
2. To approve the payment of Directors’ fees amounting to RM347,500 for the financial year ended 30 June 2019 (2018: RM329,600). **Resolution 1**
3. To approve the payment of Directors’ benefits of up to RM103,000 for the period commencing after the 89th AGM until the next annual general meeting of the Company (2018: RM111,000). **Resolution 2**
4. To re-elect the following Directors who retire by rotation in accordance with Clause 110 of the Company’s Constitution and who being eligible, have offered themselves for re-election:
 - (i) Tan Sri Cheng Yong Kim **Resolution 3**
 - (ii) Yap Soo Har **Resolution 4**
5. To re-appoint Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**
6. Special Business
To consider and, if thought fit, pass the following Ordinary Resolutions:
 - 6.1 Authority to Directors to Issue Shares
Resolution 6

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company.”
 - 6.2 Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transactions
Resolution 7

“THAT approval be and is hereby given for the renewal of the mandate granted by the Shareholders of the Company on 26 November 2018, for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of the Circular to Shareholders of the Company dated 30 October 2019 (“Related Parties”) which has been despatched to the Shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group’s usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and

THAT authority conferred by this ordinary resolution will only continue to be in force until:

- (i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by resolution passed by the Shareholders of the Company in general meeting,

whichever is the earlier; and

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this ordinary resolution which shall include, without limitation, taking any action which the Directors may, in their absolute discretion deem fit, to recover any sums due to the Company under the said transactions or to settle the same."

7. To transact any other business for which due notice shall have been given.

By Order of the Board

WONG PHOOI LIN (MAICSA 7013812)

WONG PO LENG (MAICSA 7049488)

Secretaries

Kuala Lumpur

30 October 2019

Notes:*Proxy*

- (i) *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 November 2019 shall be eligible to attend the Meeting.*
- (ii) *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
- (iii) *If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.*
- (iv) *The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.*
- (v) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- (vi) *The instrument appointing a proxy shall be deposited at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting.*
- (vii) *Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.*

1. Audited Financial Statements for the financial year ended 30 June 2019

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. As such, this Agenda item is not a business which requires a resolution to be put to vote by Members.

2. Circular to Shareholders dated 30 October 2019 ("Circular")

Details on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions are set out in the Circular accompanying the 2019 Annual Report.

3. Resolution 2

The benefits payable to the Directors of up to RM103,000 for the period commencing after the 89th AGM until the next annual general meeting of the Company comprise estimated meeting allowance in respect of Directors' attendance at Board and Board Committees meetings which have been scheduled and those unscheduled, where necessary. The Board is of the view that it is just and equitable for the Directors to be paid the meeting allowance as and when incurred when they discharge their responsibilities and render their services to the Company throughout the relevant period.

4. Resolution 6

This approval will allow the Company to procure the renewal of the general mandate ("General Mandate") which will empower the Directors of the Company to issue shares in the Company up to an amount not exceeding 10% of the total number of issued shares of the Company (excluding treasury shares). This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 26 November 2018 which will lapse at the conclusion of this Annual General Meeting.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for purposes of funding future investment projects, working capital and/or acquisitions.

5. Resolution 7

This approval will allow the Company and its subsidiaries to continue to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in paragraph 3.2 of the Circular, which are necessary for the Group's day-to-day operations undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

CORPORATE INFORMATION

Board of Directors	: Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin (Chairman) Y. Bhg. Tan Sri Cheng Yong Kim (Managing Director) Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin Y. Bhg. Dato' Nik Rahmat bin Nik Taib Ms Yap Soo Har Ms Cheng Hui Ya, Serena
Secretaries	: Ms Wong Phooi Lin (MAICSA 7013812) Ms Wong Po Leng (MAICSA 7049488)
Company No	: 415-D
Registered Office	: Level 14, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Wilayah Persekutuan Tel No : 03-21420155 Fax No : 03-21413448 Website : www.lion.com.my/lionind
Share Registrar	: Secretarial Communications Sdn Bhd Level 13, Lion Office Tower No. 1 Jalan Nagasari 50200 Kuala Lumpur Wilayah Persekutuan Tel Nos : 03-21420155, 03-21418411 Fax No : 03-21428409
Auditors	: Deloitte PLT Level 16, Menara LGB 1 Jalan Wan Kadir Taman Tun Dr. Ismail 60000 Kuala Lumpur Wilayah Persekutuan
Principal Bankers	: Malayan Banking Berhad Affin Investment Bank Berhad Bank of China (Malaysia) Berhad
Stock Exchange Listing	: Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Name	: LIONIND
Bursa Securities Stock No	: 4235
Reuters Code	: LLBM.KL
ISIN Code	: MYL423500007

DIRECTORS' PROFILE

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin

Independent Non-Executive Chairman

Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin, a Malaysian, male, aged 66, was appointed to the Board on 29 August 2013 and has been the Chairman of the Company since 19 December 2013. He is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company.

Datuk Seri Raja Nong Chik graduated with a Bachelor of Economics (Honours) from the University College of Wales, Aberystwyth. He is also a Fellow of the Chartered Institute of Management Accountants and an Associate member of the Institute of Chartered Secretaries and Administrators as well as a member of the Malaysian Institute of Accountants.

Datuk Seri Raja Nong Chik started his career as an accountant at FELCRA (Federal Land Consolidation and Rehabilitation Authority) in 1978 and thereafter as the Assistant Financial Controller and Manager, Corporate Planning at Kumpulan FIMA Bhd. He then joined the OYL Group as an Executive Director and was instrumental in setting a joint-venture company which pioneered a local brand of air conditioners and fridge under the brand name, ACSON, which is now exported throughout the world. In 1986, he was instrumental in getting OYL Industries Bhd listed on the Kuala Lumpur Stock Exchange (now Bursa Malaysia Securities Berhad). In 1991, he left the OYL Group after disposing of a strategic stake to the Hong Leong Group to establish his own RASMA Group of Companies as an engineering based investment company which is actively involved in mechanical and electrical engineering, construction and property investment and previously, in manufacturing. Until April 2009, he was also on the Board of Pharmaniaga Bhd and iCapital.biz Bhd.

Datuk Seri Raja Nong Chik also served as a committee member of the Selangor Federation of Malaysian Manufacturers for a number of years and before becoming a Minister, was a President of the Bumiputra Manufacturers and Services Industry Association, President of Persatuan Kontraktor Jentera Melayu Malaysia (PKJMM) and member of the National Innovation Council of Malaysia. In April 2009, he was appointed a Senator and the Minister of Federal Territories and Urban Well-Being by the Prime Minister. He resigned as a Minister and Senator in May 2013.

Datuk Seri Raja Nong Chik attended all 8 Board Meetings of the Company held during the financial year ended 30 June 2019.

Tan Sri Cheng Yong Kim

Managing Director

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, male, aged 69, was appointed the Managing Director of the Company on 16 January 1995.

Tan Sri Cheng graduated with a Bachelor of Business Administration (Honours) from the University of Singapore in 1971. He has more than 40 years of experience in the business operations of the Lion Group encompassing retail, food and beverage, credit financing, property development, mining, manufacturing, steel, tyre, motor, agriculture and computer industries. For a period of 7 years from 1988 to 1995, he was the Managing Director of Lion Fasteners Sdn Bhd, a company engaged in the business of manufacturing bolts and nuts. In 1990, he took up the role of President Director in PT Lion Metal Works Tbk, a public company listed on the Indonesia Stock Exchange, which is a manufacturer of steel furniture, building material and metal stamping products in Indonesia. He took on the position of Managing Director of the Company in 1995 and in 1996, he was appointed the Executive Director of the Likom group of companies which are involved in the manufacturing and marketing of computers, monitors and peripherals.

Tan Sri Cheng is a permanent member of the Steering Committee of Construction Products of the Construction Industry Development Board Malaysia and a Director of NTUC Fairprice Co-Operative Limited, Singapore. In 2018, he was appointed a permanent member of The Malaysian National Standards Committee (MyNSC) for the period from 1 January 2018 to 31 December 2020. Tan Sri Cheng was also the Chairman of the International Chamber of Commerce Malaysia from 2014 to June 2018.

Tan Sri Cheng's other directorships in public companies are as follows:

- Managing Director of Lion Diversified Holdings Berhad
- First Director of ICC Malaysia Berhad and Director of Hy-Line Berhad
- First Director of Malaysia Steel Institute
- Council member of the Federation of Malaysian Manufacturers ("FMM")
- Director of GS1 Malaysia Berhad, a wholly-owned subsidiary of FMM

Tan Sri Cheng has a direct shareholding of 10,003,289 ordinary shares and a deemed interest in 74,745,649 ordinary shares in the Company. He also has interest in certain companies which conduct similar business with the Group in the property development sector.

Tan Sri Cheng is the nephew of Y. Bhg. Tan Sri Cheng Heng Jem, a major shareholder of the Company, and his cousin, Ms Cheng Hui Ya, Serena, is a non-independent non-executive Director of the Company.

Tan Sri Cheng attended all 8 Board Meetings of the Company held during the financial year ended 30 June 2019.

Dato' Kamaruddin @ Abas bin Nordin

Non-Independent Non-Executive Director

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, male, aged 81, was appointed to the Board on 20 July 1994. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Dato' Kamaruddin graduated from the University of Canterbury, New Zealand in 1966 with a Master of Arts majoring in Economics. He joined the Malaysian civil service upon his graduation and served until his retirement in 1993. During his tenure in the civil service, he held various senior positions, among them as Director, Bumiputra Participation and Industries Divisions in the Ministry of International Trade and Industry (MITI), Deputy Secretary-General (Development) in the Ministry of Works and the Director-General, Registration Department, Ministry of Home Affairs.

Dato' Kamaruddin has a direct shareholding of 128,000 ordinary shares in the Company.

Dato' Kamaruddin attended 7 of the 8 Board Meetings of the Company held during the financial year ended 30 June 2019.

Dato' Nik Rahmat bin Nik Taib

Independent Non-Executive Director

Y. Bhg. Dato' Nik Rahmat bin Nik Taib, a Malaysian, male, aged 61, was appointed to the Board on 28 February 2018. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

Dato' Nik Rahmat graduated with a Bachelor of Analytical Economics (Honours) from University of Malaya in 1980. He further obtained a Diploma in Public Administration from the National Institute of Public Administration (INTAN) in 1982 and a Masters in Microeconomics from University of Birmingham, United Kingdom in 1995.

Dato' Nik Rahmat first joined the Malaysian public service upon his graduation in 1981 as an Assessment Officer with the Inland Revenue Board (LHDN) and spent 16 years starting from 1983 in various Ministries; 6 years with the Malaysia Export Trade Centre (MEXPO now known as MATRADE) under the Ministry of International Trade and Industry (MITI); and 5 years each with the Ministry of Finance (MOF) and the Economic Planning Unit (EPU) where, as Principal Assistant Director, he was in charge of the Malaysia Technical Assistance Programme (MTCP) which provides technical assistance to developing countries.

In 2000, Dato' Nik Rahmat joined MITI as the Principal Assistant Director of the Strategic Planning Division. During his 17 years tenure with the MITI, he held various positions including Director of the Strategic Planning Division, Senior Director of the Trade Cooperation and Practices Division, Senior Director of the Sectoral Policy Division and Deputy Secretary General (Industry), a position he held from 2011 until his retirement in January 2018.

Dato' Nik Rahmat also served on the Board of several government agencies namely Malaysia Productivity Corporation (MPC), East Coast Economic Regional Development Council (ECERDC), Perbadanan Kemajuan Negeri Pahang (PKNP), Majlis Standard dan Akreditasi Malaysia (MSDAM), Ministry of Science, Technology and Innovation (MOSTI), and was the Chairman of Malaysia Steel Institute (MSI) from 2014 to 2017.

Dato' Nik Rahmat attended 7 of the 8 Board Meetings of the Company held during the financial year ended 30 June 2019.

Yap Soo Har

Independent Non-Executive Director

Ms Yap Soo Har, a Malaysian, female, aged 64, was appointed to the Board on 1 December 2015. She is also the Chairman of the Audit Committee, and a member of the Nomination Committee and Remuneration Committee of the Company.

Ms Yap graduated with a Bachelor of Social Science majoring in Political Science from Universiti Sains Malaysia, Penang in 1978. She further obtained a Diploma in Public Administration from the National Institute of Public Administration (INTAN), Malaysia in 1983 and a Masters in Public Administration cum Certificate in International Tax Program from Harvard University, the United States of America in 2001.

Ms Yap first joined the Malaysian Civil Service in 1979 as an Assistant Director of the Public Complaints Bureau, Prime Ministers' Department (JPM). She then joined the Administrative and Diplomatic Service (PTD) in 1984 and served more than 36 years in various other Ministries including the Ministry of Defence, the Ministry of Public Enterprise and the Ministry of Finance until her retirement in October 2015.

During her tenure in the Ministry of Finance from 1991 until 2015, she held various positions including Assistant Director in the Government Agencies and Companies Monitoring Unit, Assistant Secretary and Principal Assistant Secretary in the Revenue and Forecasting Unit, Principal Assistant Secretary in the Direct Tax Unit - Corporate Tax, Deputy Undersecretary in the Policy Division - Incentive Unit and the Services Unit and Deputy Undersecretary in the Policy, Incentives and Sector Division.

Her tenure in the Ministry of Finance provided her with exposure to corporate affairs and performance where, under the Government Agencies and Companies Monitoring Unit, her duty was to monitor and assess performance of Government owned companies while her 21 years of service with the Tax Division gave her knowledge and experience in areas of forecasting revenue of the Federal Government, formulating national tax policies, planning and implementation of tax incentives as well as processing of applications for various tax incentives from the private sector.

Ms Yap also served on the Board of Lembaga Perindustrian Nanas Malaysia from 2013 to 2015 and Lembaga Air Perak from 2008 to 2012.

Ms Yap attended all 8 Board Meetings of the Company held during the financial year ended 30 June 2019.

Cheng Hui Ya, Serena

Non-Independent Non-Executive Director

Ms Cheng Hui Ya, Serena, a Malaysian, female, aged 33, was appointed to the Board on 23 November 2017.

Ms Cheng graduated with a Higher Diploma in Multimedia Design and Technology from Hong Kong Polytechnic University in 2010 and thereafter, joined a marketing company in Taiwan as an intern.

Upon returning to Malaysia in 2011, she started her career in the property development industry with Sunsuria Development Sdn Bhd (part of the Sunsuria Group which is listed on the Main Market of Bursa Malaysia Securities Berhad) as a Sales & Marketing Executive carrying out sales and marketing including new projects launching, roadshows and fairs. This was followed by a stint in the Projects Department with exposure to and involvement in project planning and construction of the various developments undertaken by the Sunsuria Group.

Ms Cheng joined the Lion Group Property Division in 2013 and is part of the team responsible for property development in Malaysia and Cambodia. Her current portfolio as General Manager - Projects since May 2018 involves property and construction business, dealing with construction and building requirements.

Ms Cheng is also an Executive Director of Lion Forest Industries Berhad, a subsidiary of the Company.

Ms Cheng is the daughter of Y. Bhg. Tan Sri Cheng Heng Jem who is a major shareholder of the Company, and her cousin, Y. Bhg. Tan Sri Cheng Yong Kim, is the Managing Director and a major shareholder of the Company.

Ms Cheng attended 7 of the 8 Board Meetings of the Company held during the financial year ended 30 June 2019.

Save as disclosed above, none of the Directors has (i) any interest in shares in the Company or its subsidiaries; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past 5 years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

Pang Fook Fah, Anthony

Malaysian, male, 61 years of age

Mr Pang Fook Fah, Anthony is the General Manager of Antara Steel Mills Sdn Bhd (“Antara”) (Hot Briquetted Iron operation) since 1997 and is a Director of Amsteel Mills Sdn Bhd, the holding company of Antara, which principal activity is in the manufacturing and marketing of steel bars and wire rods. He also represents the Lion Group as a Director in Steel Industries (Sabah) Sdn Bhd, a company which is also involved in the manufacturing and marketing of steel bars.

Mr Pang graduated with a Bachelor of Science (Honours) in Chemical Engineering from the University of Leeds, England in 1981.

Mr Pang joined the Lion Group in 1982 and is an experienced engineer in process plants.

Dominic Lu Chin Siong

Malaysian, male, 60 years of age

Mr Dominic Lu Chin Siong assumed the position of Senior Manager - Commercial of Antara Steel Mills Sdn Bhd (“Antara”) (Hot Briquetted Iron (“HBI”) operation) in July 2011, responsible for the marketing of HBI, purchasing of iron ore and shipping.

Mr Dominic graduated with a Bachelor of Science in Chemical Engineering from the University of Leeds, England in 1982.

Mr Dominic first joined the Lion Group in 1991 as a Marketing Manager in the Marketing Department, responsible for the marketing of HBI and has more than 30 years of experience in the iron and steel industry.

Lee Weng Lan

Malaysian, male, 62 years of age

Mr Lee Weng Lan was appointed on 22 September 2016 as the General Manager - Production of the Steel Division - Long Products, responsible for the production and maintenance of the plant under Amsteel Mills Sdn Bhd.

Mr Lee obtained a Diploma in Electrical from Institute Technology Negeri Ipoh in 1978.

Mr Lee first joined the Lion Group in 1980 as an Electronic Technician at the steel mill in Klang. From 1985 to 2012, Mr Lee had held various positions within the Steel Division of the Lion Group which included Senior Engineering Executive for the Engineering Department in charge of 3 plants in Amalgamated Containers Berhad and later promoted to Assistant Manager - Press Shop Production in charge of the supply of all materials for container production, and Manager in charge of electrical project for installation and setting-up of the flat steel rolling mill. Mr Lee also participated in the Cold Rolling Mill Complex Project from carrying out feasibility study to plant set-up design.

In 1998, Mr Lee was transferred to be in charge of the Compact Strip Production Rolling Mill mechanical and electrical section in installation, testing and commissioning of the plant. In 2012, he was appointed the General Manager in charge of the Cold Rolling Mill production and co-ordination, and in 2014, the General Manager - Sourcing (Project) in the Group Purchasing Department, a position he held until his current appointment.

Wong Pak Yii, William

Malaysian, male, 51 years of age

Mr Wong Pak Yii, William was appointed the General Manager - Marketing on 1 October 2007, responsible for the marketing of the Group's steel bars and wire rods.

Mr Wong graduated with a Bachelor of Business Administration (Honours) from the Kuala Lumpur Infrastructure University College and obtained his qualification in Corporate Administration from the Malaysian Institute of Chartered Secretaries and Administrators.

Mr Wong first joined the Lion Group in 1999 as an Assistant Manager - Sales (Bar) in the Marketing Department and has more than 20 years of experience in the marketing and distribution of building materials.

Liew Choon Yick

Malaysian, male, 66 years of age

Mr Liew Choon Yick is the Senior General Manager of the Property Division since 1997, responsible for Residential Development.

Mr Liew is also a Director of Hy-Line Berhad, a public company which operates the Tiara Melaka Golf & Country Club located at Ayer Keroh, Melaka.

Mr Liew graduated with a Bachelor of Engineering (Civil) from the University of Singapore in 1976. He is also a member of the Malaysian Institute of Engineers.

Mr Liew has been with the Lion Group for more than 30 years. He was with Supreme Housing Development Sdn Bhd (now known as Malim Courts Property Development Sdn Bhd, a subsidiary of the Company) where he was the Group General Manager in 1987 and was later employed by Soga Sdn Bhd, also a subsidiary of the Company, as the General Manager (Southern Region) of the Property Division of the Lion Group in 1992 before assuming his current position until his retirement on 31 December 2017. Since 1 August 2018, Mr Liew has been engaged on yearly service contract with the Property Division.

His prior working experience includes 1 year at the Water Department of the Public Utilities Board of Singapore, 2 years at the Jabatan Kerja Raya Malaysia and 2 years at Jurutera CMP Sdn Bhd.

Poon Sow Har, Valerie

Malaysian, female, 54 years of age

Ms Poon Sow Har, Valerie was appointed the General Manager for the Lubricants, Petroleum and Automotive Products Division on 1 October 2014. She is responsible for managing the Division, including the expansion of the businesses in both the domestic and export markets.

Ms Valerie Poon obtained her professional qualification from the Chartered Institute of Management Accountants in 1984.

Ms Valerie Poon joined the Lion Group in 1988 and had served in the Corporate Head Office as well as the Retail, Properties, Motor, Trading and Building Materials Divisions of the Lion Group before assuming her current position.

Cheah Chee Ngen

Malaysian, male, 56 years of age

Mr Cheah Chee Ngen was appointed on 1 August 2018 as the Executive Director responsible for the Building Materials and Steel Products Division.

Mr Cheah obtained his Diploma in Civil Engineering from the Federal Institute of Technology, Kuala Lumpur in 1985. He started his career as a site supervisor cum clerk of works in Greatwall Construction Sdn Bhd from 1986 to 1988 and later as a credit officer with KCB Finance Berhad (now a part of the Hong Leong Bank Berhad Group). In 1991, he joined Ipmuda Berhad as a Sales Representative and by 1994 he was promoted as the Sales Manager. In September 2000, he assumed the position of General Manager - Sales in charge of the general building material trading in the Central region. From 2008 to 2018, he was a Director - Sales & Marketing of Ipmuda Berhad overseeing the overall sales and marketing of the various products range of the group, new product development as well as creating new agency lines to complement the group's existing wide range of products. His last position held in Ipmuda Berhad before he left was Senior Vice President of Nationwide Sales and Marketing responsible for the overall trading operations of the entire group which included the Central, Northern, Southern regions as well as East Coast and East Malaysia.

Cheong Chee Kheong, Tony

Malaysian, male, 53 years of age

Mr Cheong Chee Kheong, Tony was appointed the General Manager for the Building Materials and Steel Products Division on 1 July 2017. He is in charge of and is responsible for the sales and marketing of the trading operation in the Building Materials and Steel Products Division in Malaysia.

After completing his tertiary education, Mr Cheong first started his sales career marketing paper products. In the span of the 32 years of his career in sales and marketing, he had assumed the position of Sales Promoter, Assistant Manager, Sales Manager, Product Manager and Company Manager promoting various other products including building materials and industrial filtration products locally and to the international market.

Mr Cheong first joined the Posim Group - Building Materials Division in 2002 as a Retail Manager and was promoted to Assistant General Manager in 2012, a position he held until his current appointment as General Manager.

None of the Key Senior Management has (i) any directorship in public companies and listed issuers; (ii) any family relationship with any Director and/or major shareholder of the Company; (iii) any conflict of interests with the Company; and (iv) any conviction for offences within the past 5 years nor any public sanction or penalty imposed by any relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board is pleased to present the Corporate Governance (“CG”) Overview Statement of the Company for the financial year ended 30 June 2019. This CG Overview Statement is prepared pursuant to the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The Board has been guided by the Malaysian Code on Corporate Governance (“MCCG”) in its implementation of CG practices while ensuring compliance with the Listing Requirements and the Companies Act 2016 in addition to monitoring developments in industry practice and other relevant regulations.

The CG Overview Statement provides a summary of the Company’s CG practices during the financial year, with reference to the following 3 principles, intended outcomes and practices of the MCCG, having considered the Company’s structure, processes, business environment and industry practices:

- Board leadership and effectiveness;
- Effective audit and risk management; and
- Integrity in corporate reporting and meaningful relationship with stakeholders.

This CG Overview Statement should be read together with the CG Report, which is accessible on the Company’s website at www.lion.com.my/lionind. It should also be read in conjunction with other statements in this Annual Report such as the Statement on Risk Management and Internal Control and the Audit Committee Report.

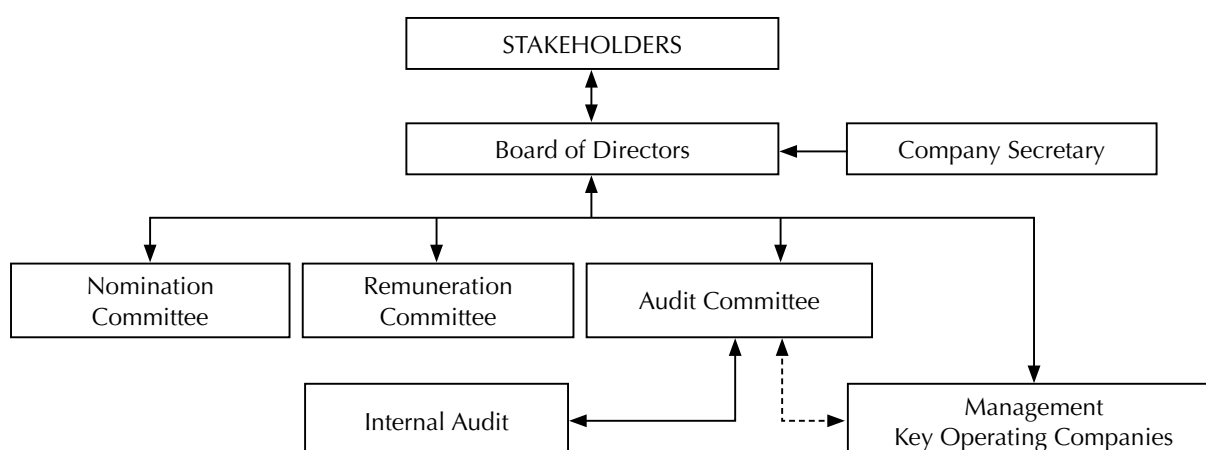
In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year under review except for the following practices:

- Practice 4.5 : Company’s policies on gender diversity, its targets and measures to meet those targets.
- Practice 7.2 : Disclosure on a named basis, the remuneration of top 5 senior management.
- Practice 11.2 : Adoption by large companies of integrated reporting based on a globally recognised framework.
- Practice 12.3 : Leveraging technology to facilitate voting in absentia and remote shareholders’ participation at general meetings for listed companies with a large number of shareholders or which have meetings in remote locations.

The details on the extent of the application of each CG practice as set out in the MCCG including the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 30 June 2019.

CORPORATE GOVERNANCE FRAMEWORK

The governance structure of the Company where the responsibilities of the Board are delegated to the relevant Board Committees and the Management of the Company are illustrated below:



BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Responsibilities for Leadership and Meeting Objectives and Goals

The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders values. The Board is primarily responsible for overseeing the implementation of strategies and plans by the Management, overseeing the conduct of the Group's businesses, monitoring the implementation of appropriate systems to manage principal risks, reviewing the adequacy and integrity of the Group's system of internal controls, and ensuring effective communications with stakeholders.

The Chairman is primarily responsible for ensuring Board effectiveness and leading the Board in its collective oversight of management whereas the Managing Director ("MD") is responsible for day-to-day management of the Group's businesses and operations including the implementation of business plans, strategies and policies. The distinct and separate roles of the Chairman and MD with clear division of responsibilities are set out in the Company's Board Charter. The positions of Chairman and MD are held by 2 different individuals.

The Company Secretaries who have the requisite credentials and qualifications are available and provide support to the Board and Board Committees in ensuring that all of their meetings as well as general meetings are properly convened in accordance with applicable rules and procedures and that the records of the proceedings and resolutions are properly maintained. The Company Secretaries also facilitate the communication of decisions made by the Board and Board Committees to the relevant Management for appropriate actions.

The Directors also have access to the Company Secretaries for advice on their duties and obligations under the Companies Act 2016 and updates on corporate governance matters, statutory and regulatory requirements, and other relevant legislations in addition to administrative matters.

The appointment and removal of the Company Secretaries are subject to the approval of the Board.

The Board, as a whole and its members in their individual capacities, have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information to enable them to obtain a comprehensive understanding of the matters to be deliberated upon. Senior Management of the Group are also invited to attend Board meetings to provide their professional views, advice and explanation on specific items on the agenda in order for the Board to arrive at an informed decision.

Besides direct interactions with the Management, external independent professional advisers are also made available at the Company's expense to render their independent views and advice to the Board whenever deemed necessary and under appropriate circumstances or at the request of the Board.

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year, 8 Board Meetings were held.

Demarcation of Responsibilities between Board, Board Committees, Individual Directors and Management

The Board Charter clearly sets out the composition, roles, responsibilities, powers and processes of the Board, and matters reserved for decision of the Board. In facilitating the discharge of duties by the Board, the Board Charter provides for delegation of responsibilities by the Board to Board Committees via approved Terms of Reference of each Board Committee and the reporting obligations by the Board Committees. The Board Charter sets out responsibilities of the Board to ensure effective interactions between the Management and the Board. The Board Charter also serves as reference criteria for the Board in the assessment of its own performance, individual Directors and the Board Committees. Ultimately, the Board Charter reinforces the overall accountability of both the Board and the Management towards the Company and the stakeholders.

The Board Charter is subject to review by the Board at least once in every 3 years or as and when it becomes necessary to keep it current and in tandem with any new or revision of relevant statutory and regulatory requirements impacting the responsibilities and discharge of duties by the Board. The Company's Board Charter is available on the Company's website for reference.

In assisting the Board to discharge its oversight functions, the Board delegates certain responsibilities to 3 committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. The approved Terms of Reference which regulate the affairs and conduct of these Committees spell out their composition, responsibilities, authorities and duties. The respective Committees report to the Board on matters considered and their recommendations thereon. The Board may also form other committees delegated with specific authorities to act on its behalf whenever required. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The approved Terms of Reference of the respective Committees are available on the Company's website for reference.

The Board delegates to the MD, the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD may delegate aspects of his authority and powers but remain accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units and operations.

Commitment to Good Business Conduct and Healthy Corporate Culture

The Board in discharging its functions has observed the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia ("CCM") which can be viewed from the CCM's website at www.ssm.com.my, the provisions of the Companies Act 2016, and the principles of the MCCG.

The Group has in place, a Code of Business Ethics and Conduct ("CoBEC") which covers the ethical values and principles of the Group and provides guidance on acceptable behaviour to all Directors and employees of the Group in operating and managing the Group's businesses and affairs. The CoBEC is further supported by other policies which include the Whistleblower Policy, Competition Policy, Sexual Harassment Policy, Sustainability Policy & Framework, Procurement Framework, Integrity & Fraud Risk Policy and Personal Data Protection Framework of the Group. The key policies are available on the Company's website under the section on "Governance".

II. BOARD COMPOSITION

Objectivity in Board Decision Making

During the financial year, the Board comprises 6 Directors, 5 of whom are non-executive. Represented on the Board are 3 independent non-executive Directors, effectively constituting half of the Board and whose presence and participation provide independent advice, views and judgement to bear on the decision-making process of the Group in ensuring that a balanced and unbiased deliberation process is in place to safeguard the interests of all stakeholders. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

In accordance with the Company's Constitution, 1/3 of the Directors shall retire from office at every annual general meeting and all Directors shall retire from office at least once in every 3 years. Retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the Shareholders at the next annual general meeting following their appointment.

In line with the MCCG, the tenure of an independent Director does not exceed a cumulative term of 9 years. Upon completion of the 9 years, an independent Director may continue to serve on the Board as a non-independent Director. In the event such Director is to be retained as an independent Director, the Board must first justify and obtain shareholders' approval.

The Nomination Committee is responsible for recommending to the Board the re-election of Directors and the retention of the independent Directors whose tenure of service will exceed 9 years or have exceeded 9 years. The MCCG provides that where the tenure of an independent Director has exceeded a cumulative term of 12 years, shareholders' approval must be sought by the Board through a 2-tier voting process to retain the said Director as an independent Director.

The Board, assisted by the Nomination Committee, assesses the independence of the independent Directors on an annual basis. In addition, the independent Directors affirm their independence annually to the Board.

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates to be appointed to the Board and Board Committees.

In optimising the collective leadership by the Board in providing clear direction and opportunities for the Group, the Board, in its appointments and composition, pays due recognition to the mix of competencies, expected contributions and diversity representation of the Board. The Board, from time to time, undertakes a review of the merit of the appointment criteria in the context of the Group's businesses and strategies for appropriateness. The Board currently has 2 women Directors.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the following criteria:

- Competencies – qualifications, knowledge, industrial experience and expertise, seniority and past achievements;
- Expected contributions – appointment scope, role, commitment level, professionalism and integrity; and
- Diversity representation – appropriateness and the fulfilment of the Board's desired mix of competencies, age, gender and cultural background.

The process and criteria to identify and nominate candidates for appointment as a Director, and re-election and re-appointment of existing Directors are set out in the Board Charter.

