LION CORPORATION BERHAD
(12890-A)

Laporan Tahunan

2018

Annual Report

CONTENTS

	Page
Notice of Meeting	1
Corporate Information	3
5 Years Group Financial Highlights	4
Review of Operations	5
Corporate Developments	6
Financial Statements:	
Directors' Report	7
Statements of Profit or Loss	13
Statements of Other Comprehensive Income	14
Statements of Financial Position	15
Statements of Changes in Equity	17
Statements of Cash Flows	19
Notes to the Financial Statements	21
Statement by Directors	100
Statutory Declaration	100
Independent Auditors' Report	101
Form of Proxy	Enclosed

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting of Lion Corporation Berhad will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Thursday, 22 November 2018 at 10.30 am for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and Auditors thereon. **Note 1**

2. To approve the payment of Directors' fees amounting to RM90,000 for the financial year ended 30 June 2018 (2017: RM139,700). **Resolution 1**

3. To approve the payment of Directors' benefits of up to RM24,000 for meeting allowances for the period commencing from 23 November 2018 until the next annual general meeting of the Company (2017: RM68,750). **Resolution 2**

4. To re-elect Y. Bhg. Tan Sri Cheng Yong Kim who retires by rotation in accordance with Article 98 of the Company's Constitution and who being eligible, has offered himself for re-election. **Resolution 3**

5. To re-appoint Messrs Ong Boon Bah & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

6. Special Business

6.1 To consider and, if thought fit, pass the following Special Resolution:

Proposed Adoption of New Constitution of the Company

"THAT the constitution in the form and manner as set out in Appendix I of the Circular to Shareholders of the Company dated 31 October 2018 be and is hereby approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution of the Company." **Resolution 5**

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

By Order of the Board

CHAN POH LAN (MAICSA 0826543)
WONG PHOOI LIN (MAICSA 7013812)
Secretaries

Kuala Lumpur
31 October 2018

Notes:

1. *Agenda Item 1*

   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 Shareholders.

2. *Circular to Shareholders dated 31 October 2018 ("Circular")*

   Details of the Proposed Adoption of New Constitution of the Company are set out in the Circular accompanying the 2018 Annual Report.

3. *Directors' Retirement by Rotation*

   Article 98 of the Company's Constitution expressly states that at each annual general meeting of the Company, 1/3 of the Directors or if their number is not 3 or a multiple of 3, then the number nearest 1/3, shall retire from office. All Directors shall retire from office once at least in each 3 years, but shall be eligible for re-election. Pursuant thereto:

   i) *Y. Bhg. Tan Sri Cheng Yong Kim being eligible, has offered himself for re-election at the 45th Annual General Meeting ("45th AGM").*

   ii) *Dr. Folk Jee Yoong has notified the Board that he does not wish to seek re-election as Director of the Company at the 45th AGM. Hence, he shall retire as Director at the conclusion of the 45th AGM.*

4. *Proxy*

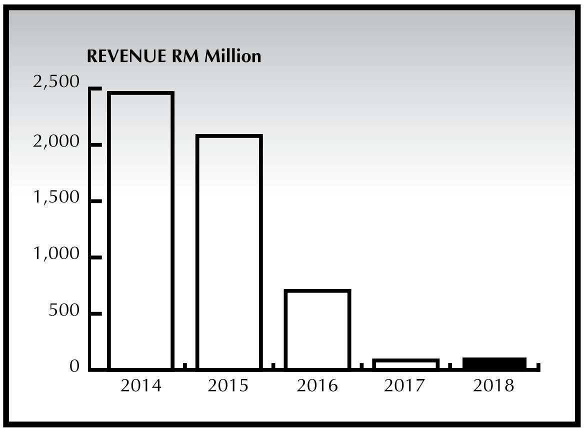
   - *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 12 November 2018 shall be eligible to attend the Meeting.*
   - *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
   - *If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.*
   - *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.*
   - *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.*
   - *The instrument of 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.*
   - *Completed Form of Proxy sent through facsimile transmission shall not be accepted.*

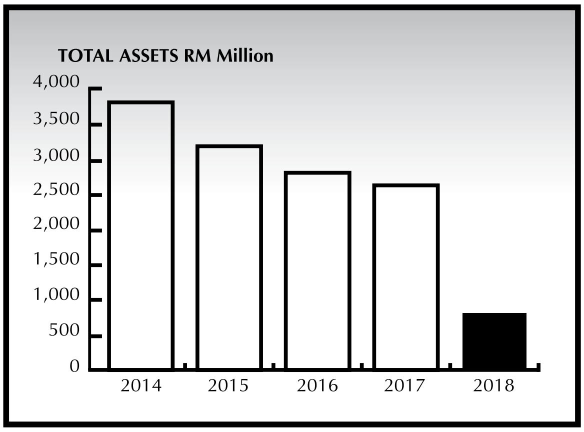
CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri William H.J. Cheng *(Chairman and Managing Director)* Y. Bhg. Tan Sri Cheng Yong Kim Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman Y. Bhg. Dato' Afifuddin bin Abdul Kadir Y. Bhg. Datuk M. Chareon Sae Tang @ Tan Whye Aun Dr Folk Jee Yoong
Secretaries	:	Ms Chan Poh Lan (MAICSA 0826543) Ms Wong Phooi Lin (MAICSA 7013812)
Company No	:	12890-A
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
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	:	Ong Boon Bah & Co. B-10-1, Megan Avenue 1 189 Jalan Tun Razak 50400 Kuala Lumpur Wilayah Persekutuan
Principal Bankers	:	Malayan Banking Berhad RHB Bank Berhad Bank of China (Malaysia) Berhad

5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		**2014**	**2015**	**2016**	**2017**	**2018**
Revenue	(RM'000)	2,481,954	2,087,508	701,779	87,167	**92,432**
Loss before tax	(RM'000)	(625,851)	(645,081)	(561,810)	(382,347)	**(1,466,974)**
Loss after tax	(RM'000)	(598,834)	(656,594)	(560,781)	(395,832)	**(1,851,115)**
Net loss attributable to owners of the Company	(RM'000)	(507,071)	(522,965)	(440,875)	(298,480)	**(1,449,477)**
Total assets	(RM'000)	3,840,108	3,214,144	2,842,150	2,683,160	**811,645**
Net liabilities	(RM'000)	(286,066)	(797,948)	(1,236,704)	(1,536,455)	**(3,197,650)**
Total borrowings	(RM'000)	1,866,799	1,956,802	2,021,128	2,197,022	**2,340,553**
Loss per share	(Sen)	(38.5)	(39.7)	(33.5)	(22.7)	**(110.1)**
Net liabilities per share	(Sen)	(23)	(62)	(95)	(118)	**(244)**





REVIEW OF OPERATIONS

The Group is principally engaged in the following activities:
- Property development ("**Property**");
- Manufacturing, distribution and trading of office equipment, security equipment and steel fabricated products ("**Furniture**");
- Manufacturing and trading of hot rolled coils, cold rolled coils and other steel products ("**Steel**"); and
- Investment holding, share registration and secretarial services ("**Others**").

	Revenue		**Operating Profit/(Loss)**	
(RM Million)	**2018**	**2017**	**2018**	**2017**
Property	**50.8**	54.3	**25.2**	28.8
Furniture	**17.7**	18.7	**(0.9)**	(2.1)
Steel	**23.7**	14.0	**(185.1)**	(142.9)
Others	**0.2**	0.2	**4.5**	(4.8)
	92.4	87.2	**(156.3)**	(121.0)

("Operating profit/(loss)" refers to operating profit/(loss) before interests, impairment losses, share in results of associates and taxation)

The Group registered a marginal improvement in its revenue of RM92.4 million for the year under review as compared to RM87.2 million a year ago. The increase was mainly attributable to the Steel Division which was involved in the trading of steel products during the financial year. Despite recording higher revenue, the Group reported a higher operating loss of RM156.3 million as compared to RM121.0 million in the previous financial year mainly due to the inventories written down in the Steel Division.

Property Division

The Group's Property Division is involved in the development of a major township known as "Bandar Mahkota Cheras". This project is strategically located off 9th mile Jalan Cheras in Kuala Lumpur. The freehold self-contained township offers quality country living complete with a range of supporting amenities.

For the financial year under review, the Division reported a marginally lower revenue of RM50.8 million as compared to RM54.3 million in the preceding year and lower operating profit of RM25.2 million as compared to RM28.8 million the previous year.

Furniture Division

The Division faced intense competition with almost all manufacturers in the industry struggling to mitigate the impact of the pricing pressures resulting from the influx of cheap and low quality products from China.

For the financial year under review, the Division recorded a lower revenue of RM17.7 million (2017: RM18.7 million) and lower operating loss of RM0.9 million (2017: RM2.1 million). The lower operating loss was achieved through continuous measures in cost reduction and improved operational efficiency during the financial year.

Steel Division

The Division reported a higher revenue of RM23.7 million as compared to RM14.0 million in the previous financial year. The higher revenue was mainly contributed by the trading of steel products. The Division recorded an operating loss of RM185.1 million largely attributable to losses of Megasteel Sdn Bhd which comprised mainly overhead costs (including depreciation) and inventories written down.

CORPORATE DEVELOPMENTS

On 3 July 2018, Megasteel Sdn Bhd ("Megasteel") and Lion Industries Corporation Berhad ("LICB") entered into a Memorandum of Understanding ("MOU") for the following:

(i) proposed disposal of all encumbered fixed and floating assets ("Encumbered Assets") of the Group as follows to Oriental Shield Sdn Bhd ("Oriental Shield"), a wholly-owned subsidiary of LICB:

(a) land and building, plant and machineries and floating assets owned by Megasteel and its subsidiary, Secomex Manufacturing (M) Sdn Bhd ("Secomex");
(b) 500,000 ordinary shares representing 100% equity interest in Secomex; and
(c) assignment of Secomex's debt owing to Megasteel to Oriental Shield;

for a cash consideration of approximately RM537.73 million ("Secured Scheme").

The proceeds from the sale of the Encumbered Assets will be utilised to repay the secured lenders of Megasteel.

(ii) (a) proposed assignment to Gelora Berkat Sdn Bhd ("Gelora Berkat), a wholly-owned subsidiary of LICB, of the benefits accruing to the secured lenders of Megasteel for the under-secured portion debts from the secured lenders under the Secured Scheme for a cash consideration of RM8.50 million.

(b) proposed disposal of all unencumbered assets of Megasteel to Gelora Berkat for a cash consideration of approximately RM24.50 million. The net proceeds from the disposal shall first be paid to preferential creditors on their preferential debts in the event of notional winding-up of Megasteel and then to each unsecured creditors (including under-secured portion debt after settlement of RM537.73 million under the Secured Scheme) on a *pari passu* basis.

On 3 July 2018, Megasteel had also entered into a tri-partite agreement with Tenaga Nasional Berhad ("TNB") and Oriental Shield for the proposed supply of electricity to LICB and its subsidiaries for a cash consideration of RM35.80 million ("Tri-partite Settlement Agreement").

TNB had on 13 September 2018 granted an extension of time for Megasteel and Oriental Shield to satisfy the conditions precedent as set out in the Tri-partite Settlement Agreement from 31 August 2018 to 28 February 2019.

FINANCIAL STATEMENTS

2018

For The Financial Year Ended 30 June 2018

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the holding company in each subsidiary is disclosed in Note 14 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(1,851,115)	(73,359)
Attributable to:		
- Owners of the Company	(1,449,477)	(73,359)
- Non-controlling interests	(401,638)	-
	(1,851,115)	(73,359)

RESERVES AND PROVISIONS

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

DIVIDEND

The Directors do not recommend any dividend for the financial year ended 30 June 2018.

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS OF THE COMPANY

The name of the Directors of the Company in office during the financial year and up to the date of the report are:

Tan Sri William H.J. Cheng
Tan Sri Cheng Yong Kim
Datuk Emam Mohd Haniff bin Emam Mohd Hussain
Datuk M. Chareon Sae Tang @ Tan Whye Aun
Datuk Mohd Yusof bin Abd Rahaman
Dato' Afifuddin bin Abdul Kadir
Dr Folk Jee Yoong

DIRECTORS OF THE SUBSIDIARIES

The name of the Directors of the subsidiaries in office during the financial year up to the date of the report are:

Chan Ho Wai
Chan Poh Lan
Haji Mohamad Khalid bin Abdullah
Khor Toong Yee
Lee Chaing Huat
Lee Whay Keong
Low Seng Wah
Ooi Kim Lai
Tan Sri William H.J. Cheng
Tan Sri Rafidah Aziz
Tan Sri Cheng Yong Kim
Tan Kim Kee
Wang Wing Ying
Wang Chung-Yu (retired on 21 November 2017)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member, or with a company in which a Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related corporations and certain companies in which certain Directors of the Company are Directors and/or substantial shareholders as disclosed in Note 34 to the financial statements.

DIRECTORS' BENEFITS (continued)

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the conversion of warrants and redeemable convertible secured loan stocks issued by the Company.

DIRECTORS' INTERESTS

The interests of Directors in shares in the Company during and at the end of the financial year are as follows:

	Number of Ordinary Shares			
	As at 1.7.2017	**Additions**	**Disposals**	**As at 30.6.2018**
Direct Interests				
Tan Sri William H.J. Cheng	52,175,536	-	-	52,175,536
Tan Sri Cheng Yong Kim	1,947,808	-	-	1,947,808
Deemed Interests				
Tan Sri William H.J. Cheng	861,865,432	-	-	861,865,432
Tan Sri Cheng Yong Kim	501,976,822	-	(447,779,457)	54,197,365
Datuk M. Chareon Sae Tang @ Tan Whye Aun	98,180	-	-	98,180

In addition to the above, the following Directors are also deemed to have an interest in shares in the Company by virtue of:

a) Redeemable convertible secured loan stocks ("RCSLS") of nominal value RM1.00 each convertible into new ordinary shares in the Company at a conversion price of RM5.00 for every one new ordinary share in the Company

	Nominal Value of RCSLS			
	As at 1.7.2017 RM	**Additions RM**	**Disposals RM**	**As at 30.6.2018 RM**
Tan Sri William H.J. Cheng	316,075,950	-	-	316,075,950

b) Warrants with a right to subscribe for one new ordinary share in the Company for every one warrant held at an exercise price of RM5.00 per share ("Warrants")

	Number of Warrants			
	As at 1.7.2017	**Additions**	**Disposals**	**As at 30.6.2018**
Tan Sri William H.J. Cheng	10,169,387	-	-	10,169,387
Tan Sri Cheng Yong Kim	340,594	-	-	340,594
Dr Folk Jee Yoong	1,560	-	-	1,560

DIRECTORS' INTERESTS (continued)

In addition to the above, the following Directors are also deemed to have an interest in shares in the Company by virtue of: (continued)

The Directors' interests in related corporations are as follows:

	Number of Shares			
	As at 1.7.2017	**Additions**	**Disposals**	**As at 30.6.2018**
Deemed Interests				
Tan Sri William H.J. Cheng				
Megasteel Sdn Bhd				
- Ordinary Shares	600,000,001	-	-	600,000,001
- Preference "D" Shares	49,000,000	-	-	49,000,000
- Preference "E" Shares	11,000,000	-	-	11,000,000
- Preference "F" Shares	26,670,000	-	-	26,670,000
- Preference "G" Shares	100,000,000	-	-	100,000,000
Tan Sri Cheng Yong Kim				
Megasteel Sdn Bhd				
- Ordinary Shares	600,000,001	-	(600,000,001)	-
- Preference "D" Shares	49,000,000	-	(49,000,000)	-
- Preference "E" Shares	11,000,000	-	(11,000,000)	-
- Preference "F" Shares	26,670,000	-	(26,670,000)	-
- Preference "G" Shares	100,000,000	-	(100,000,000)	-

	Number of Ordinary Shares of HK$10.00 each			
	As at 1.7.2017	**Additions**	**Disposals**	**As at 30.6.2018**
Deemed Interests				
Bersatu Investments Company Limited				
Tan Sri William H.J. Cheng	42,644	-	-	42,644
Tan Sri Cheng Yong Kim	42,644	-	(42,644)	-

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

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 million 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 subsidiaries.

