LION CORPORATION BERHAD
(12890-A)

Laporan Tahunan

2019

Annual Report

CONTENTS

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the 46th Annual General Meeting of Lion Corporation Berhad ("46th AGM") will be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Thursday, 28 November 2019 at 2.00 pm for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 and the Reports of the Directors and Auditors thereon. **Note 1**

2. To approve the payment of Directors' fees amounting to RM81,000 for the financial year ended 30 June 2019 (2018: RM90,000). **Resolution 1**

3. To approve the payment of Directors' benefits of up to RM18,000 for meeting allowances for the period commencing after the 46th AGM until the next annual general meeting of the Company (2018: RM24,000). **Resolution 2**

4. To re-elect the following Directors who retire by rotation in accordance with Clause 108 of the Company's Constitution and who being eligible, have offered themselves for re-election:

   (i) Y. Bhg. Tan Sri Cheng Heng Jem **Resolution 3**
   (ii) Y. Bhg. Dato' Afifuddin bin Abdul Kadir **Resolution 4**

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

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

By Order of the Board

WONG PHOOI LIN (MAICSA 7013812)
WONG PO LENG (MAICSA 7049488)
Secretaries

Kuala Lumpur
6 November 2019

Notes:

Proxy

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 November 2019 shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(iii) If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.

(iv) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.

(v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vi) The instrument appointing a proxy shall be deposited at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting.

(vii) Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.

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

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

CORPORATE INFORMATION

Board of Directors	:	Y. Bhg. Tan Sri Cheng Heng Jem *(Chairman and Managing Director)* Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain Y. Bhg. Datuk M. Chareon Sae Tang @ Tan Whye Aun Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman Y. Bhg. Dato' Afifuddin bin Abdul Kadir
Secretaries	:	Ms Wong Phooi Lin (MAICSA 7013812) Ms Wong Po Leng (MAICSA 7049488)
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

DIRECTORS' PROFILE

Tan Sri Cheng Heng Jem
Chairman and Managing Director

Y. Bhg. Tan Sri Cheng Heng Jem, a Malaysian, male, aged 76, was appointed to the Board on 27 September 1972 and has been the Chairman since 1977 and Managing Director of the Company since 1973.

Tan Sri Cheng has more than 45 years of experience in the business operations of the Lion Group encompassing retail, branding, food and beverage, credit financing and money lending services, property development, mining, manufacturing, steel, tyre, motor, agriculture and computer industries.

Tan Sri Cheng was the President of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM") and The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI") from 2003 to 2012 and is now a Life Honorary President of ACCCIM and KLSCCCI. Tan Sri Cheng was also the President of Malaysia Retailers Association ("MRA") from August 2014 to May 2018 and in June 2018, he was appointed an Honorary President of MRA. He is a Trustee of ACCCIM's Socio-Economic Research Trust, the President of Malaysia Steel Association, and was appointed the Chairman of the Federation of Asia-Pacific Retailers Associations in October 2017.

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

- Chairman and Managing Director of Parkson Holdings Berhad, a public listed company
- Chairman of Lion Forest Industries Berhad, a public listed company
- Chairman of ACB Resources Berhad
- Chairman, a Founding Member and a Permanent Trustee of The Community Chest, a company limited by guarantee established by the private sector for charity purposes

Tan Sri Cheng has a direct shareholding of 52,175,536 ordinary shares in the Company ("LCB Share") and a deemed interest in 861,865,432 LCB Shares. In addition, he also has a deemed interest in LCB Shares by virtue of RM316,075,950 nominal value of redeemable convertible secured loan stocks with a right to convert into 63,215,190 new LCB Shares at a conversion price of RM5.00 for every new LCB Share. By virtue of his substantial interest in the Company, he is deemed to be interested in the subsidiaries of the Company, both wholly-owned and those set out on page 12 of this Annual Report.

Datuk Emam Mohd Haniff bin Emam Mohd Hussain
Director

Y. Bhg. Datuk Emam Mohd Haniff bin Emam Mohd Hussain, a Malaysian, male, aged 77, was appointed to the Board on 10 January 2003. He is also the Chairman of the Audit and Risk Management Committee of the Company.

Datuk Emam Mohd Haniff graduated with a Bachelor of Arts (Honours) degree from the University of Malaya in 1966. He had served the Malaysian Government (Foreign Service) since 1966 up to his retirement in 1997 in various capacities both at home and in Malaysian diplomatic missions overseas which included being appointed the Malaysian Ambassador to Pakistan and Ambassador to Philippines. His last position before his retirement was as the High Commissioner of Malaysia to Singapore.

Datuk Emam Mohd Haniff is also a Director of Edaran Berhad, a public listed company.

Datuk M. Chareon Sae Tang @ Tan Whye Aun
Director

Y. Bhg. Datuk M. Chareon Sae Tang @ Tan Whye Aun, a Malaysian, male, aged 80, was appointed to the Board on 4 May 1984. He is also a member of the Audit and Risk Management Committee of the Company.