A brief description of each Director's background is presented in the respective profile under Directors' Profile on pages 5 to 7 of this Annual Report.

As an enhancement to its current process of sourcing suitable candidates for the Board, the Nomination Committee may also consider procuring suitable candidates from independent sources, when appropriate and practicable.

The Nomination Committee comprises 3 members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Zainal Abidin, an independent Director. The composition and the Terms of Reference of the Nomination Committee are presented on page 34 of this Annual Report and are available on the Company's website for reference.

Effectiveness of the Board and Individual Directors

The Nomination Committee reviews and assesses the performance and effectiveness of the Board as a whole and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's Terms of Reference on an annual basis.

The assessment criteria for review of performance and effectiveness of the Board, Board Committees and individual Directors are set out in the Board Charter.

Time Commitment

A Director shall notify the Chairman of the Board of his acceptance of any new directorship in public listed companies. In any event, the maximum number of appointments in public listed companies shall be limited to 5 or any other number as set out in the Listing Requirements.

The notification shall include an assurance of his continued time commitment to serve the existing Board and that his other appointments shall not be in conflict or compete with the existing appointment with the Company.

Directors' Training

All Directors are encouraged to attend relevant external professional programmes as necessary to keep abreast of issues facing the changing business environment within which the Group operates by engaging in continuous professional development and where appropriate, on financial literacy.

The Board, on a continuing basis, evaluates and determines the training needs of each Director, particularly on relevant new laws and regulations, and essential practices for effective corporate governance and risk management to enable the Directors to sustain their active participation in board deliberations and effectively discharge their duties.

The Directors are kept up-to-date with market developments and related issues through Board discussion meetings with Management. In addition, the Company may arrange site visits for the Directors, whenever necessary, to enhance their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

Newly appointed Directors are required to attend a familiarisation programme. This includes meeting key senior management to be briefed on the core businesses and operations of the Group. It also serves as a platform to establish effective channel of communication and interaction with Management.

During the financial year, the Directors had attended the following seminars, forums, briefings, workshops and breakfast series organised by Bursa Malaysia Berhad and training programmes (“Programmes”) on topics/subjects in relation to corporate governance, business opportunities, investment and prospects in various industries and countries, risk management and internal controls, economic and regional issues, board, management, entrepreneurship and leadership, statutory and regulatory updates and requirements, financial and accounting knowledge and updates, sustainability covering community, environment, marketplace and workplace, fraud, corruption and cybersecurity risks, and technology and innovation.

Name of Directors	Programme
Datuk Seri Utama Raja Nong Chik bin Dato’ Raja Zainal Abidin	<ul style="list-style-type: none"> • Minority Shareholder Watchdog Group (MSWG) with support of Bursa Malaysia – Advocacy Programme on CG Assessment using the Revised ASEAN CG Scorecard Methodology • Lion Group In-House Directors’ Training on: <ul style="list-style-type: none"> (i) Corporate Liability & Directors’ Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points • Iclif – “CG Watch: How Does Malaysia Rank?”
Tan Sri Cheng Yong Kim	<ul style="list-style-type: none"> • J.P. Morgan 2018 Fall Insights – Strong Economies & Global Tension • Khazanah Megatrends Forum 2018 – On Balance - Recalibrating Markets, Firms, Society and People • Lion Group In-House Directors’ Training on: <ul style="list-style-type: none"> (i) Corporate Liability & Directors’ Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points
Dato’ Kamaruddin @ Abas bin Nordin	<ul style="list-style-type: none"> • Bursa Malaysia & ICDM – Breakfast Series: “Companies of the Future - The Role for Boards” • Lion Group In-House Directors’ Training on: <ul style="list-style-type: none"> (i) Corporate Liability & Directors’ Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points
Dato’ Nik Rahmat bin Nik Taib	<ul style="list-style-type: none"> • Bursa Malaysia & Iclif – Breakfast Series: “Non-Financials - Does it Matter?” • Lion Group In-House Directors’ Training on: <ul style="list-style-type: none"> (i) Corporate Liability & Directors’ Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points • Malaysian Institute of Accountants – Engagement Session with Audit Committee Members on Integrated Reporting • Bursa Malaysia & ICDM – Corporate Governance Advocacy Programme: Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times: Building Corporate Longevity • Bursa Malaysia & Deloitte – Corporate Governance Advocacy Programme: Cyber Security in the Boardroom - “Accelerating from Acceptance to Action”

Name of Directors	Programme
Yap Soo Har	<ul style="list-style-type: none"> • Bursa Malaysia & ICDM – Breakfast Series: “Companies of the Future - The Role for Boards” • Lion Group In-House Directors’ Training on: <ul style="list-style-type: none"> (i) Corporate Liability & Directors’ Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points • Bursa Malaysia – Case Study Workshop for Independent Directors “Independent Directors-Towards Boardroom Excellence” • Malaysian Institute of Accountants – Engagement Session with Audit Committee Members on Integrated Reporting • Bursa Malaysia & ICDM – Corporate Governance Advocacy Programme: Bursa Malaysia Thought Leadership Series - Leadership Greatness in Turbulent Times: Building Corporate Longevity • Bursa Malaysia & Deloitte – Corporate Governance Advocacy Programme: Cyber Security in the Boardroom - “Accelerating from Acceptance to Action”
Cheng Hui Ya, Serena	<ul style="list-style-type: none"> • Briefing by Bursa Malaysia – “ESG Engagement for the FTSE4Good Bursa Malaysia Index” • Lion Group In-House Directors’ Training on: <ul style="list-style-type: none"> (i) Corporate Liability & Directors’ Personal Liability for Corrupt Practices - Amended MACC Act 2009 (ii) Proposed SC Guidelines on Initial Coin Offerings: Monetising Loyalty Points • Perdana Leadership Foundation CEO Forum 2019

The Directors are also updated and apprised on a continuing basis by the Company Secretaries on new and/or revised regulatory and statutory requirements (“Continuing Updates”).

The Board, after having undertaken an assessment, viewed that the Directors, having attended the Programmes and having been kept up-to-date with market development and related issues as well as apprised with the Continuing Updates had adequately met the training needs of each of the Directors towards enhancing his skills and knowledge to carry out his duties as a Director.

III. REMUNERATION

Level and Composition of Remuneration that Attract and Retain Talents

The Company has a clear process for setting the remuneration of Directors and senior management respectively to ensure that it attracts and retains experienced and well qualified Directors and senior management to manage the Company and the Group effectively. Directors do not participate in decisions regarding their own remuneration. The Board continued to apply the criteria set for determining the remuneration packages of executive Directors whilst the recommendation made by the Board on the non-executive Directors’ fees for approval by Shareholders at the Company’s annual general meeting was reflective of the market competitiveness and responsibilities undertaken by the Directors.

The Board delegates the oversight of the remuneration of the MD to the Remuneration Committee. The composition and the Terms of Reference of the Remuneration Committee are presented on page 35 of this Annual Report and are available on the Company’s website for reference.

Remuneration Factoring in Individual and Company's Performance

Details of the Directors' remuneration paid or payable to all Directors of the Company for the financial year ended 30 June 2019 are as follows:

The Group

	Fees RM'000	Meeting Allowance RM'000	Salaries & Bonuses * RM'000	Benefits- In-kind RM'000	Total RM'000
Executive Director					
Tan Sri Cheng Yong Kim	35	8	1,045	108	1,196
Non-executive Directors					
Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin	85	15	–	–	100
Dato' Kamaruddin @ Abas bin Nordin	55	15	–	–	70
Dato' Nik Rahmat bin Nik Taib	55	14	–	–	69
Yap Soo Har	58	18	–	–	76
Cheng Hui Ya, Serena	55	12	120	1	188
Chong Jee Min ⁽¹⁾	25	6	–	–	31
	<u>368</u>	<u>88</u>	<u>1,165</u>	<u>109</u>	<u>1,730</u>

The Company

	Fees RM'000	Meeting Allowance RM'000	Salaries & Bonuses * RM'000	Benefits- In-kind RM'000	Total RM'000
Executive Director					
Tan Sri Cheng Yong Kim	35	8	1,045	108	1,196
Non-executive Directors					
Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin	85	15	–	–	100
Dato' Kamaruddin @ Abas bin Nordin	55	15	–	–	70
Dato' Nik Rahmat bin Nik Taib	55	14	–	–	69
Yap Soo Har	58	18	–	–	76
Cheng Hui Ya, Serena	35	7	–	–	42
Chong Jee Min ⁽¹⁾	25	6	–	–	31
	<u>348</u>	<u>83</u>	<u>1,045</u>	<u>108</u>	<u>1,584</u>

Notes:

* The salaries are inclusive of employer's provident fund and social security welfare contributions.

⁽¹⁾ Retired on 26 November 2018.

EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

Effective and Independent Audit Committee

The Board affirms its responsibility for the presentation of a balanced and clear assessment of the Group's position, financial performance and future prospects to the Company's stakeholders through the annual financial statements, quarterly financial reports and corporate announcements which are in accordance with the Listing Requirements.

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the quarterly financial results and the annual audited financial statements of the Group and of the Company, including timely and quality disclosure through appropriate corporate disclosure policies and procedures adopted.

During the financial year, the Audit Committee comprises 4 members, 3 of whom are independent Directors and all financially literate. The Chairman of the Audit Committee is elected among the members of the Committee who is not the Chairman of the Board. The Terms of Reference and the main works undertaken by the Audit Committee for the financial year under review are set out in the Audit Committee Report on pages 28 to 33 of this Annual Report.

The Board has established a formal and transparent relationship with the External Auditors through the Audit Committee. The Audit Committee evaluates the performance and assesses the suitability, objectivity and independence of the External Auditors based on the policies and procedures which are in place. The Audit Committee also recommends the re-appointment of the External Auditors and their remuneration to the Board. The re-appointment of the External Auditors is subject to the approval of Shareholders at the annual general meeting whilst their remuneration is determined by the Board.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Informed Decisions on Level of Risks and Implementation of Controls in Pursuit of Objectives

The Board has the oversight responsibility of the adequacy and effectiveness of the Group's system of internal controls which comprises the governance, risks and controls aspects. The Board believes that effective maintenance of the system is important to help the Group to achieve its various objectives at many levels and having considered the risks that the Group faces whilst balancing out the interest of its many stakeholders and protecting the Group's assets and investments.

The Board fulfils its oversight function of risk management and internal control system via the Audit Committee. An approved Enterprise Risk Management ("ERM") Framework which was developed based on ISO31000:2009 is in place and provides guidance to both the Board and Management on the risk management reporting structure and governance, processes, assessment methodologies and tools. The Management of key operating companies adopt and apply the prescribed methodologies to identify, evaluate, treat, control, track and report the Strategic, Business, Financial and Operational Risks based on the risk appetite set. In addition to the ERM Framework, the Group has in place an approved Compliance Framework for management of Compliance Risks which are recognised as part of Operational Risks under the ERM Framework.

The Internal Audit Function assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework and provide confirmation of the effectiveness of internal control and risk assessment process by the respective Head of Key Operating Companies ("KOC") and Head of accounts and finance of the KOC (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.

An overview of the Board's responsibility, the state and descriptions of the key components of the Group's system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management is set out in the Statement on Risk Management and Internal Control on pages 21 to 27 of this Annual Report.

Effectiveness of Governance, Risk Management and Internal Control System

The Board has established an Internal Audit Function within the Group to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the Audit Committee to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently. The Internal Audit Function is led by the Group Chief Internal Auditor who reports directly to the Audit Committee. The Internal Auditors attend all meetings of the Audit Committee. The Audit Committee's review of the scope of work, budget, reports by the Internal Audit Function and the detailed description of the Internal Audit Function are provided in the Audit Committee Report on pages 32 and 33 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 23 in the Statement on Risk Management and Internal Control and page 32 in the Audit Committee Report of this Annual Report, respectively.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

Continuous Communication between the Company and Stakeholders to Facilitate Mutual Understanding of Objectives and Expectations.

The Board acknowledges the importance of timely and equal dissemination of material information to the Shareholders, investors and public at large. The Board ensures its adherence to and compliance with the disclosure requirements of the Listing Requirements as well as the Corporate Disclosure Guide issued by Bursa Securities.

The Company's Shareholders and members of the public may gain access to any latest corporate information of the Company on its website at www.lion.com.my/lionind which is linked to the announcements published on the website of Bursa Securities at www.bursamalaysia.com.

The Group also values dialogues with institutional investors, fund managers and analysts. The Group has been practising open discussions with investors/fund managers/analysts upon request through meetings, teleconferencing and emails. In this regard, information is disseminated with strict adherence to the disclosure requirements of Bursa Securities.

The Company's website provides easy access to corporate information, Board Charter, Terms of Reference of Board Committees, key policies, annual reports and company announcements pertaining to the Group and its activities.

The Board has identified the Company Secretaries to whom concerns may be conveyed and who would bring the same to the attention of the Managing Director.

II. CONDUCT OF GENERAL MEETINGS

Participation by Shareholders and Informed Voting Decisions

The Board has oversight over the implementation and maintenance of the required effective communications and engagements with Shareholders.

The annual general meetings and other meetings of Shareholders are the principal forum for dialogue with Shareholders. Shareholders are provided with an opportunity to participate in the question and answer session at which Shareholders may raise questions regarding the proposed resolutions at the said meetings as well as on matters relating to the Group's businesses and affairs. The Chairman, the Board members, Management as well as the External Auditors are in attendance to respond to Shareholders' queries. The Chairman also shares with the Shareholders, the Company's responses to questions submitted in advance of the annual general meetings by the Minority Shareholder Watchdog Group. A summary of key matters discussed at the annual general meetings of the Company are published on the Company's website.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“Board”) acknowledges the importance of maintaining a sound system of internal control to safeguard the interests of stakeholders (including shareholders’ investments) and the Group’s assets. The Board is pleased to present the Statement on Risk Management and Internal Control of the Group (excluding joint venture and associated companies, as the Board does not have full management control over their operations) which was prepared with reference to the applicable statutory requirements and regulatory guidelines including:

- Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers;
- Corporate Disclosure Guide and Corporate Governance Guide (3rd Edition); and
- Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Board Responsibility

The Board affirms its overall responsibility for the Group’s internal control system and for reviewing the adequacy and effectiveness of this system which covers governance, enterprise risk management, financial, strategy, organisational, operational, regulatory and compliance controls. However, in view of the inherent limitations in any system, such system of internal control can only provide reasonable and not absolute assurance against material misstatements, frauds or losses and unforeseen emerging risks.

The Board delegates the oversight of internal control and risk management to the Audit Committee (“AC”). The AC deliberated at its meetings, the adequacy and effectiveness of internal controls based on the findings and outcome of the audits which were conducted and reported by the Group Internal Audit (“GIA”) during the financial year. The reports by the GIA described the issues discovered during the audits and actions taken by Management in addressing them. The Chairman of the AC thereafter briefed the Board members of the proceedings of the AC meetings including highlighting any material matters on internal control or risk management that warranted the Board’s attention. Minutes of the AC meetings which recorded these deliberations were also presented to the Board for notation.

Key Components of Internal Control System

The Group’s key components of internal control system are as follows:

1. Integrity and Ethical Values

- A Code of Business Ethics and Conduct (“CoBEC”) which sets out the principles to guide employees’ conduct to the highest standards of personal and corporate integrity. The CoBEC covers areas such as conflict of interest, use of company assets, confidentiality of proprietary information, acceptance of gifts and business courtesies, prohibition of kickbacks as well as provisions which cover personal data protection, competition, anti-money laundering and anti-terrorism financing. The CoBEC is published on the Company’s website at www.lion.com.my/lionind.
- A groupwide integrity framework that accentuates the Group’s commitment to uphold integrity in all manner of conduct by its employees at all times in their interaction with various stakeholders, both internal and external. This framework includes Integrity & Fraud Risk Policy which interphases with many of the existing policies adopted within the Group and also addresses fraud reporting and investigation.

2. Authority and Responsibility

- The Board establishes the vision and strategic objectives of the Group and is entrusted with the responsibility in leading and directing the Group towards achieving its strategic goals and realising long-term shareholders’ value. The Group’s business strategic directions are also reflected in the respective key operating companies’ (“KOCs”) Corporate Performance Scorecard (“CPS”) which are reviewed half-yearly. The Board retains full and effective control of the Group’s strategic plans, overseeing the conduct of the Group’s businesses, setting policies, implementing, reviewing and maintaining an appropriate system of risk, control and compliance management and ensuring the adequacy and integrity of the Group’s system of internal control. The Board is also responsible in ensuring financial integrity, setting the Group’s risk appetite, reviewing and approving material transactions, related party transactions, capital financing and succession planning, and overseeing the implementation of stakeholder communication.

- The Board delegates to the Managing Director (“MD”), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD may delegate aspects of his authorities and powers but remain accountable to the Board for the Company’s performance and is required to report regularly to the Board on the progress being made by the Company’s business units and operations. Delegation of responsibilities and accountability by the MD further down the structure of the Group is communicated and formalised via respective operational structure and organisational chart as well as the authority matrix.
- Board Committees which are guided by respective Terms of Reference were set up to fulfil certain responsibilities delegated by the Board. These Committees assist the Board in promoting governance and accountability as well as overseeing internal controls, Board effectiveness, and nomination and remuneration of Directors and key positions:
 - Audit Committee
 - Nomination Committee
 - Remuneration Committee
- The Management of each operating company is responsible and accountable to the Senior Management, MD and the Board for implementing the framework, policies and procedures on risk and internal control as approved or directed by the Board.

3. Organisation Structure

- An operational structure and organisational chart which defines the lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability.
- The authority matrix outlines the decision areas and the persons empowered to requisite, authorise and approve the expenditure/commitment. Delegated authority carries with it the obligation to exercise sound judgement, good business sense and accountability.

4. Frameworks, Policies and Procedures

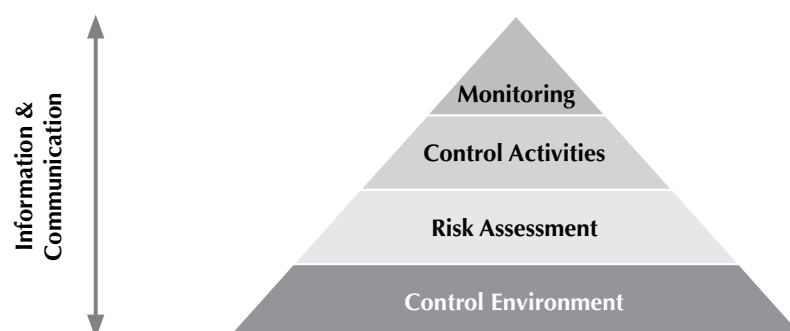
- A set of Group level internal policies and procedures which is maintained centrally and accessible to employees via the intranet. The policies and procedures at both Group level and business or operational level are regularly reviewed for updates to resolve operational deficiencies and to meet new compliance requirements. Enhancement efforts to streamline local policies, guidelines or procedures at business or operational level to key Group Policies and Procedures are continuing.
- A Group Procurement/Tender Policy which provides a fairly standardised, uniform and consistent set of controls by promoting accountability, ownership and transparency. This increases the ability of the Group to develop a pool of reliable and competent vendors through proper governance, selection of appropriate procurement method and vendor management.
- A Group Personal Data Protection Framework which provides guidelines on implementation of controls in business and operations processes in meeting the requirements of data protection principles of Personal Data Protection Act 2010.
- Other key policies such as Competition Policy and Sexual Harassment Policy which complement the Group’s CoBEC. These policies direct the employees to behave ethically and professionally in ensuring compliance with relevant laws and creation of a conducive working environment.
- A Group Sustainability Framework and Plan which provides the roadmap to enhance Governance and the management of the material Economic, Environmental and Social risks and opportunities as well as stakeholders engagement.

5. Planning, Monitoring and Reporting

- An annual exercise involving all business units to prepare a comprehensive budget and business plan which includes development of business strategies and the establishment of key performance indicators against which the overall performance of the companies within the Group can be measured and evaluated.
- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the AC.

6. Internal Audit

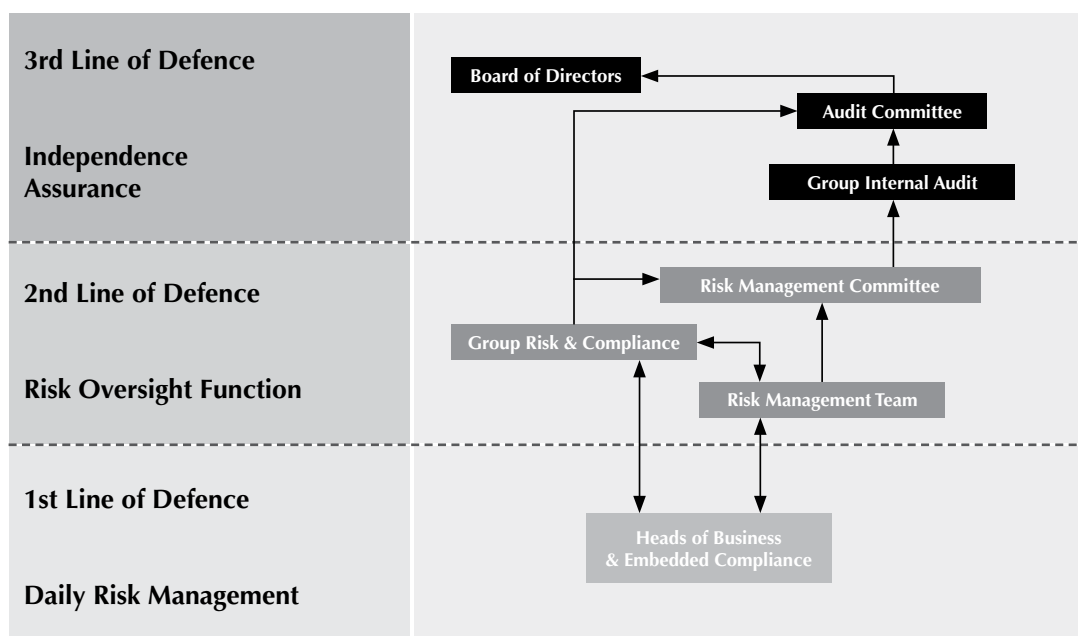
- Internal Audit Charter that is approved by the AC articulates the purpose, responsibility and authority of the GIA function as well as the nature of assurance activities provided by the function.
- Annual Audit Plan that is approved by the AC provides a basis for audit engagements which also considers feedback from the Management. The GIA adopts a risk based audit approach, assesses the selected areas under the audit scope with regard to risk exposures, compliance towards the approved policies and procedures and relevant laws and regulations and where appropriate, benchmarks against best practices in respective industry.
- Review of business processes and systems of internal control and risk management by the GIA which submits its reports to the AC on a quarterly basis. The GIA also established follow-up review to monitor and to ensure that the recommendations of internal audit are effectively implemented.
- Confirmation of the effectiveness of internal control and risk assessment process by the respective Head of KOC and Head of accounts and finance of the KOC (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.
- The GIA assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework. The following 5 inter-related COSO components are considered during the assessment:



7. Risk Management

- The Group has in place a risk management framework, Enterprise Risk Management (“ERM”) Framework that is modelled after the widely adopted standard ISO31000:2009 Risk Management – Principles and Guideline to guide the implementation of a consistent risk management practice across the Group by both the Board and the Management. It recognises that risks are inherent in businesses and views them within the context of risk as an opportunity, uncertainty or hazard.

- The ERM Framework provides guidelines on the risk governance, risk management process, risk reporting and generic tools to be used by the Group. The design of the risk governance structure therein is premised on 3 lines of defence concept with clear functional responsibilities and accountabilities for the management of risk:
 - The first line of defence under the framework is found at the KOCs level where the Head of each KOC assumes the overall accountability for the respective KOC's risk management implementation. Each KOC's Heads of department would provide support to the Head of KOC and supervision of risk management practices in key processes under their respective areas of responsibilities. The Heads of KOC, in their half-yearly updates and reporting of respective CPS and Corporate Risk Scorecard ("CRS"), provided confirmation that the risk management process with regard to identification of material issues together with relevant controls and management actions have been adequately complied with.
 - The second line of defence provides oversight function via the establishment and roles vested in the KOC's Risk Management Team ("RMT") and Risk Management Committee ("RMC") both of which are supported by the Group Risk and Compliance ("GRC") department. The RMTs establish their strategy roadmap for every financial year via the CPS and identified, analysed and reported risks to the RMC and AC via the CRS. The GRC provides the reporting templates, updated tools, maintenance of Q-Radar system and facilitation or review of KOC's scorecards development or updates with KOCs' risk representatives. The RMC receives and reviews the scorecards reports from KOCs together with the AC.
 - The third line of defence is realised through the provision of objective and independent challenge by GIA with regard to the level of assurance as provided by business operations and oversight functions. The Board, through the deliberations and recommendations of the AC, sets the overall risk appetite for the Group.
- The risk management organisational structure adopted by the Group is illustrated as follows:



- The Group employs a Risk Universe Listing to facilitate identification of risk across 4 risk themes which are Strategic, Business, Financial and Operational as shown in the illustration below:



- Most KOCs of the Group have set risk tolerance ranges, either qualitative or semi-quantitative, for selected result areas via a self-defined risk impact severity table. Such table is referred to together with a risk matrix which provides measurement scales on possibility of risk occurrence and impact. The use of these tools facilitates the measurement of each risk analysed and evaluated at 3 different levels; Inherent, Nett and Target, thereby enabling the RMTs to focus more on the management of high risk areas in line with their risk tolerance.

8. Compliance Management

- Half-yearly Compliance Risk Self-Assessment (CRSA) exercises with mitigations identified to address breaches or material non-compliances.
- Joint review of existing operational practices and selected policies or procedures for possible and appropriate control enhancements. Such exercises may result in revision of relevant policies or procedures, new policies or procedures, introduction of control tools such as standard templates/forms and even development of special purpose automated process.
- A compliance programme reviewed by the AC on an annual basis addressing key compliance areas of statutory and regulatory requirements, codes and internal ethics/standards/policies and procedures. The results and status of the compliance programme were reported by the Compliance Function on a half-yearly basis to the Compliance Committee to monitor and address on-going changes and implementations in the legislative and regulatory requirements affecting the Group.

9. Safety and Hazards Management

- Operations and safety and hazards action plans of operating companies for business resilience and robustness in contingencies, crisis management and disaster recovery management.
- An Issues Crisis Management and Communication Policy and process established under the Corporate Communications Function to guide the handling of external communications in the event of any issue/crisis/disaster.
- Emergency Management Plan (EMP) developed for manufacturing operation includes measures for safety and security of personnel, property and facilities that mitigate the damage of potential emergency events such as fire, explosion, accident, major chemical spillage, radioactive leakage and other related incidents.

10. Information and Communication Technology/Management Information System

- A quarterly IT Steering Committee meeting is held where all IT Managers from various operating companies meet. It is a platform which enables collaboration among the operating companies, sharing of experiences and consolidation of standard IT platforms.
- A set of Group IT Policies is in place to govern the operations of IT within the Group. Due to the diversity of businesses, each operating company has its own set of IT Policy adopting the standard Group IT Policy wherever possible and adding policies that are peculiar to the business they are in.
- The Group Human Resources Management System runs off a cloud infrastructure where a single system is used across the Lion Group of Companies. Cloud infrastructure is hosted offsite to protect the sensitivity of data and is supported by a hot Disaster Recovery site to enable quick recovery of data in the event of data losses. An annual Disaster Recovery test is carried out to ensure service quality as per agreed service level agreement.
- As part of the Lion Group Cyber Security Strategy, the Group has issued Cyber Security Policy to be adopted by all its operating companies.

11. Insurance

- An insurance programme to safeguard major assets against financial loss resulting from property damage, machinery breakdown, business interruption and general liability, which is reviewed annually.
- A yearly exercise to ensure the adequacy and renewal of the Group's Directors' and Officers' Liability insurance.

12. Whistle-Blowing

- A Whistleblower Policy which provides the channels to report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. The implementation of this policy enables the Group to address such concerns that may adversely affect the reputation and interests of the Group more effectively.
- The oversight by the Board and its engagement with the management in the handling of reported wrongdoings are also set out in the Integrity & Fraud Risk Policy.

Risk Management Process

The KOCs' CPS which are prepared every financial year are updated on a half-yearly basis to provide a clear and proper context within which performance-related risks are to be identified, analysed and managed in line with the respective KOCs' strategic direction and business objectives. Key Performance Indicators ("KPI") were assigned to these objectives and their performance were tracked by the KPI owners under the supervision of the Heads of the KOCs.

In establishing a bottom-up reporting of the risk profile of the KOCs, the RMT in the respective KOCs identified possible and actual risks faced by the KOC together with an analysis of the causes, impact and mitigating actions.

The risk owners were responsible to ensure preventative, detective and corrective controls were in place to address these risks. Gaps in controls and continual improvements were implemented through management action plans. This process was executed by the RMTs and documented in the CRS.

The GRC conducted review of the risk profiles, either focusing on specific risk issues or the completeness of the risk assessment process for selected risk profiles. The results of the review were communicated to the administrators of risk scorecards and/or Heads of KOCs for improvement and implementation.

The CPS and CRS were presented by the RMT and RMC to the AC on a half-yearly basis for review on the status of the performance objectives and management action plans implementation. These reviews may result in identification of new risks or re-assessment of reported risks. The AC reviewed significant risks, if any, across the risk themes and guided the KOCs on further mitigations, where required.

The Heads of the KOCs, at the half-yearly reporting, had confirmed that the respective KOC's RMT had reviewed and updated the CPS and CRS with the status of all related material information, controls and management actions and that the risk management process had been complied with and information provided therein fairly reflected the position of the KOC for the period under review.

In all material transactions such as acquisitions and disposals of assets or business and corporate proposals, risks associated with such transactions as analysed by the project team and RMC are presented to the AC and Board for their deliberation and decision making. The AC will review the proposals together with the risks associated therewith after which the Board may approve, decline or modify the proposals in line with the Group's risk appetite and the Group's strategic and business directions.

Conclusion

The Board is of the view that the system of risk management and internal control in place throughout the Group for the year under review, and up to the date of approval of this Statement, is sound and effective, providing reasonable assurance that the structure and operation of controls are appropriate for the Group's operations.

Implementation measures are continuously taken to strengthen the system of risk management and internal control so as to safeguard shareholders' investments and the Group's assets.

Review by External Auditors

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scopes set out in Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the financial year ended 30 June 2019, and reported to the Board that nothing has come to their attention that has caused them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, Corporate Disclosure Guide and Corporate Governance Guide (3rd Edition), nor is the Statement factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The report from the External Auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and for no other purposes or parties.

AUDIT COMMITTEE REPORT

COMPOSITION

As at the date of this Annual Report, the composition of the Audit Committee is as follows:

- **Members**

Ms Yap Soo Har (Elected Chairman on 26 November 2018)
(Chairman, Independent Non-Executive Director)

Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
(Independent Non-Executive Director)

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin
(Non-Independent Non-Executive Director)

Y. Bhg. Dato' Nik Rahmat bin Nik Taib
(Independent Non-Executive Director)

The composition of the Audit Committee complies with Chapter 15 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

- **Secretaries**

The Secretaries of Lion Industries Corporation Berhad, Ms Wong Phooi Lin and Ms Wong Po Leng, are also Secretaries of the Audit Committee.

- **Membership**

The Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than 3 members, all of whom shall be non-executive Directors with a majority of them being independent Directors. The members of the Audit Committee shall elect a chairman among themselves who is an independent Director and who is not the chairman of the Board. The composition of the Audit Committee shall fulfil the requirements as prescribed in the Listing Requirements.

- **Meetings and Minutes**

The Audit Committee shall meet at least 4 times annually and the Chief Internal Auditor and the Chief Accountant shall attend the meetings. Relevant members of Senior Management shall be invited to attend these meetings to assist to clarify matters raised at the meetings. A majority of independent Directors present shall form a quorum. The Audit Committee shall meet with the External Auditors without the executive Board members and Management being present at least twice a year.

Minutes of each Audit Committee Meeting were recorded and tabled for confirmation and adoption at the next Audit Committee Meeting and subsequently presented to the Board for notation. The Chairman of the Audit Committee shall report on each meeting to the Board.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee which are in line with the provisions of the Listing Requirements, the Malaysian Code on Corporate Governance and other best practices are available for reference on the Company's website at www.lion.com.my/lionind.

ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year under review, 8 Audit Committee Meetings were held. The attendance of each member was as follows:

<u>Name of Members</u>	<u>Attendance</u>
Ms Yap Soo Har	8/8
Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin	7/8
Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin	7/8
Y. Bhg. Dato' Nik Rahmat bin Nik Taib	7/8
Mr Chong Jee Min #	2/2

Note:

Retired on 26 November 2018.

The Chief Internal Auditor and the Chief Accountant were also present at all the Meetings.

The Audit Committee carried out its duties for the year in accordance with its Terms of Reference.

The main works undertaken by the Audit Committee for the financial year are as follows:

- **Financial Results**

Reviewed the quarterly interim unaudited financial statements and the annual audited financial statements of the Group prior to submission to the Board for its consideration and approval focusing particularly on changes in or implementation of significant accounting policies and compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB"), significant matters highlighted including financial reporting matters, unusual events, transactions, judgements made by Management and other legal requirements, and the main factors contributing to the financial performance of the Group in terms of revenue and earnings.

Discussed with Management and External Auditors, and had obtained reasonable assurances that all changes in significant accounting policies had been implemented; applicable accounting standards approved by MASB, provisions of the Companies Act 2016 and requirements under the Listing Requirements had been complied with; significant matters highlighted by the External Auditors including financial reporting matters; judgements made by Management had been assessed; and impact of new accounting standards for the following financial year, where relevant, had been assessed.

- **Internal Audit**

- Reviewed and approved the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas and ensured that key and high risk areas were audited annually.
- Reviewed the effectiveness of audit programmes, and the adequacy and suitability of the resource requirements and skill levels of the Internal Auditors for the year and assessed the performance of the Internal Audit Function.
- Reviewed the internal audit reports, audit recommendations made and Management's response and actions taken to improve the system of internal control and procedures. Where appropriate, the Audit Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

Additional audit approach had been included in areas with weaknesses in control as revealed by the Internal Auditors during their previous annual audit reviews.

- (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls had been addressed.
- (e) Reviewed the risk and control profile changes of the annual Risk Management and Internal Control – Self-Assessment ratings submitted by the respective operations management. The Internal Auditors had validated the ratings during their audit review, and adjustments to the ratings, if any, had been made accordingly and reported to the Audit Committee.
- (f) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders’ Mandate and ensured that the transactions were undertaken on an arm’s length basis and on normal commercial terms which were consistent with the Group’s usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders.
- (g) Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board’s approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 21 to 27 of this Annual Report.

The Audit Committee was satisfied that the system of risk management and internal control in place throughout the Group as described in the Statement on Risk Management and Internal Control, was sound and effective, providing reasonable assurance that the structure and operation of controls were appropriate for the Group’s operations. The Audit Committee also acknowledged that implementation measures were continuously taken to strengthen the system of risk management and internal control so as to safeguard the interests of stakeholders including shareholders’ investments, and the Group’s assets.

- (h) Reviewed the Group Compliance Framework for the financial year under review with regard to the scope of activities and their progress as set out in the Compliance Program/Work Plan set out for the financial year.
- (i) Approved a budget of RM491,000 for the Internal Audit Function to effectively carry out its audit plan for the financial year ended 30 June 2019.
- (j) Approved the Audit Committee Report and recommended the same for Board’s approval for inclusion in the Annual Report.

- **External Audit**

- (a) Reviewed and discussed with External Auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB, and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.
- (b) Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting matters arising from the external audit and their opinion on the financial statements of the Group and of the Company.
- (c) Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with Management’s response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management.

- (d) Evaluated the performance and assessed the suitability, objectivity and independence of the External Auditors during the year in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Audit Committee.

The Audit Committee had received from the External Auditors written confirmation on their independence and disclosed their policies on independence, safeguards and procedures to address threats or perceived threats to their independence and objectivity, and that they were in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

- (e) Having satisfied with the performance and the assessment on the External Auditors' suitability, objectivity and independence, recommended to the Board the re-appointment of the External Auditors and their remuneration.
- (f) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the financial year ended 30 June 2019 amounted to RM14,000 was for the review of Statement on Risk Management and Internal Control of the Group.
- (g) Met with the External Auditors without executive Board members and Management twice, in August 2018 and May 2019 to discuss matters in relation to their review.

- **Compliance Management**

- (a) Conformance to Group policies and procedures

Received and reviewed the status and outcomes of the half-yearly Compliance Risk Self-Assessment ("CRSA") exercises which seek to identify gaps in compliance with regard to applicable laws, regulations, codes, guidelines and standards, market/industry best practices and Group policies and procedures, and discussed the adequacy of measures to address such gaps or non-compliance. The CRSA questionnaire sets and declaration were completed by the identified Heads of Business, Finance Officers of the Key Operating Companies ("KOCs") and Group Accountants, Company Secretaries, Group Tax, Group Treasury and Group Corporate Planning.

- (b) Activities of Group Risk and Compliance Department

Monitored on a half-yearly basis the scope of activities and status of implementation as driven and coordinated by the Group Risk and Compliance as set out in the Compliance Program/Work Plan for the financial year ended 30 June 2019.

- **Risk Management**

- (a) The Audit Committee together with the Risk Management Committee:

- Monitored the year-to-date progress on the achievement of targets set for business objectives of KOCs for the financial year via review of the Corporate Performance Scorecards updates on a half-yearly basis. The Audit Committee sought explanation/understanding from the Risk Management Team ("RMT") of KOCs on non-performance.
- Reviewed the key risks as reported by the RMTs in their Corporate Risk Scorecards across the wide spectrum of risk facing the businesses and operations which included strategic risk, business risk, financial risk and operational risk. The Audit Committee provided comments on the adequacy and effectiveness of controls and/or management actions identified and/or implemented by the KOCs in addressing the identified risks.

- (b) The Audit Committee provided assurance to the Board on the risk reporting and review activities that took place during the financial year.

- **Related Party Transactions**

- (a) Reviewed related party transactions entered into by the Group as set out below:
 - (i) Proposed acquisition by the Company of the flat steel assets from Megasteel Sdn Bhd (“Megasteel”) for the production of hot rolled coils and cold rolled coils which involve the following pursuant to Schemes of Arrangement between Megasteel and its Scheme Creditors:
 - (a) Proposed acquisition of all encumbered assets for a consideration of approximately RM537.73 million.
 - (b) Proposed acquisition of the MS promissory note to be issued by Megasteel for a cash consideration of RM8.50 million.
 - (c) Proposed acquisition of all unencumbered assets for a cash consideration of approximately RM21.59 million.
 - (ii) Tri-partite Settlement Agreement dated 3 July 2018 entered into among Oriental Shield Sdn Bhd (a wholly-owned subsidiary of the Company), Megasteel and Tenaga Nasional Berhad for the proposed supply of electricity to the Company and its subsidiaries in Banting to facilitate the proposed expansion into flat steel business for a cash consideration of RM35.80 million.
 - (iii) Proposed disposal by the Company of its entire 50% equity interest in Angkasa Amsteel Pte Ltd to Daehan Steel Co Ltd for a cash consideration of SGD26.65 million (approximately RM80.9 million).
- (b) Reviewed the renewal of Shareholders’ Mandate for recurrent related party transactions of a revenue or trading nature for Shareholders’ approval to undertake transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the Group with related parties (“RRPTs”).

The Audit Committee ensured that the review procedures were sufficient to ensure that the RRPTs were not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders and that the Group had in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner, and such procedures and processes were reviewed on a yearly basis or whenever the need arose.

The review on RRPTs by the Internal Auditors was reported to the Audit Committee on a quarterly basis.

The Management had given assurance to the Audit Committee that related party transactions and mandate for recurrent related party transactions were in compliance with the Listing Requirements and the Group’s policies and procedures.

- **Material Transactions**

Reviewed material transactions entered into by the Group and ensured that the transactions undertaken were in the best interest of the Group, and recommended the same for approval of the Board.

INTERNAL AUDIT FUNCTION

The Internal Audit Function is undertaken by the Group Management Audit Department (“GMA Department”) and is independent from Management of the Company and the function which it audits. Its principal activity is to perform regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively.

The Group Chief Internal Auditor, Ms Elsie Tan Chitt Loo, graduated with a Bachelor of Accounting (Hons) from Universiti Malaya in 1985 and is a professional member of the Institute of Internal Auditors Malaysia with more than 25 years of internal audit experience in the field of retail, branding, food and beverage, credit financing and money lending services, property development, mining, manufacturing, steel, agriculture and computer industries.

The purpose, authority and responsibility of the Internal Audit Function as well as the nature of the assurance activities provided by the function are articulated in the Internal Audit Charter approved by the Audit Committee. The Audit Committee is of the opinion that the Internal Audit Function is appropriate to its size and the nature and scope of its activities.

In discharging its function, the GMA Department adopts the *International Standards for the Professional Practice of Internal Auditing* as well as established auditing guidelines to enhance its competency and proficiency.

A risk-based audit plan is tabled to the Audit Committee for approval on an annual basis. The audit plan covers key operational and financial activities that are significant to the overall performance of the Group and is developed to ensure adequate coverage on a regular basis. Key risk areas are continuously identified and prioritised to ascertain the scope of the audit activities through the adoption by the operation management of the Risk Management and Internal Control – Self-Assessment Questionnaire, the Corporate Performance Scorecard and the Corporate Risk Scorecard.

During the financial year, the Internal Auditors had conducted independent reviews and evaluated risk exposures relating to the Group's governance, operations and information system as follows:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with set policies and procedures
- Identification of opportunities to improve the operations and processes
- Investigations and special audit reviews
- Adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework

The Internal Auditors also established follow-up review to monitor and to ensure that internal audit recommendations are effectively implemented.

Significant matters were reported directly to the Audit Committee and Senior Management to ensure improvement and corrective actions are taken.

The internal audit works had been carried out according to the internal audit plan approved by the Audit Committee for the financial year.

An annual assessment for evaluating the adequacy and effectiveness of the Internal Audit Function was carried out in 2019.

The Audit Committee was satisfied that the internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence and that the audit programme for the financial year under review was carried out by the Internal Auditors as planned.

The Audit Committee was also satisfied that the Internal Audit Function, backed by 9 staff of managerial/executive level who possessed the relevant qualification and experience, had adequate resources to fulfil the internal audit plan for the next financial year.

The total cost incurred in managing the Internal Audit Function of the Group for the financial year ended 30 June 2019 was RM496,080.

NOMINATION COMMITTEE

Chairman	:	Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin (<i>Chairman, Independent Non-Executive Director</i>)
Members	:	Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin (<i>Non-Independent Non-Executive Director</i>) Ms Yap Soo Har (<i>Independent Non-Executive Director</i>)
Terms of Reference	:	<ul style="list-style-type: none"> To recommend to the Board, candidates for directorships in Lion Industries Corporation Berhad. To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or major shareholder and from independent sources. To recommend to the Board, Directors to fill the seats on Board Committees. To assist the Board in reviewing on an annual basis, the composition, the required mix of skills, experience, diversity and other qualities, including core competencies which each individual Director including the independent non-executive Director should bring to the Board. To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board. To review the induction and training needs of Directors. To consider other matters as referred to the Committee by the Board from time to time.

NOMINATION COMMITTEE REPORT

The Nomination Committee comprises 3 members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by Y. M. Datuk Seri Utama Nong Chik bin Dato' Raja Zainal Abidin who is an independent Director.

Appointment to the Board and the Effectiveness of the Board

The Nomination Committee is responsible for identifying, evaluating and nominating suitable candidates with the necessary mix of skills, experience and competencies to be appointed to the Board and Board Committees to ensure the effectiveness of the Board and the Board Committees. As an enhancement to its current process, the Nomination Committee may also consider procuring suitable candidates from independent sources, when required. The Nomination Committee annually reviews and assesses the performance and effectiveness of the Board and the Board Committees as well as individual Directors based on the criteria set out by the Board and according to the fulfilment of the respective Board Committee's Terms of Reference.

The assessment criteria of the Board's evaluation/performance review process as well as the process and criteria to identify and nominate candidates for appointment as a Director, and re-election and re-appointment of existing Directors are set out in the Board Charter.

In assessing and recommending to the Board suitable candidature of Directors, the Nomination Committee shall consider the competencies, expected contributions and diversity representation covering the qualifications, knowledge, industrial experience and expertise, seniority and past achievements, appointment scope, role, commitment level, professionalism and integrity, and the appropriateness and the fulfilment of the Board's desired mix of competencies, age, gender and cultural background which would contribute to the overall desired composition of the Board.

The Directors' mix of skills are set out in the respective profile under Directors' Profile on pages 5 to 7 of this Annual Report.

Activities of the Nomination Committee for the Financial Year

The Nomination Committee met twice since the date of the last Annual Report and all the members attended the Meetings.

The Nomination Committee had carried out the following duties for the financial year in accordance with the Terms of Reference:

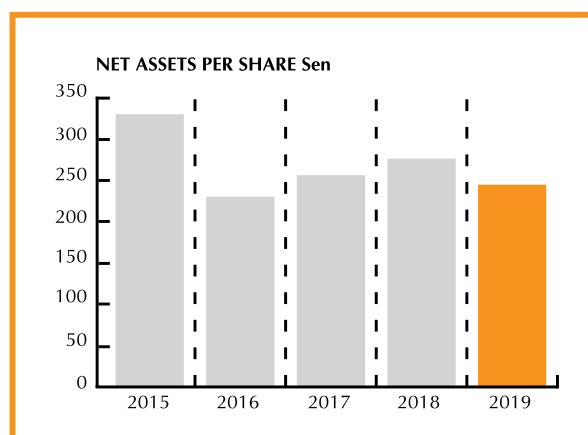
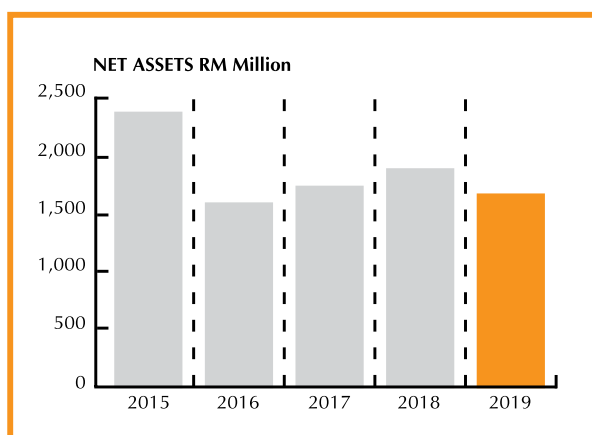
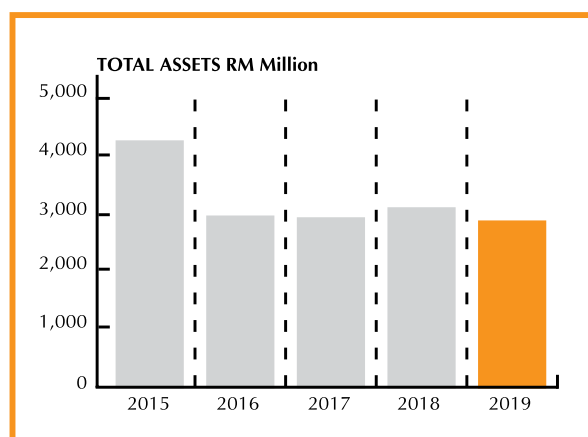
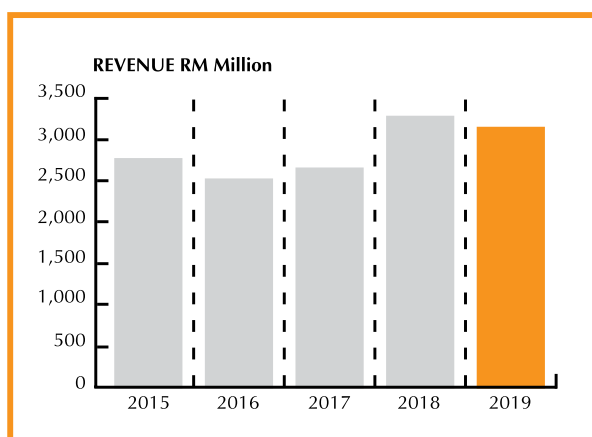
- (i) Assessed and recommended for Board's consideration, the appointment of Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin as a member and the Chairman of the Nomination Committee and the appointment of Y. Bhg. Dato' Nik Rahmat bin Nik Taib as a member and the Chairman of the Remuneration Committee.
- (ii) Reviewed and assessed the performance and effectiveness of the Board as a whole and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms adopted by the Nomination Committee, and was satisfied that the Board composition was adequate and in line with the Group's business operations and needs.
- (iii) Reviewed the term of office and performance of the Audit Committee as a whole and each of its members including an assessment of their financial literacy, and assessed and evaluated the effectiveness of the Audit Committee in conducting its activities in accordance with its Terms of Reference and was satisfied that all members are financially literate and able to understand matters under the purview of the Audit Committee including financial reporting process.
- (iv) Reviewed the retirement by rotation of Y. Bhg. Tan Sri Cheng Yong Kim and Ms Yap Soo Har and recommended their re-election for Board's consideration.
- (v) Reviewed the training needs of the Directors and was satisfied that the Directors having attended the relevant training programmes and having been kept up-to-date with market developments and related issues as well as apprised on a continuing basis by the Company Secretaries on new and/or revised statutory and regulatory requirements, had adequately met the training needs of each of the Directors towards enhancing his skills and knowledge to carry out his duties as a Director.
- (vi) Approved and recommended for Board's consideration the Nomination Committee Report incorporating the Nomination Committee's activities for inclusion in the Annual Report.

REMUNERATION COMMITTEE

Chairman	:	Y. Bhg. Dato' Nik Rahmat bin Nik Nordin <i>(Independent Non-Executive Director)</i>
Members	:	Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin <i>(Non-Independent Non-Executive Director)</i> Ms Yap Soo Har <i>(Independent Non-Executive Director)</i>
Terms of Reference	:	<ul style="list-style-type: none"> • To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary • To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time

5 YEARS GROUP FINANCIAL HIGHLIGHTS

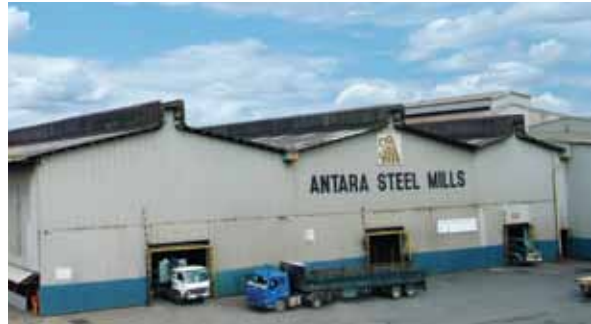
Financial years ended 30 June		2015	2016	2017	2018	2019
Revenue	(RM'000)	2,782,413	2,514,921	2,667,492	3,290,799	3,163,774
Profit/(Loss) before tax	(RM'000)	(278,853)	(852,536)	107,442	175,051	(128,045)
Profit/(Loss) after tax	(RM'000)	(287,866)	(905,805)	113,465	181,846	(156,101)
Net Profit/(Loss) attributable to owners of the Company	(RM'000)	(254,821)	(796,477)	105,311	172,921	(157,253)
<hr/>						
Total assets	(RM'000)	4,258,388	2,979,866	2,952,634	3,104,503	2,891,976
Net assets	(RM'000)	2,380,848	1,596,051	1,746,820	1,880,623	1,673,901
Total borrowings	(RM'000)	540,671	351,668	236,090	171,679	163,233
<hr/>						
Earnings/(Loss) per share	(Sen)	(35.6)	(113.5)	15.4	25.4	(23.1)
Net assets per share	(Sen)	333	230	257	276	246



THE GROUP'S BUSINESSES



- The Hot Briquetted Iron (HBI) plant operated by Antara Steel Mills Sdn Bhd in Labuan, produces HBI (inset) mainly for the export market.
- *Kilang besi briket panas (HBI) dikendalikan oleh Antara Steel Mills Sdn Bhd di Labuan, mengeluarkan HBI (gambar kecil) kebanyakannya untuk pasaran eksport.*



- Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd (Johor) produce long steel products namely billets, bars and wire rods for construction and manufacturing requirements.
- *Amsteel Mills Sdn Bhd dan Antara Steel Mills Sdn Bhd (Johor) menghasilkan produk besi panjang iaitu bilet, bar dan rod wayar untuk kegunaan sektor pembinaan dan pembuatan.*



- The Building Materials Division is involved in the trading and distribution of building and construction materials such as (clockwise, from top left) sanitarywares, steel bars, roofing tiles, bricks, wall/floor tiles, cement, wire mesh and ironmongery such as lockset.
- *Bahagian Bahan Binaan terlibat dalam perniagaan menjual dan mengedar bahan-bahan seperti (arah jam, dari kiri atas) kelengkapan tandas, bar keluli, jubin bumbung, batu bata, jubin dinding/lantai, simen, jaring dawai dan barangan besi seperti set kunci..*

PENYATA PENERUSI

Bagi pihak Lembaga Pengarah, saya dengan ini membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Industries Corporation Berhad (“LICB” atau “Kumpulan” atau “Syarikat”) bagi tahun kewangan berakhir 30 Jun 2019.

PRESTASI KEWANGAN

Bagi tahun kewangan dalam kajian, Kumpulan mencatatkan pendapatan berjumlah RM3,164 juta, iaitu 4% lebih rendah berbanding RM3,291 juta yang dicatatkan pada tahun sebelumnya. Ini disebabkan terutamanya oleh kemerosotan sumbangan perniagaan keluli kita. Kilang-kilang keluli tempatan berdepan dengan persaingan sengit daripada kilang keluli asing yang meningkatkan bekalan produk keluli dengan jumlah yang banyak dalam pasaran tempatan sehingga harga jualan produk keluli jatuh teruk. Keadaan ini diburukkan lagi dengan peningkatan kos bahan mentah dan bahan bakar sehingga menyebabkan Kumpulan mencatatkan kerugian sebelum cukai berjumlah RM128.0 juta berbanding dengan keuntungan sebanyak RM175.1 juta tahun sebelumnya.

Kumpulan berada dalam kedudukan tunai bersih bagi tahun kewangan 2019 dengan aset bersihnya berjumlah RM1,674 juta, mencatatkan nilai aset bersih sesaham sebanyak RM2.46.

PERKEMBANGAN KETARA DALAM KORPORAT

- (i) Dalam tahun kewangan, Syarikat mengumumkan Cadangan Pengembangan Operasi kepada Perniagaan Keluli Rata yang melibatkan cadangan korporat seperti berikut:
 - (a) Cadangan Cendana Aset Sdn Bhd (“Cendana Aset”), anak syarikat milik penuh Cendana Domain Sdn Bhd, dan juga milik penuh Syarikat, untuk mengambil alih kesemua aset tetap terhutang dan terapung serta kesemua hutang Secomex Manufacturing (M) Sdn Bhd kepada Megasteel Sdn Bhd yang akan dibayar kepada peminjam-peminjam bercagar Megasteel (“Peminjam-peminjam Bercagar Megasteel”) dengan pertimbangan bayaran pembelian kira-kira RM537.73 juta.

- (b) Cadangan Gelora Berkat Sdn Bhd (“Gelora Berkat”), anak syarikat milik penuh Tahap Berkat Sdn Bhd yang juga dimiliki sepenuhnya oleh Syarikat, untuk membeli Nota Janji MS yang diterbitkan oleh Megasteel kepada pemegang amanah yang dilantik Peminjam-peminjam Bercagar Megasteel bagi bahagian hutang yang nilai cagarannya lebih rendah dengan pertimbangan bayaran tunai sebanyak RM8.50 juta. Bayaran akan dibuat oleh Gelora Berkat kepada Peminjam-peminjam Bercagar Megasteel;
- (c) Cadangan Gelora Berkat untuk mengambil alih kesemua aset Megasteel yang bebas hutang untuk pertimbangan bayaran tunai kira-kira RM21.59 juta (“Cadangan Pengambil Alihan Aset Bebas Hutang”) yang akan dibayar oleh Gelora Berkat kepada Megasteel; dan
- (d) Cadangan pembekalan tenaga elektrik kepada Syarikat dan anak-anak syarikatnya di Banting oleh Tenaga Nasional Berhad (“TNB”) untuk operasi kilang besi mereka termasuk Cadangan Pengembangan Operasi Perniagaan Keluli Rata yang melibatkan pertimbangan bayaran tunai sebanyak RM35.80 juta.

Pada 10 Julai 2019, Megasteel mendapat kelulusan daripada Peminjam-peminjam Bercagar Megasteel dan pemiutang tak bercagar Megasteel (tidak termasuk TNB) (“Pemiutang Tak Bercagar Megasteel”) (termasuk Syarikat dan anak-anak syarikat yang terlibat), masing-masing bagi skim Peminjam Bercagar Megasteel (“Skim Bercagar Megasteel”) dan Pemiutang Tidak Bercagar Megasteel (“Skim Tak Bercagar Megasteel”) (secara bersama dikenali sebagai “Skim-skim”).

Pada 7 Ogos 2019, Megasteel turut mendapat kebenaran Mahkamah Tinggi Malaya (“Mahkamah”) bagi pelaksanaan Skim Bercagar Megasteel dan pada 9 Ogos 2019, Mahkamah telah mengesahkan ‘Land E Easement’ (seperti mana diperjelaskan dalam pengumuman syarikat bertarikh pada 11 Jun 2019).

Pada 10 September 2019, Syarikat telah menerima surat daripada Megasteel yang memaklumkan bahawa Kebenaran Mahkamah telah diterima bagi Skim Tak Bercagar Megasteel berhubung Cadangan Pengambil Alihan Aset Bebas Hutang telah diperolehi pada 10 September 2019.

Syarat-syarat Terdahulu lain yang perlu dipenuhi bagi Cadangan berkenaan dinyatakan di bawah:

- (a) mendapat kelulusan pemegang saham Syarikat yang tidak berkepentingan; dan
 - (b) Skim Bercagar Megasteel menjadi tidak bersyarat dan dikuat kuasa sepenuhnya berhubung Cadangan Pengambil Alihan Aset Bebas Hutang.
- (ii) Pada 6 Januari 2019, Syarikat mengumumkan bahawa pihaknya telah memeterai perjanjian jual beli bersyarat dengan Daehan Steel Co. Ltd. ("Daehan") bagi cadangan pelupusan keseluruhan pegangannya sebanyak 11,517,999 saham biasa dalam Angkasa Amsteel Pte Ltd ("AAPL") mewakili kira-kira 50% daripada modal saham AAPL kepada Daehan dengan pertimbangan bayaran tunai berjumlah SGD26.65 juta (bersamaan dengan kira-kira RM80.90 juta) ("Pertimbangan Pelupusan") ("Cadangan Pelupusan") menurut perjanjian. Berhubung cadangan pelupusan itu, pertimbangan terakhir hendaklah berdasarkan aset ketara bersih dalam lembaran imbalan proforma AAPL yang disatukan pada Tarikh Penyelesaian ("Pertimbangan Akhir").

Pada 1 April 2019, Syarikat mengumumkan Cadangan Pelupusan telah dimuktamadkan. Sehubungan itu, AAPL bukan lagi syarikat sekutu Kumpulan.

Pada 18 Jun 2019, Syarikat mengumumkan bahawa pihaknya dan Daehan mencapai persetujuan bersama bahawa Pertimbangan Akhir ditetapkan pada harga SGD32.69 juta (bersamaan kira-kira RM99.44 juta) memberikan tambahan hasil tunai sebanyak SGD6.04 juta (bersamaan kira-kira RM18.37 juta).

PROSPEK

Keadaan ekonomi global yang tidak menentu dijangka terus menjejaskan persekitaran operasi industri keluli. Harga produk keluli dan bahan mentah terus tidak menentu manakala permintaan sektor pembinaan dan hartanah kekal rendah. Perniagaan bahan keluli dan bangunan Kumpulan akan terus berdepan cabaran memandangkan kegiatan pembangunan hartanah dan infrastruktur kekal lemah manakala perniagaan minyak pelincir, produk petroleum dan automotif dijangka terus memberikan sumbangan positif kepada hasil kewangan Kumpulan dengan adanya pasaran segmen baharu.

Kumpulan akan sentiasa berwaspada dan bertindak balas segera terhadap perubahan pasaran dan juga meneruskan usaha untuk meningkatkan prestasi operasi bagi tahun kewangan akan datang.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin melahirkan penghargaan tulus ikhlas kepada semua pemegang saham para pelanggan, pembiaya kewangan, sekutu perniagaan dan pihak berkuasa kerajaan dan pengawal selia yang dihargai, atas sokongan dan keyakinan mereka terhadap Kumpulan sepanjang tempoh yang mencabar ini.

Saya juga ingin merakamkan setinggi-tinggi penghargaan kepada rakan-rakan Pengarah atas bimbingan, sokongan dan sumbangan mereka yang tidak ternilai sepanjang tahun kewangan.

Akhir sekali, saya ingin mengucapkan terima kasih kepada pihak pengurusan dan warga kerja atas dedikasi dan komitmen mereka kepada Kumpulan.

DATUK SERI UTAMA RAJA NONG CHIK BIN
DATO' RAJA ZAINAL ABIDIN
Pengerusi

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I hereby present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad ("LICB" or "the Group" or "the Company") for the financial year ended 30 June 2019.

FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a revenue of RM3,164 million which is 4% lower than the RM3,291 million recorded in the previous year. This was attributed primarily to the lower contribution from our steel business. The local steel mills have been facing intense competition from a wholly foreign-owned steel mill which substantially increased its supply of steel products into the local market resulting in depressed selling prices for these steel products. Coupled with the rising raw material and fuel costs, the Group posted a loss before tax of RM128.0 million against a profit of RM175.1 million the year before.

The Group is in a net cash position for the financial year 2019 with net assets of RM1,674 million, registering a net assets per share of RM2.46.

SIGNIFICANT CORPORATE DEVELOPMENTS

- (i) During the financial year, the Company had announced the Proposed Expansion into Flat Steel Business involving the following corporate proposals:
- (a) Proposed acquisition by Cendana Aset Sdn Bhd ("Cendana Aset"), a wholly-owned subsidiary of the Cendana Domain Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company from Megasteel Sdn Bhd ("Megasteel"), of the encumbered fixed and floating assets and the assignment of the entire debt owing by Secomex Manufacturing (M) Sdn Bhd to Megasteel for a total purchase consideration of approximately RM537.73 million, which is payable by Cendana Aset to the secured lenders of Megasteel ("Megasteel Secured Lenders");
 - (b) Proposed acquisition by Gelora Berkat Sdn Bhd ("Gelora Berkat"), a wholly-owned subsidiary of Tahap Berkat Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of the MS Promissory Note to be issued by Megasteel to the Megasteel Secured Lenders' appointed trustee in relation to the under-secured portion debts for a cash consideration of RM8.50 million, which is payable by Gelora Berkat to the Megasteel Secured Lenders;

- (c) Proposed acquisition by Gelora Berkat of all the unencumbered assets of Megasteel for a cash consideration of approximately RM21.59 million ("Proposed Acquisition of Unencumbered Assets") which is payable by Gelora Berkat to Megasteel; and
- (d) Proposed supply of electricity to the Company and its subsidiaries in Banting by Tenaga Nasional Berhad ("TNB") for their steel mill operations including the Proposed Expansion into Flat Steel Business for a cash consideration of RM35.80 million.

On 10 July 2019, Megasteel had obtained the approval from the respective Megasteel Secured Lenders and unsecured creditors of Megasteel (excluding TNB) ("Megasteel Unsecured Creditors") (including the Company and its affected subsidiaries) for the respective scheme for the Megasteel Secured Lenders ("Megasteel Secured Scheme") and the Megasteel Unsecured Creditors ("Megasteel Unsecured Scheme") (collectively referred to as the "Schemes").

On 7 August 2019, Megasteel had further obtained sanction from the High Court of Malaya ("Court") for the Megasteel Secured Scheme and on 9 August 2019, a validation by the Court for the granting of the Land E Easement (as defined in the Company's announcement dated 11 June 2019).

On 10 September 2019, the Company received a letter from Megasteel informing that the Court Sanction for the Megasteel Unsecured Scheme in relation to the Proposed Acquisition of Unencumbered Assets was obtained on 10 September 2019.