OTHER STATUTORY INFORMATION

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

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

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records had been written down to an amount which they 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 amounts written off for bad receivables or the amount of the impairment loss on receivables 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 the 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; and

(d) not otherwise dealt with in this report or the 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 liabilities of any other person; or

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

In the opinion of the Directors, except as disclosed in the financial statements:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature;

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

OTHER STATUTORY INFORMATION (continued)

In the opinion of the Directors, except as disclosed in the financial statements: (continued)

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

SIGNIFICANT EVENTS

Significant events during the financial year are disclosed in Note 39 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 40 to the financial statements.

QUALIFICATION ON THE FINANCIAL STATEMENTS OF SUBSIDIARIES

The particulars of the financial statements of subsidiaries which are qualified insofar as the subjects of the qualification are not covered by the Group's financial statements and are material from the point of view of members of the Company are described in Note 14 to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 8 to the financial statements.

AUDITORS

The auditors, Ong Boon Bah & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 16 October 2018.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

TAN SRI CHENG YONG KIM
Director

Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	6	**92,432**	87,167	**46**	98
Other operating income		**42,579**	56,707	**328**	-
Changes in inventories of finished goods and work-in-progress		**(25,187)**	(6,692)	**-**	-
Raw materials and consumables used		**(7,144)**	(12,966)	**-**	-
Property development expenditure		**(21,772)**	(22,988)	**-**	-
Employee benefits expenses	7	**(7,342)**	(33,937)	**(2)**	(2)
Depreciation		**(140,139)**	(140,530)	**-**	-
Inventories written down		**(75,801)**	(349)	**-**	-
Other operating expenses		**(11,683)**	(43,990)	**(777)**	(1,461)
Loss from operations	8	**(154,057)**	(117,578)	**(405)**	(1,365)
Finance costs	9	**(276,580)**	(278,228)	**(69,054)**	(65,847)
Impairment losses on:					
- investment securities		**(211)**	(1,362)	**-**	(31)
- amount due from subsidiaries		**-**	-	**(2,060)**	(4,215)
- property, plant and equipment		**(1,037,966)**	-	**-**	-
Share in results of associates		**1,840**	14,821	**-**	-
Loss before taxation		**(1,466,974)**	(382,347)	**(71,519)**	(71,458)
Taxation	10	**(384,141)**	(13,485)	**(1,840)**	-
Net loss for the financial year		**(1,851,115)**	(395,832)	**(73,359)**	(71,458)
Attributable to:					
- Owners of the Company		**(1,449,477)**	(298,480)	**(73,359)**	(71,458)
- Non-controlling interests		**(401,638)**	(97,352)	**-**	-
Net loss for the financial year		**(1,851,115)**	(395,832)	**(73,359)**	(71,458)
Loss per share attributable to owners of the Company:	11				
- Basic (sen)		**(110.1)**	(22.7)		
- Diluted (sen)		**N/A**	N/A		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net loss for the financial year	**(1,851,115)**	(395,832)	**(73,359)**	(71,458)
Other Comprehensive (Loss)/Income				
- Translation difference on net equity of foreign subsidiaries and other movements	**(5,667)**	(2,680)	**-**	-
- Net (loss)/gain on fair value changes on available-for-sale financial assets	**(270)**	705	**1**	-
- Share of other comprehensive income of associates	**(763)**	704	**-**	-
Other comprehensive (loss)/income for the financial year, net of tax, representing items that may be reclassified subsequently to profit or loss	**(6,700)**	(1,271)	**1**	-
Total comprehensive loss for the financial year	**(1,857,815)**	(397,103)	**(73,358)**	(71,458)
Attributable to:				
- Owners of the Company	**(1,456,177)**	(299,751)	**(73,358)**	(71,458)
- Non-controlling interests	**(401,638)**	(97,352)	**-**	-
	(1,857,815)	(397,103)	**(73,358)**	(71,458)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	**16,049**	1,938,927	**-**	-
Land held for property development	13(a)	**26,102**	8,549	**-**	-
Investment in subsidiaries	14	**-**	-	**7,873**	7,873
Investment in associates	15	**35,345**	35,271	**-**	-
Investment securities	16(a)	**1,727**	1,972	**74**	73
Deferred tax assets	17	**-**	383,052	**-**	-
		79,223	2,367,771	**7,947**	7,946
Current Assets					
Property development costs	13(b)	**28,637**	29,204	**-**	-
Inventories	18	**26,898**	145,113	**-**	-
Investment securities	16(b)	**15,585**	19,700	**-**	-
Trade and other receivables	19	**29,241**	56,806	**227**	227
Amount due from subsidiaries	20	**-**	-	**13**	13
Tax recoverable		**5,386**	757	**635**	659
Deposits with financial institutions	21	**6,959**	7,689	**1,095**	1,565
Cash and bank balances		**60,938**	56,120	**543**	527
		173,644	315,389	**2,513**	2,991
Assets classified as held for sale	22	**558,778**	-	**-**	-
		732,422	315,389	**2,513**	2,991
TOTAL ASSETS		**811,645**	2,683,160	**10,460**	10,937

STATEMENTS OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
EQUITY AND LIABILITIES					
Equity Attributable to Owners of the Company					
Share capital	23	**1,413,884**	1,413,884	**1,413,884**	1,413,884
Reserves	24	**(4,611,534)**	(2,950,339)	**(2,745,130)**	(2,671,772)
		(3,197,650)	(1,536,455)	**(1,331,246)**	(1,257,888)
Non-Controlling Interest		**(917,907)**	(491,325)	**-**	-
Total Equity		**(4,115,557)**	(2,027,780)	**(1,331,246)**	(1,257,888)
Non-Current Liabilities					
Preference shares	25	**111,000**	111,000	**-**	-
Loans and borrowings	26	**307,677**	293,294	**307,658**	293,210
Bonds and debts	29	**869,178**	825,359	**869,178**	825,359
Deferred tax liabilities	17	**-**	1,211	**-**	-
Deferred liabilities	30	**-**	3,344	**-**	-
		1,287,855	1,234,208	**1,176,836**	1,118,569
Current Liabilities					
Trade and other payables	31	**2,475,596**	2,387,221	**20,439**	20,439
Amount due to subsidiaries	20	**-**	-	**144,431**	129,817
Loans and borrowings	26	**1,163,698**	1,078,369	**-**	-
Tax liabilities		**53**	11,142	**-**	-
		3,639,347	3,476,732	**164,870**	150,256
Total Liabilities		**4,927,202**	4,710,940	**1,341,706**	1,268,825
TOTAL EQUITY AND LIABILITIES		**811,645**	2,683,160	**10,460**	10,937

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Attributable to Owners of the Company						
		Non-Distributable					
Group	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000 (Note 24)	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
At 1 July 2016	1,316,199	97,685	348,191	(2,998,779)	(1,236,704)	(393,973)	(1,630,677)
Total comprehensive loss for the financial year	-	-	(1,271)	(298,480)	(299,751)	(97,352)	(397,103)
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016	97,685	(97,685)	-	-	-	-	-
At 30 June 2017	1,413,884	-	346,920	(3,297,259)	(1,536,455)	(491,325)	(2,027,780)
At 1 July 2017	**1,413,884**	**-**	**346,920**	**(3,297,259)**	**(1,536,455)**	**(491,325)**	**(2,027,780)**
Total comprehensive loss for the financial year	**-**	**-**	**(6,700)**	**(1,449,477)**	**(1,456,177)**	**(401,638)**	**(1,857,815)**
Realisation of revaluation reserve	**-**	**-**	**(2,926)**	**2,926**	**-**	**-**	**-**
Decrease in revaluation reserve	**-**	**-**	**(205,018)**	**-**	**(205,018)**	**(24,944)**	**(229,962)**
At 30 June 2018	**1,413,884**	**-**	**132,276**	**(4,743,810)**	**(3,197,650)**	**(917,907)**	**(4,115,557)**

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Company	Share Capital RM'000	Non-Distributable Share Premium RM'000	Non-Distributable Other Reserves RM'000 (Note 24)	Accumulated Losses RM'000	Total Equity RM'000
At 1 July 2016	1,316,199	97,685	15,887	(2,616,201)	(1,186,430)
Total comprehensive loss for the financial year	-	-	-	(71,458)	(71,458)
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016	97,685	(97,685)	-	-	-
At 30 June 2017	1,413,884	-	15,887	(2,687,659)	(1,257,888)
At 1 July 2017	**1,413,884**	**-**	**15,887**	**(2,687,659)**	**(1,257,888)**
Total comprehensive income/(loss) for the financial year	**-**	**-**	**1**	**(73,359)**	**(73,358)**
At 30 June 2018	**1,413,884**	**-**	**15,888**	**(2,761,018)**	**(1,331,246)**

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		**(1,466,974)**	(382,347)	**(71,519)**	(71,458)
Adjustments for non-cash items and interests	36(a)	**1,496,940**	385,909	**70,740**	70,340
Operating profit/(loss) before working capital changes		**29,966**	3,562	**(779)**	(1,118)
Changes in working capital:					
Inventories		**16,549**	(15,813)	**-**	-
Receivables		**686**	(18,149)	**-**	(82)
Payables		**(15,218)**	(63,791)	**-**	(16,368)
Property development costs		**(16,987)**	9,702	**-**	-
Cash generated from/(used in) operations		**14,996**	(84,489)	**(779)**	(17,568)
Tax paid		**(16,151)**	(5,864)	**(1,816)**	-
Retirement benefit paid		**-**	(6)	**-**	-
Net cash outflow from operating activities		**(1,155)**	(90,359)	**(2,595)**	(17,568)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	36(b)	**(66)**	(151)	**-**	-
Proceeds from disposal/redemption of:					
- property, plant and equipment		**7,451**	1,391	**-**	-
- investments		**3,539**	1,574	**-**	-
- assets held for sale		**-**	61,470	**-**	-
Increase in fixed deposits pledged		**-**	261	**-**	-
Dividend received		**1,033**	906	**-**	-
Repayment from subsidiaries		**-**	-	**-**	217
Advances from subsidiaries		**-**	-	**12,554**	34,159
Interest received		**1,388**	2,658	**46**	98
Net cash inflow from investing activities		**13,345**	68,109	**12,600**	34,474

STATEMENTS OF CASH FLOWS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Redemption of bonds and debts	29	**(7,921)**	(13,990)	**(7,921)**	(13,990)
Repayment of:					
- finance lease liabilities	26	**(92)**	(91)	**-**	-
- short term borrowings	26	**(3,225)**	(4,754)	**(2,538)**	(4,588)
Interest paid		**(24)**	(119)	**-**	-
Net cash outflow from financing activities		**(11,262)**	(18,954)	**(10,459)**	(18,578)
Net increase/(decrease) in cash and cash equivalents		**928**	(41,204)	**(454)**	(1,672)
Effects of changes in exchange rates		**(86)**	65	**-**	-
Cash and cash equivalents at beginning of the financial year		**14,679**	55,818	**2,092**	3,764
Cash and cash equivalents at end of the financial year	36(c)	**15,521**	14,679	**1,638**	2,092

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are both located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 14. There have been no significant changes in the activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 October 2018.

2. BASIS OF PREPARATION

The financial statements comply with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act 2016 in Malaysia. During the financial year ended 30 June 2018, the Group and the Company adopted all of the new and revised FRSs and Amendments issued by Malaysian Accounting Standards Board ("MASB") that are relevant to their operations.

The financial statements of the Group and the Company have been prepared on the historical cost basis except when otherwise indicated.

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

The Group reports the following conditions and events:

(i) The Group incurred a net loss attributed to the owners of the Company of RM1,449 million (2017: RM298 million) for the financial year ended 30 June 2018 and, as of that date, the Group has deficit in its total equity of RM3,198 million (2017: RM1,536 million) and the Group's current liabilities exceeded its current assets by RM2,907 million (2017: RM3,161 million). A subsidiary of the Company, Megasteel Sdn Bhd ("Megasteel") had temporarily ceased its operations since March 2016.

(ii) Since prior years, Megasteel had defaulted on its borrowings (Note 26) and had not been able to comply with the credit terms granted by its creditors (Note 31).

2. BASIS OF PREPARATION (continued)

The Group reports the following conditions and events: (continued)

(iii) Following an application by Megasteel, the High Court of Malaya ("High Court") had on 5 May 2016 pursuant to Section 176 of the Companies Act, 1965 granted Megasteel the following ("Court Order"):

(a) liberty to convene scheme meetings within 90 days from 5 May 2016 to consider and if thought fit, to approve the terms of the schemes of arrangement to be proposed by Megasteel with its scheme creditors; and

(b) a restraining order for a period of 90 days from 5 May 2016, whereby the creditors and lenders of Megasteel are restrained from taking action against Megasteel and/or the Company and/or their assets.

On 23 July 2018, the High Court extended the Court Order for a further period of 60 days from 23 July 2018.

On 21 September 2018, the High Court allowed Megasteel's fresh application for, among others, an order to convene separate meeting of the scheme creditors, and a restraining order for a period of three (3) months pursuant to the Companies Act 2016 from 21 September 2018 being the date of the court order ("Fresh Restraining Order"), and Woodgrove Investments Pte Ltd be given leave to apply to intervene in these proceedings by making application before 4 October 2018.

Further details of the Court Order and Fresh Restraining Order are disclosed in Note 39.

(iv) On 3 July 2018, Megasteel and Lion Industries Corporation Berhad had entered into a Memorandum of Understanding for the disposal of assets of Megasteel and its subsidiary as part of the schemes of arrangement for the secured lenders and unsecured creditors ("Schemes of Arrangement"). Further details of the Schemes of Arrangement are disclosed in Note 40.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Consolidation (continued)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(b) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group is measured using the currency of the primary economic environment in which the entity operates ("Functional Currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's Functional Currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's Functional Currency ("Foreign Currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items are denominated in either the Functional Currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary items are denominated in a currency other than the Functional Currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign Currencies (continued)

(ii) Foreign Currency Transactions (continued)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities are translated into RM at the rate of exchange ruling at the reporting date;
- Income and expenses for statement of profit or loss are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the Functional Currency of the foreign operations and translated at the closing rate at the reporting date.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2018 RM	2017 RM
1 United States Dollar ("USD")	4.04	4.29
1 Euro	4.67	5.02
1 Singapore Dollar	2.95	3.11

(c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods and Services

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue Recognition (continued)

(ii) Interest Income

Interest income is recognised on an accrual basis using the effective yield method.

(iii) Dividend Income

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

(iv) Development Properties

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

(v) Rental Income

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

(d) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Employee Benefits (continued)

(iii) Unfunded Defined Benefit Plan

A subsidiary of the Company operates an unfunded, defined retirement benefit scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries who carry a full valuation of the plan every three years, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value.