Datuk Tang graduated with a Bachelor of Law from King's College, the University of London and is a Barrister-at-Law of the Inner Temple London. He has been in legal practice since 1968; first as a legal assistant in Messrs Shearn & Delamore, and later as a Partner at Messrs Chye, Chow Chung & Tang until 1976. Presently, he manages his own legal practice, Messrs C.S. Tang & Co.

Datuk Tang is also a Director of Tomei Consolidated Berhad, a public listed company, and ACB Resources Berhad, a public company.

Datuk Tang has a deemed interest in 98,180 ordinary shares in the Company.

Datuk Mohd Yusof bin Abd Rahaman
Director

Y. Bhg. Datuk Mohd Yusof bin Abd Rahaman, a Malaysian, male, aged 72, was appointed to the Board on 1 August 2007. He is also a member of the Audit and Risk Management Committee of the Company.

Datuk Mohd Yusof graduated with a Bachelor of Arts (Honours) in History from the University of Science, Penang. He had served the Royal Malaysian Police - Special Branch for 36 years in various positions including staff officer, Assistant Director and Deputy Director. He retired as the Director Special Branch on 31 December 2006, a position he held for more than 8 years. During his service with the Special Branch, Datuk Mohd Yusof had, on behalf of the Malaysian Government conducted bilateral and multi-lateral cooperation as well as joint-operations with foreign security agencies to serve the national interests of Malaysia.

Dato' Afifuddin bin Abdul Kadir
Director

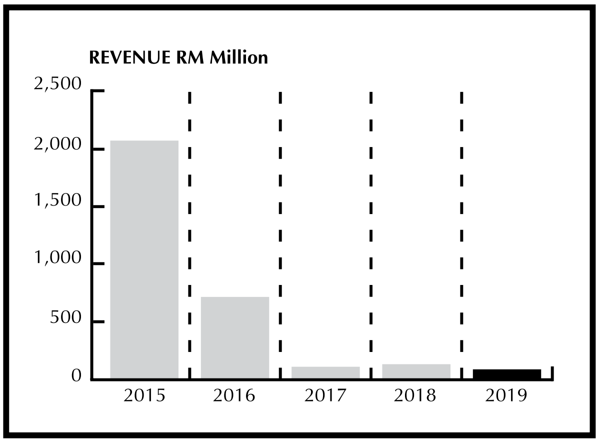
Y. Bhg. Dato' Afifuddin bin Abdul Kadir, a Malaysian, male, aged 66, was appointed to the Board on 12 November 2013. He is also a member of the Audit and Risk Management Committee of the Company.

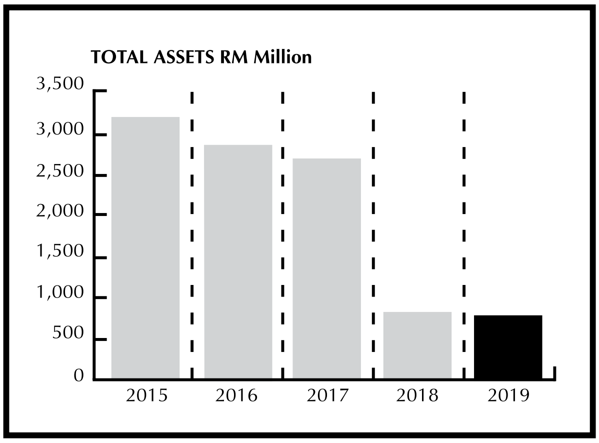
Dato' Afifuddin graduated with a Bachelor of Science in Agriculture Business from Universiti Putra Malaysia in 1979. He joined the Malaysian Investment Development Authority (MIDA) in 1979 as a Technical Professional Officer in the Industrial Studies Division and served 32 years with MIDA before his retirement in September 2011. During his tenure in MIDA, he held various senior positions in the domestic and international offices of MIDA including the Director of MIDA in Sabah, the Vice-Consul Investment/Deputy Director of MIDA in London, the Director/Economic Counsellor of MIDA in Paris, the Director/Consul Investment of MIDA in London, Director of the Electronics Industries Division, Head of the Foreign Investment Promotion Division and Deputy Director General I in June 2008, a post he held until his retirement.

Dato' Afifuddin is also a Director of Pelikan International Corporation Berhad and Power Root Berhad, both public listed companies.

5 YEARS GROUP FINANCIAL HIGHLIGHTS

Financial years ended 30 June		**2015**	**2016**	**2017**	**2018**	**2019**
Revenue	(RM'000)	2,087,508	701,779	87,167	92,432	**64,855**
Loss before tax	(RM'000)	(645,081)	(561,810)	(382,347)	(1,466,974)	**(302,098)**
Loss after tax	(RM'000)	(656,594)	(560,781)	(395,832)	(1,851,115)	**(304,935)**
Net loss attributable to owners of the Company	(RM'000)	(522,965)	(440,875)	(298,480)	(1,449,477)	**(242,813)**
Total assets	(RM'000)	3,214,144	2,842,150	2,683,160	811,645	**793,321**
Net liabilities	(RM'000)	(797,948)	(1,236,704)	(1,536,455)	(3,197,650)	**(3,455,627)**
Total borrowings	(RM'000)	1,956,802	2,021,128	2,197,022	2,340,553	**2,540,504**
Loss per share	(Sen)	(39.7)	(33.5)	(22.7)	(110.1)	**(18.4)**
Net liabilities per share	(Sen)	(62)	(95)	(118)	(244)	**(263)**





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, leasing of equipment and trading of building materials ("**Others**").