The other outstanding Conditions Precedent for the Proposals are set out below:

- a) the approval of the non-interested shareholders of the Company; and
 - b) the Megasteel Secured Scheme becoming unconditional and fully enforceable in relation to the Proposed Acquisition of Unencumbered Assets.
- (ii) On 6 January 2019, the Company announced that it had entered into a conditional sale and purchase agreement with Daehan Steel Co. Ltd. ("Daehan") for the proposed disposal by the Company of its entire holding of 11,517,999 ordinary shares in Angkasa Amsteel Pte Ltd ("AAPL") representing approximately 50% of the share capital of AAPL

to Daehan for a cash consideration of SGD26.65 million (equivalent to approximately RM80.90 million) (“Disposal Consideration”) (“Proposed Disposal”). Pursuant to the agreement in relation to the Proposed Disposal, the final consideration shall be based on the net tangible assets of the proforma consolidated balance sheet of AAPL as at the Completion Date (“Final Consideration”).

On 1 April 2019, the Company announced the completion of the Proposed Disposal. Accordingly, AAPL ceased to be an associated company of the Group.

The Company had on 18 June 2019 announced that both the Company and Daehan had mutually agreed that the Final Consideration be fixed at SGD32.69 million (equivalent to approximately RM99.44 million) resulting in an additional cash proceeds of SGD6.04 million (equivalent to approximately RM18.37 million).

PROSPECTS

The uncertain global economic conditions are anticipated to continue to affect the operating environment of the steel industry. Prices of steel products and raw materials remain volatile and the demand from the construction and property sectors remains low. The Group’s steel and building materials businesses will continue to face challenges as the property and infrastructural developments remain soft; whilst the lubricants, petroleum and automotive products businesses are expected to continue to contribute positively to the Group with the growth in new segment markets.

The Group will stay vigilant and responsive to market changes and continue with its efforts to improve operating performance for the next financial year.

APPRECIATION

On behalf of the Board, I would like to express my heartfelt and sincere appreciation to all our valued shareholders, customers, financiers, business associates and the various governmental and regulatory authorities for their continuing support and confidence in the Group throughout these challenging times.

I would also like to convey my appreciation and gratitude to my fellow Directors for their invaluable guidance, support and contribution throughout the year.

Last but not least, I would like to place on record my sincere thanks to the management and staff for their dedication and commitment to the Group.

DATUK SERI UTAMA RAJA NONG CHIK BIN
DATO’ RAJA ZAINAL ABIDIN
Chairman

主席报告

我谨代表董事部，提呈金狮工业机构有限公司截至2019年6月30日会计年度的常年报告和经审核财务报表。

财务表现

在受审核的会计年度，本集团的收入共31亿6千400万令吉，比上一年度的32亿2千910万令吉减少4%，这主要是由于我们的钢铁业务的贡献减少。本地的钢铁厂面对一家外资钢铁厂的激烈竞争，该厂大量地增加其在本地市场钢铁产品的供应，造成钢铁产品价格下跌：加上原料涨价和燃料成本提高，导致本集团蒙受1亿2千800万令吉的税前亏损；上一个年度则取得1亿7千510万令吉的利润。

在2019会计年度，本集团处于净现金状况，净资产共16亿7千400万令吉，相等于每股净资产值2.46令吉。

重大企业发展

- (i) 在本会计年度，公司宣布“建议扩展扁钢业务计划”，涉及下述企业建议：
 - (a) 建议由Cendana Aset Sdn Bhd (“Cendana Aset”), Cendana Domain Sdn Bhd的独资子公司，后者则是本公司的独资子公司，以大约5亿3千773万令吉收购美佳钢铁私人有限公司 (“美佳钢铁”) 被抵押的固定资产和流动资产，以及所有Secomex Manufacturing (M) Sdn Bhd欠美佳钢铁的债务，收购款项将由Cendana Aset支付给美佳钢铁的抵押债权人 (“美佳钢铁抵押债权人”);
 - (b) 建议由Gelora Berkhat Sdn Bhd (“Gelora Berkhat”), Tahap Berkhat Sdn Bhd的独资子公司，后者则是本公司的独资子公司，收购将由美佳钢铁发行给美佳钢铁抵押债权人委任的信托人的“美佳钢铁本票”。这些本票是用来解决抵押不足的债务，成交价值是850万令吉，由Gelora Berkhat支付给美佳钢铁抵押债权人；
 - (c) 建议由Gelora Berkhat 收购美佳钢铁的所有未被抵押的资产，收购价大约2千159万令吉 (“建议收购未抵押资产”)，由Gelora Berkhat支付给美佳钢铁；以及
 - (d) 建议由国家能源公司供应电流给本公司及其位于万津的子公司的钢铁业务，包括“建议中的扁钢业务扩展计划”，支付的现金金额是3千580万令吉。

在2019年7月10日，美佳钢铁获得个别的美佳钢铁抵押债权人和无抵押债权人(包括本公司及其受影响的各子公司(但不包括国家能源公司))的批准美佳钢铁抵押债权人和美佳钢铁无抵押债权人的个别计划(统称为“各项计划”)。

在2019年8月7日，美佳钢铁进一步获得马来西亚高等法庭批准美佳钢铁有抵押方案。在2019年8月9日，高庭发出通行E土地的认可(参照本公司在2019年6月11日的通告)。

在2019年9月10日，公司接到美佳钢铁的来信通知高庭已批准“建议中收购未抵押资产”的无抵押方案。

其他尚未完成的有关建议的先决条件如下：

- (a) 获得本公司无关联的股东们批准；
 - (b) 与建议收购未抵押资产有关的美佳钢铁有抵押方案已转为无条件 and 可执行。
- (ii) 在2019年1月6日，公司宣布，和Daehan Steel Co. Ltd 达致附带条件买卖合同，建议公司把它在Angkasa Amsteel Pte Ltd (AAPL) 的全部11,517,999普通股，相等于AAPL 50%的股权出售给Daehan，成交价值是2千665万新元(大约相等于8千90万令吉)。(“脱售成交价值”)(“建议脱售”)。根据有关的协议，最后的成交价值将在买卖完成日期根据AAPL的惯常综合资产负债表的净有形资产为准。

在2019年4月1日，公司宣布完成此项脱售。因此，AAPL不再为本集团的联号公司。

公司在2019年6月18日宣布，公司和Daehan达成共识，把最终成交价值定于3千269万新元(相等于大约9千944万令吉)，导致本公司多获得604万新元的现金收入(相等于大约1千837万令吉)。

展望

钢铁业的营业环境预料将会继续受到全球经济不明确因素影响。钢铁产品以及原料的价格仍然飘忽不定，而建筑业与地产业的需求仍然低迷。本集团的钢铁与建筑材料的业务将继续面对挑战，因为建筑业和基础设施建设发展仍然疲软；然而随着新区块市场的增长，润滑油、汽油产品和汽车产品的业务，预料将继续对本集团作出积极贡献。

本集团将保持警惕，对市场变化作出反应，在未来一年继续致力于改善营业表现。

鸣谢

我谨代表董事部，真诚感谢我们所有尊贵的股东、客户、金融家、商业伙伴，以及各政府部门和监管机构，在这些充满挑战的时期，继续支持本集团及对本集团具有信心。

我也要感谢董事们，一年来给予广泛的指导、支持与奉献。

最后，我真诚感谢管理层和职员们对本集团的奉献。

主席

**DATUK SERI UTAMA RAJA NONG CHIK BIN
DATO' RAJA ZAINAL ABIDIN**

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Consolidated Statement of Profit or Loss	2019 RM'000	2018 RM'000	Change %
Revenue	3,163,774	3,290,799	-4%
(Loss)/Profit from operations	(99,927)	181,690	>-100%
(Loss)/Profit before tax	(128,045)	175,051	>-100%
(Loss)/Profit after tax	(156,101)	181,846	>-100%

Consolidated Statement of Financial Position

Total assets	2,891,976	3,104,503	-7%
Deposits, cash and bank balances	376,013	303,065	24%
Total liabilities	1,046,337	1,051,013	-0.4%
Bank borrowings	163,233	171,679	-5%
Net assets	1,673,901	1,880,623	-11%

The Group posted a 4% lower revenue of RM 3,164 million for the financial year 2019 compared with RM3,291 million in the previous year. This was mainly due to the lower revenue registered by our Steel Division. The Group recorded a loss from operations of RM99.9 million as against a profit of RM181.7 million a year ago.

The Group shared a higher loss of RM28.1 million from the associated companies and a joint venture compared with RM16.9 million in the previous year. This was largely attributable to the loss from the retail business of an associated company.

Overall, the Group posted a loss before tax of RM128.0 million against a profit of RM175.1 million a year ago.

As at 30 June 2019, the Group's total assets decreased by 7% to RM2,892 million from RM3,105 million a year ago and the Group's total liabilities decreased slightly by 0.4% from RM1,051 million last year to RM1,046 million. As a result, the Group's net assets decreased by 11% to RM1,674 million and net assets per share decreased by 30 sen to RM2.46 from RM2.76 last year. The Group has reduced its borrowings by 5% to RM163.2 million and registered a net cash position for the financial year 2019.

REVIEW OF OPERATIONS

Note: "Profit or loss before interests, share of associates and taxation" is hereinafter referred to as "profit" or "loss".

Steel			
	2019 RM Million	2018 RM Million	Change %
Revenue	2,870	3,037	-5%
(Profit)/Profit	(112.0)	193.8	>-100%
Product	Annual Rated Capacity (Metric Tons)		
HBI	0.9 million		
Billets/Molten Steel	3.1 million		
Steel Bars and Wire Rods	2.4 million		

Long Products (Billets, Steel Bars & Wire Rods)

Our long products business is spearheaded by Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd. Amsteel Mills Sdn Bhd owns two steel plants located at Bukit Raja, Klang and Banting while Antara Steel Mills Sdn Bhd has a long steel plant in Pasir Gudang, Johor.

Malaysia's apparent steel consumption increased by 3.5% from 9.44 million metric tons in 2017 to 9.78 million metric tons in 2018, of which local consumption for steel bars and wire rods increased slightly by 0.2% from 4.46 million metric tons to 4.47 million metric tons. Imports of steel bars and wire rods decreased by 1.9% to 1.08 million metric tons. The local production of steel bars and wire rods increased by 1.5% to 3.58 million metric tons (Source: South East Asia Iron and Steel Institute Statistical Yearbook).

The long products business of the Group posted a lower revenue of RM1.9 billion compared with RM2.2 billion a year ago mainly due to the lower average selling price of steel products and sales tonnage. The profit margin of long products was squeezed by the depressed selling prices and rising raw material costs. This was largely due to the slow-down in the global economy and the intense competition from a wholly foreign-owned steel mill in the local market. As such, the long products business recorded a loss of RM207 million for the financial year under review as against a profit of RM101 million a year ago. Our Banting plant was still in a temporary shutdown mode whilst the Johor plant resumed operation in January 2019 after being partially shut down last year. In view of the challenging environment of the steel industry, the Group is undergoing a rationalisation plan to improve the operating efficiency of our plants.

Hot Briquetted Iron (“HBI”)

Antara Steel Mills Sdn Bhd also owns a steel plant in the Federal Territory of Labuan. This plant specialises in the production of hot briquetted iron (“HBI”) using the Midrex Direct Reduction process.

HBI is a premium feedstock for steelmaking produced from iron ore pellet and is used in the production of high purity steel. The HBI produced by Antara Steel Mills Sdn Bhd is largely for the export market.

The HBI operation’s revenue increased by 17% to RM974 million this year from RM833 million a year ago due to higher sales tonnage. The rising iron ore price amid sluggish steel prices resulted in shrinking margins for the steel mills. The higher iron ore price was mainly attributable to the dam collapse in Brazil which affected the production of iron ore. As such, the Plant recorded a slight increase in operating profit of RM110 million as compared to RM107 million last year.

Building Materials			
	2019 RM Million	2018 RM Million	Change
Revenue	381.7	288.6	32%
Profit	2.4	2.4	-

Trading and distribution of building materials and steel products is directly associated with the construction and property development sectors in the country. Our Building Materials Division trades and distributes a wide range of building materials and steel products such as steel bars, wire mesh, cement, bricks, tiles and sanitary wares to the construction and property development sectors in the domestic market.

2019 was another challenging year for the Division as sentiments for the construction industry, which comprises property and infrastructural developments remained soft amid revision of mega projects, causing uncertainties in the industry. Nevertheless, the Division registered a 32% growth in revenue at RM381.7 million over that of the previous year, mainly attributable to the higher sales of steel bars to the local construction and property development sectors.

The Division will continue to face challenges as the domestic construction industry is expected to remain challenging in the near term. With prices of key construction materials such as steel bar and cement at depressed levels, competition among the building material distributors will remain intense.

Operating in an intensely challenging and competitive business environment, the Division will always stay vigilant and responsive to market changes. The Division will continue to focus on improving its operating performance by forging strategic relationships with principal suppliers and trading partners, developing partnerships with key customers and developers, and expanding its market coverage. The Division has also ventured into its own line of finishing products such as sanitary wares, tap fittings, tiles and ironmongery products to grow revenue.

Lubricants, Petroleum and Automotive Products			
	2019 RM Million	2018 RM Million	Change
Revenue	93.1	84.5	10%
Profit	13.8	9.7	42%

The Division recorded an increase in revenue and operating profit despite facing a soft market during the financial year. The improved results were mainly due to growth in new segment markets that we had identified in previous years; and had thus implemented effective action plans to achieve results in these potential markets.

Automotive lubricants remain as our core product and we continuously upgrade our range and offerings to satisfy and complement the requirement of newer technologies adopted by vehicle OEMs. The trend is generally for performance-based lubricant that optimises engine efficiencies and is simultaneously cost-effective and environmentally sustainable. In this regard, the research and technical projects that we are engaged in, both in our laboratory and on the field are continuously monitored and tracked for product improvement purposes.

We actively participated in motorsports competitions, both in the domestic and international arena, and our race teams had won many podium victories this year. These popular races include but are not limited to the Asia Road Racing Championship, Malaysian Cub Prix Championship, Malaysia Superbike Championship, Malaysia Speed Festival, Malaysia Championship Series, the Sepang 1000 km Endurance Race and Rimba Raid Challenge.

As many of our lubricant brands are widely known and accepted in the Malaysian market, we continuously review and widen our business network so that our products are readily available to end-users and consumers. We engage closely with our workshops partners and resellers to develop mutual beneficial business relationships with all parties.

Moving forward, we will continue to identify key potential segments that we can tap on. Barring unforeseen circumstances, we expect continued growth in the lubricant division's businesses.

SUSTAINABILITY STATEMENT

The Group has embraced the values of corporate responsibility and elements of sustainability management since the early days of its operations. These values are reflected in our core values, policy statements and work practices across our operations and contribute to the development of the Group's Sustainability Framework. The Group is cognisant of the 3 aspects of sustainability i.e. economic, environmental and social ("EES") underpinning sustainability management and is incorporating good sustainability practices into its operations and businesses.

This Sustainability Statement provides an overview of our sustainability practices and performance for the financial year ended 30 June 2019 in the areas of corporate governance, upholding stakeholders' interests, promoting a safe, healthy and harmonious working environment for all our employees and contributing to the communities in which we operate. Recognising the importance of embedding sustainability management and considerations in our business strategy to reduce risks and take advantage of business opportunities, we continued to set standards and frameworks and adopt innovative means to sustain and amplify our sustainability efforts. We have taken steps to incorporate standard disclosures in accordance to the Global Reporting Initiatives ("GRI") reporting guidelines and Bursa Malaysia Securities Berhad Main Market Listing Requirements on sustainability reporting.

ECONOMIC

We are focused on building sustainable relationships with stakeholders and utilising our resources optimally to contribute to economic growth and bring value to all our stakeholders. This section covering the Marketplace and Workplace, highlights the continual measures to support the economic sustainability of our operations by giving due attention to our suppliers and customers, and our employees respectively. We have strengthened our policies governing our business dealings, conduct of employees and business continuity management via our Sustainability Framework. These policies pertaining to group procurement, vendor code of conduct, code of business ethics and conduct, integrity and fraud, competition, whistleblowing and sexual harassment, are disseminated to all our companies and employees as well as uploaded onto our website for public viewing.

The Group maintains zero-tolerance for bribery, fraud and corruption, and is developing its Anti-Bribery and Corruption Policy ("ABC Policy") which abides by the rules, laws and regulations of the countries we are operating in. The new ABC Policy will incorporate more comprehensive issues and a robust set of internal standards and procedures to further enhance the Group's core principles in the existing Code of Business Ethics and Conduct ("CoBEC").

Marketplace

We are committed to uphold ethical and responsible marketplace practices by practising transparent business conduct and operating our business with integrity and a commitment to excellence to improve our competitiveness and foster long-term relations with our stakeholders.

- **Product Responsibility**

We are committed to providing products that meet regulatory, safety and quality standards to fulfil customers' requirements and ensure that our suppliers share the same philosophy. The quality management system we have in place is designed to monitor and control the processes from planning and development to production and after-sales service in order to comply with all the stipulated standards.

- **Customer Satisfaction**

Customer support and loyalty is critical to the success of our business. Hence, we strive to put customers at the forefront of everything we do whilst we aim to provide quality products and premium, value-adding services to our customers. Product knowledge and service skills training are part of our routine training programmes to ensure that our employees provide excellent quality services to our customers. We place high priority on customer engagement and interaction with various customer feedback channels to further improve on our customer service and achieving customer satisfaction.

- **Supply Chain and Responsible Procurement Practices**

Our procurement department ensures that we engage in responsible procurement practices which is reinforced with the requirement for all our active registered vendors to periodically acknowledge their commitment to the Code of Conduct. Vendors' qualification/credentials are carefully vetted before being admitted into our list of qualified suppliers. Our initiatives start with the supplier selection process incorporating sustainability considerations such as fair labour practices and safety requirements. Compliance and commitment by vendors and suppliers to conduct business with us in a transparent manner is sought through performing audits and making continuous improvements in our procurement processes and policies.

- **Vendor Code of Conduct**

This serves as a guideline prescribing a set of principles to be adhered by all vendors and to inform our vendors of their role and contribution as a key business partner and on the need to comply with all rules and regulations including health and safety standards, and labour standards; avoid conflict of interest, conserve the environment, and notify the Group of any breaches or non-conformance.

- **Employee Code of Conduct**

We apprise our employees on the Group's CoBEC and the need to conduct business at the highest ethical standards. We do not tolerate bribery and corrupt practices or behaviours that may bring disrepute to the Group or its employees. Above all, we expect honesty, integrity and respect to be exhibited in our dealings and interactions within and outside the Group. To ensure that all executive employees understand and uphold high ethical standards of conduct, they are required to submit their Conflict of Interest and Compliance Declaration annually.

- **Whistleblower Policy**

We are committed to conducting our affairs in an ethical, responsible and transparent manner. To this effect, we encourage our stakeholders to disclose suspected wrongdoings which may involve or concern our Group's directors, management, employees, performance, relations with other stakeholders, assets and reputation. Whistleblowers will be accorded protection of their identity unless the disclosure is required by any applicable law.

All concerns may be disclosed in writing and submitted to the Chief Internal Auditor of the Group via mail, facsimile, email or telephone call to the office as follows:

Tel No. : 03-21423142
Email : whistleblowing@lion.com.my
Fax No. : 03-21489830
Address : Level 12, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan

- **System Efficiency**

We strive to achieve the highest efficiency in our operating systems and technology to support our daily business activities across our Group; where our IT resources provide daily support services to ensure our systems run smoothly and are risk-protected. We also ensure that the connectivity with our subsidiaries and business partners through emails, mobile and web-based communications are maintained and risk-protected at all times. Continuous constructive feedbacks and suggestions have enabled our IT resources to improve and fine-tune business processes and upgrade specific IT facilities to provide quality and timely services.

- **Privacy and Data Protection**

We continuously strive to ensure the confidentiality and protection of customer and stakeholders' information and documents based on requirements under the Personal Data Protection Act 2010. Information on our vendors, suppliers and customers is strictly private and confidential, and is treated as such at all times.

Workplace

We recognise our employees as key assets, hence managing talent at all levels is a key priority. Our Human Resource (HR) policies and guidelines comply with all relevant legislations and have been designed to ensure that our workplace embraces diversity, inclusion, equality and innovation. As part of our commitment to maintain our employee diversity, we have an open-door policy with regard to persons with disabilities.

The Group's efforts to attract, develop, motivate and retain its employees are pursued within the ambit of 6 HR strategic focus areas :

- **Talent Attraction and Management**

We assess applicants for employment in our Group of Companies based on objective criteria regardless of their ethnic background, gender, age, religion, disability or any factors which do not have bearing on job requirements. Lion-Parkson Foundation scholarship programme builds a healthy pipeline of talent for our businesses.

We take stock of talent requirements for our businesses to allow high-potential employees the opportunities to be developed and progressed to senior and challenging roles at the Company and Group level. This will also serve to retain and cross-pollinate key talents within the Group.

- **Capability Building**

We provide learning and development opportunities in respect of technical, functional and behaviour competencies for our employees in line with their job requirements and career aspirations. Learning interventions are delivered on-the-job, via formal class training and continuing education.

- **Rewards and Performance**

We review and implement remuneration practices that are externally competitive and internally fair and equitable. Our reward process is closely linked to performance management process; our employees can expect to receive salary adjustments and bonus awards which directly relate to their performance and contributions.

- **HR Operational Excellence**

We continue to streamline, standardise and simplify our HR policies and processes in line with the requirements of our global organisation. We trust that with our LionPeople Global HR Information System (HRIS), it will take our people management agenda to the next level.

- **Safety & Health in the Workplace**

The safety and health of our employees is vital to our businesses, hence the Group subscribes to the safety, health and environmental regulations with a systematic approach reinforced by constant training and monitoring to ensure the safety and well-being of our employees. Workplace incidents are taken seriously; they are investigated and appropriate actions taken to prevent recurrence.

In compliance with legal requirements such as the Occupational Safety and Health Act, Factories and Machineries Act and related regulations, we have in place our Safety and Health Standard Operating Procedures. Compliance with the safe work practices stated in these standard operating procedures is the primary responsibility of all employees, contractors and consultants performing their duties at our premises.

We have established the Emergency Response Team (ERT) in our plants to prepare for and respond to any emergency incident, such as occupational incidents, natural disasters or interruption of business operations. Our ERT members are well trained on safety awareness and preparedness in everyday situations. Training is organised regularly for the members on the use of various types of fire extinguishers and hose reel, first aid i.e. CPR and injury management, shutdown and evacuation procedures. Safety campaigns are held to remind and refresh the staff on safety awareness and related issues.

- **Employee Engagement and Work-Life Balance**

We espouse the requirement to engage and listen to our employees in order to create a conducive, happy and productive workplace. We create forums to enable effective employee engagement such as town-halls, “lunch & learn”, festive open houses, sports and recreation activities/pursuits. Such engagements address both work and social requirements of our employees leading to a healthy work-life balance which proves to be an important factor for recruitment and retention of employees. The Group strives to provide a working environment that promotes work-life balance for its employees comprising the above elements as well as organizing various healthy lifestyle campaigns and programs to promote healthier living.

ENVIRONMENT

The Group remains steadfast in our commitment to sustainable development and seeks to operate in a way that minimises environmental harm. We seek to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimise the use of resources and promote energy efficiency and we are committed in taking proactive measures to preserve the environment for future generations whilst meeting the needs of our stakeholders.

- **Efficient Energy & Water Consumption and Wastes Management**

Our steel manufacturing plants are certified under ISO14001 Environmental Management System which is testament of our commitment to prevention of pollution, continual improvement in overall environmental performance, and compliance with all applicable statutory and regulatory requirements. This includes managing and reducing the impacts arising from operational activities over which we have direct control such as energy and water consumption and wastes management.

- **Promoting Green and Environmental Friendly Products**

We constantly explore greener alternatives in our day-to-day operations such as introduction of more efficient and energy-saving products and processes and 5S management techniques in our operations. To support our policy commitment, various environmental awareness activities such as Gotong Royong by the staff to clean the premises and surroundings were carried out. Initiatives by our property projects include landscaping with lush greenery and facilities to promote a green environment. We have introduced urban farming in our newly completed Crescent Park in Bandar Bukit Mahkota project to encourage community gardening which provides space for residents to cultivate plants for food and/or recreation.

- **Prudent Use of Paper Practices**

We acknowledge that the environmental impact of paper usage is significant. Our approach is to avoid unnecessary paper consumption and waste generation, where possible and appropriate. We always look at ways to reduce paper usage and encourage the usage of electronic platforms such as social media, SMS and email as efficient alternative modes of communication with our suppliers and customers and for our day-to-day internal operations, and to use recycled paper to print any document as far as possible.

SOCIAL

In keeping with its philosophy of giving back to the community, the Group is focused on helping to uplift the community via Lion-Parkson Foundation and Lion Group Medical Assistance Fund established by Lion Group of Companies of which the Group is a member. The companies within the Group also support the local community wherein they operate by participating in charity programmes and fundraising drives to assist those in need.

Empowerment through Education

Lion-Parkson Foundation started in 1990 and organises fundraising activities for charity and to provide educational opportunities for the less fortunate. The true sustainability of our project lies in the on-going transformation of peoples' lives through the benefits of education. We believe in Empowerment through Education; that education is the catalyst to bring about sustainable change for the better, for our future generations.

Every year, the Foundation awards scholarships to undergraduates in the local universities. The selected scholars undergo training in soft skills such as problem-solving and communication skills and internships at our companies during their semester breaks to prepare them for the corporate world. This year, the Foundation awarded scholarships worth RM10,000 per annum to 9 students based on their academic performance, extra-curricular activities and leadership qualities. To date, the Foundation has sponsored a total of 458 students through various sponsorship programmes worth RM10.5 million.

For the 10th consecutive year, students from 5 schools had staged calligraphy demonstrations and orchestra performances at 9 participating Parkson stores in the Klang Valley over 3 weekends prior to the 2019 Lunar New Year, and successfully raised RM237,247.31 from the sale of their calligraphy pieces. The Lunar New Year Calligraphy Exhibition and Charity Sale in Parkson stores initiated in 2010, has raised a total of RM2,382,643.97 to assist needy students in these schools.

The third Lion Parkson charity run was held on 30 September 2018 at Pavilion Kuala Lumpur and managed to raise RM1.2 million for education and charity, including the expansion of the Home for Handicapped and Mentally Disabled Children in Banting, Selangor; National Cancer Society Malaysia; Kasih Hospice Care Society; and Kuala Lumpur and Selangor Chinese Chambers of Commerce and Industry Education Fund. 45 cancer patients and survivors from National Cancer Society had participated in the 1km Run for Cancer category.

Home for Special Children

In reaching out to the various communities through education, we have not forgotten the less fortunate, namely the special children whose lives we seek to enhance and enrich through our Home for Handicapped and Mentally Disabled Children Association Selangor. It was built at a cost of RM2.2 million contributed by the Foundation in 2012 on a 4.17 acres piece of land worth RM1.2 million donated by Lion Group, and can accommodate 100 children. The Home was officially opened by National Shuttler, Datuk Wira Lee Chong Wei and Foundation Chairman, Puan Sri Chelsia Cheng on 4 November 2012. Construction work on the 2nd and 3rd phases which cost another RM6 million to enable the Home to accommodate another 100 children, and an old folks home has just been completed.

All in, to date a total of RM38.4 million has been contributed to various charitable causes championed by the Foundation.

Medical Assistance for the Less Fortunate

In reaching out to a broad and diverse cross-section of beneficiaries irrespective of race or religion, the Lion Group Medical Assistance Fund provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery, purchase of medical equipment and medication. Since its inception in 1995, the Fund has also assisted organisations that are geared towards helping the less fortunate achieve a better life, including sponsoring community health programmes such as medical camps and donation of dialysis machines.

To date, approximately RM8.9 million has been disbursed in the form of sponsorship for medical treatment to 948 individuals, and for the purchase of medical equipment and medicine for medical camps. This includes the purchase of 22 dialysis machines worth RM839,400 for Dialysis Centres operated by National Kidney Foundation and non-Governmental Organizations (NGOs) to provide subsidised treatment to those suffering from kidney failure.

Effective 12 March 2019, Lion Group Medical Assistance Fund was merged with Lion-Parkson Foundation to streamline and facilitate the management and disbursement of funds by the Group. Lion-Parkson Foundation will undertake to provide financial assistance for medical expenses incurred by needy Malaysian patients for surgeries, hospitalisation and diagnostic procedures in local hospitals or clinics.

Other Charitable Causes

In addition, the CSR team of our property division had organised visits to charity homes and underprivileged families in Klang Valley and Melaka during the festive season. Monetary and basic goods were donated for the upkeep of the homes and to assist the families in their preparation for the celebration.

STAKEHOLDER ENGAGEMENT

Stakeholders engagement is imperative in understanding their expectations. We recognise that stakeholder expectation, assessment and feedback are an integral part of our sustainability strategy and initiatives, and we are continuously improving our stakeholder engagement approach via various communication channels.

Stakeholder Group	Stakeholders Expectation	Communication Channel/Platform
Employees	<ul style="list-style-type: none"> • Learning and development • Respect and recognition • Job satisfaction • Pay and benefits 	<ul style="list-style-type: none"> • Meetings • Training programmes • Internal newsletter • Staff gatherings and other engagement channels
Customers	<ul style="list-style-type: none"> • Convenience and experience • Engaging, knowledgeable personnel 	<ul style="list-style-type: none"> • Face-to-face interaction through service channels • Communication through Customer Service Department and Corporate Communications Department • Feedback through website, e-mail, social media • Sales, promotions, road shows and related events
Suppliers/Vendors	<ul style="list-style-type: none"> • Long term partnership • Financial resilience • Sustainable business growth • Experienced management team 	<ul style="list-style-type: none"> • Liaison with suppliers before sourcing and engaging with contract managers • Meetings, business alliance events/ meetings • Vendor service/support channel
Shareholders and investors	<ul style="list-style-type: none"> • Good governance • Sustainable business growth • Disclosure and transparency 	<ul style="list-style-type: none"> • Investor relations channel and meetings • Annual General Meeting • Quarterly reports, Annual Report
Government and regulators	<ul style="list-style-type: none"> • Regulatory compliance 	<ul style="list-style-type: none"> • Meetings and events
Local communities	<ul style="list-style-type: none"> • Responsible corporate citizen • Support for social causes 	<ul style="list-style-type: none"> • Activities and sponsorships organised by the Company, Lion-Parkson Foundation and Lion Group Medical Assistance Fund
Media	<ul style="list-style-type: none"> • Response to media enquiries and requests for interviews • Long term engagement 	<ul style="list-style-type: none"> • Media releases and interviews • Advertisements
Industry Associations	<ul style="list-style-type: none"> • Support for mutual interests 	<ul style="list-style-type: none"> • Meetings and events

FINANCIAL STATEMENTS

2019

For The Financial Year Ended 30 June 2019

DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2019.