The amount recognised in the statements of financial position represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

(e) Taxes

(i) Current Income Tax

Income tax 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 at the reporting date.

(ii) Deferred Tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date 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 taxable profit will be available against which the deductible temporary differences or unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative 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 profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in 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 in equity, or when it arises from business combination that is an acquisition, in which case deferred tax is included in the resulting goodwill or negative goodwill on acquisition.

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 the deferred taxes relate to the same tax authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Property, plant and equipment cost comprise purchase price, including import duties and directly attributable costs of bringing the asset to working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at revalued amount, which is the fair value at the date of revaluation less any impairment losses. The freehold land has not been revalued since it was first revalued in 1998. The Directors have not adopted a policy of regular revaluation of this asset and no later valuation has been recorded. As permitted under the transitional provision of IAS 16 (Revised): *Property, Plant and Equipment,* this asset continues to be stated at its 1998 valuation.

Any revaluation surplus is credited to the asset revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any asset revaluation reserve relating to the particular asset is transferred directly to accumulated losses.

Property, plant and equipment are classified as capital work-in-progress until the asset is brought to working condition for its intended use.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised evenly over the lease term of the land. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings and land improvements	2% - 10%
Plant and machinery	3.33% - 20%
Furniture and equipment	5% - 20%
Motor vehicles	20%

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

(h) Investment in Subsidiaries

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment in Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associates is carried in the statements of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the net profit or loss of the associates is recognised in profit or loss. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associates. The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments.

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. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

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.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than twelve months after the reporting date which are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any other categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Investments in equity investments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within twelve months after the reporting date.

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 and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within twelve months after the reporting date which are classified as current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of Financial Assets (continued)

Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts, demand deposits and other short term and highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits. Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy as described in Note 3(j).

(m) Land Held for Property Development and Property Development Costs

(i) 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 within non-current assets and is stated at cost less accumulated impairment losses.

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

(ii) Property development costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Land Held for Property Development and Property Development Costs (continued)

(ii) Property development costs (continued)

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

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

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

(n) Inventories

Inventories are stated at lower of cost and net realisable value.

The cost of raw materials comprises the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of finished goods and work-in-progress consists of direct materials, direct labour, other direct costs and appropriate production overheads where applicable and is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The Group and the Company do 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 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. A contingent liability also arises in the extremely rare circumstances where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group and the Company do not recognise contingent asset but discloses its existence when inflows of economic benefits are probable, but not virtually certain.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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, within the scope of FRS 139, 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.

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

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables, loans and borrowings, bonds and debts.

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

(q) Preference Shares ("PS")

PS are recorded at the amount of proceeds received, net of transaction costs.

PS are classified as non-current liabilities in the statements of financial position and the preferential dividends are recognised as finance costs in profit or loss in the period they are incurred.

(r) Redeemable Convertible Secured Loan Stocks ("RCSLS")

The RCSLS are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible bond. The difference between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component represents the conversion options included in equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption, whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deducted directly from the liability and equity component based on their carrying amounts at the date of issue.

(s) Leases

(i) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(u) Segment Reporting

Segment reporting is presented for enhancing assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment, that are subject to risks and returns which are different from those components.

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, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

(v) Fair Value Estimation for Disclosure Purposes

In assessing the fair value of financial instruments, the Group and the Company use a variety of methods and make assumptions that are based on market conditions existing at each reporting date.

The fair value of publicly traded securities is based on quoted market prices at the reporting date. Where there is no active market, fair value is established using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The face values for the financial assets and financial liabilities with maturity of less than one (1) year are assumed to approximate their fair values.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 2 *Share-based Payment: Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 4 *Insurance Contracts: Applying FRS 9 Financial Instruments with FRS 4 Insurance Contracts*	1 January 2018
FRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*	1 January 2018
Amendments to FRS 140 *Investment Property: Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* (Annual Improvements to FRSs 2014 - 2016 Cycle)	1 January 2018
Amendments to FRS 128 *Investment in Associates and Joint Ventures* (Annual Improvements to FRSs 2014 - 2016 Cycle)	1 January 2018
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 10 *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be announced
Amendments to FRS 128 *Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be announced

The Group and the Company have not adopted the new FRSs, amendments to FRSs and IC Interpretations that have been issued but not yet effective and will adopt these standards when they become effective. The adoption of the above standards and interpretation is not expected to have a material impact on the financial statements in the period of initial application.

4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate,* including its parent, significant investor and venturer ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the version affects only that period, or in the period of the revision and future periods if the version affects both current and future periods.

Critical Accounting Estimates and Assumptions

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

(i) Depreciation of Property, Plant and Equipment

The cost of the plant and machinery relating to manufacturing of hot rolled coils and cold rolled coils is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be within 15 years to 25 years and residual value to be 5% of the cost. Changes in the expected level of usage and technological developments could vary the economic useful lives and the residual values of these assets which may cause a material adjustment to future depreciation charges.

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

Critical Accounting Estimates and Assumptions (continued)

(i) Depreciation of Property, Plant and Equipment (continued)

Despite the temporary cessation of operations, the Group has continued to depreciate all property, plant and equipment up to the reporting date.

(ii) Impairment of Property, Plant and Equipment

Impairment exists when the carrying value of an asset or cash-generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(iii) Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on estimation of future sales, operating costs, capital expenditure, dividends and other capital management transactions which are highly judgmental. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

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

Critical Accounting Estimates and Assumptions (continued)

(iv) Inventories

Significant judgement is required in determining the quality, grades and density of the raw materials existing at the end of the financial year. In forming judgement, the Group relies on past experience and on the work of an expert in measuring the raw materials. Details of inventories are disclosed in Note 18.

(v) Impairment on Receivables

The Group makes impairment on receivables based on assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes on an instrument loss basis in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact the carrying value of receivables and impairment in the period in which such estimates have been changed.

(vi) Property Development

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

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

Details of property development cost are disclosed in Note 13.

(vii) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final outcome of theses matters is different from the amounts initially recognised, such differences will impact the income tax provision in the period in which such determination is made. Details of income tax expense are disclosed in Note 10.

6. REVENUE

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**41,444**	32,738	**-**	-
Property development	**50,817**	54,270	**-**	-
Registration and other professional fees	**171**	159	**-**	-
Interest income	**-**	-	**46**	98
	92,432	87,167	**46**	98

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, wages and bonuses	**5,767**	25,842	**2**	2
Defined contribution plans	**8**	1,920	**-**	-
Other staff related expenses	**1,567**	6,175	**-**	-
	7,342	33,937	**2**	2

Included in the employee benefits expenses of the Group and of the Company are remuneration of an executive Director and other members of key management as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other emoluments	**245**	687	**2**	2
Defined contribution plans	**14**	42	**-**	-
	259	729	**2**	2

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any executive Director of the Group.

8. LOSS FROM OPERATIONS

The loss from operations is arrived at:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging:				
Auditors' remuneration:				
- current year	**169**	255	**42**	42
- prior year	**17**	19	**-**	-
Directors' remuneration (Note)	**369**	425	**112**	164
Impairment loss on receivables (net)	**4,724**	2,657	**-**	-
Property, plant and equipment written off	**-**	324	**-**	-
Rental of premises	**722**	695	**-**	-
Net foreign exchange loss:				
- realised	**-**	266	**-**	-
- unrealised	**-**	29,290	**-**	345
Professional fees paid to a firm in which a Director, Datuk M. Chareon Sae Tang @ Tan Whye Aun, has interest	**30**	26	**-**	-
And crediting:				
Gain on disposal of:				
- property, plant and equipment	**2,894**	890	**-**	-
- assets held for sale	**-**	47,664	**-**	-
Interest income	**2,208**	3,456	**46**	98
Net foreign exchange gain:				
- realised	**50**	-	**-**	-
- unrealised	**31,539**	-	**328**	-
Rental income	**1,479**	2,274	**-**	-

8. LOSS FROM OPERATIONS (continued)

Note: The Directors' remuneration is categorised as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Executive Director:				
- Salary and other emoluments	**245**	245	**2**	2
- Fees	**10**	12	**10**	12
- Defined contribution plans	**14**	18	**-**	-
	269	275	**12**	14
Non-Executive Directors:				
- Other emoluments	**20**	22	**20**	22
- Fees	**80**	128	**80**	128
	369	425	**112**	164

The number of Directors whose total remuneration fell into the respective bands are as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
Executive Director:				
- RM15,000 and below	**-**	-	**1**	1
- RM250,001 - RM300,000	**1**	1	**-**	-
Non-Executive Directors:				
- RM25,000 and below	**6**	1	**6**	1
- RM25,001 - RM50,000	**-**	5	**-**	5

9. FINANCE COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest Expenses on:				
- bonds and debts	**52,068**	49,547	**52,068**	49,547
- RCSLS	**16,986**	16,300	**16,986**	16,300
- term loans	**91,284**	89,844	**-**	-
- product financing liabilities	**5,985**	6,888	**-**	-
- bank overdrafts	**5,726**	3,756	**-**	-
- others	**104,531**	111,893	**-**	-
	276,580	278,228	**69,054**	65,847

10. TAXATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current Estimated Tax:				
Malaysian income tax:				
- Current year	**(966)**	(6,369)	**-**	-
- Under provision in prior years	**(1,334)**	(12,007)	**(1,840)**	-
	(2,300)	(18,376)	**(1,840)**	-
Deferred Taxation: (Note 17)				
- Relating to origination and reversal of temporary differences	**4,569**	4,774	**-**	-
- (Under)/Over provision in prior years	**(386,410)**	117	**-**	-
	(381,841)	4,891	**-**	-
Total	**(384,141)**	(13,485)	**(1,840)**	-

10. TAXATION (continued)

A reconciliation of taxation applicable to loss before taxation at the statutory income tax rate to taxation at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loss before taxation	**(1,466,974)**	(382,347)	**(71,519)**	(71,458)
Tax calculated at Malaysian statutory tax rate of 24% (2017: 24%)	**352,074**	91,763	**17,165**	17,150
Income not subject to tax	**10,675**	9,684	**-**	-
Expenses not deductible for tax purposes	**(289,414)**	(5,086)	**(17,165)**	(17,150)
Deferred tax assets not recognised during the year	**(70,174)**	(101,513)	**-**	-
Tax effect of share in results of associates	**442**	3,557	**-**	-
Under provision in prior years	**(387,744)**	(11,890)	**(1,840)**	-
	(384,141)	(13,485)	**(1,840)**	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing net loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2018	**2017**
Net loss for the financial year attributable to owners of the Company (RM'000)	**(1,449,477)**	(298,480)
Weighted average number of ordinary shares in issue ('000)	**1,316,199**	1,316,199
Basic loss per share (sen)	**(110.1)**	(22.7)

(b) Diluted

The diluted loss per share is not presented as the unexercised warrants and RCSLS have no dilutive effect as the exercise price is above the average value of the Company's shares.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2018						
Cost/Valuation						
At 1 July 2017	851,188	3,404,038	48,250	2,885	26,774	4,333,135
Additions	-	8	58	-	-	66
Disposals	(4,216)	(3,979)	(436)	(96)	-	(8,727)
Reclassification	-	12,699	-	-	(12,699)	-
Reclassified to assets held for sale (Note 22)	(819,352)	(3,383,611)	(39,537)	(1,810)	(14,075)	(4,258,385)
At 30 June 2018	27,620	29,155	8,335	979	-	66,089
Representing items at:						
Cost	27,620	29,155	8,335	979	-	66,089
Accumulated Depreciation						
At 1 July 2017	246,798	2,052,736	40,248	2,545	-	2,342,327
Charge for the year	15,914	122,493	1,644	88	-	140,139
Disposals	(58)	(3,633)	(383)	(96)	-	(4,170)
Reclassification	(1,689)	2,188	(499)	-	-	-
Reclassified to assets held for sale (Note 22)	(246,554)	(2,147,332)	(34,087)	(1,808)	-	(2,429,781)
At 30 June 2018	14,411	26,452	6,923	729	-	48,515
Representing items at:						
Cost	14,411	26,452	6,923	729	-	48,515
Accumulated Impairment Losses						
At 1 July 2017	9,815	42,066	-	-	-	51,881
Charge for the year	300,923	949,444	3,484	2	14,075	1,267,928
Reclassified to assets held for sale (Note 22)	(310,738)	(989,985)	(3,484)	(2)	(14,075)	(1,318,284)
At 30 June 2018	-	1,525	-	-	-	1,525
Representing items at:						
Cost	-	1,525	-	-	-	1,525
Net Book Value						
At 30 June 2018 - at cost	13,209	1,178	1,412	250	-	16,049

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2017						
Cost/Valuation						
At 1 July 2016	846,517	3,415,002	48,177	3,079	26,774	4,339,549
Additions	-	69	82	-	-	151
Disposals	-	(10,423)	(8)	(194)	-	(10,625)
Written off	-	(610)	(1)	-	-	(611)
Reclassified from assets held for sale (Note 22)	4,671	-	-	-	-	4,671
At 30 June 2017	851,188	3,404,038	48,250	2,885	26,774	4,333,135
Representing items at:						
Cost	551,188	1,146,033	48,250	2,885	26,774	1,775,130
Valuation	300,000	2,258,005	-	-	-	2,558,005
	851,188	3,404,038	48,250	2,885	26,774	4,333,135
Accumulated Depreciation						
At 1 July 2016	229,097	1,941,059	38,170	2,673	-	2,210,999
Charge for the year	16,492	121,885	2,087	66	-	140,530
Disposals	-	(9,922)	(8)	(194)	-	(10,124)
Written off	-	(286)	(1)	-	-	(287)
Reclassified from assets held for sale (Note 22)	1,209	-	-	-	-	1,209
At 30 June 2017	246,798	2,052,736	40,248	2,545	-	2,342,327
Representing items at:						
Cost	246,798	502,234	40,248	2,545	-	791,825
Valuation	-	1,550,502	-	-	-	1,550,502
	246,798	2,052,736	40,248	2,545	-	2,342,327
Accumulated Impairment Losses						
At 1 July 2016/ 30 June 2017	9,815	42,066	-	-	-	51,881
Representing items at:						
Cost	9,815	42,066	-	-	-	51,881
Net Book Value						
At cost	294,575	601,733	8,002	340	26,774	931,424
At valuation	300,000	707,503	-	-	-	1,007,503
At 30 June 2017	594,575	1,309,236	8,002	340	26,774	1,938,927

12. PROPERTY, PLANT AND EQUIPMENT (continued)

In 2003, the Group adjusted the plant and machinery of a subsidiary to its fair value upon the acquisition of an additional 40% equity interest in that subsidiary. The fair value is based on a valuation carried out by Mr Lim Lian Hong, a registered valuer of Raine & Horne International Zaki + Partners Sdn Bhd, an independent firm of professional valuers, on 11 January 2002 and adjusted for depreciation to the date of acquisition. The surplus arising from the fair value that relates to existing equity holding of RM149.0 million (net of deferred tax liabilities) has been credited to asset revaluation reserve account. It is not the policy of the Group to revalue such asset regularly.