PRINCIPAL ACTIVITIES

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

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

SIGNIFICANT EVENTS

Significant events of the Group are disclosed in Note 41 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
(Loss)/Profit for the year	(156,101)	242,320
(Loss)/Profit attributable to:		
Owners of the Company	(157,253)	
Non-controlling interests	1,152	
	<u>(156,101)</u>	

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

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

As of 30 June 2019, 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 41 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
Yap Soo Har
Cheng Hui Ya, Serena
Chong Jee Min (Retired on 26 November 2018)

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	Khor Toong Yee
Chan Ho Wai	Koh Yong Heng
Chen Xian Ping	Koo Chuan Hong
Cheng Hui Ya, Serena	Lee Boon Liang (appointed on 5 April 2019)
Cheng Hui Yen, Natalie	Lee Khian Lai
Cheng Theng How	Lee Whay Keong
Cheng Toek Waa	Liu Cheng Xu
Cheng Yong Liang	Ong Kek Seng
Chuah Say Chin	Ooi Kim Lai
Dato' Eow Kwan Hoong	Pang Fook Fah
Dato' Kamaruddin @ Abas bin Nordin	Poon Sow Har
Dato' Teoh Teik Jin	Sun Li Zhong
Dr Folk Jee Yoong (appointed on 15 February 2019)	Tan Sri Cheng Heng Jem
Goh Kok Beng	Tan Sri Cheng Yong Kim
Haji Mohamad Khalid bin Abdullah	Tan Sri Dato' Abd Karim bin Shaikh Munisar (appointed on 15 February 2019)
Hu Li Ke	Teoh Lean Keat
Hu Qing Guo	Wang Wing Ying
Jiang Hong Xin	
Juliana Cheng San San (appointed on 15 July 2019)	

Chan Poh Lan (resigned with effect from 30 September 2019)
Cheng Poh Heng (ceased on 24 August 2018)
Dato' Kalsom binti Abd. Rahman (retired on 22 November 2018)
Lee Soon Saam (resigned with effect from 8 April 2019)
Liew Choon Yick (ceased on 24 August 2018)
Lim Siong Lin (ceased on 24 August 2018)
Lin Chung Dien (retired on 22 November 2018)
Ng Ho Peng (ceased on 24 August 2018)
Norulhuda binti Abu Bakar (appointed on 23 August 2018; resigned with effect from 8 October 2018)
R Ramesh A/L Rasu (appointed on 3 October 2018; resigned with effect from 8 October 2018)

DIRECTORS' INTERESTS

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

	As of 1.7.2018	Number of ordinary shares		As of 30.6.2019
		Additions	Disposals	
Direct interest				
Tan Sri Cheng Yong Kim	9,253,289	750,000	–	10,003,289
Dato' Kamaruddin @ Abas bin Nordin	128,000	–	–	128,000
Deemed interest				
Tan Sri Cheng Yong Kim	74,745,649	–	–	74,745,649

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

	As of 1.7.2018	Number of ordinary shares		As of 30.6.2019
		Additions	Disposals	
Tan Sri Cheng Yong Kim				
Direct interest				
Lion Forest Industries Berhad	130	–	–	130
Deemed interest				
Lion Forest Industries Berhad	2,059	–	–	2,059

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 35 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 2019 is as disclosed in Note 6 to the financial statements.

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

TAN SRI CHENG YONG KIM

CHENG HUI YA, SERENA

Kuala Lumpur
10 October 2019

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 2019, 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 61 to 180.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key audit matter	How the scope of our audit responded to the key audit matter
<p><u>Impairment of property, plant and equipment</u></p> <p>As of 30 June 2019, accumulated impairment losses of RM257,662,000 (2018: 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 temporarily stopped operations since previous years.</p> <p>Significant estimates and judgements were consequently applied by management in determining the recoverable amount of these assets.</p> <p>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 May 2019 as disclosed in Note 4(ii)(e)(i) to the financial statements.</p>	<p>Our audit procedures in assessing the recoverable amount of these assets include:</p> <ul style="list-style-type: none"> The Group engaged an independent external valuer to determine the market value of these assets located at Banting Plant. We have assessed the 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
<p>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.</p>	
<p><u>Impairment of investment properties</u></p> <p>As of 30 June 2019, included in the investment properties of the Group are freehold land and economic land concessions in Cambodia amounting to USD25,733,000, equivalent to RM106,651,000.</p> <p>The impairment of investment properties is considered a key audit matter in view that significant judgement and estimates are required to be exercised by the management when determining the recoverable amount of the investment properties for impairment assessment.</p> <p>The significant judgement and estimates made by the management is disclosed in Note 4(i)(b) to the financial statements.</p>	<p>Our audit procedures to address this area included, among others:</p> <ul style="list-style-type: none"> • Read and considered agreements and relevant documentation relating to the acquisition of land and economic land concessions in Cambodia; • Inquired of management about plans for the investment properties and evaluated the possible impact on the realisation of the freehold land and economic land concessions; • Assessed the competency, capabilities and objectivity of the independent valuers engaged by the Group to determine the market value of the investment properties. • Compared the carrying amount of the investment properties against the values determined by the independent valuers to evaluate for indicators of impairment and challenged the variables and assumptions used in the valuations. • Assessed the adequacy and appropriateness of the disclosures in the financial statements.

We have determined that there are no key audit matters in the audit of the 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.

(Forward)

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is 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.

(Forward)

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

- (a) As stated in Note 2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 July 2018 with a transition date of 1 July 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as of 30 June 2018 and 1 July 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the year ended 30 June 2018 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 June 2019, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as of 1 July 2018 do not contain misstatements that materially affect the financial position as of 30 June 2019 and the financial performance and cash flows for the year then ended.
- (b) 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)

LIM CHU GUAN
Partner - 03296/03/2021 J
Chartered Accountant

10 October 2019

STATEMENTS OF PROFIT OR LOSS**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	The Group		The Company	
		2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Revenue	5	3,163,774	3,290,799	185,483	3,093
Other income		83,261	57,856	11,976	3,110
Net changes in inventories		46,625	(70,520)	–	–
Raw materials and consumables used		(2,687,610)	(2,428,566)	–	–
Purchase of trading merchandise		(307,482)	(295,509)	–	–
Cost of completed units sold		(260)	(3,034)	–	–
Property development costs	15(b)	–	(2,304)	–	–
Staff costs	6	(164,736)	(171,267)	(365)	(354)
Directors' remuneration	7	(1,621)	(1,653)	(1,476)	(1,448)
Depreciation of property, plant and equipment	12	(88,159)	(92,892)	(285)	(369)
Depreciation of investment properties	13	(43)	(43)	–	–
Amortisation of prepaid land lease payments	14	(2,281)	(2,267)	–	–
Other expenses		(127,196)	(85,386)	(13,426)	(20,820)
Investment income	8	6,915	7,352	865	725
Finance costs	9	(21,114)	(20,876)	(790)	(1,001)
(Loss)/Profit from operations	6	(99,927)	181,690	181,982	(17,064)
Share in results of:					
Associated companies	17	(35,153)	(18,266)	–	–
Joint venture	18	7,035	1,396	–	–
Gain on disposal of investment in an associated company		–	10,231	60,697	–
(Loss)/Profit before tax		(128,045)	175,051	242,679	(17,064)
Tax (expense)/credit	10	(28,056)	6,795	(359)	(1,339)
(Loss)/Profit for the year		(156,101)	181,846	242,320	(18,403)
(Loss)/Profit attributable to:					
Owners of the Company		(157,253)	172,921	242,320	(18,403)
Non-controlling interests		1,152	8,925	–	–
		(156,101)	181,846	242,320	(18,403)
(Loss)/Earnings per ordinary share attributable to owners of the Company (sen):					
Basic and diluted	11	(23.10)	25.40		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
(Loss)/Profit for the year	(156,101)	181,846	242,320	(18,403)
Other comprehensive income/(loss)				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Exchange differences on translation of foreign operations	(725)	(11,287)	–	–
Share of other comprehensive loss of associated companies	(21,529)	(20,544)	–	–
Transfer of other reserve to profit or loss upon disposal of investment in an associated company	–	1,384	–	–
Net loss on other investments:				
- Fair value changes	–	(10,686)	–	–
- Transfer to profit or loss upon disposal	–	(103)	–	(6)
Other comprehensive loss for the year, net of tax	(22,254)	(41,236)	–	(6)
Total comprehensive (loss)/income for the year	(178,355)	140,610	242,320	(18,409)

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
(Loss)/Profit attributable to:				
Owners of the Company	(180,526)	133,803	242,320	(18,409)
Non-controlling interests	2,171	6,807	–	–
	(178,355)	140,610	242,320	(18,409)

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

STATEMENTS OF FINANCIAL POSITION

AS OF 30 JUNE 2019

	Note	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
ASSETS				
Non-Current Assets				
Property, plant and equipment	12	474,819	539,181	629,988
Investment properties	13	108,851	106,292	578
Prepaid land lease payments	14	55,263	57,544	59,811
Land held for property development	15(a)	50,709	50,286	49,508
Investment in associated companies	17	644,542	802,614	848,792
Investment in joint venture	18	–	–	11,051
Long-term investments	19	1,228	1,228	12,311
Deferred tax assets	20	48,543	73,762	56,456
Goodwill	21	130,443	130,443	130,443
Total Non-Current Assets		1,514,398	1,761,350	1,798,938
Current Assets				
Property development costs	15(b)	11,915	11,903	13,209
Inventories	22	533,578	623,806	372,831
Trade receivables	23(a)	243,252	216,053	209,706
Other receivables, deposits and prepayments	23(b)	195,894	170,202	211,135
Amount owing by associated companies	24(b)	–	336	314
Amount owing by joint venture	24(c)	–	1,458	1,480
Investment in money market funds	25(a)	16,926	16,330	15,767
Deposits, cash and bank balances	25(b)	376,013	303,065	322,181
		1,377,578	1,343,153	1,146,623
Assets classified as held for sale	26	–	–	7,073
Total Current Assets		1,377,578	1,343,153	1,153,696
Total Assets		2,891,976	3,104,503	2,952,634

(Forward)

	Note	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	27	1,250,536	1,250,536	1,250,536
Reserves	28	423,365	630,087	496,284
Equity attributable to owners of the Company		1,673,901	1,880,623	1,746,820
Non-controlling interests	16	171,738	172,867	166,819
Total Equity		1,845,639	2,053,490	1,913,639
Non-Current and Deferred Liabilities				
Finance lease payables	29	39,375	41,625	10,282
Hire-purchase obligations	30	757	353	657
Deferred tax liabilities	20	5,203	8,005	13,609
Total Non-Current and Deferred Liabilities		45,335	49,983	24,548
Current Liabilities				
Trade payables	31(a)	420,582	544,234	397,675
Other payables, deposits and accrued expenses	31(b)	417,625	302,768	369,725
Contract liabilities	31(c)	18,370	16,258	14,704
Provisions	32	3,473	3,489	3,100
Advance billings of property development projects		–	–	1,834
Amount owing to an associated company	24(d)	14,000	–	–
Finance lease payables	29	29,317	48,755	54,713
Hire-purchase obligations	30	311	309	576
Short-term borrowings	33	93,473	80,637	169,862
Tax liabilities		3,851	4,580	2,258
Total Current Liabilities		1,001,002	1,001,030	1,014,447
Total Liabilities		1,046,337	1,051,013	1,038,995
Total Equity and Liabilities		2,891,976	3,104,503	2,952,634

(Forward)

	Note	30.6.2019 RM'000	The Company 30.6.2018 RM'000	1.7.2017 RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment	12	662	936	1,301
Land held for property development	15(a)	26	26	26
Investment in subsidiary companies	16	751,034	751,034	768,323
Investment in associated companies	17	79,833	102,448	102,448
Long-term investments	19	400	400	2,338
Total Non-Current Assets		831,955	854,844	874,436
Current Assets				
Inventories	22	43	43	43
Trade receivables	23(a)	–	–	8
Other receivables, deposits and prepayments	23(b)	30,936	4,744	7,348
Amount owing by subsidiary companies	24(a)	503,150	500,182	495,971
Deposits, cash and bank balances	25(b)	97,914	10,837	9,693
Total Current Assets		632,043	515,806	513,063
Total Assets		1,463,998	1,370,650	1,387,499
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	27	1,250,536	1,250,536	1,250,536
Reserves	28	940	(241,380)	(222,971)
Total Equity		1,251,476	1,009,156	1,027,565
Current Liabilities				
Trade payables	31(a)	166	166	166
Other payables, deposits and accrued expenses	31(b)	951	1,524	818
Amount owing to subsidiary companies	24(a)	187,665	349,675	343,285
Amount owing to an associate company	24(d)	14,000	–	–
Hire-purchase obligations	30	–	–	41
Short-term borrowings	33	9,645	9,651	15,624
Tax liabilities		95	478	–
Total Current Liabilities		212,522	361,494	359,934
Total Liabilities		212,522	361,494	359,934
Total Equity and Liabilities		1,463,998	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 2019

The Group	Note	Share capital RM'000	Treasury shares RM'000	Non-distributable reserves			Distributable reserve – Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
				Translation adjustment reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000				
As of 1 July 2017		1,250,536	(13,193)	26,221	(12,364)	10,789	1,708,680	164,814	1,873,494	
As previously stated		-	-	32,411	-	-	32,411	-	32,411	
Prior years' adjustment		-	-	-	-	-	5,729	2,005	7,734	
Effect of adoption of MFRS 9										
As restated		1,250,536	(13,193)	58,632	(12,364)	10,789	1,746,820	166,819	1,913,639	
Profit for the year (Restated)		-	-	-	-	-	172,921	8,925	181,846	
Other comprehensive loss (Restated)		-	-	(15,335)	(12,994)	(10,789)	(39,118)	(2,118)	(41,236)	
Total comprehensive (loss)/income for the year (Restated)		-	-	(15,335)	(12,994)	(10,789)	133,803	6,807	140,610	
Dividend paid to non-controlling interests of a subsidiary company		-	-	-	-	-	-	(300)	(300)	
Acquisition of non-controlling interests	16	-	-	-	-	-	-	(459)	(459)	
As of 30 June 2018 (Restated)		1,250,536	(13,193)	43,297	(25,358)	-	1,880,623	172,867	2,053,490	

(Forward)

The Group	Non-distributable reserves					Attributable to owners of the Company		Non-controlling interests	Total equity
	Share capital	Treasury shares	Translation adjustment	Capital reserve	Fair value reserve	Distributable reserve – Retained earnings	Company		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As of 1 July 2018 (Restated)	1,250,536	(13,193)	43,297	(25,358)	–	625,341	1,880,623	172,867	2,053,490
(Loss)/Profit for the year	–	–	–	–	–	(157,253)	(157,253)	1,152	(156,101)
Other comprehensive (loss)/income	–	–	(409)	(22,864)	–	–	(23,273)	1,019	(22,254)
Total comprehensive (loss)/income for the year	–	–	(409)	(22,864)	–	(157,253)	(180,526)	2,171	(178,355)
Effect of disposal of investment in an associated company	–	–	(26,196)	(18,436)	–	18,436	(26,196)	–	(26,196)
Dividend paid to non-controlling interests of a subsidiary company	–	–	–	–	–	–	–	(3,300)	(3,300)
As of 30 June 2019	1,250,536	(13,193)	16,692	(66,658)	–	486,524	1,673,901	171,738	1,845,639

(Forward)

The Company

	← Non-distributable reserves →			Distributable Reserve – (Accumulated losses)/ Retained earnings RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Fair value reserve RM'000	Capital reserve RM'000	
As of 1 July 2017	1,250,536	(13,193)	6	5,419	1,027,565
Loss for the year	-	-	-	-	(18,403)
Other comprehensive loss	-	-	(6)	-	(6)
Total comprehensive loss for the year	-	-	(6)	-	(18,409)
As of 30 June 2018	1,250,536	(13,193)	-	5,419	1,009,156
As of 1 July 2018	1,250,536	(13,193)	-	5,419	1,009,156
Profit for the year	-	-	-	-	242,320
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	242,320
As of 30 June 2019	1,250,536	(13,193)	-	5,419	1,251,476

STATEMENTS OF CASH FLOWS**FOR THE YEAR ENDED 30 JUNE 2019**

The Group	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
(Loss)/Profit for the year	(156,101)	181,846
Adjustments for:		
Depreciation of property, plant and equipment	88,159	92,892
Tax expenses/(credit) recognised in profit or loss	28,056	(6,795)
Finance costs	21,114	20,876
Allowance for obsolescence of inventories	99	438
Inventories written down	51,304	–
Unrealised (gain)/loss on foreign exchange	(1,765)	5,007
Impairment losses on:		
Long-term investments	–	147
Trade and other receivables	8,394	5,189
Property, plant and equipment	2,491	1,740
Investment properties	–	578
Amortisation of prepaid land lease payments	2,281	2,267
Property, plant and equipment written off	30	23
Depreciation of investment properties	43	43
Share in results of:		
Associated companies	35,153	18,266
Joint venture	(7,035)	(1,396)
Translation exchange gain recycled from reserve to profit or loss arising from disposal of investment in an associated company	(26,196)	–
Investment income	(8,226)	(8,792)
Impairment losses no longer required for:		
Trade and other receivables	(1,684)	(7,263)
Long-term investments	–	(1,427)
Allowance no longer required for obsolescence of inventories	–	(356)
Gain on disposal of:		
Property, plant and equipment	(5,337)	(3,359)
Investment in an associated company	–	(10,231)
Long-term investments	–	(218)
Provision for indemnity for damages arising from back pay labour claims	–	1,152
Operating Profit Before Working Capital Changes	30,780	290,627
Movements in working capital:		
(Increase)/Decrease in:		
Inventories	38,825	(251,057)
Trade and other receivables, deposits and prepayments	(57,843)	(65,893)
Amount owing by associated companies	336	(22)
Property development costs	(12)	1,306
Amount owing by joint venture	1,458	22
(Decrease)/Increase in:		
Trade and other payables, deposits and accrued expenses	(11,605)	105,152
Contract liabilities	2,112	1,554
Cash Generated From Operations	4,051	81,689
Tax paid	(8,126)	(16,280)
Net Cash (Used in)/From Operating Activities	(4,075)	65,409

(Forward)

The Group	Note	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividends received from associated companies and joint venture		10,796	16,443
Increase in investment in money market funds		(596)	(563)
Investment income received		8,226	8,792
Proceeds from redemption of investments		–	1,427
Acquisition of non-controlling interest		–	(459)
Proceeds from disposal of:			
Property, plant and equipment		7,900	8,550
Long-term investment		–	365
Investment in an associated company		98,752	17,054
Additions to property, plant and equipment		(28,007)	(9,496)
Increase in land held for property development		(423)	(778)
Indemnity paid for litigation claim against a former subsidiary company		–	(763)
Net Cash From Investing Activities		96,648	40,572
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
(Increase)/Decrease in cash and cash equivalents - restricted		(1,006)	32,251
Repayments of:			
Long-term borrowings		–	(60,000)
Short-term borrowings		(12,116)	(27,292)
Finance lease liabilities		(21,688)	(19,615)
Hire-purchase obligations		(359)	(571)
Interest and profit element paid		(21,114)	(20,457)
Dividend paid to non-controlling interests of a subsidiary company		(3,300)	(300)
Proceeds from borrowings		25,000	–
Increase in amount owing to an associated company		14,000	–
Net Cash Used In Financing Activities		(20,583)	(95,984)
NET INCREASE IN CASH AND CASH EQUIVALENTS		71,990	9,997
Effect of foreign exchange differences		–	(1,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		289,413	281,212
CASH AND CASH EQUIVALENTS AT END OF YEAR	34	361,403	289,413
Note:		2019 RM'000	2018 RM'000
<u>Additions to:</u>			
(a) Property, plant and equipment were acquired by the following mean:			
Cash purchase		28,007	9,496
Hire purchase payables		765	–
Total additions of property, plant and equipment	12	28,772	9,496
(b) Investment properties were acquired by the following mean:			
Other payables	13	–	647

(Forward)

The Company	2019	2018
	RM'000	RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit/(Loss) for the year	242,320	(18,403)
Adjustments for:		
Impairment loss on other receivables	297	152
Finance costs	790	1,001
Depreciation of property, plant and equipment	285	369
Tax expense recognised in profit or loss	359	1,339
Impairment loss on amount owing by subsidiary companies	65	52
Impairment loss on long-term investments	–	1,876
Impairment loss on investment in subsidiary companies	11,634	17,289
Unrealised (gain)/loss on foreign exchange	(64)	96
Gain on disposal of long-term investment	–	(34)
(Gain)/Loss on disposal of property, plant and equipment	(132)	1
Interest income	(953)	(814)
Gain on disposal of investment in an associated company	(60,697)	–
Dividend income	(185,483)	(3,093)
Impairment losses no longer required for amount owing by subsidiary companies	(11,634)	(2,051)
	<hr/>	<hr/>
Operating Loss Before Working Capital Changes	(3,213)	(2,220)
Movements in working capital:		
(Increase)/Decrease in trade and other receivables, deposits and prepayments	(26,489)	2,218
(Decrease)/Increase in trade and other payables, deposits and accrued expenses	(573)	678
	<hr/>	<hr/>
Cash (Used In)/Generated From Operations	(30,275)	676
Tax paid	(742)	(654)
Tax refunded	–	35
	<hr/>	<hr/>
Net Cash (Used In)/From Operating Activities	(31,017)	57
	<hr/>	<hr/>

(Forward)

The Company	Note	2019 RM'000	2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Dividend received		–	3,093
Interest received		953	814
Decrease/(Increase) in amount owing by subsidiary companies		8,665	(2,308)
Addition to investment in a subsidiary company		(11,634)	–
Purchase of property, plant and equipment		(11)	(5)
Proceeds from disposal of long-term investment		–	90
Proceeds from disposal of an associated company		98,752	–
Proceeds from disposal of property, plant and equipment		132	–
Net Cash From Investing Activities		96,857	1,684
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Repayments of:			
Borrowings		–	(5,973)
Hire-purchase obligations		–	(41)
Finance costs paid		(790)	(1,001)
Increase in cash and cash equivalents – restricted		(1,057)	(87)
Increase in amount owing to an associated company		14,000	–
Increase in amount owing to subsidiary companies		8,033	6,390
Net Cash From/(Used In) Financing Activities		20,186	(712)
NET INCREASE IN CASH AND CASH EQUIVALENTS		86,026	1,029
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,074	2,045
CASH AND CASH EQUIVALENTS AT END OF YEAR	34	89,100	3,074

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. GENERAL INFORMATION

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

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

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

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

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

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

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 10 October 2019.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Malaysian Financial Reporting Standards

On 19 November 2011, the 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 should apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities.

Transitioning Entities, 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 ventures 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 Transitioning Entities which have chosen to continue with the FRS Framework shall adopt the MFRS Framework latest by 1 January 2017. On 8 September 2015, MASB confirmed that the effective date of MFRS 15 will be deferred to annual periods beginning on or after 1 January 2018 and the effective date for Transitioning Entities to apply the MFRS Framework will be deferred to the same date.

In the previous financial years, the Group falls within the scope definition of Transitioning Entities and has availed itself of this transitional arrangement and the financial statements of the Group was prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia.

The Group has applied MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in its financial statements for the financial year ended 30 June 2019, being the first set of financial statements prepared in accordance with the new MFRS Framework.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)**Malaysian Financial Reporting Standards (continued)**

The Group has consistently applied the same accounting policies in its opening MFRS statements of financial position as of 1 June 2017 and throughout all the financial years presented, as if these policies had always been in effect. Comparative information in these financial statements have been restated to give effect to these changes and the financial impact of the transition to MFRS on the Group's and the Company's reported financial position, financial performance and cash flows as disclosed in Note 44 and 45 respectively.

New and Revised Standards, Amendments and Issues Committee Interpretations in Issue But Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised MFRSs, Amendments to MFRSs and Issues Committee Interpretations ("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 16	Leases ¹
MFRS 17	Insurance Contracts ³
Amendments to:	
MFRS 3	Definition of a Business ²
MFRS 9	Prepayment Features with Negative Compensation ¹
MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
MFRS 101 and MFRS 108	Definition of Material ²
MFRS 128	Long-term Interests in Associates and Joint Ventures ¹
MFRS 119	Plan Amendment, Curtailment or Settlement ¹
IC Interpretation 23	Uncertainty over Income Tax Treatments ¹
Annual Improvements to MFRSs 2015 - 2017 Cycle ¹	
Amendments to References to the Conceptual Framework in MFRS Standards ²	

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective date deferred to a date to be determined and announced

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

MFRS 16 Leases

MFRS 16 introduces 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.

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.

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

MFRS 16 Leases (continued)

The Group and the Company will adopt MFRS 16 on 1 July 2019 by applying the simplified transition approach under which comparative information is not restated.

The Directors do not expect that the application of MFRS 16 will have significant impact on the amounts reported and disclosures made in the financial statements of the Group and the Company. However, it is not practical to provide a reasonable estimate of the financial effect of MFRS 16 until the Group and the Company complete 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 MFRS 2, leasing transactions that are within the scope of MFRS 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

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

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

Basis of Consolidation

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

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

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

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 directly to retained earnings as specified by applicable MFRSs). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* 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 MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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 MFRS 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.

The requirements of MFRS 136 *Impairment of Assets* 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 MFRS 136 as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies and Joint Venture (continued)

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 MFRS 9. 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 Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract or implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange of transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which they will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling price of the goods or services promised in the contract.

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and the Company perform;
- the Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced; or
- the Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

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

(i) Steel Division

Revenue from the sales of goods is recognised upon delivery of goods and the control of the goods has been transferred to the customers, net of discounts and returns.

(ii) Property Development Division

The Group recognises revenue from property development over time if it creates an asset with no alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation (e.g. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract).

Revenue from sales of land under development and completed property units are recognised when the performance obligation in the contract with customer is satisfied (when the control of the land under development and completed property units has been transferred to the buyer).

Rental income is recognised over the tenure of the rental period of properties.

Interest income is recognised on an accrual basis, by reference to the principal outstanding and at the effective interest rate.

(iii) Building Materials Division

Revenue from the sales of building materials, steel products, lubricants, petroleum products, automotive products and consumer products is recognised upon delivery of goods and the control of the goods has been transferred to the customers, net of discounts and returns.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

(iv) Other Divisions

Revenue from sales of goods in the course of ordinary activities is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of discounts and returns.

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

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

Revenue from management fee is recognised upon performance of services are completed, net of taxes and discounts.

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

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

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

The annual depreciation rates are as follows:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 36 to 79 years (2018: 37 to 80 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 and economic land concession (work-in-progress), are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 lower of cost and net realisable value.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

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

Non-Current Assets Classified as Held for Sale

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

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

Goodwill on Consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill on Consolidation (continued)

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 Cost

Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. The asset is subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer over time or at a point in time.

Incremental costs of obtaining a contract with a customer are recognised as assets if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contract Asset and Contract Liability

A contract asset is the right to consideration for goods or services transferred to the customers. Contract asset is the excess of cumulative revenue recognised in profit or loss over the cumulative billings to customers.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received from the customers.

Contingent Liabilities

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

Financial Guarantee Contracts

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

Financial guarantee contract liabilities are initially measured at fair values. Subsequently, they are measured at higher of:

- the amount of the loss allowance determined in accordance with MFRS 9; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus transaction cost that are directly attributable to its acquisition or issuance. A trade receivable without significant financing component is initially measured at the transaction price.

The Group determines the classification of its financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income.

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

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. A financial asset is classified as held for trading if:

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

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model with the objective to hold assets to collect contractual cash flows and its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial asset at amortised cost are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Interest income is recognised by applying effective interest rate to the gross carrying amount, where applicable, except for credit impaired financial assets where the effective interest rate is applied to the amortised cost

(c) Financial assets at fair value through other comprehensive income ("FVTOCI")

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets (continued)

(c) Fair value through other comprehensive income ("FVTOCI") (continued)

(i) Debt investments (continued)

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity (other than in subsidiary companies, associated companies and joint venture) which are not held for trading, and the Group irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulate in other comprehensive income are not reclassified to profit or loss.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Impairment of financial assets

The Group recognises loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts.

The Group measures loss allowance at an amount equal to lifetime expected credit loss except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the end of the reporting period. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

The Group considers past loss experience and observable data such as current changes and future forecast in economic changes to estimate the amount of expected impairment loss. The methodology assumptions including any forecast of future economic conditions are reviewed regularly.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

At end of each reporting period, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

For other receivables, the Group and the Company measure loss allowance at an amount equal to 12-month expected credit loss if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities 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 instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The measurement of financial liabilities depends on their classification.

Equity instruments

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

Other financial liabilities

The Group's other financial liabilities include trade payables, other payables (including amount owing to an associated company) and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Statements of Cash Flows

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

Cash 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 2019, 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	
	2019	2018
	RM'000	RM'000
Trade receivables (Note 23 (a))	696,222	696,222
Other receivables (Note 23 (b))	358,638	358,638
	1,054,860	1,054,860
Less: Accumulated impairment losses	(1,054,860)	(1,054,860)
Net	—	—

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

(b) Impairment of Investment Properties

The Group has investment properties which comprise mainly freehold land and economic land concessions ("ELC") in Cambodia of RM106,651,000 (2018: 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 2018, an impairment loss of RM578,000 has been made for the freehold land as disclosed in Note 13.

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

(ii) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year except 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 2019, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Investment properties	592	578		
Long-term investments	70,134	70,134	–	–
Investment in associated companies	12,655	12,655	–	–
Investment in subsidiary companies	–	–	241,898	230,264

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 (2018: 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 RM48,543,000 (2018: RM73,762,000).

(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 2019, 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 May 2019. 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 of RM203,866,000, net of accumulated impairment loss of RM189,879,000 (2018: RM245,528,000, 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 RM28,846,000, net of accumulated impairment loss of RM67,783,000 (2018: carrying amount of RM43,483,000 net of accumulated impairment loss of RM65,292,000) is recoverable.

(f) Provision for expected credit losses (“ECL”) of trade receivables

The Group uses simplified approach in calculating loss allowances for trade receivables by applying an ECL rate. Significant estimate is required in determining the impairment of trade receivables. Impairment loss measured based on expected credit loss model is based on assumptions on risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group’s past collection records, existing market conditions as well as forward looking estimates as of the end of the reporting period.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Sale of goods	3,150,173	3,258,675	–	–
Revenue from:				
Property development	–	2,516	–	–
Sale of completed property units	429	4,566	–	–
Gross rental income	–	674	–	–
Service rendered	13,143	24,368	–	–
Gross dividend income from:				
Subsidiary companies	–	–	170,043	–
Associated companies	–	–	15,440	3,093
Interest income	29	–	–	–
	3,163,774	3,290,799	185,483	3,093

Timing of revenue recognition:

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
At a point in time	3,150,631	3,266,431	185,483	3,093
Over time	13,143	24,368	–	–
	3,163,774	3,290,799	185,483	3,093

6. (LOSS)/PROFIT FROM OPERATIONS

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

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Impairment losses on:				
Property, plant and equipment (Note 12)	(2,491)	(1,740)	–	–
Investment properties (Note 13)	–	(578)	–	–
Long-term investments (Note 19)	–	(147)	–	(1,876)
Trade and other receivables (Note 23)	(8,394)	(5,189)	(297)	(152)
Investment in subsidiary companies (Note 16)	–	–	(11,634)	(17,289)
Amount owing by subsidiary companies (Note 24(a))	–	–	(65)	(52)

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

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Property, plant and equipment written off	(30)	(23)	–	–
Provision for indemnity for damages arising from back pay labour claims (Note 32)	–	(1,152)	–	–
Allowance for obsolescence of inventories (Note 22)	(99)	(438)	–	–
Inventories written down	(51,304)	–	–	–
Impairment losses no longer required for:				
Long-term investments	–	1,427	–	–
Trade and other receivables (Note 23)	1,684	7,263	–	–
Amount owing by subsidiary companies (Note 24(a))	–	–	11,634	2,051
Gain/(Loss) on disposal of:				
Property, plant and equipment	5,337	3,359	132	(1)
Long-term investment (Note 19)	–	218	–	34
Allowance for obsolescence of inventories no longer required (Note 22)	–	356	–	–
Fees paid/payable to external auditors:				
Statutory audit:				
Auditors of the Company:				
Current year	(778)	(772)	(125)	(125)
Overprovision in prior years	–	12	–	–
Other auditors:				
Current year	(61)	(55)	–	–
Bad debts recovered	556	14	–	–
Rental income from premises	4,125	2,186	–	–
Rental expense of:				
Premises	(5,640)	(5,112)	–	–
Plant, machinery and equipment	(4,135)	(4,056)	–	–
Jetties and leasehold land	(4,868)	(4,692)	–	–
Gain/(Loss) on foreign exchange (net):				
Realised	4,813	5,018	–	–
Unrealised	1,765	(5,007)	64	(96)
Interest income from Housing Development Accounts	1,311	1,440	88	89
Translation exchange gain recycled from reserve to profit or loss arising from disposal of investment in an associated company	26,196	–	–	–

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

Analysis of staff costs is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, bonuses and allowances	151,232	157,482	343	341
Defined contribution plans	13,504	13,785	22	13
	<u>164,736</u>	<u>171,267</u>	<u>365</u>	<u>354</u>

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	
	2019 RM'000	2018 RM'000
Salaries, bonuses and allowances	3,334	3,073
Defined contribution plans	266	235
	<u>3,600</u>	<u>3,308</u>

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 RM27,166 (2018: RM25,593).