Land and buildings of the Group are as follows:

	Freehold land RM'000	Leasehold land RM'000	Buildings and land improve-ments RM'000	Total RM'000
Group				
2018				
Cost/Valuation				
At 1 July 2017	**311,191**	**4,642**	**535,355**	**851,188**
Disposals	**(3,197)**	**(1,019)**	**-**	**(4,216)**
Reclassified to assets held for sale (Note 22)	**(307,994)**	**-**	**(511,358)**	**(819,352)**
At 30 June 2018	**-**	**3,623**	**23,997**	**27,620**
Representing items at:				
Cost	**-**	**3,623**	**23,997**	**27,620**
Accumulated Depreciation				
At 1 July 2017	**-**	**1,117**	**245,681**	**246,798**
Charge for the year	**-**	**47**	**15,867**	**15,914**
Disposals	**-**	**(58)**	**-**	**(58)**
Reclassification	**-**	**-**	**(1,689)**	**(1,689)**
Reclassified to assets held for sale (Note 22)	**-**	**-**	**(246,554)**	**(246,554)**
At 30 June 2018	**-**	**1,106**	**13,305**	**14,411**
Representing items at:				
Cost	**-**	**1,106**	**13,305**	**14,411**
Accumulated Impairment Losses				
At 1 July 2017	**9,673**	**-**	**142**	**9,815**
Charge for the year	**96,321**	**-**	**204,602**	**300,923**
Reclassified to assets held for sale (Note 22)	**(105,994)**	**-**	**(204,744)**	**(310,738)**
At 30 June 2018	**-**	**-**	**-**	**-**
Representing items at:				
Cost	**-**	**-**	**-**	**-**
Net Book Value				
At 30 June 2018 - at cost	**-**	**2,517**	**10,692**	**13,209**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RM'000	Leasehold land RM'000	Buildings and land improve-ments RM'000	Total RM'000
Group				
2017				
Cost/Valuation				
At 1 July 2016	311,191	4,642	530,684	846,517
Reclassified from assets held for sale (Note 22)	-	-	4,671	4,671
At 30 June 2017	311,191	4,642	535,355	851,188
Representing items at:				
Cost	11,191	4,642	535,355	551,188
Valuation	300,000	-	-	300,000
	311,191	4,642	535,355	851,188
Accumulated Depreciation				
At 1 July 2016	-	1,066	228,031	229,097
Charge for the year	-	51	16,441	16,492
Reclassified from assets held for sale (Note 22)	-	-	1,209	1,209
At 30 June 2017	-	1,117	245,681	246,798
Representing items at:				
Cost	-	1,117	245,681	246,798
Accumulated Impairment Losses				
At 1 July 2016/30 June 2017	9,673	-	142	9,815
Representing items at:				
Cost	9,673	-	142	9,815
Net Book Value				
At cost	1,518	3,525	289,532	294,575
At valuation	300,000	-	-	300,000
At 30 June 2017	301,518	3,525	289,532	594,575

Leasehold land is analysed as follows:

	Group 2018 RM'000	Group 2017 RM'000
Long term leasehold land	**2,517**	3,525

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of property, plant and equipment held under hire purchase and finance lease arrangements is as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Motor vehicles	**250**	332

13. PROPERTY DEVELOPMENT ACTIVITIES

(a) Land Held for Property Development

	Group	
	2018	**2017**
	RM'000	**RM'000**
Freehold land, at cost		
At 1 July	**8,549**	706
Cost incurred during the year	**6,191**	-
Transfer from property development cost	**11,362**	7,843
At 30 June	**26,102**	8,549

(b) Property Development Costs

	Group	
	2018	**2017**
	RM'000	**RM'000**
Property development cost at 1 July:		
- Freehold land	**6,567**	6,676
- Development costs	**35,239**	57,063
	41,806	63,739
Cost incurred during the year:		
- Freehold land	**3,417**	-
- Development costs	**18,713**	40,074
	22,130	40,074
Reversal of completed projects	**(600)**	(21,451)
Cost recognised in profit or loss:		
At 1 July	**(12,602)**	(16,990)
Recognised during the financial year	**(9,551)**	(17,063)
Reversal of completed projects	**600**	21,451
	(21,553)	(12,602)
Transfer to land held for property development	**(11,362)**	(7,843)
Transfer to inventories	**(1,784)**	(32,713)
Property development cost at 30 June	**28,637**	29,204

13. PROPERTY DEVELOPMENT ACTIVITIES (continued)

The land was charged as security for the bonds and debts and RCSLS issued by the Company.

The title in respect of the land has yet to be registered in the name of the subsidiary.

14. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted Shares		
At cost	**25,916**	25,916
Accumulated impairment losses	**(20,501)**	(20,501)
	5,415	5,415
Cost of investment arising from share options	**2,458**	2,458
	7,873	7,873

Certain investment in subsidiaries with carrying values totalling RM5.4 million (2017: RM5.4 million) have been charged as security for the bonds and debts and RCSLS issued by the Company as disclosed in Notes 29 and 27 respectively.

The subsidiaries are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2018 %	Holding in Equity 2017 %	Principal Activities
LCB Harta (M) Sdn Bhd	Malaysia	**100.00**	100.00	Managing of debts novated from LCB and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by LCB and certain of its subsidiaries
Limpahjaya Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding and trading in steel products and related services
Lion Construction & Engineering Sdn Bhd	Malaysia	**100.00**	100.00	Construction and civil engineering works
Lion Rubber Works Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Lion Steelworks Sdn Bhd	Malaysia	**100.00**	100.00	Manufacture and distribution of office equipment, security equipment and steel related products

14. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2018 %	2017 %	Principal Activities
Lion Trading & Marketing Sdn Bhd	Malaysia	**100.00**	100.00	Trading and marketing of security equipment, office equipment and steel related products
LCB Harta (L) Limited *	Malaysia	**100.00**	100.00	Acquisition and management of USD denominated consolidated and rescheduled debts
Total Triumph Investments Limited	British Virgin Islands	**100.00**	100.00	Investment holding
Subsidiaries of Limpahjaya Sdn Bhd				
Bersatu Investments Company Limited *	Hong Kong	**71.00**	71.00	Ceased operations
Lion Com Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Megasteel Sdn Bhd	Malaysia	**78.89**	78.89	Manufacturing of hot rolled coils and cold rolled coils
Umevest Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Lion Com Sdn Bhd				
Secretarial Communications Sdn Bhd	Malaysia	**100.00**	100.00	Secretarial and share registration services
Subsidiaries of Megasteel Sdn Bhd				
Megasteel Harta (L) Limited *	Malaysia	**100.00**	100.00	To issue and manage bonds pursuant to its parent company's debt financing exercise
Secomex Manufacturing (M) Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing and marketing of industrial gases

14. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2018 %	2017 %	Principal Activities
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of PMB Building System Sdn Bhd				
PMB Jaya Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Lion Steelworks Sdn Bhd				
Lion Fichet Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Subsidiary of Total Triumph Investments Limited				
Bright Steel Sdn Bhd	Malaysia	**100.00**	100.00	Manufacturing, sale and distribution of steel and iron products
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Bright Steel Service Centre Sdn Bhd	Malaysia	**100.00**	100.00	Processing and sale of steel coils and sheets
Bright Enterprise (Sdn.) Berhad	Malaysia	**100.00**	100.00	Ceased operations
Century Container Industries Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Omali Corporation Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding
Subsidiary of LCB Harta (L) Limited				
Pancar Tulin Sdn Bhd	Malaysia	**100.00**	100.00	Property development

Note:

* Financial statements of subsidiaries not audited by Ong Boon Bah & Co.

14. INVESTMENT IN SUBSIDIARIES (continued)

The qualification of the financial statements of Megasteel Sdn Bhd ("Megasteel") which is not covered by the Group's financial statements and is material from the point of view of the Directors of the Company are described below:

(a) A disclaimer of opinion on the opening balances has been included in the financial statements of Megasteel.

(b) A disclaimer of opinion on the going concern basis of accounting has been included in the financial statements of Megasteel.

The table below shows details of non-wholly owned subsidiaries of the Group that the Group has non-controlling interests:

	2018	2017
	RM'000	RM'000
Accumulated balances of non-controlling interest:		
- Material non-controlling interest: Megasteel	**(917,907)**	(491,325)
Loss allocated to non-controlling interests:		
- Material non-controlling interest: Megasteel	**(401,638)**	(97,352)

The summarised financial information of the material non-controlling interest is provided below. This information is based on amounts before inter-company eliminations.

	Megasteel	
	2018	2017
	RM'000	RM'000
Summarised Statement of Profit or Loss:		
Revenue	**-**	-
Loss for the year	**(1,878,178)**	(446,675)
Summarised Statement of Financial Position:		
Non-current assets	**-**	2,281,553
Current assets	**-**	129,684
Assets held for sale (Note 22)	**558,778**	-
Non-current liability	**(186,670)**	(186,670)
Current liabilities	**(5,008,507)**	(4,770,765)
Net liabilities	**(4,636,399)**	(2,546,198)
Summarised cash flow information:		
Operating	**(11,436)**	(4,961)
Investing	**7,131**	44
Financing	**(687)**	1,313
Net decrease in cash and cash equivalents	**(4,992)**	(3,604)

15. INVESTMENT IN ASSOCIATES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Quoted Shares outside Malaysia				
- at cost	**95,994**	95,994	**-**	-
- accumulated impairment losses	**(52,457)**	(52,457)	**-**	-
	43,537	43,537	**-**	-
Unquoted Shares				
- at cost	**844,786**	844,786	**1,540**	1,540
- accumulated impairment losses	**(447,512)**	(447,512)	**(1,540)**	(1,540)
	397,274	397,274	**-**	-
	440,811	440,811	**-**	-
Share of post-acquisition results and reserves	**(405,466)**	(405,540)	**-**	-
	35,345	35,271	**-**	-
Market value of quoted shares:				
- quoted outside Malaysia	**35,916**	34,802	**-**	-
Represented by:				
Share of net assets other than goodwill	**76,705**	75,084		

The associates are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2018 %	Holding in Equity 2017 %	Principal Activities
ACB Resources Berhad	Malaysia	**# 47.66**	# 47.66	Investment holding
Lion Plantations Sdn Bhd	Malaysia	**30.00**	30.00	Investment holding
Lion Insurance Company Limited	Malaysia	**# 36.28**	# 36.28	Captive insurance business
Lion Asiapac Limited	Republic of Singapore	**# 29.98**	# 29.98	Investment holding

Held by subsidiaries

15. INVESTMENT IN ASSOCIATES (continued)

The summarised financial information of the associates is as follows:

	2018 RM'000	2017 RM'000
Assets		
Current assets	**285,487**	300,286
Non-current assets	**308,951**	344,194
Total assets	**594,438**	644,480
Liabilities		
Current liabilities	**(1,807,372)**	(1,863,910)
Non-current liabilities	**(3,051)**	(2,949)
Total liabilities	**(1,810,423)**	(1,866,859)
Results		
Revenue	**110,714**	96,379
Profit/(Loss) for the year	**49,761**	(56,923)

The Group's share of losses of the associates has been recognised to the extent of the carrying amount of the investments. The cumulative unrecognised share of losses amounted to RM709.1 million (2017: RM730.4 million) and current year's unrecognised share of profit amounted to RM21.3 million (2017: loss of RM50.9 million).

16. INVESTMENT SECURITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(a) Non-Current				
Available-for-sale Investments				
Quoted Shares in Malaysia				
- at fair value	**764**	1,034	**74**	73
Unquoted Shares				
- at cost	**1,243**	1,243	**-**	-
- accumulated impairment losses	**(280)**	(305)	**-**	-
	963	938	**-**	-
Total	**1,727**	1,972	**74**	73
Market value of quoted shares	**764**	1,034	**74**	73

16. INVESTMENT SECURITIES (continued)

		Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
(b) Current					
Held-to-maturity Investments					
- unquoted bonds	(c)	**15,585**	19,700	**-**	-

(c) Held-to-maturity Investments - Unquoted Bonds

	Group 2018 RM'000	Group 2017 RM'000
At 1 July	**19,700**	20,262
Exchange difference	**(1,159)**	1,381
Accreted interest	**819**	962
Redemption during the year	**(3,539)**	(1,574)
	15,821	21,031
Impairment losses	**(236)**	(1,331)
At 30 June	**15,585**	19,700
Receivable within one year	**(15,585)**	(19,700)
	-	-

The held-to-maturity investments represent consolidated and rescheduled USD debts issued by Amsteel Harta (L) Limited ("ACB SPV") ("ACB SPV Debts") acquired by a subsidiary, from its holder in previous financial years. The ACB SPV Debts constitute direct, unsubordinated and secured obligations of the ACB SPV and was charged as security for the bonds and debts and RCSLS issued by the Company.

The terms of the ACB SPV Debts are as follows:

(i) There are two tranches of the ACB SPV Debts as follows:

Class	Nominal Value USD'000	Net Present Value USD'000	Maturity Date	Cash Yield-To-Maturity (per annum)
B	16,315	14,665	31.12.2014	3.25%
C	6,949	6,318	31.12.2014	4.00%
	23,264	20,983		

The ACB SPV Debts are receivable annually on 31 December of each calendar year and are subject to late payment charges of 1% per annum above the cash yield-to-maturity.

16. INVESTMENT SECURITIES (continued)

(c) Held-to-maturity Investments - Unquoted Bonds (continued)

The terms of the ACB SPV Debts are as follows: (continued)

(ii) The ACB SPV Debts are secured by assets included in the proposed divestment programme for ACB Resources Berhad ("ACB") and its subsidiaries ("ACB Group"), certain assets and investments, and such other securities provided and as may be provided from time to time by the ACB Group to the Security Trustee for the benefit of, *inter alia,* the holders of the ACB SPV Debts.

17. DEFERRED TAXATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 July	**381,841**	376,950	**-**	-
Recognised in profit or loss (Note 10)	**(381,841)**	4,891	**-**	-
At 30 June	**-**	381,841	**-**	-

Presented after appropriate offsetting as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deferred tax assets	**-**	383,052	**-**	-
Deferred tax liabilities	**-**	(1,211)	**-**	-
At 30 June	**-**	381,841	**-**	-

(a) Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	**Others RM'000**	**Total RM'000**
At 1 July 2016	355,145	23,338	378,483
Recognised in profit or loss	4,569	-	4,569
At 30 June 2017	**359,714**	**23,338**	**383,052**
Recognised in profit or loss	**4,569**	**-**	**4,569**
Impairment during the year	**(364,283)**	**(23,338)**	**(387,621)**
At 30 June 2018	**-**	**-**	**-**

17. DEFERRED TAXATION (continued)

(b) Deferred Tax Liabilities of the Group

	Accelerated Capital Allowances RM'000	Total RM'000
At 1 July 2016	(1,533)	(1,533)
Recognised in profit or loss	322	322
At 30 June 2017	**(1,211)**	**(1,211)**
Recognised in profit or loss	**1,211**	**1,211**
At 30 June 2018	**-**	**-**

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018 RM'000	**2017 RM'000**
Unused tax losses	**2,529,104**	2,235,782
Unabsorbed capital allowances	**3,052,445**	3,053,376
Unutilised reinvestment allowances	**47,154**	47,154
	5,628,703	5,336,312

The unused tax losses and unabsorbed capital allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective subsidiaries. These amounts are subject to agreement with the tax authority.

18. INVENTORIES

	Group 2018 RM'000	Group 2017 RM'000
At Cost:		
Properties held for sale	**19,616**	30,053
Raw materials	**62**	718
Work-in-progress	**1,888**	1,377
Spares, supplies and consumables	**39**	101,936
	21,605	134,084
At Net Realisable Value:		
Raw materials	**1,960**	3,192
Finished goods	**3,333**	6,229
Spares, supplies and consumables	**25,865**	1,608
	31,158	11,029
	52,763	145,113
Reclassified to assets held for sale (Note 22)	**(25,865)**	-
Total	**26,898**	145,113

During the year, inventories recognised as an expense in the profit or loss of the Group was RM54.1 million (2017: RM42.6 million).

The product financing facilities with related parties have been entered into in the normal course of business and have been established on terms that are no more favourable to the related parties than those arranged with independent third parties. There are no remaining inventories under product financing at the reporting dates.

Inventories of the Group amounting to RM25.9 million (2017: RM103.5 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 26. This amount had been reclassified to assets held for sale at the current reporting date.

19. TRADE AND OTHER RECEIVABLES

		Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Trade receivables		**37,021**	42,687	**-**	-
Accumulated impairment losses	(a)	**(17,185)**	(14,164)	**-**	-
		19,836	28,523	**-**	-
Other receivables		**30,501**	31,601	**226**	226
Accumulated impairment losses	(b)	**(9,922)**	(8,219)	**-**	-
		20,579	23,382	**226**	226
Prepayments		**4,811**	154	**-**	-
Deposits		**4,300**	4,747	**1**	1
		49,526	56,806	**227**	227
Reclassified to assets held for sale (Note 22)		**(20,285)**	-	**-**	-
		29,241	56,806	**227**	227

Included in receivables of the Group and of the Company are related parties balances of which RM0.6 million (2017: RM1.1 million) and RM Nil (2017: RM Nil) respectively are in trade receivables and RM0.4 million (2017: RM0.6 million) and RM0.1 million (2017: RM0.1 million) respectively are in other receivables.

The Group’s normal trade credit terms range from 5 days to 60 days (2017: 5 days to 60 days). Interest on overdue trade balances are charged at a rate of 6% to 16% (2017: 6% to 16%) per annum. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case-by-case basis.

19. TRADE AND OTHER RECEIVABLES (continued)

Ageing analysis of trade receivables

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

	Group 2018 RM'000	Group 2017 RM'000
Neither past due nor impaired	**9,351**	11,842
1 to 30 days past due not impaired	**4,732**	7,709
31 to 60 days past due not impaired	**1,952**	4,443
61 to 90 days past due not impaired	**3,538**	958
91 to 180 days past due not impaired	**212**	2,025
More than 180 days past due not impaired	**51**	1,546
	10,485	16,681
Impaired	**17,185**	14,164
	37,021	42,687

(a) Movement of the accumulated impairment losses account is as follows:

	Group 2018 RM'000	Group 2017 RM'000
At 1 July	**14,164**	13,031
Additions	**3,429**	1,258
Reversal	**(408)**	(16)
Written off	**-**	(109)
At 30 June	**17,185**	14,164

(b) Movement of the accumulated impairment losses account is as follows:

	Group 2018 RM'000	Group 2017 RM'000
At 1 July	**8,219**	6,804
Additions	**1,703**	1,415
At 30 June	**9,922**	8,219

19. TRADE AND OTHER RECEIVABLES (continued)

Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM10.5 million (2017: RM16.7 million) that are past due at the reporting date but not impaired.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Receivables of the Group amounting to RM20.3 million (2017: RM24.4 million) are secured by way of a floating charge for certain borrowings as disclosed in Note 26. This amount had been reclassified to assets held for sale at the current reporting date.

20. AMOUNT DUE FROM/TO SUBSIDIARIES

	Company	
	2018	**2017**
	RM'000	**RM'000**
Amount due from subsidiaries	**1,179,852**	1,177,792
Accumulated impairment losses	**(1,179,839)**	(1,177,779)
	13	13
Amount due to subsidiaries	**144,431**	129,817

Movement of the accumulated impairment losses account is as follows:

	Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 July	**1,177,779**	1,173,564
Additions	**2,060**	4,215
At 30 June	**1,179,839**	1,177,779

The amount due from/to subsidiaries which arose mainly from inter-company advances and payments made on behalf are unsecured, repayable on demand and interest free (2017: interest free).

21. DEPOSITS WITH FINANCIAL INSTITUTIONS

The deposits of the Group and the Company carry a weighted average interest rate as at the reporting date of 2.8% (2017: 2.8%) and 3.0% (2017: 2.9%) per annum respectively and have varying periods of between 1 day and 27 days (2017: 1 day and 27 days) and 3 days (2017: 2 days) respectively.

22. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2018	**2017**
	RM'000	**RM'000**
At 1 July	**-**	17,268
Reclassified from property, plant and equipment (Note 12) *	**510,320**	-
Reclassified from inventories (Note 18) *	**25,865**	
Reclassified from trade and other receivables (Note 19) *	**20,285**	-
Reclassified from cash and bank balances (Note 36(c)) *	**2,308**	-
Reclassified to property, plant and equipment (Note 12)	**-**	(3,462)
Disposal **	**-**	(13,806)
At 30 June	**558,778**	-

* Subsequent to the financial year, Megasteel had on 3 July 2018 entered into a Memorandum of Understanding with Lion Industries Corporation Berhad ("LICB") for the following:

(i) proposed disposal of the Megasteel Group's encumbered fixed and floating assets to Oriental Shield Sdn Bhd ("Oriental Shield"), a wholly-owned subsidiary of LICB;

(ii) proposed disposal of 500,000 ordinary shares, representing 100% equity interest in Secomex Manufacturing (M) Sdn Bhd, a wholly-owned subsidiary of Megasteel to Oriental Shield; and

(iii) proposed disposal of all the unencumbered assets of Megasteel to Gelora Berkat Sdn Bhd, a wholly-owned subsidiary of LICB.

Further details of the proposed disposals are disclosed in Note 40.

The assets are reclassified as assets held for sale as at 30 June 2018 as the proposed disposals were highly probable at the reporting date, with management committed to a plan to dispose of the said assets.

** In the previous financial year, Bright Steel Service Centre Sdn Bhd, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement and business assets acquisition agreement with Axis Development Sdn Bhd, for the disposal of its property, plant and equipment for a cash consideration of RM64 million.

The said disposal was completed on 30 September 2016.

23. SHARE CAPITAL

	Group and Company	
	2018	2017
	'000	'000
No. of Ordinary Shares:		
At 1 July/30 June	**1,316,199**	1,316,199
	RM'000	**RM'000**
Issued Share Capital:		
At 1 July	**1,413,884**	1,316,199
Transfer from share premium pursuant to Section 618(2) of the Companies Act 2016	**-**	97,685
At 30 June	**1,413,884**	1,413,884

24. RESERVES

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-Distributable:				
Asset revaluation reserve	**56,915**	264,859	**-**	-
Capital reserves	**44,606**	49,038	**3,046**	3,046
Foreign currency translation reserve	**17,479**	19,477	**-**	-
Fair value adjustment reserve	**613**	883	**179**	178
Equity component of RCSLS	**8,990**	8,990	**8,990**	8,990
Warrant reserve	**3,673**	3,673	**3,673**	3,673
	132,276	346,920	**15,888**	15,887
Accumulated losses	**(4,743,810)**	(3,297,259)	**(2,761,018)**	(2,687,659)
	(4,611,534)	(2,950,339)	**(2,745,130)**	(2,671,772)

The nature and purpose of each category of reserves are as follows:

(a) Asset Revaluation Reserve

The asset revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

(b) Capital Reserves

Capital reserves comprise mainly share of post acquisition reserves of associates and profits recorded by a subsidiary of the Company which was incorporated to manage the Ringgit Malaysia debts and bonus share issue through retained earnings by a subsidiary.

24. RESERVES (continued)

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(d) Fair Value Adjustment Reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(e) Equity Component of RCSLS

This reserve represents the fair value of the equity component of RCSLS, net of deferred tax liabilities, as determined on the date of issue.

(f) Warrant Reserve

Warrant reserve is pertaining to the issuance of 36,734,534 warrants as consideration for the conditional take-over offer of the remaining ordinary shares in ACB ("ACB Share") on the basis of one new warrant of the Company ("LCB Warrant") for every ten ACB Shares held.

The details of LCB Warrants are as follows:

(i) Each warrant entitles its registered holder to subscribe for one new LCB Share. In conjunction with the capital reconstruction undertaken by the Company in the previous financial years, the exercise price of the LCB Warrant has been adjusted from RM1.00 to RM5.00. The LCB Warrants may be exercised at any time commencing from 21 April 2009 but not later than 14 April 2019 (both dates inclusive).

(ii) The new LCB Shares to be issued pursuant to the exercise of the LCB Warrants will upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up LCB Shares, save that they will not be entitled to any dividend, right, allotment and/or other distribution, the entitlement date of which is on or before the new LCB Shares are credited into the securities account of the holder maintained with Bursa Malaysia Depository Sdn Bhd.

(iii) No LCB Warrants were converted into new LCB Shares during the financial year. As of the reporting date, the total number of warrants which remained unexercised amounted to 36,734,534 warrants. Any warrant which has not been exercised at the date of maturity will lapse and cease to be valid for any purpose.

25. PREFERENCE SHARES

Megasteel Sdn Bhd ("Megasteel") issued Preference "D" Shares, Preference "E" Shares, Preference "F" Shares and Preference "G" Shares, of which Preference "D" Shares and Preference "F" Shares were issued to the immediate holding company, Limpahjaya Sdn Bhd. The Preference "E" Shares and Preference "G" Shares are held by a related party.

	Group		
	Preference "E" Shares RM'000	**Preference "G" Shares RM'000**	**Total RM'000**
Issued Share Capital:			
At 1 July 2016	110	1,000	1,110
Transfer from share premium pursuant to Section 618(2) of the Companies Act 2016	10,890	99,000	109,890
At 30 June 2017	11,000	100,000	111,000
At 1 July 2017/30 June 2018	**11,000**	**100,000**	**111,000**

Terms of Preference "E" Shares

The Preference "E" Shares of RM0.01 each includes the following salient features:

(i) The Preference "E" Shares shall be issued at a par value of RM0.01 with a premium of RM0.99 per Preference "E" Share;

(ii) The Preference "E" Shares shall carry the right to preference dividend (cumulative) of RM0.05 per Preference "E" Share after the Preference "G" Shares but in priority to the Preference "D" Shares, the Preference "F" Shares and the ordinary shares in Megasteel;

(iii) The Preference "E" Shares shall rank both as regards dividend and return of capital after the Preference "G" Shares but in priority to the Preference "D" Shares, the Preference "F" Shares and the ordinary shares in Megasteel;

(iv) The Preference "E" Shares shall not be entitled to any right of voting at any general meeting of Megasteel nor receipt of any notices of meetings of Megasteel;

(v) The Preference "E" Shares shall be subordinated to (a) the Syndicated Term Loans of Megasteel; and (b) the full redemption of the Preference "G" Shares;

(vi) The Preference "E" Shares shall be redeemed at the par value of RM0.01 with a premium of RM0.99 per Preference "E" Share, at the option of Megasteel in priority to the Preference "D" Shares and the Preference "F" Shares subject to the full settlement of the Syndicated Term Loans of Megasteel and the full redemption of the Preference "G" Shares; and

(vii) The Preference "E" Shares shall be transferable but not convertible.

25. PREFERENCE SHARES (continued)

Terms of Preference "G" Shares

The Preference "G" Shares of RM0.01 each includes the following salient features:

(i) The Preference "G" Shares shall be issued at a par value of RM0.01 with a premium of RM0.99 per Preference "G" share;

(ii) The Preference "G" Shares shall carry the right to a fixed cumulative preference dividend of RM0.05 per share per annum, subject to the availability of profits;

(iii) The Preference "G" Shares shall rank in priority to the ordinary shares and the existing Preference "D", "E" and "F" Shares of Megasteel in the event of liquidation, dissolution, winding-up or other repayment of capital of Megasteel and dividends declared (if any) provided that there shall be no further right to participate in the surplus assets or profits of Megasteel;

(iv) The Preference "G" Shares shall be subordinated to the existing Syndicated Term Loans of Megasteel and in the event of a refinancing of the existing Syndicated Term Loans, the Preference "G" Shares shall be subordinated up to the amount utilised to repay the existing Syndicated Term Loans from the proceeds of the refinancing ("Subordination"). The Preference "G" Shares shall rank *pari passu* with all other present and future indebtedness;

(v) The Preference "G" Shares shall be for an initial tenure of five years ("Initial Tenure"). On the fourth anniversary of the date of issue, Megasteel has the option to extend the tenure of the Preference "G" Shares for a further five years from the maturity date of the Initial Tenure ("Extended Tenure").

During the Extended Tenure, the Preference "G" Shares shall bear a fixed cumulative preference dividend per preference share per annum calculated based on the issue price of RM1.00 multiplied by the base lending rate of Malayan Banking Berhad at the date of declaration of dividend plus 1.5% per annum subject to availability of profits;

(vi) The Preference "G" Shares may be converted into new ordinary shares of RM1.00 each in Megasteel at any time throughout their tenure on the basis of 1.50 Preference "G" Shares for every one ordinary share of RM1.00 each in Megasteel during the Initial Tenure by surrendering the relevant number of Preference "G" Shares.

The conversion ratio during the Extended Tenure shall be:
i) 1.50 Preference "G" Shares for every one ordinary share of RM1.00 each; or
ii) 25% discount based on the then latest audited net tangible assets of Megasteel;

whichever is lower, subject to a minimum of RM1.00 by surrendering the Preference "G" Shares of at least equivalent to the conversion ratio.

Fractional shares arising from the conversion will be rounded down to the nearest share.

The new ordinary shares of RM1.00 each in Megasteel to be issued pursuant to the conversion of the Preference "G" Shares shall rank *pari passu* in all respects with the then existing issued and paid-up shares of Megasteel, except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the issuance of the new shares;

25. PREFERENCE SHARES (continued)

Terms of Preference "G" Shares (continued)

(vii) The Preference "G" Shares shall be redeemed in the following manner where applicable:

(a) Redemption upon maturity subject to the Subordination provision;

(b) Mandatory Early Redemption

Within one year of the full settlement of the Syndicated Term Loans during the Extended Tenure of the Preference "G" Shares;

(c) Optional Redemption

Megasteel will have the option to redeem any of the Preference "G" Shares in whole, or in part in multiples of 1,000,000 Preference "G" Shares by giving a two weeks' written notice ("Notice Period") to the holders at any time, if Megasteel repays all the Syndicated Term Loans of Megasteel within the Initial Tenure of the Preference "G" Shares. The redemption shall take effect on the next business day after the expiry of the Notice Period ("Optional Redemption Date"). Notwithstanding the Notice Period, the holder is entitled to convert the Preference "G" Shares at any time before the Optional Redemption Date; and

(d) Mandatory Redemption

In the case of the occurrence of a shareholders' or creditors' winding-up of Megasteel, mandatory redemption is required by Megasteel subject to Subordination provision;

(viii) The Preference "G" Shares carry no right to vote at general meetings nor receipt of any notices of meetings of Megasteel unless the general meeting is for any resolution (i) which varies or is deemed to vary the rights and privileges of the Preference "G" Shareholder; (ii) for a capital reduction; and (iii) for winding-up of Megasteel; and

(ix) The Preference "G" Shares shall not be transferable.