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive Director:				
Fee	35	35	35	35
Salary and other emoluments	994	992	994	992
Defined contribution plans	59	63	59	63
	<u>1,088</u>	<u>1,090</u>	<u>1,088</u>	<u>1,090</u>
Non-executive Directors:				
Fees	333	315	313	295
Salary and other emoluments	187	229	75	63
Defined contribution plans	13	19	-	-
	<u>533</u>	<u>563</u>	<u>388</u>	<u>358</u>
Total	<u>1,621</u>	<u>1,653</u>	<u>1,476</u>	<u>1,448</u>

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 RM108,506 and RM107,456 respectively (2018: RM108,419 and RM108,419 respectively).

8. INVESTMENT INCOME

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income from:				
Fixed deposits	4,691	4,335	394	130
Related parties	199	327	199	327
Subsidiary companies	–	–	272	268
Others	1,408	2,127	–	–
Dividend income from:				
Investment in money market funds	596	563	–	–
Other investment	21	–	–	–
	6,915	7,352	865	725

9. FINANCE COSTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
Term loans	396	580	396	580
Security deposits received from customers	2,320	2,316	–	–
Bills payable	4,965	3,905	–	–
Bank overdrafts	815	676	389	416
Finance lease and hire-purchase	350	1,916	–	1
Product financing liabilities	6,000	2,715	–	–
Others	6,268	5,996	5	4
Profit element on Sukuk	–	2,772	–	–
	21,114	20,876	790	1,001

10. TAX (EXPENSE)/CREDIT

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

	The Group		The Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
Estimated tax payable:				
Current year	(7,644)	(9,743)	(254)	–
Over/(Under)provision in prior years	2,005	(6,372)	(105)	(1,339)
	(5,639)	(16,115)	(359)	(1,339)
Deferred taxation (Note 20):				
Current year	(22,655)	21,242	–	–
Overprovision in prior years	238	1,668	–	–
	(22,417)	22,910	–	–
Total tax (expense)/credit	(28,056)	6,795	(359)	(1,339)

10. TAX (EXPENSE)/CREDIT (continued)

The tax (expense)/credit 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	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000
(Loss)/Profit before tax	(128,045)	175,051	242,679	(17,064)
Tax credit/(expense) at statutory tax rate of 24% (2018: 24%)	30,731	(42,012)	(58,243)	4,095
Tax effects of:				
Non-taxable income	26,298	7,294	61,923	492
Non-deductible expenses	(22,546)	(13,406)	(3,934)	(4,961)
Tax effect on share in results of associated companies and joint venture	(6,748)	(4,032)	–	–
Deferred tax assets not recognised	(58,034)	(192)	–	–
Realisation of deferred tax assets previously not recognised	–	63,847	–	374
Over/(Under)provision in prior years:				
Income tax	2,005	(6,372)	(105)	(1,339)
Deferred taxation	238	1,668	–	–
	(28,056)	6,795	(359)	(1,339)

11. (LOSS)/EARNINGS PER ORDINARY SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share of the Group is calculated by dividing (loss)/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:

	2019 RM'000	2018 RM'000 (Restated)
(Loss)/Profit attributable to owners of the Company	(157,253)	172,921
	2019 '000	2018 '000
Weighted average number of ordinary shares in issue	680,804	680,804
	2019	2018 (Restated)
Basic (loss)/earnings per share (sen)	(23.10)	25.40

(b) Diluted (loss)/earnings per share

The basic and diluted (loss)/earnings per share are the same for 2019 and 2018 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

12. PROPERTY, PLANT AND EQUIPMENT

The Group

	As of 1 July 2017 RM'000	COST						As of 30 June 2018 RM'000
		Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassification RM'000	Exchange differences 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	As of 1 July 2018 RM'000	COST							As of 30 June 2019 RM'000
		Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassification RM'000	Exchange differences RM'000			
Freehold land	77,101	-	-	-	-	-	-	77,101	
Freehold buildings	305,197	9	-	-	-	-	-	305,206	
Buildings under long lease	112,741	-	-	-	-	-	-	112,741	
Buildings under short lease	466	-	-	-	-	-	-	466	
Plant, machinery and equipment	1,499,712	1,816	(1,062)	(51)	10,888	208		1,511,511	
Prime movers and trailers	2,294	-	-	-	-	-	-	2,294	
Motor vehicles	14,816	1,328	(1,566)	-	-	12		14,590	
Furniture and office equipment	70,992	1,711	(13)	(144)	-	1		72,547	
Computer equipment	6,637	193	(38)	(3)	-	1		6,790	
Floating cranes	87,616	-	-	-	-	-		87,616	
Tug boats and barges	69,510	-	(12,996)	-	-	-		56,514	
Infrastructure	107,100	-	-	-	-	-		107,100	
Renovations	1,892	-	-	-	-	-		1,892	
Construction work-in-progress	145,375	23,715	-	-	(10,888)	-		158,202	
Total	2,501,449	28,772	(15,675)	(198)	-	222		2,514,570	

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	As of 1 July 2018 RM'000	Charge for the year RM'000	ACCUMULATED DEPRECIATION			Exchange differences RM'000	As of 30 June 2019 RM'000
			Disposals RM'000	Write-offs RM'000	Charge for the year RM'000		
Freehold land	–	–	–	–	–	–	–
Freehold buildings	216,321	13,502	–	–	–	229,823	229,823
Buildings under long lease	94,389	2,484	–	–	–	96,873	96,873
Buildings under short lease	466	–	–	–	–	466	466
Plant, machinery and equipment	1,143,229	59,679	(984)	(27)	102	1,201,999	1,201,999
Prime movers and trailers	2,294	–	–	–	–	2,294	2,294
Motor vehicles	12,852	497	(1,566)	–	11	11,794	11,794
Furniture and office equipment	59,292	2,795	(12)	(139)	–	61,936	61,936
Computer equipment	5,611	310	(35)	(2)	–	5,884	5,884
Floating cranes	56,129	6,659	–	–	–	62,788	62,788
Tug boats and barges	60,919	2,130	(10,515)	–	–	52,534	52,534
Infrastructure	49,980	–	–	–	–	49,980	49,980
Renovations	1,643	103	–	–	–	1,746	1,746
Construction work-in-progress	–	–	–	–	–	–	–
Total	1,703,125	88,159	(13,112)	(168)	113	1,778,117	1,778,117

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	As of		Charge for		Disposals		As of		Charge for		As of		As of	
	1 July 2017	RM'000	the year	RM'000	30 June 2018	RM'000	the year	RM'000	30 June 2018	RM'000	30 June 2019	RM'000	30 June 2019	RM'000
Freehold land	1,754		-		1,754		-		1,754		1,754		75,347	
Freehold buildings	28,299		-		28,299		-		28,299		28,299		47,084	
Buildings under long lease	-		1,515		1,515		-		1,515		1,515		14,353	
Buildings under short lease	-		-		-		-		-		-		-	
Plant, machinery and equipment	85,321		225		85,546		2,491		88,037		88,037		221,475	
Prime movers and trailers	3,215		-	(3,215)	-		-		-		-		-	
Motor vehicles	-		-		-		-		-		2,796		1,964	
Furniture and office equipment	-		-		-		-		-		10,611		11,700	
Computer equipment	-		-		-		-		-		906		1,026	
Floating cranes	-		-		-		-		-		-		24,828	
Tug boats and barges	-		-		-		-		-		-		31,487	
Infrastructure	57,120		-		57,120		-		57,120		57,120		3,980	
Renovations	-		-		-		-		-		-		146	
Construction work-in-progress	84,909		-		84,909		-		84,909		84,909		73,293	
Total	260,618		1,740	(3,215)	259,143		2,491		261,634		261,634		474,819	539,181

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	COST			As of 30 June 2018 RM'000
	As of 1 July 2017 RM'000	Addition RM'000	Disposals 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

	COST			As of 30 June 2019 RM'000
	As of 1 July 2018 RM'000	Addition RM'000	Disposals RM'000	
Motor vehicles	678	–	(603)	75
Furniture and office equipment	1,617	–	–	1,617
Computer equipment	3,490	11	–	3,501
Renovations	1,007	–	–	1,007
Total	6,792	11	(603)	6,200

	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

	ACCUMULATED DEPRECIATION			NET BOOK VALUE	
	As of 1 July 2018 RM'000	Charge for the year RM'000	Disposals RM'000	As of 30 June 2019 RM'000	As of 30 June 2019 RM'000
Motor vehicles	676	–	(603)	73	2
Furniture and office equipment	1,495	35	–	1,530	87
Computer equipment	2,923	149	–	3,072	429
Renovations	762	101	–	863	144
Total	5,856	285	(603)	5,538	662

12. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) As of 30 June 2019, the Group has recognised accumulated impairment losses of RM257,662,000 (2018: RM255,171,000) in respect of the assets located at the Banting plant as well as the assets related to one of its subsidiary companies, Lion Waterway, as a result of the said Banting plant had temporarily stopped productions since previous years and the major customers of Lion Waterway having temporarily stopped operations since previous years. The said impairment losses were determined based on the assumptions as disclosed in Notes 4(ii)(e)(i) and (ii).
- (b) As of 30 June 2019, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM28.5 million (2018: RM38.7 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 are assets acquired under lease and hire-purchase arrangements with net book values of RM28,749,000 (2018: RM38,979,000).

13. INVESTMENT PROPERTIES

	The Group				Total RM'000
	Freehold land RM'000	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Work-in- progress RM'000	
Cost:					
As of 1 July 2017	–	462	444	–	906
Addition	–	–	–	647	647
Reclassified from assets classified as held for sale (Note 26)	–	–	1,708	–	1,708
Transferred from other receivables, deposits and prepayments (Note a)	48,047	–	–	55,933	103,980
As of 30 June 2018/1 July 2018	48,047	462	2,152	56,580	107,241
Exchange differences	1,202	–	–	1,414	2,616
As of 30 June 2019	49,249	462	2,152	57,994	109,857
Accumulated depreciation:					
As of 1 July 2017	–	170	158	–	328
Charge for the year	–	9	34	–	43
As of 30 June 2018/1 July 2018	–	179	192	–	371
Charge for the year	–	9	34	–	43
As of 30 June 2019	–	188	226	–	414
Accumulated impairment losses:					
As of 1 July 2017	–	–	–	–	–
Addition	578	–	–	–	578
As of 30 June 2018/1 July 2018	578	–	–	–	578
Exchange differences	14	–	–	–	14
As of 30 June 2019	592	–	–	–	592

13. INVESTMENT PROPERTIES (continued)

	The Group				Total RM'000
	Freehold land RM'000	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Work-in- progress RM'000	
Net book value					
As of 1 July 2017	–	292	286	–	578
As of 30 June 2018	47,469	283	1,960	56,580	106,292
As of 30 June 2019	48,657	274	1,926	57,994	108,851
Fair value	53,419	350	2,881	Note b	

The rental income earned by the Group from its investment properties amounted to RM64,400 (2018: RM10,850). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the financial year amounted to RM3,513 (2018: RM5,991).

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM6,708 (2018: RM9,603).

The fair value of investment properties is estimated by reference to market evidence of transaction prices for similar properties and the latest valuation carried out by an independent firm of professional valuers in July 2019.

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 transfers between Level 1, 2 and 3 during the financial year.

Note a

The refundable deposits of the Group 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 from deposits in other receivables in 2018.

Note b

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

14. PREPAID LAND LEASE PAYMENTS

	The Group	
	2019 RM'000	2018 RM'000
Cost:		
At beginning and end of year	103,355	103,355
Accumulated amortisation:		
At beginning of year	45,811	43,544
Amortisation for the year	2,281	2,267
At end of year	48,092	45,811
Net book value	55,263	57,544

14. PREPAID LAND LEASE PAYMENTS (continued)

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.

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land Held for Property Development

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of year:				
Land costs	27,452	27,452	13	13
Development costs	22,834	22,056	13	13
	50,286	49,508	26	26
Costs incurred:				
Development costs	423	778	–	–
At end of year:				
Land costs	27,452	27,452	13	13
Development costs	23,257	22,834	13	13
	50,709	50,286	26	26

(b) Property Development Costs

	The Group	
	2019 RM'000	2018 RM'000
At beginning of year:		
Land costs	63,678	63,678
Development costs	191,737	190,719
	255,415	254,397
Costs incurred:		
Development costs	12	1,018
At end of year:		
Land costs	63,678	63,678
Development costs	191,749	191,737
	255,427	255,415
Costs recognised as expenses in profit or loss:		
Previous years	(243,512)	(241,188)
Current year	–	(2,304)
Eliminated due to completion of projects	–	(20)
	(243,512)	(243,512)
Net	11,915	11,903

16. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2019 RM'000	2018 RM'000
Shares quoted in Malaysia:		
At beginning and end of year	42,232	42,232
Unquoted shares in Malaysia:		
At cost	925,437	925,437
Addition	11,634	–
Deemed capital contribution	13,629	13,629
Accumulated impairment losses	950,700 (241,898)	939,066 (230,264)
	708,802	708,802
Total	751,034	751,034
Market value of quoted shares	18,954	23,692

Movements in the accumulated impairment losses are as follows:

	The Company	
	2019 RM'000	2018 RM'000
At beginning of year	230,264	212,975
Impairment losses recognised during the year (Note 6)	11,634	17,289
At end of year	241,898	230,264

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 RM241,898,000 (2018: RM230,264,000) is deemed adequate in respect of investment in subsidiary companies.

During the current financial year, the Company acquired the entire issued share capital of Tahap Berkat Sdn Bhd and Cendana Domain Sdn Bhd for a cash consideration of RM1 respectively. Consequent thereupon, Tahap Berkat Sdn Bhd and Cendana Domain Sdn Bhd became wholly-owned subsidiary companies of the Company. The acquisition of Tahap Berkat Sdn Bhd and Cendana Domain Sdn Bhd does not have a material impact on the earnings and net assets of the Group for the financial year ended 30 June 2019.

In prior year, 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 subsidiary companies 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.

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	
		2019	2018	2019	2018
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	–	–	3	3
Others	Malaysia	30	27	23	25
Others	Other countries	–	–	23	54
		37	34	54	87

Non-Controlling Interests in Subsidiary Companies

In previous 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
2019			
LFIB	26%	2,353	143,042
Other individually immaterial subsidiary companies with NCI		(1,201)	28,696
		1,152	171,738
2018			
LFIB	26%	4,985	142,028
Other individually immaterial subsidiary companies with NCI		3,940	30,839
		8,925	172,867

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 ("NCI") is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2019	LFIB
	RM'000	2018
		RM'000
Non-current assets	293,646	307,639
Current assets	360,053	329,697
Non-current liabilities	(547)	(739)
Current liabilities	(101,423)	(88,781)
Total equity	551,729	547,816
Equity attributable to owners of the Company	551,729	547,816
Revenue	476,006	380,474
Profit for the year	9,075	19,229
Profit attributable to:		
Owners of the Company	9,075	19,228
Non-controlling interests	-	1
	9,075	19,229
Other comprehensive (loss)/income attributable to:		
Owners of the Company	(13,993)	(7,709)
Non-controlling interests	-	1
	(13,993)	(7,708)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(4,918)	11,519
Non-controlling interests	-	2
	(4,918)	11,521
Net cash (outflow)/inflow from:		
Operating activities	(17,530)	18,277
Investing activities	3,531	22,616
Financing activities	266	5,060
Net cash (outflow)/inflow	(13,733)	45,953

17. INVESTMENT IN ASSOCIATED COMPANIES

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
At cost:			
Quoted investments	239,501	239,501	239,501
Unquoted investments	104,949	127,564	139,641
	<u>344,450</u>	<u>367,065</u>	<u>379,142</u>
Share in post-acquisition results and reserves less dividends received	312,747	448,204	487,670
Accumulated impairment losses	(12,655)	(12,655)	(12,655)
	<u>644,542</u>	<u>802,614</u>	<u>854,157</u>
Reclassified as assets held for sale	–	–	(5,365)
	<u>644,542</u>	<u>802,614</u>	<u>848,792</u>
Market value of quoted investments	<u>117,408</u>	<u>220,371</u>	<u>209,230</u>
		The Company	
		2019 RM'000	2018 RM'000
At cost:			
Quoted investments		64,394	64,394
Unquoted investments		15,439	38,054
		<u>79,833</u>	<u>102,448</u>
Market value of quoted investments		<u>18,361</u>	<u>40,958</u>

During the financial year, the Group disposed of the entire equity interest in an associated company, Angkasa Amsteel Pte Ltd, for a total consideration equivalent to the entity net assets. The detail of the disposal has been disclosed in Note 41(ii).

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:

2019	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	2,904,591	272,729	3,177,320
Non-current assets	5,631,325	29,585	5,660,910
Current liabilities	(2,203,681)	(11,530)	(2,215,211)
Non-current liabilities	(3,020,987)	(16,685)	(3,037,672)
Non-controlling interests	(1,264,360)	–	(1,264,360)
Net assets	<u>2,046,888</u>	<u>274,099</u>	<u>2,320,987</u>

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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: (continued)

2019	Parkson RM'000	Other individually immaterial associated companies RM'000	Total RM'000
Summarised financial information			
Results			
Revenue	4,032,665	327,917	4,360,582
(Loss)/Profit for the year	(152,268)	76	(152,192)
Other comprehensive loss for the year	(115,710)	–	(115,710)
Total comprehensive (loss)/income for the year	(267,978)	76	(267,902)
Group's share of (loss)/profit of associated companies	(35,958)	805	(35,153)
Dividend received from associated companies	–	3,761	3,761
	<u>580,185</u>	<u>64,357</u>	<u>644,542</u>
Reconciliation of net assets to carrying amount			
Group's share of net assets	580,185	64,357	644,542
Carrying amount in the statements of financial position	<u>580,185</u>	<u>64,357</u>	<u>644,542</u>
2018			
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	<u>2,233,777</u>	<u>471,389</u>	<u>2,705,166</u>
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
	<u>636,068</u>	<u>161,833</u>	<u>797,901</u>
Reconciliation of net assets to carrying amount			
Group's share of net assets	636,068	161,833	797,901
Other adjustments	4,713	–	4,713
Carrying amount in the statements of financial position	<u>640,781</u>	<u>161,833</u>	<u>802,614</u>

17. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Share of net assets (excluding goodwill)	287,650	439,809	475,145
Share of goodwill of associated companies	356,892	362,805	373,647
	644,542	802,614	848,792

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 2019 RM'000	2018 RM'000
At beginning and end of year	26,739	26,739

18. INVESTMENT IN JOINT VENTURE

	The Group 2019 RM'000	2018 RM'000
Unquoted shares:		
At cost	125	125
Share in post-acquisition results less dividend received	(125)	(125)
	-	-

Details of the joint venture are as follows:

Name of Joint Venture	Financial Year End	Country of Incorporation	Effective Percentage Ownership		Principal Activity
			2019 %	2018 %	
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.

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

	The Group 2019 RM'000	2018 RM'000
Assets and Liabilities		
Current assets	2,121	13,824
Non-current assets	2	101
Current liabilities	(40)	(1,446)
Net assets	2,083	12,479

18. INVESTMENT IN JOINT VENTURE (continued)

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

	The Group	
	2019 RM'000	2018 RM'000
Results		
Revenue	–	–
Profit for the year	12,738	2,523
Group's share of profit of joint venture	7,035	1,396
Reconciliation of net assets to carrying amount		
Group's share of net assets	1,150	6,904
Other adjustments	(1,150)	(6,904)
Carrying amount in the statements of financial position	–	–

The above profit for the year including the following:

	The Group	
	2019 RM'000	2018 RM'000
Depreciation of property, plant and equipment	14	15
Interest income	219	388

In 2018, amount owing by joint venture arose mainly from advances granted and payments made on behalf of the joint venture. The said amount was interest-free and repayable on demand.

19. LONG-TERM INVESTMENTS

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Fair value through other comprehensive income			
Quoted investments in Malaysia:			
Shares	–	–	10,686
Quoted investments outside Malaysia:			
Shares	–	–	250
Unquoted investments	1,228	1,228	1,375
At amortised cost			
Unquoted bonds, adjusted for accretion of interest	70,134	70,134	71,561
Less: Accumulated impairment losses	(70,134)	(70,134)	(71,561)
	–	–	–
Total	1,228	1,228	12,311

19. LONG-TERM INVESTMENTS (continued)

	30.6.2019 RM'000	The Company 30.6.2018 RM'000	1.7.2017 RM'000
Fair value through other comprehensive income			
Quoted investments in Malaysia - shares	–	–	1,876
Quoted investments outside Malaysia - shares	–	–	62
Unquoted investments	400	400	400
Total	400	400	2,338

During the current financial year, the Directors reviewed the Group's and the Company's long-term investments measured at amortised cost for indication of impairment and concluded that the carrying amounts at the end of the reporting period are equivalent to their recoverable amounts.

In previous financial year, the Group and the Company have disposed of 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 prior years' profit or loss.

Investments in unquoted bonds of the Group based yield to maturity of 4.75% (30.6.2018 and 1.7.2017: 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of year	65,757	42,847	–	–
Transfer to/(from) profit or loss (Note 10):				
Property, plant and equipment	2,585	(20,647)	(27)	–
Trade and other receivables	–	6,231	–	–
Inventories	(2,574)	19	–	–
Others	2,643	2,699	–	–
Unused tax losses and unabsorbed capital allowances	(25,071)	34,608	27	–
	(22,417)	22,910	–	–
At end of year	43,340	65,757	–	–

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	48,543	73,762	–	–
Deferred tax liabilities	(5,203)	(8,005)	–	–
	43,340	65,757	–	–

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:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets				
Temporary differences arising from:				
Trade and other receivables	25,230	25,230	–	–
Inventories	–	2,574	–	–
Others	9,999	7,359	–	–
Unused tax losses and unabsorbed capital allowances	54,425	79,496	141	193
	<u>89,654</u>	<u>114,659</u>	<u>141</u>	<u>193</u>
Offsetting	(41,111)	(40,897)	(141)	(193)
Deferred tax assets (after offsetting)	<u><u>48,543</u></u>	<u><u>73,762</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
Deferred tax liabilities				
Temporary differences arising from:				
Property, plant and equipment	43,342	45,927	141	193
Others	2,972	2,975	–	–
	<u>46,314</u>	<u>48,902</u>	<u>141</u>	<u>193</u>
Offsetting	(41,111)	(40,897)	(141)	(193)
Deferred tax liabilities (after offsetting)	<u><u>5,203</u></u>	<u><u>8,005</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

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 2019, 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Temporary differences arising from:				
Property, plant and equipment	(69,783)	(102,768)	–	–
Trade and other receivables	976,119	969,428	–	–
Others	4,059	6,978	–	–
Unused tax losses and unabsorbed capital allowances	842,030	636,977	70,697	70,697
Unused reinvestment allowances	101,745	101,745	–	–
	<u><u>1,854,170</u></u>	<u><u>1,612,360</u></u>	<u><u>70,697</u></u>	<u><u>70,697</u></u>

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

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.

Pursuant to guidelines issued by the Malaysian tax authorities in 2018, the Ministry of Finance (“MOF”) have allowed companies to carry forward their unabsorbed capital allowance indefinitely until it is fully absorbed. With the effect from year of assessment 2019, any unutilised business losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment. This can be utilised against income from the same business source for unabsorbed capital allowances and utilised against income from any business source for unused tax losses.

21. GOODWILL

	The Group	
	2019 RM'000	2018 RM'000
Goodwill on consolidation:		
At beginning and end of year	131,644	131,644
Cumulative impairment loss:		
At beginning and end of year	(1,201)	(1,201)
Net	<u>130,443</u>	<u>130,443</u>

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next financial year and extrapolates cash flows for the following 4 financial years based on an estimated growth rate of 5% (2018: 5%) per annum. The pre-tax discount rate used is 8% (2018: 8%) per annum.

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

22. INVENTORIES

Inventories consist of the following:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property:				
Completed units for sale	2,836	3,096	43	43
Products at cost:				
Raw materials	216,977	342,194	–	–
Finished goods	185,653	140,221	–	–
General and consumable stores	144,590	159,383	–	–
Trading merchandise	11,497	10,304	–	–
	558,717	652,102	–	–
Less: Allowance for obsolescence of inventories	(27,975)	(31,392)	–	–
	530,742	620,710	–	–
Net	533,578	623,806	43	43

Movement in the allowance for obsolescence of inventories are as follows:

	The Group	
	2019 RM'000	2018 RM'000
At beginning of year	31,392	31,485
Addition (Note 6)	99	438
Allowance no longer required (Note 6)	–	(356)
Written off	(3,516)	(175)
Net	27,975	31,392

23. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	30.6.2019	The Group	1.7.2017
	RM'000	30.6.2018	RM'000
		RM'000	(Restated)
		(Restated)	(Restated)
Trade receivables	964,962	935,903	934,536
Less: Accumulated impairment losses	(721,710)	(719,850)	(724,830)
Net	243,252	216,053	209,706
	30.6.2019	The Company	1.7.2017
	RM'000	30.6.2018	RM'000
		RM'000	RM'000
Trade receivables	-	-	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.

The credit period granted to customers ranges from 30 to 90 days (2018: 30 to 90 days)

The Group recognises impairment losses based on expected credit losses ("ECL") model using the simplified approach, which measures the impairment losses at an amount equal to lifetime ECL. The ECLs on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

The Group has trade receivables amounting to RM40.5 million (30.6.2018: RM26.7 million; 1.7.2017: RM30.3 million) that are past due at the end of the reporting period but against which the Group has not recognised impairment losses as the amounts are still considered recoverable.

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:

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Not credit impaired			
Current	202,794	189,326	179,402
31 – 60 days past due	17,311	10,396	12,744
61 – 90 days past due	5,085	7,138	6,829
91 – 120 days past due	2,272	1,444	1,248
More than 120 days past due	15,790	7,749	9,483
	<u>243,252</u>	<u>216,053</u>	<u>209,706</u>
Past due and impaired	721,710	719,850	724,830
Total trade receivables	<u><u>964,962</u></u>	<u><u>935,903</u></u>	<u><u>934,536</u></u>
	30.6.2019 RM'000	The Company 30.6.2018 RM'000	1.7.2017 RM'000
Not credit impaired (current)	–	–	8
Total trade receivables	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>8</u></u>

Movements in the accumulated impairment losses are as follows:

	2019 RM'000	The Group 2018 RM'000 (Restated)
At beginning of year		
As previously stated	719,850	732,564
Effect on adoption of MFRS 9 (Note 44)	–	(7,734)
As restated	719,850	724,830
Impairment loss recognised during the year (Note 6)	5,985	3,921
Amount recovered during the year	(1,678)	(6,962)
Amount written off during the year	(2,447)	(1,939)
At end of year	<u><u>721,710</u></u>	<u><u>719,850</u></u>

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

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

(a) Trade receivables (continued)

As of 30 June 2019, 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:

	30.6.2019 RM'000	The Group 30.6.2018 RM'000	1.7.2017 RM'000
Megasteel	542,708	542,708	542,903
Lion DRI	153,514	153,514	156,211
	<u>696,222</u>	<u>696,222</u>	<u>699,114</u>
Less: Accumulated impairment losses	(696,222)	(696,222)	(699,114)
Net	<u>–</u>	<u>–</u>	<u>–</u>

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)(a).

The currency profile of trade receivables is as follows:

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Ringgit Malaysia	239,612	179,590	167,866
United States Dollar	3,640	36,463	39,134
Singapore Dollar	–	–	2,706
	<u>243,252</u>	<u>216,053</u>	<u>209,706</u>
	30.6.2019 RM'000	The Company 30.6.2018 RM'000	1.7.2017 RM'000
Ringgit Malaysia	–	–	8

(b) Other receivables, deposits and prepayments

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	500,200	441,028	32,077	5,592
Less: Accumulated impairment losses	(390,594)	(388,191)	(1,397)	(1,100)
	<u>109,606</u>	<u>52,837</u>	<u>30,680</u>	<u>4,492</u>
Advance payments to suppliers	29,540	67,128	–	–
Tax recoverable	22,332	20,574	–	–
Deposits	19,068	19,650	256	252
Prepayments	15,348	10,013	–	–
	<u>195,894</u>	<u>170,202</u>	<u>30,936</u>	<u>4,744</u>

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

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

Movements in the accumulated impairment losses are as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of year	388,191	388,069	1,100	948
Impairment losses recognised during the year (Note 6)	2,409	1,268	297	152
Amount recovered during the year (Note 6)	(6)	(301)	–	–
Amount written off during the year	–	(845)	–	–
At end of year	390,594	388,191	1,397	1,100

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

As of 30 June 2019, the Group has other receivables due from the following three major related parties, Megasteel, Lion DRI and Graimpi:

	The Group	
	2019 RM'000	2018 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)
	–	–

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

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

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

- (a) RM272.2 million (30.6.2018 and 1.7.2017: 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 (30.6.2018 and 1.7.2017: RM272.2 million) on the said outstanding receivables due from Graimpi.

- (b) RM48.6 million (2018: 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 (2018: RM48.6 million) on the said outstanding receivables due from Megasteel.

- (c) RM37.9 million (2018: 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 (2018: RM37.9 million) on the said outstanding receivables due from Lion DRI.

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

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	128,346	133,822	4,667	4,744
United States Dollar	30,063	26,219	–	–
Euro	4,330	5,080	–	–
Chinese Renminbi	6,085	4,885	–	–
Singapore Dollar	27,070	30	26,269	–
Others	–	166	–	–
	195,894	170,202	30,936	4,744

24. RELATED COMPANY TRANSACTIONS

(a) Amount owing by/to subsidiary companies

Amount owing by/to subsidiary companies comprises:

	The Company	
	30.6.2019 RM'000	30.6.2018 RM'000
Amount owing by subsidiary companies	624,388	632,989
Less: Accumulated impairment losses	(121,238)	(132,807)
Net	<u>503,150</u>	<u>500,182</u>
Amount owing to subsidiary companies	<u>187,665</u>	<u>349,675</u>

Movement in the accumulated impairment losses is as follows:

	The Company	
	2019 RM'000	2018 RM'000
At beginning of year	132,807	134,806
Impairment losses recognised during the year (Note 6)	65	52
Impairment losses on amount owing by subsidiary companies no longer required (Note 6)	(11,634)	(2,051)
At end of year	<u>121,238</u>	<u>132,807</u>

Amount owing by subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is either interest-free or bears interest at 5% (2018: 5%) 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 (2018: interest-free) and repayable on demand.

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

	The Company	
	2019 RM'000	2018 RM'000
Ringgit Malaysia	503,140	500,150
United States Dollar	10	32
	<u>503,150</u>	<u>500,182</u>

24. RELATED COMPANY TRANSACTIONS (continued)

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

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

	The Company	
	2019	2018
	RM'000	RM'000
Ringgit Malaysia	178,829	340,839
Chinese Renminbi	8,836	8,836
	187,665	349,675

(b) Amount owing by associated companies

	The Group	
	2019	2018
	RM'000	RM'000
Amount owing by associated companies	–	336

Amount owing by associated companies in 2018, which arose from trade and advances, bears interest at 8% per annum and repayable on demand.

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

	The Group	
	2019	2018
	RM'000	RM'000
Singapore Dollar	–	336

(c) Amount owing by joint venture

	The Group	
	2019	2018
	RM'000	RM'000
Amount owing by joint venture	–	1,458

Amount owing by joint venture in 2018, which arose from trade and advances, bears interest at 8% per annum and repayable on demand.

24. RELATED COMPANY TRANSACTIONS (continued)

(d) Amount owing to an associated company

	The Group	
	2019 RM'000	2018 RM'000
Amount owing to an associated company	14,000	–

Amount owing to an associated company, denominated in Ringgit Malaysia, arose from advances, bears interest at 4% per annum.

25. INVESTMENT IN MONEY MARKET FUNDS, DEPOSITS, CASH AND BANK BALANCES

(a) Investment in money market funds

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Fair value through profit or loss:			
Investment in money market funds	16,926	16,330	15,767

Investment in money market funds of the Group, denominated in Ringgit Malaysia are managed by a licensed fund management company of which amounts deposited can be withdraw at the discretion of the Group given a two days notice period.

The money market funds of the Group are carried at fair value. The fair value hierarchy for money market funds are classified as Level 1.