26. LOANS AND BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Short Term Borrowings				
Secured:				
Syndicated Term Loans	**993,143**	922,022	**-**	-
Other term loan	**27,730**	26,603	**-**	-
Bills payable	**47,009**	44,818	**-**	-
Revolving credits	**41,066**	35,428	**-**	-
Bank overdrafts	**54,684**	49,130	**-**	-
Finance lease liabilities (Note 28)	**66**	93	**-**	-
	1,163,698	1,078,094	**-**	-
Unsecured:				
Bills payable	**-**	275	**-**	-
	1,163,698	1,078,369	**-**	-
Long Term Borrowings				
Secured:				
RCSLS (Note 27)	**307,658**	293,210	**307,658**	293,210
Finance lease liabilities (Note 28)	**19**	84	**-**	-
	307,677	293,294	**307,658**	293,210
Total Borrowings				
RCSLS (Note 27)	**307,658**	293,210	**307,658**	293,210
Syndicated Term Loans (Note A)	**993,143**	922,022	**-**	-
Other term loan	**27,730**	26,603	**-**	-
Bills payable	**47,009**	45,093	**-**	-
Revolving credits	**41,066**	35,428	**-**	-
Bank overdrafts	**54,684**	49,130	**-**	-
Finance lease liabilities (Note 28)	**85**	177	**-**	-
	1,471,375	1,371,663	**307,658**	293,210

Reconciliation of liabilities arising from financing liabilities of the Group

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were classified in the Group's statement of cash flows as cash flows from financing activities.

	As at 1.7.2017 RM'000	Repayment RM'000	Interest Accrued RM'000	Exchange Differences RM'000	As at 30.6.2018 RM'000
RCSLS	**293,210**	**(2,538)**	**16,986**	**-**	**307,658**
Syndicated Term Loans	**922,022**	**-**	**89,470**	**(18,349)**	**993,143**
Other term loan	**26,603**	**(687)**	**1,814**	**-**	**27,730**
Bills payable	**45,093**	**-**	**1,916**	**-**	**47,009**
Revolving credits	**35,428**	**-**	**5,638**	**-**	**41,066**
	1,029,146	**(3,225)**	**98,838**	**(18,349)**	**1,416,606**
Finance lease liabilities	**177**	**(92)**	**-**	**-**	**85**
	1,029,323	**(3,317)**	**98,838**	**(18,349)**	**1,416,691**

26. LOANS AND BORROWINGS (continued)

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

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
RCSLS	**5.8**	5.8	**5.8**	5.8
Term loans	**11.8**	12.0	**-**	-
Bills payable	**9.9**	9.7	**-**	-
Revolving credits	**11.0**	10.7	**-**	-
Bank overdrafts	**9.5**	8.9	**-**	-

Other term loan, bills payable, revolving credits and bank overdrafts pertaining to certain subsidiaries are secured by charges on the property, plant and equipment and other assets of the subsidiaries.

(A) Syndicated Term Loans

The balance outstanding as at the reporting date is as shown below:

	Group	
	2018	2017
	RM'000	RM'000
RM Term Loan	**448,144**	398,919
USD Term Loan	**544,999**	523,103
	993,143	922,022

The Syndicated Term Loans facility is secured against:

(a) property, plant and equipment of Megasteel Group including any future additions;

(b) floating assets of Megasteel Group; and

(c) charge over certain investment in subsidiaries.

Megasteel had defaulted on its borrowings since previous financial years.

On 3 July 2018, Megasteel and Lion Industries Corporation Berhad had entered into a Memorandum of Understanding for the disposal of all assets of Megasteel and its subsidiary as part of the schemes of arrangement for the secured lenders and unsecured creditors ("Schemes of Arrangement"). Further details of the Schemes of Arrangement are disclosed in Note 40.

27. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

Pursuant to the completion of the LCB Scheme for implementation on 27 February 2009, the Company had converted a portion of its LCB Class B Bonds and LCB Debts into LCB redeemable convertible secured loan stocks ("RCSLS") as follows:

(a) RM294,747,299 nominal value of LCB Class B(a) Bonds with present value of RM286,834,000 into RM286,834,000 nominal value of LCB Class B(a) RCSLS;

(b) RM200,000,000 nominal value of LCB Class B(b) Bonds with present value of RM178,769,000 into RM178,769,000 nominal value of LCB Class B(b) RCSLS; and

(c) RM5,252,701 nominal value of LCB Debts with present value of RM5,130,000 into RM5,130,000 nominal value of LCB Class B(c) RCSLS.

Salient terms of the RCSLS are as follows:

(i) The tranches of RCSLS are as follows:

	Class	Nominal Value RM'000	Maturity Date	Coupon Rate (per annum)
RCSLS	B(a)	286,834	31.12.2015	5.00%
RCSLS	B(b)	178,769	31.12.2015	7.00%
RCSLS	B(c)	5,130	31.12.2015	4.25%
		470,733		

The RCSLS are subject to late payment charge of 1% per annum above the coupon rate.

(ii) Conversion right and rate

The RCSLS were convertible into new LCB Shares during the conversion period at the conversion price of RM1.00 nominal amount of the RCSLS for every new LCB Share. In conjunction with the capital reconstruction undertaken by the Company in the previous financial year, the conversion price of the RCSLS has been adjusted from RM1.00 to RM5.00.

(iii) Conversion period

The RCSLS are convertible into new LCB Shares on or after the issue date (27 February 2009) of the RCSLS but ending on the maturity date (31 December 2015). In the previous financial years, the RCSLS Holders had granted approval for the extension of time for the redemption of the RCSLS to 31 December 2030 and as such, the conversion period was extended to 31 December 2030 accordingly.

27. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

Salient terms of the RCSLS are as follows: (continued)

(iv) Redeemability

The redemption of the RCSLS at RM1.00 for every RM1.00 nominal value of RCSLS is as follows:

- Mandatory Early Redemption - to redeem in chronological order of the redemption date in the event the surplus in the Redemption Account is RM5,000,000 or more on a pro rata basis with the LCB Bonds, LCB Debts and RCSLS.
- Redemption Upon Maturity - all outstanding RCSLS and not converted on the expiry of the conversion period will be redeemed for cash at RM1.00 per RCSLS.
- Mandatory Redemption

(a) the Company shall redeem 20% of the total RCSLS issued at every redemption date as follows:

- 31 December 2011;
- 31 December 2012;
- 31 December 2013;
- 31 December 2014; and
- 31 December 2015

(b) all outstanding RCSLS shall be redeemed upon the occurrence of a shareholders' or creditors' winding up of the Company or upon the declaration of the event of default.

In the previous financial years, RCSLS Holders have granted approval for the extension of time for the redemption of the RCSLS up to 31 December 2030.

(v) Security

The securities for the RCSLS shall be the same as the securities for the LCB Bonds and LCB Debts (Note 29).

(vi) Ranking of New Shares

The new LCB Shares to be issued pursuant to the conversion of the RCSLS shall rank *pari passu* in all respects with the then existing issued and paid-up shares of the Company, except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid, the entitlement date of which is prior to the crediting of the new shares into the securities account of the holder maintained with Bursa Depository Malaysia Sdn Bhd.

As at 30 June 2018, RM478,018,000 nominal value of RCSLS remained outstanding.

The value of the RCSLS has been split into the liability component and the equity component, representing the fair value of the conversion option. The RCSLS are accounted for in the statements of financial position as follows:

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Liability component at 1 July	**293,210**	281,498
Interest expenses recognised during the year (Note 9)	**16,986**	16,300
Repayment during the year	**(2,538)**	(4,588)
Liability component at 30 June	**307,658**	293,210

27. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

The RCSLS are redeemable over the following periods:

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Within 1 year	**-**	-
From 1 to 2 years	**-**	-
From 2 to 5 years	**23,493**	-
After 5 years	**284,165**	293,210
	307,658	293,210

Included in the RCSLS is an amount of RM276.6 million (2017: RM263.7 million) due to a related party.

28. FINANCE LEASE LIABILITIES

	Group	
	2018	**2017**
	RM'000	**RM'000**
Minimum lease payments:		
Not later than 1 year	**70**	105
Later than 1 year and not later than 2 years	**19**	70
Later than 2 years and not later than 5 years	**-**	19
	89	194
Future finance charges	**(4)**	(17)
	85	177
Present value of finance lease payments:		
Not later than 1 year	**66**	93
Later than 1 year and not later than 2 years	**19**	65
Later than 2 years and not later than 5 years	**-**	19
	85	177
Analysed as:		
Due within 12 months	**66**	93
Due after 12 months	**19**	84
	85	177

The finance lease liabilities carry interest rates at the reporting date at rates ranging from 2.3% to 3.7% (2017: 2.3% to 3.7%) per annum.

29. BONDS AND DEBTS

	Group and Company	
	2018	2017
	RM'000	RM'000
Non-Current		
Secured:		
- LCB Bonds	**863,758**	819,785
- LCB Debts	**5,420**	5,574
Total	**869,178**	825,359

The bonds and debts are redeemable/repayable over the following periods:

	Group and Company	
	2018	2017
	RM'000	RM'000
Within 1 year	**-**	-
From 1 to 2 years	**-**	-
From 2 to 5 years	**52,152**	-
After 5 years	**817,026**	825,359
	869,178	825,359

Reconciliation of liabilities arising from financing liabilities of the Group

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were classified in the Group's statement of cash flows as cash flows from financing activities.

	As at 1.7.2017 RM'000	Redemption RM'000	Interest Accrued RM'000	Exchange Differences RM'000	As at 30.6.2018 RM'000
LCB Bonds	**819,785**	**(7,874)**	**51,847**	**-**	**863,758**
LCB Debts	**5,574**	**(47)**	**221**	**(328)**	**5,420**
	825,359	**(7,921)**	**52,068**	**(328)**	**869,178**

Included in the Bonds and Debts is an amount of RM820.1 million (2017: RM778.0 million) due to a related party.

The Company had on 27 February 2009 implemented the LCB Scheme which is to address its debt obligation to redeem/repay the LCB Bonds and LCB Debts issued by the Company pursuant to the Group Wide Restructuring Scheme ("GWRS") implemented in 2003.

On 27 February 2009, the Company had:

(i) fully redeemed its LCB Class A Bonds amounting to RM35.9 million;

(ii) converted RM900,000,000 nominal value of LCB Class B(b) Bonds with a present value of RM804,460,000 into 804,460,000 new ordinary shares; and

(iii) converted a portion of its LCB Class B Bonds and LCB Debts into RCSLS (Note 27).

29. BONDS AND DEBTS (continued)

The principal terms and conditions of the LCB Bonds and LCB Debts are as follows:

(i) The tranches of LCB Bonds and LCB Debts are as follows:

	Class	Nominal Value RM'000	Net Present Value RM'000	Maturity Date	Cash Yield-to-Maturity (per annum)
LCB Bonds	B(a)	592,647	408,881	31.12.2019	5.00%
LCB Bonds	B(b)	1,347,652	809,717	31.12.2020	7.00%
LCB Debts	B	10,734	7,974	31.12.2019	4.25%
		1,951,033	1,226,572		

The LCB Bonds and LCB Debts are redeemable/repayable annually on 31 December of each calendar year and are subject to late payment charges of 1% per annum above the cash yield-to-maturity.

(ii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LCB Bonds and LCB Debts:

(a) The assets included in the Proposed Divestment Programme ("PDP") for the Group. If there is an existing security on any such assets, the Security Trustee will take a lower priority security interest;

(b) The LDHB Inter-Co Repayment received by the Company;

(c) Entire/Partial investment in Lion Plate Mills Sdn Bhd, Bright Steel Sdn Bhd, Megasteel Sdn Bhd, LCB Harta (L) Limited and certain investment in associates;

(d) The Residual Assets, if any;

(e) Dividends upstreaming from Lion Plate Mills Sdn Bhd and Bright Steel Sdn Bhd;

(f) The excess, if any, of the ACB SPV Debts and proceeds of the Property Development Project known as Mahkota Cheras Project;

(g) All rights, title and interest of the Company and Limpahjaya under the Deed of Undertaking;

(h) Proceeds from the disposal of 66,666,667 ordinary shares in Megasteel;

(i) 33,333,333 ordinary shares in Megasteel;

(j) Shares and assets in Pancar Tulin Sdn Bhd (including the property development project);

29. BONDS AND DEBTS (continued)

The principal terms and conditions of the LCB Bonds and LCB Debts are as follows: (continued)

(ii) The Security Trustee holds the following securities ("Securities") for the benefit of the holders of the LCB Bonds and LCB Debts: (continued)

(k) Shares in LCB Harta (L) Limited;

(l) Such other securities as may be provided from time to time to the Security Trustee for the benefit of the Bondholders, RCSLS Holders and the Lenders; and

(m) The Redemption Account and the General Escrow Account held by the Company. The Redemption Account will capture the LCB Dedicated Cash Flows.

Dedicated Cash Flows means cash flow from the following sources:

- net surplus proceeds from the disposal of any assets in the PDP for the Group over which there is presently a security, if applicable;
- net proceeds from the disposal of any assets in the PDP for the Group over which there is presently no security;
- proceeds of the LDHB Inter-Co Repayment received by the Company (including any loyalty payment received following the full repayment of LDHB Inter-Co Repayment);
- dividends or cash flow from the Deed of Undertaking;
- subject to the proportions allocated pursuant to the Trust Deed, dividends and disposal proceeds from Bright Steel Sdn Bhd and Lion Plate Mills Sdn Bhd;
- repayment proceeds from the ACB SPV Debts and proceeds from the Property Development Project; and
- proceeds from the disposal of 11.1% of the issued and paid-up share capital of Megasteel.

Monies captured in the Redemption Account can only be used towards redemption/repayment of the LCB Bonds, LCB Debts and RCSLS and cannot be utilised for any other purposes.

The LCB Bonds, LCB Debts and RCSLS constitute direct, unsubordinated and secured obligations of the Company, being the issuer.

The LCB Bonds, LCB Debts and RCSLS ranked *pari passu* amongst each other over the Securities held by the Security Trustee under items (a) to (m) above.

In the previous financial years, Bondholders and Lenders had granted approval for extension of the redemption/repayment period for LCB Bonds and LCB Debts up to 31 December 2034.

30. DEFERRED LIABILITIES

Unfunded Defined Benefit Plan

A subsidiary of the Company operates an unfunded defined benefit plan for its eligible employees. The latest actuarial valuation of the plan was carried out on 30 June 2016 by an independent qualified actuary.

The movements during the financial year in the amounts recognised in the Group's statements of financial position are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Non-Current		
At 1 July	**3,344**	3,350
Benefit paid	**-**	(6)
Recognised in profit or loss	**(3,344)**	-
At 30 June	**-**	3,344
The amount recognised is analysed as follows:		
- Present value of unfunded defined benefit obligations	**-**	3,344
The expenses recognised in profit or loss are analysed as follows:		
- Current service cost	**-**	-
- Reversal of retirement benefit	**3,344**	-
	3,344	-

The principal actuarial assumptions used are as follows:

	Group	
	2018	**2017**
	%	**%**
Discount rate	**-**	5
Expected rate of salary increase	**-**	5

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables	**1,981,007**	1,931,302	**-**	-
Other payables	**313,994**	289,209	**4,127**	4,120
Security deposits received from customers	**11,016**	9,605	**-**	-
Product financing liabilities	**100,420**	96,108	**-**	-
Accruals	**65,276**	57,114	**16,312**	16,319
Project payables	**3,883**	3,883	**-**	-
	2,475,596	2,387,221	**20,439**	20,439

Included in payables of the Group and of the Company are related parties balances of which RM1,598.3 million (2017: RM1,479.9 million) and RM Nil (2017: RM Nil) respectively are in trade payables, RM77.8 million (2017: RM68.4 million) and RM4.1 million (2017: RM4.1 million) respectively are in other payables and RM75.6 million (2017: RM69.5 million) and RM Nil (2017: RM Nil) respectively are in product financing liabilities.

Certain of the related parties balances bear interest rates ranging from 7.9% to 9.1% (2017: 7.9% to 9.1%) per annum.

The entire security deposits received from customers bear interest rates ranging from 6.5% to 10.0% (2017: 6.5% to 10.0%) per annum.

Product financing liabilities are the liabilities arising from the trade financing arrangements with parties where titles to the inventories pertaining to these arrangements are legally with these parties, and of which the Group has the obligation to purchase. The obligation to purchase ranges from 90 days to 120 days with interest rates ranging from 6% to 9% (2017: 6% to 9%) per annum. The inventories under such arrangements are disclosed in Note 18. All other normal credit terms granted to the Group in trade payables range from 30 days to 120 days.

Project payables represent construction costs for plant and machinery, and are unsecured and interest-free. The normal credit terms granted to the Group range from 30 days to 120 days. Other credit terms are assessed on a case-by-case basis.

Since the previous financial years, the subsidiary had exceeded certain credit terms of trade and other payables and had defaulted on the RM306 million settlement with Tenaga Nasional Berhad since previous financial years.

Megasteel had on 5 May 2016 and 2 August 2016 obtained a Restraining Order and an interim extension respectively against all creditors. Further details on the Restraining Order are disclosed in Note 39.

On 3 July 2018, Megasteel and Lion Industries Corporation Berhad had entered into a Memorandum of Understanding for the disposal of assets of Megasteel and its subsidiary as part of the schemes of arrangement for the secured lenders and unsecured creditors ("Schemes of Arrangement"). Further details of the Schemes of Arrangement are disclosed in Note 40.

32. COMMITMENTS

(a) Capital Commitments

As at the reporting date, the Group has the following capital commitments:

	Group 2018 RM'000	Group 2017 RM'000
Capital expenditure for property, plant and equipment:		
- approved and contracted for	**-**	8,058
- approved but not contracted for	**-**	41,279
	-	49,337

(b) Non-Cancellable Operating Lease Commitments

	Group 2018 RM'000	Group 2017 RM'000
As Lessor		
Future minimum rentals receivable:		
Not later than one year	**1,329**	1,333
Later than one year and not later than five years	**5,315**	5,315
Later than five years	**17,217**	18,546
	23,861	25,194

33. CONTINGENT LIABILITIES

	Company 2018 RM'000	Company 2017 RM'000
(a) Guarantees in respect of loans and facilities granted to subsidiaries		
- unsecured	**97,848**	96,998

33. CONTINGENT LIABILITIES (continued)

(b) On 10 April 2014, Megasteel and Tenaga Nasional Berhad ("TNB") had mutually agreed to settle a RM306 million claim ("Consent Judgement Sum") by TNB for the supply of electricity to Megasteel. A consent judgement had also been recorded at the High Court of Malaya ("High Court"), stating that Megasteel be given a moratorium period and settlement by scheduled instalments. Additionally, the supply of electricity by TNB shall be on an advance payment basis effective April 2014. Megasteel had defaulted in the payment since April 2016.

On 5 May 2016, Megasteel had obtained a Restraining Order against all creditors. On 28 June 2016, TNB had applied to intervene and set-aside the Restraining Order ("TNB Application"). Subsequently on 2 August 2016, the High Court had granted Megasteel an ad-interim extension of the Restraining Order pending *inter alia* :

(i) the decision of the High Court on Megasteel's application for the Restraining Order to be extended for a period of 180 days from the date of the Court Order for extension; and

(ii) the decision of the High Court on TNB Application.

On 3 July 2018, Megasteel had also entered into a tri-partite agreement with TNB and Oriental Shield Sdn Bhd, a wholly-owned subsidiary of Lion Industries Corporation Berhad ("LICB") for the proposed supply of electricity to LICB and its subsidiaries for a cash consideration of RM35.80 million.

On 23 July 2018, TNB withdrew its TNB Application, TNB is no longer part of Megasteel's scheme of arrangement for unsecured creditors. On the same day, the High Court extended the Restraining Order for a further period of 60 days from 23 July 2018.

On 21 September 2018, the High Court allowed Megasteel's fresh application for, among others, an order to convene separate meeting of the scheme creditors, and a restraining order for a period of three (3) months pursuant to the Companies Act 2016 from 21 September 2018 being the date of the court order ("Fresh Restraining Order"), and Woodgrove Investments Pte Ltd be given leave to apply to intervene in these proceedings by making application before 4 October 2018.

Further details of the Court Order and Fresh Restraining Order are disclosed in Note 39.

34. RELATED PARTY TRANSACTIONS

Related parties refer to entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiaries or persons connected to such Directors and/or substantial shareholders have interests.

Significant transactions undertaken with related parties are as follows:

		Group	
		2018	2017
Name of Company	**Type of Transactions**	**RM'000**	**RM'000**
(i) With ACB Resources Berhad ("ACB") Group			
Lion Tooling Sdn Bhd	Trade purchases	-	8

34. RELATED PARTY TRANSACTIONS (continued)

Significant transactions undertaken with related parties are as follows: (continued)

		Group	
		2018	**2017**
Name of Company	**Type of Transactions**	**RM'000**	**RM'000**
(ii) With Lion Asiapac Limited ("LAP") Group			
Compact Energy Sdn Bhd	Rental income	**120**	333
(iii) With Other Related Parties			
Amsteel Mills Sdn Bhd	Trade sales	**172**	133
	Trade purchases	**22,380**	-
	Rental expenses	**54**	54
Lion Waterway Logistics Sdn Bhd	Rental income	**187**	187
Posim Petroleum Marketing Sdn Bhd	Trade purchases	**9**	14
Posim Marketing Sdn Bhd	Trade sales	**66**	-
Lion DRI Sdn Bhd	Rental income	**1,142**	1,142

ACB and LAP are associates of the Company wherein certain Directors and substantial shareholders of the Company have interests.

Amsteel Mills Sdn Bhd, Lion Waterway Logistics Sdn Bhd, Posim Petroleum Marketing Sdn Bhd and Posim Marketing Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a substantial shareholder of the Company wherein certain Directors and substantial shareholders of the Company have interests.

Lion DRI Sdn Bhd is a subsidiary of Lion Diversified Holdings Berhad, a substantial shareholder of the Company wherein certain Directors and substantial shareholders of the Company have interests.

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

35. SEGMENTAL ANALYSIS

The Group is organised into four major business segments:

(i)	Property	-	property development
(ii)	Furniture	-	manufacturing, distribution and trading of office equipment, security equipment and steel fabricated products
(iii)	Steel	-	manufacturing and trading of hot rolled coils, cold rolled coils and other steel products
(iv)	Others	-	investment holding, share registration and secretarial services

No geographical segmental analysis is presented as the Group operates principally in Malaysia.

The Directors are of the opinion that all inter-segment transactions were carried out on terms and conditions not materially different from those obtainable in transactions with independent third parties.

	Property RM'000	Furniture RM'000	Steel RM'000	Others RM'000	Elimination RM'000	Group RM'000
Group						
2018						
Revenue						
External	**50,818**	**17,770**	**23,673**	**171**	**-**	**92,432**
Inter-segment	**-**	**-**	**-**	**30**	**(30)**	**-**
	50,818	**17,770**	**23,673**	**201**	**(30)**	**92,432**
Results						
Segment results	**25,206**	**(907)**	**(185,138)**	**4,574**	**-**	**(156,265)**
Interest income	**868**	**87**	**288**	**965**	**-**	**2,208**
Loss from operations						**(154,057)**
Finance costs						**(276,580)**
Impairment losses on:						
- investment securities						**(211)**
- property, plant and equipment						**(1,037,966)**
Share in results of associates						**1,840**
Loss before taxation						**(1,466,974)**
Taxation						**(384,141)**
Net loss for the financial year						**(1,851,115)**

35. SEGMENTAL ANALYSIS (continued)

	Property RM'000	Furniture RM'000	Steel RM'000	Others RM'000	Elimination RM'000	Group RM'000
Group						
2018						
Segment assets	**139,670**	**17,905**	**590,396**	**22,943**	**-**	**770,914**
Investment in associates						**35,345**
Unallocated corporate assets						**5,386**
Consolidated total assets						**811,645**
Segment liabilities	**26,647**	**1,482**	**3,633,578**	**88,606**	**-**	**3,750,313**
Unallocated corporate liabilities						**1,176,889**
Consolidated total liabilities						**4,927,202**
Other information						
Capital expenditure	**55**	**8**	**3**	**-**	**-**	**66**
Depreciation	**17**	**358**	**139,762**	**2**	**-**	**140,139**

35. SEGMENTAL ANALYSIS (continued)

	Property RM'000	Furniture RM'000	Steel RM'000	Others RM'000	Elimination RM'000	Group RM'000
Group						
2017						
Revenue						
External	54,270	18,691	14,047	159	-	87,167
Inter-segment	-	-	-	25	(25)	-
	54,270	18,691	14,047	184	(25)	87,167
Results						
Segment results	28,755	(2,116)	(142,884)	(4,789)	-	(121,034)
Interest income	1,256	55	990	1,155	-	3,456
Loss from operations						(117,578)
Finance costs						(278,228)
Impairment losses on investment securities						(1,362)
Share in results of associates						14,821
Loss before taxation						(382,347)
Taxation						(13,485)
Net loss for the financial year						(395,832)
Segment assets	138,364	21,021	2,074,299	30,396	-	2,264,080
Investment in associates						35,271
Unallocated corporate assets						383,809
Consolidated total assets						2,683,160
Segment liabilities	25,825	3,427	3,459,940	90,826	-	3,580,018
Unallocated corporate liabilities						1,130,922
Consolidated total liabilities						4,710,940
Other information						
Capital expenditure	7	104	40	-	-	151
Depreciation	13	312	140,204	1	-	140,530

36. STATEMENTS OF CASH FLOWS

(a) Adjustments for non-cash items, interests and dividends

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gain on disposal of:				
- property, plant and equipment	**(2,894)**	(890)	**-**	-
- assets held for sale	**-**	(47,664)	**-**	-
Impairment losses on:				
- investment securities	**211**	1,362	**-**	31
- receivables	**4,724**	2,657	**-**	-
- amount due from subsidiaries	**-**	-	**2,060**	4,215
- property, plant and equipment	**1,037,966**	-	**-**	-
Interest expenses	**276,580**	278,228	**69,054**	65,847
Interest income	**(2,208)**	(3,456)	**(46)**	(98)
Inventories written down	**75,801**	349	**-**	-
Depreciation	**140,139**	140,530	**-**	-
Property, plant and equipment written off	**-**	324	**-**	-
Share in results of associates	**(1,840)**	(14,821)	**-**	-
Unrealised (gain)/loss on foreign exchange	**(31,539)**	29,290	**(328)**	345
	1,496,940	385,909	**70,740**	70,340

(b) Purchase of property, plant and equipment

	Group	
	2018	**2017**
	RM'000	**RM'000**
Aggregate cost of purchase (Note 12)	**66**	151

36. STATEMENTS OF CASH FLOWS (continued)

(c) Cash and cash equivalents at end of the financial year

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**61,732**	56,120	**543**	527
Deposits with financial institutions	**8,473**	7,689	**1,095**	1,565
Bank overdrafts (Note 26)	**(54,684)**	(49,130)	**-**	-
	15,521	14,679	**1,638**	2,092
Reclassified to assets held for sale (Note 22)	**(2,308)**	-	**-**	-
	13,213	14,679	**1,638**	2,092

Cash and bank balances and deposits with financial institutions of the Group amounting to RM2.3 million (2017: RM1.5 million) are secured by way of a floating charge for borrowings as disclosed in Note 26. This amount had been reclassified to assets held for sale at the current reporting date.

The titles of the following deposits and bank balances, which arose from a property development project, have not been transferred to the name of the subsidiary:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Bank balances	**28,563**	38,497

Included in bank balances of a subsidiary is an amount of RM42.0 million (2017: RM41.5 million) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and therefore restricted from use for other operations.

37. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group’s financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group’s businesses whilst managing its risks. The Group operates within clearly defined guidelines on financial risk management and it is not the Group’s policy to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:

37. FINANCIAL INSTRUMENTS (continued)

Foreign Currency Risk

The Group is principally exposed to transactional currency risks through the purchase of materials and consumables, sales of finished goods, and in its financing activities that are denominated in a currency other than the functional currency. The currency giving rise to this risk is primarily the United States Dollar ("USD"). The Group monitors developments in Government policies and market conditions to take necessary actions should there be any indication of unfavourable foreign exchange movement.

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

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

	USD RM'000	Others RM'000	Total RM'000
Group			
2018			
Trade and other receivables	**742**	**-**	**742**
Trade and other payables	**36,090**	**5,851**	**41,941**
Loans and borrowings	**544,999**	**-**	**544,999**
Bonds and debts	**5,420**	**-**	**5,420**
2017			
Trade and other receivables	1,243	-	1,243
Trade and other payables	42,284	6,340	48,624
Loans and borrowings	523,103	-	523,103
Bonds and debts	5,574	-	5,574
Company			
2018			
Bonds and debts	**5,420**	**-**	**5,420**
2017			
Bonds and debts	5,574	-	5,574

37. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis for foreign currency risk

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

	Profit net of tax	
	2018	**2017**
Group	**RM'000**	**RM'000**
USD/RM - strengthened 3%	**(13,355)**	(12,990)
- weakened 3%	**13,355**	12,990
Company		
USD/RM - strengthened 3%	**(124)**	(127)
- weakened 3%	**124**	127

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits. Interest rates of the Group's borrowings are managed through fixed and floating rates. Investments in financial assets are short term in nature and are mostly placed as short term deposits with licensed financial institutions.

The information on maturity dates and effective interest rates of financial assets and liabilities is disclosed in their respective notes.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM1 million higher/lower, arising mainly as a result of lower/higher interest expense on floating rate of loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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's exposure to credit risk arises primarily from trade and other receivables and the Company's exposure to credit risk arises primarily from loans and advances to subsidiaries and financial guarantees given. For other financial assets (investment securities, cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

37. FINANCIAL INSTRUMENTS (continued)

Credit Risk (continued)

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount. As at the reporting date, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

The Company provides unsecured financial guarantees in respect of facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries. As at the reporting date, there was no indication that any subsidiary would default on repayment other than as disclosed in Note 2. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly. As at the reporting date, the maximum exposure to credit risk is represented by its carrying amounts in the statement of financial position.

Market Risk

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

The Group's key business segment operates in a business environment where international finished goods prices generally move in tandem with key raw material prices, except when finished goods prices declined steeply due to unusual factors. The Group reduces its exposure to these fluctuations through close monitoring and maintaining the raw material inventory at appropriate levels, where possible.

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on Bursa Malaysia Securities Berhad. These instruments are classified as available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Liquidity and Cash Flow Risks

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

The Group manages its debt maturity profile, operating cash flow and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As mentioned in Note 2, as at 30 June 2018, the Group's current liabilities exceeded its current assets by RM2.91 billion.