(b) Deposits, cash and bank balances

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Deposits with licensed banks and financial institutions:			
Restricted	5,006	3,956	34,933
Unrestricted (Note 34)	258,741	117,517	103,648
	263,747	121,473	138,581
Housing Development Accounts (Note 34)	19,145	68,832	72,299
Cash and bank balances:			
Restricted	57	101	1,375
Unrestricted (Note 34)	93,064	112,659	109,926
	376,013	303,065	322,181

25. INVESTMENT IN MONEY MARKET FUNDS, DEPOSITS, CASH AND BANK BALANCES (continued)

(b) Deposits, cash and bank balances (continued)

	30.6.2019 RM'000	The Company 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Deposits with licensed banks and financial institutions:			
Restricted	4,074	2,973	2,886
Unrestricted (Note 34)	89,472	2,400	1,000
	93,546	5,373	3,886
Housing Development Accounts (Note 34)	4,210	4,123	4,033
Cash and bank balances:			
Restricted	57	101	101
Unrestricted (Note 34)	101	1,240	1,673
	97,914	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 RM5.1 million (30.6.2018: RM4.1 million; 1.7.2017: RM36.3 million) and RM4.1 million (30.6.2018 and 1.7.2017: 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.

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

	The Group		The Company	
	2019	2018	2019	2018
Deposits with licensed banks and financial institutions	1.20% to 6.15%	1.20% to 6.15%	2.63% to 3.25%	2.70% to 2.90%

Deposits of the Group and of the Company have an average maturity of 182 days (2018: 182 days) and 365 days (2018: 365 days) respectively.

25. INVESTMENT IN MONEY MARKET FUNDS, DEPOSITS, CASH AND BANK BALANCES (continued)

(b) Deposits, cash and bank balances (continued)

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

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Ringgit Malaysia	273,233	222,543	226,947
Chinese Renminbi	25,316	25,310	27,346
United States Dollar	77,456	55,203	67,337
Singapore Dollar	8	9	480
Others	–	–	71
	<u>376,013</u>	<u>303,065</u>	<u>322,181</u>
	<u>30.6.2019 RM'000</u>	<u>The Company 30.6.2018 RM'000</u>	<u>1.7.2017 RM'000</u>
Ringgit Malaysia	<u>97,914</u>	<u>10,837</u>	<u>9,693</u>

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

26. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group	
	2019 RM'000	2018 RM'000
At beginning of year	–	7,073
Transfer to investment properties (Note 13)	–	(1,708)
Disposals	–	(5,365)
At end of year	<u>–</u>	<u>–</u>

On 14 April 2017, Lion AMB Resources Sdn Bhd, 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 in the previous financial year.

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. 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 in year 2018.

27. SHARE CAPITAL

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

	The Group and The Company			
	2019		2018	
	Number of shares ('000)	RM'000	Number of shares ('000)	RM'000
Issued share capital:				
Ordinary shares:				
At beginning and end of year	717,909	1,250,536	717,909	1,250,536

28. RESERVES

	The Group		
	30.6.2019 RM'000	30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Non-distributable reserves:			
Treasury shares	(13,193)	(13,193)	(13,193)
Capital reserve	(66,658)	(25,358)	(12,364)
Fair value reserve	–	–	10,789
Translation adjustment reserve	16,692	43,297	58,632
Retained earnings	(63,159) 486,524	4,746 625,341	43,864 452,420
	423,365	630,087	496,284
	The Company		
	30.6.2019 RM'000	30.6.2018 RM'000	1.7.2017 RM'000
Non-distributable reserves:			
Treasury shares	(13,193)	(13,193)	(13,193)
Capital reserve	5,419	5,419	5,419
Fair value reserve	–	–	6
Retained earnings/(Accumulated losses)	(7,774) 8,714	(7,774) (233,606)	(7,768) (215,203)
	940	(241,380)	(222,971)

Treasury shares

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

As of 30 June 2019, the Company held 37,105,300 treasury shares at a carrying amount of RM13,192,722.

29. FINANCE LEASE PAYABLES (continued)

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

	The Group	
	2019	2018
	RM'000	RM'000
Financial years ending 30 June:		
2019	–	2,250
2020	2,250	2,250
2021	2,250	2,250
2022	2,250	2,250
2023	32,625	32,625
	39,375	41,625

In previous 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 leased back 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% (2018: 9.25% to 10.30%) per annum.

Finance lease obligations of RM27,067,000 (2018: RM46,506,000) are secured by charges on certain of the property, plant and equipment (Note 12).

30. HIRE-PURCHASE OBLIGATIONS

	The Group	
	2019	2018
	RM'000	RM'000
Total outstanding	1,175	709
Less: Interest-in-suspense	(107)	(47)
Principal outstanding	1,068	662
Less: Portion payable within one year (shown under current liabilities)	(311)	(309)
Non-current portion	757	353

30. HIRE-PURCHASE OBLIGATIONS (continued)

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

	The Group	
	2019	2018
	RM'000	RM'000
Financial years ending 30 June:		
2020	288	353
2021 and thereafter	469	–
	<u>757</u>	<u>353</u>

Hire-purchase obligations of the Group, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 2.36% to 5.58% (2018: 2.46% to 5.58%) per annum.

31. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES, AND CONTRACT LIABILITIES

(a) Trade payables

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Trade payables	412,301	535,586	139	139
Retention monies	8,281	8,648	27	27
	<u>420,582</u>	<u>544,234</u>	<u>166</u>	<u>166</u>

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2018: 30 to 60 days).

The currency profile of trade payables is as follows:

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	379,031	530,533	166	166
United States Dollar	36,355	10,713	–	–
Euro	3,868	1,224	–	–
Singapore Dollar	406	861	–	–
Chinese Renminbi	922	873	–	–
Others	–	30	–	–
	<u>420,582</u>	<u>544,234</u>	<u>166</u>	<u>166</u>

31. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES, AND CONTRACT LIABILITIES
(continued)

(b) Other payables, deposits and accrued expenses

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Other payables and deposits	187,502	151,227	166,356
Accrued expenses	230,123	151,541	203,369
	417,625	302,768	369,725
	30.6.2019 RM'000	The Company 30.6.2018 RM'000	1.7.2017 RM'000
Other payables and deposits	478	1,069	458
Accrued expenses	473	455	360
	951	1,524	818

Included in other payables of the Group, is an amount of RM14.5 million (2018: RM14.1 million) representing security deposits received from customers, which bear interest ranging from 11.25% to 11.75% (2018: 11.25% to 11.75%) per annum and have repayment periods ranging from 1 to 120 days (2018: 1 to 120 days).

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

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Ringgit Malaysia	376,692	219,634	323,819
United States Dollar	25,392	52,172	17,247
Euro	10,297	25,515	23,844
Chinese Renminbi	4,474	4,553	4,664
Singapore Dollar	–	178	5
Others	770	716	146
	417,625	302,768	369,725
	30.6.2019 RM'000	The Company 30.6.2018 RM'000	1.7.2017 RM'000
Ringgit Malaysia	951	1,524	818

31. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS AND ACCRUED EXPENSES, AND CONTRACT LIABILITIES (continued)

(c) Contract liabilities

	30.6.2019 RM'000	The Group 30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Contract liabilities	18,370	16,258	14,704

The contract liabilities primarily relate to the unredeemed customer loyalty credits awards.

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

The following table shows reconciliation from the opening balance to the closing balance for the contract liabilities.

	The Group	
	2019 RM'000	2018 RM'000
At beginning of year	16,258	14,704
Provision during the year	11,065	10,020
Utilised during the year	(8,953)	(8,466)
At end of year	18,370	16,258

32. PROVISIONS

	The Group	
	2019 RM'000	2018 RM'000
Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees:		
At beginning of year	3,489	3,100
Provision during the year (Note 6)	–	1,152
Utilised during the year	(16)	(763)
At end of year	3,473	3,489

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.

During the current financial year, SFI entered into settlement agreements with certain of SFI's employees for a cash sum of RM16,166 (2018: RM762,976) 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 37.

As of end of the reporting period, a provision for the indemnity loss of RM3,473,000 (2018: RM3,489,000) has been made for the remaining employees.

33. SHORT-TERM BORROWINGS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term loans from				
financial institutions - Secured	15,962	4,962	4,962	4,962
Bank overdrafts - Secured (Note 34)	9,547	9,595	4,683	4,689
Bills payable - Unsecured	67,964	66,080	-	-
	93,473	80,637	9,645	9,651

The short-term borrowings 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 3.84% to 9.52% (2018: 3.96% to 9.52%) and 4.33% to 8.35% (2018: 4.33% to 8.35%) per annum, respectively.

The currency profile of short-term borrowings of the Group and of the Company are denominated in Ringgit Malaysia.

33. **SHORT-TERM BORROWINGS (continued)**

Reconciliation of liabilities arising from financing activities

	As of 1 July 2017 RM'000	Financing cash flows RM'000	Other changes* RM'000	As of 30 June 2018/ 1 July 2018 RM'000	Financing cash flows RM'000	Other changes* RM'000	As of 30 June 2019 RM'000
The Group							
Islamic Securities ("Sukuk")	59,619	(60,000)	381	—	—	—	—
Finance lease payables	64,995	(19,615)	45,000	90,380	(21,688)	—	68,692
Hire-purchase obligations	1,233	(571)	—	662	(359)	765	1,068
Short-term borrowings (other than current portion of Sukuk, finance lease payables and hire-purchase obligations)	110,243	(27,292)	(2,314)	80,637	12,884	(48)	93,473
	236,090	(107,478)	43,067	171,679	(9,163)	717	163,233
The Company							
Hire-purchase obligations	41	(41)	—	—	—	—	—
Short-term borrowings	15,624	(5,973)	—	9,651	(6)	—	9,645
	15,665	(6,014)	—	9,651	(6)	—	9,645

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

34. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances (unrestricted) (Note 25(b))	93,064	112,659	101	1,240
Deposits with licensed banks and financial institutions (unrestricted) (Note 25(b))	258,741	117,517	89,472	2,400
Housing Development Accounts (Note 25(b))	19,145	68,832	4,210	4,123
Bank overdrafts (Note 33)	(9,547)	(9,595)	(4,683)	(4,689)
	361,403	289,413	89,100	3,074

35. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS

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

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

Name of Company	Nature	The Company	
		2019 RM'000	2018 RM'000
Subsidiary companies			
Inspirasi Elit Sdn Bhd	Sales commission	–	19
	Administrative fee income	15	13
Amsteel Mills Sdn Bhd	Interest income	272	268

Sales and purchase of goods and services and interest

		The Group	
		2019 RM'000	2018 RM'000
Megasteel Sdn Bhd	Purchase of goods, raw materials and consumables	–	1,143
CPB Enterprise Sdn Bhd	Sale of goods	82,760	–
	Purchase of goods, raw materials and consumables	106,424	83,843
	Scrap financing charges	388	9,998

35. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

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

Name of Company	Nature	The Group	
		2019 RM'000	2018 RM'000
Angkasa Amsteel (M) Sdn Bhd	Sale of goods	3,207	22,202
	Purchase of goods, raw materials and consumables	1,122	4,683
Akurjaya Sdn Bhd	Interest income	–	168
Lion Blast Furnace Sdn Bhd	Purchase of goods	–	486
Bright Steel Sdn Bhd	Sale of goods	11,962	22,605
	Purchase of goods	15	25
Lion Tooling Sdn Bhd	Purchase of toolings	2,340	1,798
	Provision of engineering services	306	228
Parkson Corporation Sdn Bhd	Sale of goods	2,089	1,469
	Provision of training services	–	24
Lion Steelworks Sdn Bhd	Purchase of goods	136	153
Lion Tin Sdn Bhd	Sale of goods	928	–
Compact Energy Sdn Bhd	Purchase of consumables	11,479	14,583
	Rental income	340	322
	Interest expense	115	180

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

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Receivables:				
Included in trade receivables	700,849	700,172	–	–
Included in other receivables	364,523	363,358	2,349	2,450
Payables:				
Included in trade payables	19,573	52,709	–	–
Included in other payables	6,594	16,870	56	57

The outstanding balances with related parties are either interest-free or bear interest at 8.00% (2018: either interest-free or bore interest at 8.00%) per annum and repayable on demand.

36. 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.

36. SEGMENTAL INFORMATION (continued)

(a) Business Segments (continued):

The Group
2019

	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	2,675,078	429	381,680	106,587	-	3,163,774
Inter-segment revenue	195,013	-	-	20,207	(215,220)	-
Total revenue	<u>2,870,091</u>	<u>429</u>	<u>381,680</u>	<u>126,794</u>	<u>(215,220)</u>	<u>3,163,774</u>
Results						
Segment results	<u>(112,002)</u>	<u>(5,682)</u>	<u>2,389</u>	<u>29,567</u>	<u>-</u>	<u>(85,728)</u>
Finance costs	(20,283)	(790)	(4)	(37)	-	(21,114)
Share in results of:						
Associated companies	1,751	-	-	(36,904)	-	(35,153)
Joint venture	-	7,035	-	-	-	7,035
Investment income	1,786	2,029	1,265	1,835	-	6,915
Loss before tax						(128,045)
Tax expenses						(28,056)
Loss for the year						<u>(156,101)</u>

36. SEGMENTAL INFORMATION (continued)

(a) Business Segments (continued):

The Group
2019

	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	1,511,675	263,548	163,326	238,010	-	2,176,559
Investment in associated companies and joint venture	21,573	-	-	622,969	-	644,542
Unallocated corporate assets						70,875
Consolidated Total Assets						2,891,976
Segment liabilities	795,051	35,435	37,563	169,234		1,037,283
Unallocated liabilities						9,054
Consolidated Total Liabilities						1,046,337
Other Information						
Capital expenditure	26,355	843	26	1,548	-	28,772
Depreciation and amortisation	87,291	405	83	2,704	-	90,483
Other non-cash expenses/(income)	55,475	(305)	2,726	(25,223)	-	32,673

36. 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 (Restated)
Consolidated Statement of Profit or Loss						
Revenue						
External revenue	2,886,529	7,756	288,644	107,870	-	3,290,799
Inter-segment revenue	150,098	-	-	16,443	(166,541)	-
Total revenue	3,036,627	7,756	288,644	124,313	(166,541)	3,290,799
Results						
Segment results	193,826	(2,909)	2,411	1,886	-	195,214
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	1,313	2,062	-	7,352
Gain on disposal of investment in an associated company	-	-	-	10,231	-	10,231
Profit before tax						175,051
Tax credit						6,795
Profit for the year						181,846

36. 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 (Restated)
Consolidated Statement of Financial Position						
Segment assets	1,670,285	176,563	124,060	236,645	-	2,207,553
Investment in associated companies and joint venture	92,195	-	-	710,419	-	802,614
Unallocated corporate assets						94,336
Consolidated Total Assets						3,104,503
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	91,024	396	180	3,602	-	95,202
Other non-cash expenses	1,307	557	899	2,465	-	5,228

36. 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	
	2019 RM'000	2018 RM'000 (Restated)
Malaysia	2,156,084	2,442,786
Other countries	1,007,690	848,013
	<u>3,163,774</u>	<u>3,290,799</u>

	Total assets		Capital expenditure	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Malaysia	2,715,171	2,923,246	28,772	9,496
Other countries	176,805	181,257	–	647
	<u>2,891,976</u>	<u>3,104,503</u>	<u>28,772</u>	<u>10,143</u>

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

37. 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	
	2019 RM'000	2018 RM'000
Unsecured: Subsidiary companies	<u>365,380</u>	<u>216,590</u>

37. 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 RM13,556,275 to RM13,554,372 after the cash settlement with certain SFI’s employees and provision made during the previous financial year as disclosed in Note 32.

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 14 October 2019.

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.

38. CAPITAL COMMITMENTS

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

	The Group	
	2019	2018
	RM’000	RM’000
Purchase of property, plant and equipment and others:		
Approved and contracted for	30,713	30,713
Approved but not contracted for	43,862	49,217
	74,575	79,930

39. LEASE COMMITMENTS

As of end of the reporting period, lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

	The Group	
	2019 RM'000	2018 RM'000
Within one year	11,779	11,799
Within two to five years	23,735	22,617
	35,514	34,416

40. 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 2018.

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 a 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 is as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000 (Restated)
Debt (i)	163,233	171,679	9,645	9,651
Cash and cash equivalents (excluding bank overdrafts)	(370,950)	(299,008)	(93,783)	(7,763)
Net (cash)/debt	(207,717)	(127,329)	(84,138)	1,888
Equity (ii)	1,845,639	2,053,490	1,251,476	1,009,156
Debt to equity ratio	N/A*	N/A*	N/A*	0.19%

* 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 29, 30, and 33 respectively.

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

40. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets				
FVTPL:				
Investment in money market funds	16,926	16,330	–	–
FVTOCI:				
Unquoted investments	1,228	1,228	400	400
At amortised cost:				
Trade receivables	243,252	216,053	–	–
Other receivables and refundable deposits	128,674	72,487	30,936	4,744
Amount owing by subsidiary companies	–	–	503,150	500,182
Amount owing by associated companies	–	336	–	–
Amount owing by joint venture	–	1,458	–	–
Deposits, cash and bank balances	376,013	303,065	97,914	10,837
Financial liabilities				
Other financial liabilities:				
Finance lease payables	68,692	90,380	–	–
Hire-purchase obligations	1,068	662	–	–
Trade payables	420,582	544,234	166	166
Other payables, deposits and accrued expenses	417,625	302,768	951	1,524
Amount owing to subsidiary companies	–	–	187,665	349,675
Amount owing to an associated company	14,000	–	14,000	–
Short-term borrowings	93,473	80,637	9,645	9,651

40. FINANCIAL INSTRUMENTS (continued)

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.

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
2019				
United States Dollar	111,159	61,747	10	–
Chinese Renminbi	31,401	5,396	–	8,836
Euro	4,330	14,165	–	–
Singapore Dollar	27,078	406	26,269	–
Others	–	770	–	–
	173,968	82,484	26,279	8,836
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

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.

40. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis (continued)

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
United States Dollar	(4,941)	(5,500)	(1)	(3)
Chinese Renminbi	(2,601)	(2,477)	884	884
Euro	984	2,165	–	–
Singapore Dollar	(2,667)	66	(2,627)	–
	<u>(9,225)</u>	<u>(5,746)</u>	<u>(1,744)</u>	<u>881</u>

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 33.

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 2019 would increase or decrease by as follows:

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Floating rate liabilities				
Bank overdrafts	48	48	23	23
Bills payable	340	330	–	–
Borrowings	80	25	25	25
	<u>468</u>	<u>403</u>	<u>48</u>	<u>48</u>

40. FINANCIAL INSTRUMENTS (continued)

Credit risk

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

The Group is exposed to credit risk 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 2019, is the carrying amount of these receivables as disclosed in the statements of financial position.

Liquidity risk

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

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

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 2019

	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	420,582	–	–	420,582	–
Other payables, deposits and accrued expenses	403,128	–	–	403,128	–
Interest bearing:					
Other payables, deposits and accrued expenses	14,497	–	–	14,497	11.25 - 11.75
Amount owing to an associated company	14,000	–	–	14,000	4.00
Hire-purchase obligations	353	350	472	1,175	2.36 - 5.58
Finance lease payables	29,317	4,500	34,875	68,692	9.25 - 10.30
Bank borrowings:					
Bank overdrafts	9,547	–	–	9,547	3.84 - 9.52
Bills payable	67,964	–	–	67,964	3.84 - 9.52
Borrowings	15,962	–	–	15,962	4.33 - 8.20
	975,350	4,850	35,347	1,015,547	

40. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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	288,637	–	–	288,637	–
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
	<u>977,035</u>	<u>4,834</u>	<u>37,166</u>	<u>1,019,035</u>	
The Company 2019					
	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	951	–	–	951	–
Amount owing to subsidiary companies	187,665	–	–	187,665	–
Interest bearing:					
Amount owing to an associated company	14,000	–	–	14,000	4.00
Bank overdrafts	4,683	–	–	4,683	8.35
Borrowings	4,962	–	–	4,962	4.33 – 8.35
	<u>212,427</u>	<u>–</u>	<u>–</u>	<u>212,427</u>	

40. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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
	<u>361,016</u>	<u>–</u>	<u>–</u>	<u>361,016</u>	

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 negligible.

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.

2019	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Investment in money market funds	16,926	16,926#	–	–
Unquoted investments	1,228	– [^]	400	– [^]
	<u>16,926</u>	<u>16,926#</u>	<u>400</u>	<u>–</u>
Financial liabilities				
Finance lease payables	68,692	68,692*	–	–
Hire-purchase obligations	1,068	1,175*	–	–
Borrowings	93,473	93,473*	9,645	9,645*
	<u>68,692</u>	<u>68,692*</u>	<u>9,645</u>	<u>9,645*</u>

40. FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments (continued)

2018	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Investment in money market funds	16,330	16,330 [#]	–	–
Unquoted investments	1,228	– [^]	400	– [^]
Financial liabilities				
Finance lease payables	90,380	90,687*	–	–
Hire-purchase obligations	662	709*	–	–
Borrowings	80,637	80,637*	9,651	9,651*

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

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

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

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).

40. 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				
2019				
Financial Assets				
Investment in money market funds	16,926	–	–	16,926
Unquoted investments	–	–	1,228	1,228
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2018				
Financial Assets				
Investment in money market funds	16,330	–	–	16,330
Unquoted investments	–	–	1,228	1,228
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
The Company				
2019				
Financial Asset				
Unquoted investments	–	–	400	400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2018				
Financial Asset				
Unquoted investments	–	–	400	400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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				
2019				
Financial Liabilities				
Finance lease payables	–	–	68,692	68,692
Hire-purchase obligations	–	–	1,175	1,175
Borrowings	–	–	93,473	93,473
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2018				
Financial Liabilities				
Finance lease payables	–	–	90,687	90,687
Hire-purchase obligations	–	–	709	709
Borrowings	–	–	80,637	80,637
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

40. 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
The Company				
2019				
Financial Liability				
Borrowings	–	–	9,645	9,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2018				
Financial Liability				
Borrowings	–	–	9,651	9,651
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

41. SIGNIFICANT EVENTS

- (i) During the financial year, the Company had announced the Proposed Expansion into Flat Steel Business involving the following corporate proposals:
- (a) Proposed acquisition by Cendana Aset Sdn Bhd (“Cendana Aset”), a wholly-owned subsidiary of the Cendana Domain Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company from Megasteel Sdn Bhd (“Megasteel”), of the encumbered fixed and floating assets and the assignment of the entire debt owing by Secomex Manufacturing (M) Sdn Bhd to Megasteel for a total purchase consideration of approximately RM537.73 million, which is payable by Cendana Aset to the secured lenders of Megasteel (“Megasteel Secured Lenders”);
 - (b) Proposed acquisition by Gelora Berkat Sdn Bhd (“Gelora Berkat”), a wholly-owned subsidiary of Tahap Berkat Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of the MS Promissory Note to be issued by Megasteel to the Megasteel Secured Lenders’ appointed trustee in relation to the under-secured portion debts settlement for a cash consideration of RM8.50 million, which is payable by Gelora Berkat to the Megasteel Secured Lenders;
 - (c) Proposed acquisition by Gelora Berkat of all the unencumbered assets of Megasteel for a cash consideration of approximately RM21.59 million (“Proposed Acquisition of Unencumbered Assets”) which is payable by Gelora Berkat to Megasteel; and
 - (d) Proposed supply of electricity to the Company and its subsidiary companies in Banting by Tenaga Nasional Berhad (“TNB”) for their steel mill operations including the Proposed Expansion into Flat Steel Business for a cash consideration of RM35.80 million.

41. SIGNIFICANT EVENTS (continued)

- (i) During the financial year, the Company had announced the Proposed Expansion into Flat Steel Business involving the following corporate proposals (*continued*):

On 10 July 2019, Megasteel had obtained the approval from the respective Megasteel Secured Lenders and unsecured creditors of Megasteel (excluding TNB) (“Megasteel Unsecured Creditors”) (including the Company and its affected subsidiary companies) for the respective scheme for the Megasteel Secured Lenders (“Megasteel Secured Scheme”) and the Megasteel Unsecured Creditors (“Megasteel Unsecured Scheme”) (collectively referred to as the “Schemes”).

On 7 August 2019, Megasteel had further obtained sanction from the High Court of Malaya (“Court”) for the Megasteel Secured Scheme and on 9 August 2019, a validation by the Court for the granting of the Land E Easement (as defined in the Company’s announcement dated 11 June 2019).

On 10 September 2019, the Company received a letter from Megasteel informing that the Court Sanction for the Megasteel Unsecured Scheme in relation to the Proposed Acquisition of Unencumbered Assets was obtained on 10 September 2019.

The other outstanding Conditions Precedent for the Proposal are set out below:

- (a) the approval of the non-interested shareholders of the Company; and
- (b) the Megasteel Secured Scheme becoming unconditional and fully enforceable in relation to the Proposed Acquisition of Unencumbered Assets.
- (ii) On 6 January 2019, the Company announced that it had entered into a conditional sale and purchase agreement with Daehan Steel Co. Ltd. (“Daehan”) for the proposed disposal by the Company of its entire holding of 11,517,999 ordinary shares in Angkasa Amsteel Pte Ltd (“AAPL”) representing approximately 50% of the share capital of AAPL to Daehan for a cash consideration of SGD26.65 million (equivalent to approximately RM80.90 million) (“Disposal Consideration”) (“Proposed Disposal”). Pursuant to the agreement in relation to the Proposed Disposal, the final consideration shall be based on the net tangible assets of the proforma consolidated balance sheet of AAPL as at the Completion Date (“Final Consideration”).

On 1 April 2019, the Company announced the completion of the Proposed Disposal. Accordingly, AAPL ceased to be an associated company of the Group.

The Company had on 18 June 2019 announced that both the Company and Daehan had mutually agreed that the Final Consideration be fixed at SGD32.69 million (equivalent to approximately RM99.44 million) resulting in an additional cash proceeds of SGD6.04 million (equivalent to approximately RM18.37 million).

42. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
* Amble Legacy Sdn Bhd	Malaysia	100	100	Investment holding
Cendana Domain Sdn Bhd	Malaysia	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 Sdn Bhd (formerly known as 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

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
* 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	Money lending and Investment holding
Tahap Berkat Sdn Bhd	Malaysia	100	–	Investment holding
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 Cendana Domain Sdn Bhd				
Cendana Aset Sdn Bhd	Malaysia	100	–	Investment holding
Subsidiary company of Crest Wonder Sdn Bhd				
Lunas Cemerlang Sdn Bhd	Malaysia	100	100	Investment holding
Subsidiary companies of Lunas Cemerlang Sdn Bhd				
Gelora Berkat Sdn Bhd	Malaysia	–	100	Investment holding
Oriental Shield Sdn Bhd	Malaysia	100	100	Investment holding
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

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
Subsidiary company of LLB Steel Industries Sdn Bhd				
* Steelcorp Sdn Bhd	Malaysia	99	99	Investment holding
Subsidiary company of LLB Venture Sdn Bhd				
Marvenel Sdn Bhd	Malaysia	70	70	Dormant
Subsidiary companies of Malim Courts Property Development Sdn Bhd				
Berkat Timor Sdn Bhd	Malaysia	100	100	Dormant
Inspirasi Elit Sdn Bhd	Malaysia	85	85	Property development
JOPP Builders Sdn Bhd	Malaysia	100	100	Dormant
LLB Bina Sdn Bhd	Malaysia	100	100	Ceased operations
LLB Damai Holdings Sdn Bhd	Malaysia	100	100	Investment holding
LLB Indah Permai Sdn Bhd	Malaysia	100	100	Property development
LLB Suria Sdn Bhd	Malaysia	100	100	Investment holding
PM Holdings Sdn Bhd	Malaysia	100	100	Investment holding, property development and provision of management services
Soga Sdn Bhd	Malaysia	98	98	Property development
Sumber Realty Sdn Bhd	Malaysia	100	100	Investment holding and property development
Syarikat Pekan Baru Kemajuan Sdn Bhd (formerly known as Syarikat Pekan Baru Kemajuan Berhad)	Malaysia	100	100	Dormant
Subsidiary company of Sucorp Enterprise Sdn Bhd				
Kisan Agency Sdn Bhd	Malaysia	100	100	Property development
Subsidiary company of Tahap Berkat Sdn Bhd				
Gelora Berkat Sdn Bhd	Malaysia	100	–	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
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
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

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
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
^ Jedeford International Limited (Dissolved on 6 May 2019)	British Virgin Islands	–	100	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	100	100	Investment holding
* Lion AMB Resources Sdn Bhd (formerly known as 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	100	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
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

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd (“BVI Companies”)				
^ Alpha Deal Group Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Bright Triumph Investments Limited	British Virgin Islands	100	100	Investment holding
^ Brilliant Elite Investments Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Classy Elite Investments Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	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 (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Elite Harvest Group Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Elite Image Investments Limited	British Virgin Islands	100	100	Investment holding
^ Eminent Elite Investments Limited	British Virgin Islands	100	100	Investment holding
^ Eminent Prosper Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Grand Ray Investments Limited	British Virgin Islands	100	100	Investment holding
^ Great Zone Investments Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Green Choice Holdings Limited	British Virgin Islands	100	100	Investment holding
^ Harvest Boom Investments Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies") (continued)				
^ Jade Harvest International Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Jade Power Holdings Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Mile Treasure Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Pinnacle Treasure Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Radiant Elite Holdings Limited	British Virgin Islands	100	100	Investment holding
^ Sky Yield Group Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Superb Harvest Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Superb Reap Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Ultra Strategy Limited (Dissolved on 9 April 2019)	British Virgin Islands	–	100	Investment holding
^ Up Reach Limited	British Virgin Islands	100	100	Investment holding
^ 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	Investment and development in agriculture
^ Classy Elite (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	–	100	Investment and development in agriculture
^ Distinct Harvest (Cambodia) Co., Ltd	Cambodia	100	100	Investment and development in agriculture

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
Subsidiary companies of BVI Companies (continued)				
^ Hi-Rev Lubricants (Cambodia) Co., Limited (formerly known as Double Merits (Cambodia) Co., Limited	Cambodia	100	100	Wholesale of petroleum products and related products
^ Dynamic Shine (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	–	100	Investment and development in agriculture
^ Elite Harvest (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	–	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	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	Investment and development in agriculture
^ 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	Investment and development in agriculture
^ Jade Harvest (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	–	100	Investment and development in agriculture

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
Subsidiary companies of BVI Companies (continued)				
^ Jade Power (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	–	100	Investment and development in agriculture
^ Mile Treasure (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	–	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	Investment and development in agriculture
^ Superb Harvest (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	–	100	Investment and development in agriculture
^ Superb Reap (Cambodia) Co., Limited (Dissolved on 24 August 2018)	Cambodia	–	100	Investment and development in agriculture
^ Ultra Strategy (Cambodia) Co., Ltd (Dissolved on 24 August 2018)	Cambodia	–	100	Investment and development in agriculture
^ Up Reach (Cambodia) Co., Limited (In voluntary liquidation)	Cambodia	100	100	Investment and development in agriculture
Subsidiary companies of Lion AMB Resources Sdn Bhd				
AMB Harta (L) Limited	Malaysia	100	100	Treasury business
* AMB Harta (M) Sdn Bhd (Dissolved on 28 November 2018)	Malaysia	–	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

42. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Percentage ownership		Principal activities
		2019 %	2018 %	
Subsidiary companies of Lion AMB Resources Sdn Bhd (continued)				
* 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 (Dissolved on 9 November 2018)	Malaysia	–	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

* 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.

43. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

Name of company	Financial year-end	Country of incorporation	Percentage ownership		Principal activities
			2019 %	2018 %	
Angkasa Amsteel Pte Ltd (Disposed of on 1 April 2019)	30 June	Singapore	–	50	Manufacturing and distribution of fabricated steel reinforcement bars
Renor Pte Ltd (In liquidation)	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
Angkasa Amsteel (M) Sdn Bhd	30 June	Malaysia	50	–	Trading and distribution of fabricated steel reinforcement bars
Angkasa Steel Sdn Bhd	30 June	Malaysia	50	–	Dormant

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.

44. TRANSITION TO MFRS FRAMEWORK

As disclosed in Note 2, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs. In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards (“FRS”) in Malaysia. The date of transition to MFRS Framework is on 1 July 2017.

The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2019, the comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of the opening MFRS statement of financial position as of 1 July 2017 (the Group’s and the Company’s date of transition to MFRSs).