37. FINANCIAL INSTRUMENTS (continued)

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

	On demand RM'000	Less than 12 months RM'000	1 to 5 years RM'000	After 5 years RM'000	Total RM'000
2018					
Group					
Trade and other payables	**2,372,920**	**102,676**	**-**	**-**	**2,475,596**
Loans and borrowings	**-**	**1,163,712**	**29,978**	**448,059**	**1,641,749**
Bonds and debts	**-**	**-**	**68,339**	**1,587,260**	**1,655,599**
	2,372,920	**1,266,388**	**98,317**	**2,035,319**	**5,772,944**
2018					
Company					
Trade and other payables	**-**	**20,439**	**-**	**-**	**20,439**
Amount due to subsidiaries	**144,431**	**-**	**-**	**-**	**144,431**
Loans and borrowings	**-**	**-**	**29,959**	**448,059**	**478,018**
Bonds and debts	**-**	**-**	**68,339**	**1,587,260**	**1,655,599**
	144,431	**20,439**	**98,298**	**2,035,319**	**2,298,487**
2017					
Group					
Trade and other payables	2,193,028	194,193	-	-	2,387,221
Loans and borrowings	-	1,078,383	89	481,439	1,559,911
Bonds and debts	-	-	-	1,666,779	1,666,779
	2,193,028	1,272,576	89	2,148,218	5,613,911
2017					
Company					
Trade and other payables	-	20,439	-	-	20,439
Amount due to subsidiaries	129,817	-	-	-	129,817
Loans and borrowings	-	-	-	481,439	481,439
Bonds and debts	-	-	-	1,666,779	1,666,779
	129,817	20,439	-	2,148,218	2,298,474

37. FINANCIAL INSTRUMENTS (continued)

Fair Values

The carrying amounts of financial liabilities of the Group as at the reporting date approximated their fair values except as set out below:

	Group	
	Carrying amount RM'000	Fair value RM'000
2018		
Financial Liability		
Finance lease liabilities	**85**	**85**
2017		
Financial Liability		
Finance lease liabilities	177	180

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and cash equivalents and trade and other receivables/payables

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Quoted investments

The fair value of quoted shares is determined by reference to the stock exchange quoted market bid prices at the close of the business on the reporting date.

(iii) Unquoted investments

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

(iv) Loans and borrowings

The carrying amount of short term borrowings approximates fair value because of the short maturity period. The fair value of long term borrowings is estimated based on the current rates available for borrowings with the same maturity profile.

37. FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(iii) Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

There have been no transfer between Levels 1, 2 and 3 during the financial year.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Group				
Financial Asset				
Available-for-sale investments	**764**	**-**	**-**	**764**
2018				
Company				
Financial Asset				
Available-for-sale investments	**74**	**-**	**-**	**74**

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:

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

2018	Carrying Amount RM'000	L&R RM'000	OL RM'000
Group			
Financial Assets			
Trade and other receivables	**24,990**	**24,990**	**-**
Deposits with financial institutions	**6,959**	**6,959**	**-**
Cash and bank balances	**60,938**	**60,938**	**-**
	92,887	**92,887**	**-**

37. FINANCIAL INSTRUMENTS (continued)

Categories of Financial Instruments (continued)

The table below provides an analysis of financial instruments categorised as follows: (continued)

2018	Carrying Amount RM'000	L&R RM'000	OL RM'000
Group			
Financial Liabilities			
Trade and other payables	**2,475,596**	**-**	**2,475,596**
Loans and borrowings	**1,471,375**	**-**	**1,471,375**
Bonds and debts	**869,178**	**-**	**869,178**
	4,816,149	**-**	**4,816,149**
Company			
Financial Assets			
Trade and other receivables	**227**	**227**	**-**
Amount due from subsidiaries	**13**	**13**	**-**
Deposits with financial institutions	**1,095**	**1,095**	**-**
Cash and bank balances	**543**	**543**	**-**
	1,878	**1,878**	**-**
Company			
Financial Liabilities			
Trade and other payables	**20,439**	**-**	**20,439**
Amount due to subsidiaries	**144,431**	**-**	**144,431**
Loans and borrowings	**307,658**	**-**	**307,658**
Bonds and debts	**869,178**	**-**	**869,178**
	1,341,706	**-**	**1,341,706**
2017			
Group			
Financial Assets			
Trade and other receivables	56,652	56,652	-
Deposits with financial institutions	7,689	7,689	-
Cash and bank balances	56,120	56,120	-
	120,461	120,461	-

37. FINANCIAL INSTRUMENTS (continued)

Categories of Financial Instruments (continued)

The table below provides an analysis of financial instruments categorised as follows: (continued)

2017	Carrying Amount RM'000	L&R RM'000	OL RM'000
Group			
Financial Liabilities			
Trade and other payables	2,387,221	-	2,387,221
Loans and borrowings	1,371,663	-	1,371,663
Bonds and debts	825,359	-	825,359
	4,584,243	-	4,584,243
Company			
Financial Assets			
Trade and other receivables	227	227	-
Amount due from subsidiaries	13	13	-
Deposits with financial institutions	1,565	1,565	-
Cash and bank balances	527	527	-
	2,332	2,332	-
Company			
Financial Liabilities			
Trade and other payables	20,439	-	20,439
Amount due to subsidiaries	129,817	-	129,817
Loans and borrowings	293,210	-	293,210
Bonds and debts	825,359	-	825,359
	1,268,825	-	1,268,825

38. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and growth in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews and manages its capital structure and makes adjustments to it, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities. No changes were made in the objective, policies or processes during the financial years ended 30 June 2018 and 2017.

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and borrowings	**1,471,375**	1,371,663	**307,658**	293,210
Bonds and debts	**869,178**	825,359	**869,178**	825,359
Trade and other payables	**2,475,596**	2,387,221	**20,439**	20,439
Less: Deposits with financial institutions	**(6,959)**	(7,689)	**(1,095)**	(1,565)
Cash and bank balances	**(60,938)**	(56,120)	**(543)**	(527)
Net debt (A)	**4,748,252**	4,520,434	**1,195,637**	1,136,916
Equity attributable to owners of the Company	**(3,197,650)**	(1,536,455)	**(1,331,246)**	(1,257,888)
Capital and net debt (B)	**1,550,602**	2,983,979	**(135,609)**	(120,972)
Gearing ratio (A/B)	**306%**	151%	**N/A**	N/A

39. SIGNIFICANT EVENTS

Restraining orders against creditors

Following an application by Megasteel, the High Court of Malaya ("High Court") had on 5 May 2016 pursuant to Section 176 of the Companies Act, 1965, granted Megasteel the following ("Court Order"):

(i) liberty to convene scheme meetings within 90 days from 5 May 2016 to consider and if thought fit, to approve the terms of the schemes of arrangement to be proposed by Megasteel with its scheme creditors ("Proposed Debt Settlement Scheme"); and

(ii) a restraining order for a period of 90 days from 5 May 2016, whereby the creditors and lenders of Megasteel are restrained from taking action against Megasteel and/or the Company and/or their assets.

On 28 June 2016 and 14 July 2016, TNB and Woodgrove Investments Pte Ltd ("Woodgrove") have respectively applied to intervene and set-aside the Court Order.

Subsequently on 2 August 2016, the High Court had granted Megasteel an ad-interim extension of the Court Order ("2 August 2016 ad-interim extension") pending the decision of the High Court on the below applications:

(i) Megasteel’s application for the Court Order to be extended for a period of 180 days from the date of the court order for extension;

(ii) TNB’s application dated 28 June 2016 to intervene in these proceedings and to set-aside the Court Order ("TNB Application"); and

(iii) Woodgrove’s application dated 14 July 2016 to intervene in these proceedings and to set-aside the Court Order.

An extension of the Court Order was applied for in order to allow Megasteel to have sufficient time to formalise the scheme of arrangement for the approval of its scheme creditors.

By way of consent order, Woodgrove had been added as a party to court proceedings and Woodgrove had withdrawn its application to set aside the 5 May 2016 Court Order on 8 December 2016. Next case management was fixed for 16 October 2018.

On 23 July 2018, TNB withdrew its TNB Application and TNB is no longer part of Megasteel's scheme of arrangement for unsecured creditors. On the same day, the High Court extended the Restraining Order for a further period of 60 days from 23 July 2018.

On 21 September 2018, the High Court allowed Megasteel's fresh application for, among others, an order to convene separate meeting of the scheme creditors, and a restraining order for a period of three (3) months pursuant to the Companies Act 2016 from 21 September 2018 being the date of the court order ("Fresh Restraining Order"), and Woodgrove be given leave to apply to intervene in these proceedings by making application before 4 October 2018.

During the case management on 4 October 2018 ("Enclosure 16"), the High Court was updated on the application filed by Woodgrove for its application for leave to intervene in the Fresh Restraining Order suit and its application to set aside the Fresh Restraining Order ("Enclosure 15"). The Judge directed that Enclosure 16 be heard first on 2 November 2018 and Enclosure 15 be fixed for case management on the same day.

40. SUBSEQUENT EVENTS

On 3 July 2018, Megasteel and Lion Industries Corporation Berhad ("LICB") entered into a Memorandum of Understanding ("MOU") for the following:

(i) proposed disposal of all encumbered fixed and floating assets ("Encumbered Assets") of the Group as follows to Oriental Shield Sdn Bhd ("Oriental Shield"), a wholly-owned subsidiary of LICB:

(a) land and building, plant and machineries and floating assets owned by Megasteel and its subsidiary, Secomex Manufacturing (M) Sdn Bhd ("Secomex");

(b) 500,000 ordinary shares representing 100% equity interest in Secomex; and

(c) assignment of Secomex's debt owing to Megasteel to Oriental Shield;

for a cash consideration of approximately RM537.73 million ("Secured Scheme").

The proceeds from the sale of the Encumbered Assets will be utilised to repay the secured lenders of Megasteel.

(ii) (a) proposed assignment to Gelora Berkat Sdn Bhd ("Gelora Berkat), a wholly-owned subsidiary of LICB, of the benefits accruing to the secured lenders of Megasteel for the under-secured portion debts from the secured lenders under the Secured Scheme for a cash consideration of RM8.50 million.

(b) proposed disposal of all unencumbered assets of Megasteel to Gelora Berkat for a cash consideration of approximately RM24.50 million. The net proceeds from the disposal shall first be paid to preferential creditors on their preferential debts in the event of notional winding-up of Megasteel and then to each unsecured creditors (including under-secured portion debt after settlement of RM537.73 million under the Secured Scheme) on a *pari passu* basis.

On 3 July 2018, Megasteel had also entered into a tri-partite agreement with Tenaga Nasional Berhad ("TNB") and Oriental Shield for the proposed supply of electricity to LICB and its subsidiaries for a cash consideration of RM35.80 million ("Tri-partite Settlement Agreement").

TNB had on 13 September 2018 granted an extension of time for Megasteel and Oriental Shield to satisfy the conditions precedent as set out in the Tri-partite Settlement Agreement from 31 August 2018 to 28 February 2019.

STATEMENT BY DIRECTORS

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

We, TAN SRI WILLIAM H.J. CHENG and TAN SRI CHENG YONG KIM, being two of the Directors of LION CORPORATION BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 13 to 99 are drawn up in accordance with Financial Reporting Standards in Malaysia and the requirements of the Companies Act 2016 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 16 October 2018.

TAN SRI WILLIAM H.J. CHENG
Chairman and Managing Director

TAN SRI CHENG YONG KIM
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

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

I, TAN SRI WILLIAM H.J. CHENG, being the Director primarily responsible for the financial management of LION CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 99 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed TAN SRI WILLIAM H.J. CHENG at Kuala Lumpur in the Federal Territory on 16 October 2018.

TAN SRI WILLIAM H.J. CHENG

Before me

W530
TAN SEOK KETT
Commissioner for Oaths

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LION CORPORATION BERHAD

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We have audited the financial statements of LION CORPORATION BERHAD, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 99.

We do not express our opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements as at 30 June 2018, and of their financial performance and their cash flows for the year then.

Basis for Disclaimer of Opinion

1. As stated in Note 14 to the financial statements, the auditors' report of a subsidiary for the financial year ended 30 June 2017 expressed a disclaimer of opinion and we were unable to obtain sufficient appropriate audit evidence in regard to the opening balances.

   We were unable to satisfy ourselves by alternative means concerning a number of opening balances disclosed in the statements of financial position, statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the subsidiary as at that date. Accordingly, we were unable to determine whether any adjustments might have been necessary in respect of the statements of financial position, statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the subsidiary for the financial year ended 30 June 2018. Whilst we were satisfied with the material accuracy of amounts recorded in the statements of financial position as at 30 June 2018, the impact of opening balances on the current period's statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows prevents us from forming an opinion on the financial report taken as a whole.

2. We draw attention to Note 2(i) to the financial statements, which indicates that the Group incurred a net loss of RM1,449 million for the financial year ended 30 June 2018 and, as of that date, the Group has deficit in its total equity of RM3,198 million and the Group's current liabilities exceeded its current assets by RM2,907 million.

   Since the previous financial year, the Group had defaulted on certain of its borrowing obligations which gave rise to a cross-default with all other lenders. There were subsequent defaults on all banking facilities and other term loan thereafter.

Report on the Audit of the Financial Statements (continued)

Basis for Disclaimer of Opinion (Continued)

2. (continued)

In addition, since the previous financial years, the Group had not been paying its creditors on due dates and had been dealing with most of the suppliers on cash terms.

As described in Note 2(iv) to the financial statements, the Group has entered into a Memorandum of Understanding for the disposal of assets of the Group as part of the schemes of arrangement for the secured lenders and unsecured creditors. The recoverable amounts of the assets of the Group is dependent on the outcome of these schemes, which are subject to multiple uncertainties, mainly including but not limited to the ability of the Group to negotiate with the lenders under scheme of arrangement as disclosed in Note 40 to the financial statements.

All the above events indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as going concerns and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and 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 and the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Report on the Audit of the Financial Statements (continued)

Independence and Other Ethical Responsibilities

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 ("Act") in Malaysia, except for those disclosed in the *Basis for Disclaimer of Opinion* section, we also report that the accounting and other records and registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors as disclosed in Note 14 to the financial statements have been properly kept in accordance with the provisions of the Act.

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

(i) Megasteel Sdn Bhd - Disclaimer of opinion on opening balances, going concern and on the same matters in the *Basis for Disclaimer of Opinion* section.

(ii) Secomex Manufacturing (M) Sdn Bhd - Disclaimer of opinion on opening balances, going concern and on the same matters in the *Basis for Disclaimer of Opinion* section.

Other Matters

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

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

LIM KOK BENG
00588/02/2019 J
Chartered Accountant

Kuala Lumpur
16 October 2018

LION CORPORATION BERHAD
(12890-A)

FORM OF PROXY

CDS ACCOUNT NUMBER

			–				–									

I/We ....

I.C. No./Company No. ....

of ....

being a member of LION 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 45th 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, 22 November 2018 at 10.30 am and at any adjournment thereof.

ORDINARY 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-appoint Messrs Ong Boon Bah & Co. as Auditors		
SPECIAL RESOLUTION 5. Proposed Adoption of New Constitution of the Company		

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 2018

No. of shares: .... Signed: ....

Representation at Meeting:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 12 November 2018 shall be eligible to attend the Meeting.
- 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.
- If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.
- 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.
- 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.
- The instrument of 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.
- Completed Form of Proxy sent through facsimile transmission shall not be accepted.

LION CORPORATION BERHAD (12890-A)
Level 14, Lion Office Tower
No. 1 Jalan Nagasari
50200 Kuala Lumpur
Wilayah Persekutuan

Tel No : +603 2142 0155
Fax No : +603 2141 3448

www.lion.com.my