The transition to MFRSs does not have a material financial impact to the separate financial statements of the Company.

44. TRANSITION TO MFRS FRAMEWORK (continued)

The effect of the Group's transition to MFRSs are as follows:

(a) Effects of MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs have always been applied. As provided in MFRS 1, first-time adopter can elect optional exemptions from full retrospective application of MFRSs. The Group did not elect any exemptions and the basis adopted previously are consistent with MFRS, except for the following:

Investment Properties – Deemed cost exemption

Under FRSS, investment properties of the Group are stated at fair value and the Group elected to apply the optional exemption to measure its investment properties at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of investment properties at 1 July 2017 was considered as deemed cost and determined to be RM906,000 as disclosed in Note 13. No impact arising from the adoption on the said optional exemption.

The impact arising from the change is summarised as follows:

	The Group 30.6.2018 RM'000
Consolidated statement of profit or loss and other comprehensive income	
Depreciation of investment properties	43
Other expense - fair value loss	(101)
Other expense - impairment loss	578
	<hr/>
Decrease in profit before tax	520
	<hr/> <hr/>
Consolidated statement of financial position	
Investment properties	(520)
Decrease in retained earnings	520
	<hr/> <hr/>

(b) Effects of MFRS 9 "Financial Instruments"

In the current financial year, the Group has applied MFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other MFRS Standards that are effective for the annual period that begins on or after 1 July 2017.

MFRS 9 introduced new requirements for:

- (i) The classification and measurement of financial assets and financial liabilities;
- (ii) Impairment of financial assets; and
- (iii) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below. The Group has adopted the full retrospective method in accordance with the transition provisions set out in MFRS 1.

44. TRANSITION TO MFRS FRAMEWORK (continued)

(b) Effects of MFRS 9 “Financial Instruments” (continued)

(i) *Classification and measurement of financial assets*

The date of transition application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of MFRS 9) is 1 July 2017. Accordingly, the Group has applied the requirements of MFRS 9 to instruments that continue to be recognised as of 1 July 2017 and has not applied the requirements to instruments that have already been de-recognised as of 1 July 2017. Comparative amounts in relation to instruments that continue to be recognised as of 1 July 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of MFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments 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 amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at fair value through other comprehensive income (“FVTOCI”);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (“FVTPL”).

The Directors of the Company reviewed and assessed the Group’s existing financial assets as of 1 July 2017 based on the facts and circumstances that existed at that date and concluded that the initial application of MFRS 9 has had the following impact on the Group’s financial assets as regards to their classification and measurement:

- the Group’s trade and other receivables, amounts owing by associated companies and joint venture, deposits, cash and bank balances classified as loans and receivables under FRS 139 *Financial Instruments: Recognition and Measurement* that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 because they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding;
- the Group’s quoted and unquoted investments (neither held for trading nor a contingent consideration arising from a business combination) were previously classified as available-for-sale financial assets and measured at fair value at end of each reporting period under FRS 139. Under MFRS 9, the Group has irrevocably elected to classify these equity instruments as FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the fair value reserve.
- the Group’s unquoted bonds classified as held-to-maturity investments under FRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 because they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

44. TRANSITION TO MFRS FRAMEWORK (continued)

(b) Effects of MFRS 9 “Financial Instruments” (continued)

(i) *Classification and measurement of financial assets (continued)*

None of the reclassifications of financial assets have had any material impact on the Group’s financial position, profit or loss, other comprehensive income or total comprehensive income in either year, except for investment in money market funds which previously classified as cash and cash equivalents carried at amortised cost.

The Directors have reassessed the classification and measurement of these financial assets; and concluded that the Group’s investment in money market funds is classified as financial assets designated at FVTPL under MFRS 9 because they are held within a business model whose objective is both to collect cash flows and to sell the assets but it does not give rise to a contractual payments of principal and interest on the amount invested.

In applying MFRS 9, investment in money market funds as of 1 July 2017 and 30 June 2018 amounting to RM15,767,000 and RM16,330,000, respectively were reclassified from deposits, cash and bank balances.

(ii) *Impairment of financial assets*

In relation to the impairment of financial assets, MFRS 9 requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than an incurred credit loss model under FRS 139. The ECL model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Financial assets measured at amortised cost and contract assets will be subject to the impairment provisions of MFRS 9.

MFRS 9 requires the Group to recognise a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts to which the impairment requirements of MFRS 9 apply.

In particular, MFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. MFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group applies the simplified approach and recognises lifetime ECL for its trade receivables. The Group assessment on the calculation of ECL rates were segmented according to potential exposures based on common credit risk characteristics such as nature of business and selection of similar type of customers.

44. TRANSITION TO MFRS FRAMEWORK (continued)

(b) Effects of MFRS 9 “Financial Instruments” (continued)

(ii) *Impairment of financial assets (continued)*

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of transition to MFRSs (i.e. 1 July 2017), the Directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as of 1 July 2017.

The financial effects relating to impairment of financial assets upon adoption of MFRS 9 is summarised as follows:

	30.6.2018	Group
	RM'000	1.7.2017
		RM'000
Consolidated statement of profit or loss and other comprehensive income		
Other expense - impairment loss	1,097	2,083
	<hr/>	<hr/>
Increase in profit before tax	1,097	2,083
	<hr/> <hr/>	<hr/> <hr/>
Consolidated statement of financial position		
Trade and other receivables	8,831	7,734
Increase in retained earnings	8,831	7,734
	<hr/> <hr/>	<hr/> <hr/>

(iii) *General hedge accounting*

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group’s risk management activities have also been introduced.

The application of the MFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years as the Group does not apply hedge accounting and has no intention of doing so at the moment.

(c) Effects of 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. Subsequently, amendments to MFRS 15 were issued in April 2016 which provide clarifications on certain requirements of MFRS 15 and provide additional transitional relief upon implementing MFRS 15. MFRS 15 supersedes the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation.

44. TRANSITION TO MFRS FRAMEWORK (continued)

(c) Effects of MFRS 15 “Revenue from Contracts with Customers” (continued)

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, revenue is recognised by reference to each distinct performance obligation in the contracts with customers. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised 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, which may be at a point in time or over time.

In accordance with MFRS 15, the Group recognises revenue when a performance obligation is satisfied, which is when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer and also accounted for any variable consideration element against transaction price.

The application of MFRS 15 has not had a significant impact on the financial statements of the Group and of the Company, except for the variable considerations of RM3,456,000 were reclassified as a reduction in revenue in the Group’s statements of profit or loss upon adoption of MFRS 15 as the standard requires certain discounts, rebates and incentives to be recognised as net of revenue. Previously, these discounts, rebates and incentives were recognised as purchase of trading merchandise. The adoption resulted only in changes in the classification and did not have an impact on the timing of revenue recognition.

45. COMPARATIVE FIGURES AND PRIOR YEARS' ADJUSTMENT

The financial effects of the prior years' adjustment, first-time adoption of the MFRS Framework and changes in certain comparative amounts to conform with the current year financial statements presentation for the Group are as follows:

(a) Consolidated statement of profit or loss

	For the financial year ended 30.6.2018 under FRSs RM'000	Prior year adjustment RM'000	The Group		For the financial year ended 30.6.2018 under MFRSs RM'000
			Effects on adoption of MFRS framework RM'000	Effects of adoption of MFRS 15 RM'000	
Revenue	3,294,795	–	–	(3,996)	3,290,799
Other income	57,856	–	–	–	57,856
Net changes in inventories	(70,520)	–	–	–	(70,520)
Raw materials and consumables used	(2,428,566)	–	–	–	(2,428,566)
Purchase of trading merchandise	(299,505)	–	–	3,996	(295,509)
Cost of completed units sold	(3,034)	–	–	–	(3,034)
Property development costs	(2,304)	–	–	–	(2,304)
Staff costs	(171,267)	–	–	–	(171,267)
Directors' remuneration	(1,653)	–	–	–	(1,653)
Depreciation of property, plant and equipment	(92,892)	–	–	–	(92,892)
Depreciation of investment properties	–	–	(43)	–	(43)
Amortisation of prepaid land lease payments	(2,267)	–	–	–	(2,267)
Other expenses	(86,006)	–	620	–	(85,386)
Investment income	7,352	–	–	–	7,352
Finance costs	(20,876)	–	–	–	(20,876)
Profit from operations	181,113	–	577	–	181,690
Share in results of:					
Associated companies	(18,266)	–	–	–	(18,266)
Joint venture	1,396	–	–	–	1,396
Gain on disposal of investment in an associated company	10,231	–	–	–	10,231
Profit before tax	174,474	–	577	–	175,051
Tax credit	6,795	–	–	–	6,795
Profit for the year	181,269	–	577	–	181,846

(Forward)

45. COMPARATIVE FIGURES AND PRIOR YEARS' ADJUSTMENT (continued)

(b) Consolidated statement of comprehensive income

	The Group				
	For the financial year ended 30.6.2018 under FRSs RM'000	Prior year adjustment RM'000	Effects on adoption of MFRS framework RM'000	Effects of adoption of MFRS 15 RM'000	
Profit for the year	181,269	–	577	–	181,846
Other comprehensive income/(loss)					
<u>Items that may be reclassified subsequently to profit or loss</u>					
Exchange differences on translation of foreign operations	(11,287)	–	–	–	(11,287)
Share of other comprehensive loss of associated companies	(12,994)	(7,550)	–	–	(20,544)
Transfer of other reserve to profit or loss upon disposal of investment in an associated company	1,384	–	–	–	1,384
Net loss on other investments:					
- Fair value changes	(10,686)	–	–	–	(10,686)
- Transfer to profit or loss upon disposal	(103)	–	–	–	(103)
Other comprehensive loss for the year, net of tax	(33,686)	(7,550)	–	–	(41,236)
Total comprehensive income/(loss) for the year	147,583	(7,550)	577	–	140,610

45. COMPARATIVE FIGURES AND PRIOR YEARS' ADJUSTMENT (continued)

(c) Consolidated statement of financial position

	The Group				
	As previously stated under FRSs RM'000	Prior year adjustment RM'000	1.7.2017 Effects on adoption of MFRS framework RM'000	Effects of adoption of MFRS 9 RM'000	As restated under MFRSs RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	629,988	–	–	–	629,988
Investment properties	578	–	–	–	578
Prepaid land lease payments	59,811	–	–	–	59,811
Land held for property development	49,508	–	–	–	49,508
Investment in associated companies	816,381	32,411	–	–	848,792
Investment in joint venture	11,051	–	–	–	11,051
Long-term investments	12,311	–	–	–	12,311
Deferred tax assets	56,456	–	–	–	56,456
Goodwill	130,443	–	–	–	130,443
Total Non-Current Assets	1,766,527	32,411	–	–	1,798,938
Current Assets					
Property development costs	13,209	–	–	–	13,209
Inventories	372,831	–	–	–	372,831
Trade receivables	201,972	–	–	7,734	209,706
Other receivables, deposits and prepayments	211,135	–	–	–	211,135
Amount owing by associated companies	314	–	–	–	314
Amount owing by joint venture	1,480	–	–	–	1,480
Investment in money market funds	–	–	–	15,767	15,767
Deposits, cash and bank balances	337,948	–	–	(15,767)	322,181
	1,138,889	–	–	7,734	1,146,623
Assets classified as held for sale	7,073	–	–	–	7,073
Total Current Assets	1,145,962	–	–	7,734	1,153,696
Total Assets	2,912,489	32,411	–	7,734	2,952,634

(Forward)

45. COMPARATIVE FIGURES AND PRIOR YEARS' ADJUSTMENT (continued)

(c) Consolidated statement of financial position (continued)

	As previously stated under FRSs RM'000	Prior year adjustment RM'000	The Group		As restated under MFRSs RM'000
			1.7.2017 Effects on adoption of MFRS framework RM'000	Effects of adoption of MFRS 9 RM'000	
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	1,250,536	–	–	–	1,250,536
Reserves	458,144	32,411	–	5,729	496,284
Equity attributable to owners of the Company	1,708,680	32,411	–	5,729	1,746,820
Non-controlling interests	164,814	–	–	2,005	166,819
Total Equity	1,873,494	32,411	–	7,734	1,913,639
Non-Current and Deferred Liabilities					
Finance lease payables	10,282	–	–	–	10,282
Hire-purchase obligations	657	–	–	–	657
Deferred tax liabilities	13,609	–	–	–	13,609
Total Non-Current and Deferred Liabilities	24,548	–	–	–	24,548
Current Liabilities					
Trade payables	397,675	–	–	–	397,675
Other payables, deposits and accrued expenses	384,429	–	–	(14,704)	369,725
Contract liabilities	–	–	–	14,704	14,704
Provisions	3,100	–	–	–	3,100
Advance billings of property development projects	1,834	–	–	–	1,834
Finance lease payables	54,713	–	–	–	54,713
Hire-purchase obligations	576	–	–	–	576
Short-term borrowings	169,862	–	–	–	169,862
Tax liabilities	2,258	–	–	–	2,258
Total Current Liabilities	1,014,447	–	–	–	1,014,447
Total Liabilities	1,038,995	–	–	–	1,038,995
Total Equity and Liabilities	2,912,489	32,411	–	7,734	2,952,634

45. COMPARATIVE FIGURES AND PRIOR YEARS' ADJUSTMENT (continued)

(c) Consolidated statement of financial position (continued)

	The Group				
	As previously stated under FRSs RM'000	Prior year adjustment RM'000	30.6.2018 Effects on adoption of MFRS framework RM'000	Effects of adoption of MFRS 9 RM'000	As restated under MFRSs RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	539,181	–	–	–	539,181
Investment properties	106,812	–	(520)	–	106,292
Prepaid land lease payments	57,544	–	–	–	57,544
Land held for property development	50,286	–	–	–	50,286
Investment in associated companies	777,753	24,861	–	–	802,614
Long-term investments	1,228	–	–	–	1,228
Deferred tax assets	73,762	–	–	–	73,762
Goodwill	130,443	–	–	–	130,443
Total Non-Current Assets	1,737,009	24,861	(520)	–	1,761,350
Current Assets					
Property development costs	11,903	–	–	–	11,903
Inventories	623,806	–	–	–	623,806
Trade receivables	207,222	–	–	8,831	216,053
Other receivables, deposits and prepayments	170,202	–	–	–	170,202
Amount owing by associated companies	336	–	–	–	336
Amount owing by joint venture	1,458	–	–	–	1,458
Investment in money market funds	–	–	–	16,330	16,330
Deposits, cash and bank balances	319,395	–	–	(16,330)	303,065
Total Current Assets	1,334,322	–	–	8,831	1,343,153
Total Assets	3,071,331	24,861	(520)	8,831	3,104,503

(Forward)

45. COMPARATIVE FIGURES AND PRIOR YEARS' ADJUSTMENT (continued)

(c) Consolidated statement of financial position (continued)

	The Group				
	As previously stated under FRSs RM'000	Prior year adjustment RM'000	30.6.2018 Effects on adoption of MFRS framework RM'000	Effects of adoption of MFRS 9 RM'000	As restated under MFRSs RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	1,250,536	–	–	–	1,250,536
Reserves	599,205	24,861	(520)	6,541	630,087
Equity attributable to owners of the Company	1,849,741	24,861	(520)	6,541	1,880,623
Non-controlling interests	170,577	–	–	2,290	172,867
Total Equity	2,020,318	24,861	(520)	8,831	2,053,490
Non-Current and Deferred Liabilities					
Finance lease payables	41,625	–	–	–	41,625
Hire-purchase obligations	353	–	–	–	353
Deferred tax liabilities	8,005	–	–	–	8,005
Total Non-Current and Deferred Liabilities	49,983	–	–	–	49,983
Current Liabilities					
Trade payables	544,234	–	–	–	544,234
Other payables, deposits and accrued expenses	319,026	–	–	(16,258)	302,768
Contract liabilities	–	–	–	16,258	16,258
Provisions	3,489	–	–	–	3,489
Finance lease payables	48,755	–	–	–	48,755
Hire-purchase obligations	309	–	–	–	309
Short-term borrowings	80,637	–	–	–	80,637
Tax liabilities	4,580	–	–	–	4,580
Total Current Liabilities	1,001,030	–	–	–	1,001,030
Total Liabilities	1,051,013	–	–	–	1,051,013
Total Equity and Liabilities	3,071,331	24,861	(520)	8,831	3,104,503

45. COMPARATIVE FIGURES AND PRIOR YEARS' ADJUSTMENT (continued)

(d) Consolidated statement of cash flows

There are no material differences in the statements of cash flows of the Group arising from the transition from FRSs to MFRS Framework.

The transition from FRSs to MFRS Framework does not have any impact to the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flow of the Company.

Prior years' adjustment

In prior years, the Group did not recognise exchange differences arising from the translation of a foreign associated company. During the current financial year, the management reassessed the appropriateness of the computation of exchange differences and determined a net translation gain of a foreign associated company of RM26,196,000 up to the completion of the disposal on 1 April 2019.

This has now been corrected by way of retrospective adjustments and the effect of the adjustments is an increase in other comprehensive loss for the year ended 30 June 2018 by RM7,550,000; and an increase in investment in associated companies and reserves as of 1 July 2017 and 30 June 2018 by RM32,411,000 and RM24,861,000 respectively.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2019 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
in accordance with a resolution of the Directors,

TAN SRI CHENG YONG KIM

CHENG HUI YA, SERENA

Kuala Lumpur
10 October 2019

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

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

TAN SRI CHENG YONG KIM

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
at **KUALA LUMPUR** in the Federal Territory
on the 10th day of October, 2019.

Before me,

W530
TAN SEOK KETT
COMMISSIONER FOR OATHS

LIST OF GROUP PROPERTIES

AS OF 30 JUNE 2019

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
1. Taman Supreme Mukim of Cheras Kuala Lumpur	Freehold	12.1 hectares	Land	For future development	13.9	June 1991
2. PT 862-3348 Mukim of Bacang Melaka	Leasehold 12.4.2081 (residential) 22.8.2077 (industrial)	0.1 hectares	Land	Property under development	0.1	June 1991
3. Lot 11233 HS(D) 54584 Taman Tayton, Cheras Kuala Lumpur	Freehold	620 sq metres	Land	For future development	0.1	June 1991
4. Mukim 17 North East District Baru Ferringhi Pulau Pinang	Freehold	28.7 hectares	Land	Property under development	50.7	June 1991
5. PT 3494 Mukim of Bukit Raja Klang Selangor Darul Ehsan	Leasehold 9.11.2085	24.0 hectares	Industrial land and buildings	Office and factory (42)	19.0	22 October 1994
6. PT 17631 Mukim of Bukit Raja Klang Selangor Darul Ehsan	Leasehold 29.10.2091	2,880 sq metres	Industrial land and buildings	Office and factory (42)	0.6	22 October 1994
7. PT 3510, HS(D) 24284 Mukim of Bukit Raja Klang Selangor Darul Ehsan	Leasehold 21.10.2088	2.9 hectares	Industrial land and buildings	Office and factory (24)	5.8	22 October 1994
8. Lot 2320, 2323B, 2582 & 2584 Mukim of Tanjung Dua Belas District of Kuala Langat Selangor Darul Ehsan	Freehold	69.4 hectares	Industrial land and buildings	Office and factory (14-19)	118.3	1996
9. Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold			Office and factory		
- PLO 417, Jalan Gangsa Satu	17.6.2052	6.3)	Industrial land	(28)	5.4)	
- PLO 218, Jalan Gangsa Satu	26.12.2056	4.4)	and buildings	(24)	9.8)	September
- PLO 277, Jalan Gangsa Satu	29.9.2038	6.5)		(41)	3.9)	2002
		hectares				

Address	Tenure/ Expiry Date for Leasehold	Area	Description	Existing Use/ Age of Building (Year)	Net Book Value (RM Million)	Date of Acquisition/ Last Revaluation
10. PLO 495, Jalan Keluli Pasir Gudang Industrial Estate 81707 Pasir Gudang, Johor	Leasehold 6.2.2025	11.1 hectares	Industrial land and buildings	Warehouse (24)	2.9	September 2002
11. Blok 86 & 87 Jalan Tembusu Taman Air Biru 81700 Pasir Gudang, Johor	Leasehold 2.11.2085	3,080.8 sq metres	Apartments/ flats	Rental (25)	1.7	June 2017
12. PT3501, HS(D) 24277 Mukim of Kapar Klang Selangor Darul Ehsan	Leasehold 22.10.2088	3.2 hectares	Industrial land and building	Office and factory (30)	21.1	January 2013
13. Lot 72 Persiaran Jubli Perak 40000 Shah Alam Selangor Darul Ehsan	Freehold	2.02 hectares	Industrial land and building	Factory (25)	10.2	March 2003
14. 12 & 12/1 Jalan Nangka Tiga Taman Rumpun Bahagia 75300 Bacang Melaka	Leasehold 21.7.2084	153.3 sq metres	Land and building	2-storey shop office (34)	0.1	March 2003
15. Centre Point Business Park Unit No. B-8-1 & B-8-2 5, Jalan Tanjung Karamat 26/35, Seksyen 26 40400 Shah Alam Selangor Darul Ehsan	Freehold	252.3 sq metres	Building	Office (21)	0.3	March 2003
16. 50-2 & 50-3 Jalan Wangsa 2/5 Taman Wangsa Permai 52200 Kuala Lumpur	Leasehold 21.10.2087	130.1 sq metres	Land and building	2-storey shop office (21)	0.1	March 2003
17. B2-2-39B Jalan Pinggiran 1/3 Taman Pinggiran Putra Seksyen 1 43300 Seri Kembangan Selangor Darul Ehsan	Leasehold 13.12.2097	63.0 sq metres	Building	Office (17)	0.1	July 2004
18. Preah Net Preah District Bantey Meanchey Province Cambodia	Freehold	3,372 hectares	Land	Vacant	48.6	July 2018

ANALYSIS OF SHAREHOLDINGS

Issued Shares as at 30 September 2019

Total Number of Issued Shares	:	717,909,365
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per ordinary share

Distribution of Shareholdings as at 30 September 2019

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares ^(a)
Less than 100	3,032	16.34	123,028	0.02
100 to 1,000	5,127	27.63	2,935,622	0.43
1,001 to 10,000	7,195	38.78	32,047,522	4.71
10,001 to 100,000	2,827	15.24	89,699,507	13.18
100,001 to less than 5% of issued shares	368	1.98	321,147,962	47.17
5% and above of issued shares	4	0.03	234,850,424	34.49
	<u>18,553</u>	<u>100.00</u>	<u>680,804,065</u>	<u>100.00</u>

Substantial Shareholders as at 30 September 2019

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% of Shares ^(a)	No. of Shares	% of Shares ^(a)
1. Tan Sri Cheng Heng Jem	222,785,449	32.72	33,529,351	4.92
2. Tan Sri Cheng Yong Kim	10,003,289	1.47	74,472,627	10.94
3. Dynamic Horizon Holdings Limited	74,472,627	10.94	–	–
4. Urusharta Jamaah Sdn Bhd	44,026,800	6.47	–	–

Note:

^(a) Excluding a total of 37,105,300 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.

Thirty Largest Registered Shareholders as at 30 September 2019

Registered Shareholders	No. of Shares	% of Shares^(a)
1. Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	90,369,951	13.27
2. Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	57,500,000	8.45
3. Urusharta Jamaah Sdn Bhd	44,026,800	6.47
4. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem	42,953,673	6.31
5. Maybank Nominees (Asing) Sdn Bhd MTrustee Berhad for Dynamic Horizon Holdings Limited (419461)	32,600,000	4.79
6. RHB Nominees (Asing) Sdn Bhd Pledged Securities Account for Dynamic Horizon Holdings Limited	29,789,051	4.38
7. Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Cheng Heng Jem (419450)	25,900,000	3.80
8. Lion Diversified Holdings Berhad	21,612,162	3.17
9. Affin Hwang Nominees (Asing) Sdn Bhd Dynamic Horizon Holdings Limited	12,000,000	1.76
10. Ooi Chin Hock	11,712,500	1.72
11. Cheng Yong Kim	9,984,539	1.47
12. LDH Management Sdn Bhd	9,935,200	1.46
13. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Hock Leong	6,062,400	0.89
14. RHB Nominees (Tempatan) Sdn Bhd Industrial and Commercial Bank of China (Malaysia) Berhad Pledged Securities Account for Cheng Heng Jem	6,033,430	0.89
15. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sim Ann Huat	6,020,800	0.88
16. CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	5,606,553	0.82
17. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	5,114,487	0.75
18. Lion-Parkson Foundation	4,030,694	0.59
19. Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,760,800	0.55
20. Lim Hock Leong	3,533,100	0.52
21. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Singapore JPMPB)	2,900,000	0.43
22. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	2,824,500	0.41
23. Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for San Tuan Sam	2,431,900	0.36
24. Lee Chin Hwa	2,344,700	0.34
25. HSBC Nominees (Asing) Sdn Bhd HSBC-FS for ASM Asia Recovery (Master) Fund	2,313,000	0.34
26. CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Han Joeh (MY2811)	2,291,900	0.34
27. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Tiem Chai (E-BPT)	2,086,000	0.31
28. Public Bank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Lye Siang (TJJ/KEN)	2,024,600	0.30
29. Public Bank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mahal Ingam A/L Sinnatamby (E-SJA/USJ)	2,000,000	0.29
30. CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Teng Chai (J Bendahara-CL)	1,917,800	0.28

Note:

^(a) Excluding a total of 37,105,300 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.

Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2019

The Directors' interests in shares in the Company and its related corporations as at 30 September 2019 are as follows:

	Direct Interest		Deemed Interest	
	No. of Ordinary Shares	%	No. of Ordinary Shares	%
The Company				
Tan Sri Cheng Yong Kim	10,003,289	1.47 ^(a)	74,745,649	10.98 ^(a)
Dato' Kamaruddin @ Abas bin Nordin	128,000	0.02 ^(a)	–	–
Related Corporations				
Tan Sri Cheng Yong Kim				
Lion Forest Industries Berhad ("LFIB")	130	Negligible ^(b)	2,059	Negligible ^(b)

Notes:

^(a) Excluding a total of 37,105,300 shares in the Company bought back by the Company and retained as treasury shares as at 30 September 2019.

^(b) Excluding a total of 3,745,000 shares in LFIB bought back by LFIB and retained as treasury shares as at 30 September 2019.

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2019.

OTHER INFORMATION

(I) MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

1. Memorandum of Understanding (“MOU”) dated 3 July 2018, Supplemental MOU dated 1 November 2018 and Second Supplemental MOU dated 11 June 2019 between the Company and Megasteel Sdn Bhd (“Megasteel”), a subsidiary of Lion Corporation Berhad, wherein a Director of the Company is a Director, and a major shareholder of the Company has interests, in relation to the Company’s proposed expansion into the flat steel business through the proposed acquisitions of flat steel assets with a production capacity of 3.20 million metric ton per annum of hot-rolled coils and 0.70 million metric ton per annum of cold-rolled coils involving the following (“Proposed Expansion into Flat Steel Business”):
 - (a) Proposed acquisition by Cendana Aset Sdn Bhd (“Cendana Aset”), a wholly-owned subsidiary of Cendana Domain Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of all encumbered fixed and floating assets (including (i) land and buildings, plant and machineries and floating assets owned by Megasteel; and (ii) 500,000 ordinary shares, representing 100% equity interest in Secomex Manufacturing (M) Sdn Bhd a wholly-owned subsidiary of Megasteel (“Proposed Acquisition of Secomex”) that are charged to the secured lenders of Megasteel (“Megasteel Secured Lenders”) from Megasteel for a purchase consideration of approximately RM537.73 million which is payable by Cendana Aset to the Megasteel Secured Lenders;
 - (b) Proposed acquisition by Gelora Berkat Sdn Bhd (“Gelora Berkat”), a wholly-owned subsidiary of Tahap Berkat Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of the MS Promissory Note to be issued by Megasteel to the Megasteel Secured Lenders’ appointed trustee in relation to the under-secured portion debt for a cash consideration of RM8.50 million which is payable by Gelora Berkat to the Megasteel Secured Lenders;
 - (c) Proposed acquisition by Gelora Berkat of all the following unencumbered assets of Megasteel for a cash consideration of approximately RM21.59 million which is payable to Megasteel:
 - (i) freehold land measuring approximately 203,069 square metres held under Geran H.S.(D) 26819 No. PT17217 in Mukim of Tanjong Duabelas, District of Kuala Langat, State of Selangor; and
 - (ii) that piece of land measuring 9,222 square metres held under Geran H.S.(D) 43988 PT 457 in Pekan Bukit Changgang, District of Kuala Langat, State of Selangor.
2. Tri-partite Settlement Agreement dated 3 July 2018 entered into among Oriental Shield Sdn Bhd (a wholly-owned subsidiary of the Company), Megasteel and Tenaga Nasional Berhad (“TNB”) and letters of extension of time from TNB dated 13 September 2018, 11 March 2019 and 11 July 2019 for the proposed supply of electricity to the Company and its subsidiaries in Banting to facilitate the Proposed Expansion into Flat Steel Business for a cash consideration of RM35.80 million.
3. Conditional sale and purchase agreement dated 6 January 2019 between the Company and Daehan Steel Co. Ltd. (“Daehan”) for the proposed disposal by the Company of its entire holding of 11,517,999 ordinary shares in Angkasa Amsteel Pte Ltd (“AAPL”) representing approximately 50% of the share capital of AAPL to Daehan for a cash consideration of SGD26.65 million (equivalent to approximately RM80.90 million) (“Proposed Disposal”). AAPL is a company wherein a Director who is also a major shareholder of the Company, has interests.

The Proposed Disposal was completed on 1 April 2019 (“Completion Date”) and the final consideration for the Proposed Disposal after taking into consideration the net tangible assets of the proforma consolidated balance sheet of AAPL as at the Completion Date, was agreed by both parties at SGD32.69 million (equivalent to approximately RM99.44 million).

(II) NON-AUDIT FEES

The amount of non-audit fees paid or payable to External Auditors by the Group and Company for the financial year was RM14,000 and RM8,000 respectively (RM16,000 and RM8,000 respectively in 2018).

(III) RECURRENT RELATED PARTY TRANSACTIONS

The aggregate value of transactions conducted during the financial year ended 30 June 2019 were as follows:

Nature of Recurrent Transactions	Related Parties	Amount RM'000
Steel related (i) Sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services	Lion Diversified Holdings Berhad Group ("LDHB Group") ⁽³⁾	82,760
	Lion Corporation Berhad Group ("LCB Group") ⁽¹⁾	11,962
	LTC Corporation Pte. Ltd. Group ("LTC Group") ⁽²⁾	3,207
		97,929
(ii) Purchase of scrap iron, gases and other related products and services	LCB Group ⁽¹⁾	136
	Lion Asiapac Limited Group ("LAP Group") ⁽¹⁾	11,479
	LDHB Group ⁽³⁾	106,812
	LTC Group ⁽²⁾	1,122
	119,549	
(iii) Purchase of tools, dies and spare parts	ACB Resources Berhad Group ⁽¹⁾	2,646
(iv) Provision of storage, leasing and rental of properties, management and support, and other related services	LAP Group ⁽¹⁾	340

Notes:

"Group" includes subsidiary and associated companies, excluding public companies.

- (1) Companies in which a major shareholder of the Company has a substantial interest.
- (2) Companies in which a Director who is also a major shareholder of the Company has a substantial interest.
- (3) Companies in which a Director and certain major shareholders of the Company have substantial interests.

FORM OF PROXY

CDS ACCOUNT NUMBER

			-				-										
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I/We

I.C. No./Company No.

of

being a member of LION INDUSTRIES CORPORATION BERHAD, hereby appoint

I.C. No.

of

or failing whom,

I.C. No.

of

as my/our proxy to vote for me/us and on my/our behalf at the 89th Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Thursday, 28 November 2019 at 10.30 am and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Y. Bhg. Tan Sri Cheng Yong Kim as Director		
4. To re-elect Ms Yap Soo Har as Director		
5. To re-appoint Messrs Deloitte PLT as Auditors		
6. Authority to Directors to Issue Shares		
7. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this day of 2019

No. of shares:

Signed:

Representation at Meeting:

- (i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 November 2019 shall be eligible to attend the Meeting.
- (ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (iii) If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.
- (iv) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.
- (v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (vi) The instrument appointing a proxy shall be deposited at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting.
- (vii) Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.



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