	Revenue		Operating Profit/(Loss)	
(RM Million)	**2019**	**2018**	**2019**	**2018**
Property	**32.8**	50.8	**2.4**	25.2
Furniture	**17.2**	17.7	**(0.1)**	(0.9)
Steel	**12.2**	23.7	**(15.3)**	(185.1)
Others	**2.7**	0.2	**(3.1)**	4.5
	64.9	92.4	**(16.1)**	(156.3)

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

The Group registered a lower revenue of RM64.9 million for the year under review as compared to RM92.4 million a year ago. The decline was mainly attributable to the lower contribution from the Property and Steel Divisions. Despite recording lower revenue, the Group reported a lower operating loss of RM16.1 million as compared to RM156.3 million in the previous financial year mainly due to the lower operating expenses from the Steel Division.

Property Division

The Group's sole property project 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, and adjoining the Sungai Long Golf Club. 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 lower revenue of RM32.8 million as compared to RM50.8 million in the preceding year and a lower operating profit of RM2.4 million as compared to RM25.2 million in the previous year. Higher profit in the previous year was mainly due to the reversal of property expenditure over recognised previously.

Furniture Division

The performance for the Division was relatively flat for the financial year under review as demand for steel furniture remained stagnant amidst a highly competitive market.

Despite the challenging operating environment, the Division posted RM17.2 million in revenue which was consistent with the revenue achieved in the previous year. However, with more effective cost rationalisation, lower operating loss of RM0.1 million (2018: RM0.9 million) was registered for the year under review.

Steel Division

The Division reported a lower revenue of RM12.2 million as against RM23.7 million last year. Operating loss stood at RM15.3 million as compared to RM185.1 million in the previous year. The higher operating loss in the previous year was largely attributable to losses of Megasteel Sdn Bhd ("Megasteel") which comprised mainly overhead costs (including depreciation) and inventories written down. Megasteel and its subsidiary have ceased to depreciate their property, plant and equipment following the reclassification of the property, plant and equipment to assets held for sale pursuant to the schemes of arrangement undertaken by Megasteel. Details of the schemes of arrangement are set out in Corporate Developments and Note 39(b) to the financial statements.

CORPORATE DEVELOPMENTS

On 3 July 2018, Megasteel Sdn Bhd ("Megasteel") had entered into a Memorandum of Understanding ("MOU") with Lion Industries Corporation Berhad ("LICB") for the following (of which certain terms were further varied or amended pursuant to the supplemental MOU dated 1 November 2018 and the second supplemental MOU dated 11 June 2019):

(i) proposed disposal of all encumbered fixed and floating assets of Megasteel Group as follows ("Encumbered Assets") to Cendana Aset Sdn Bhd ("Cendana Aset"), 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 Cendana Aset;

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

(ii) (a) proposed acquisition by Gelora Berkat Sdn Bhd ("Gelora Berkat"), a wholly-owned subsidiary of LICB, of a promissory note in relation to the under-secured portion debts to be issued by Megasteel to the security trustees appointed by the secured lenders of Megasteel ("Megasteel Secured Lenders") under the Secured Scheme for a cash consideration of RM8.50 million; and

(b) proposed disposal of unencumbered assets comprising 2 pieces of freehold land in Kuala Langat, State of Selangor ("Unencumbered Assets) owned by Megasteel to Gelora Berkat for a cash consideration of approximately RM21.59 million.

On 3 July 2018, Megasteel had also entered into a tri-partite agreement with Tenaga Nasional Berhad ("TNB") and Oriental Shield Sdn Bhd ("Oriental Shield"), a wholly-owned subsidiary of LICB, for the proposed supply of electricity to LICB or its nominees and settlement of TNB's entire claim against Megasteel for a cash consideration of RM35.80 million ("Tri-partite Settlement Agreement"). TNB had vide its letters dated 13 September 2018, 11 March 2019 and 11 July 2019 respectively, granted extensions of time for Megasteel and Oriental Shield to satisfy the conditions precedent as set out in the Tri-partite Settlement Agreement by 31 December 2019.

Megasteel had on 11 June 2019 obtained the approval of its shareholders for the following:

(i) Proposed disposal of the Encumbered Assets;

(ii) Proposed disposal of the Unencumbered Assets;

(iii) Proposed grant by Megasteel to Cendana Aset of an easement over a piece of freehold land in Kuala Langat, State of Selangor for access to another piece of freehold land in Kuala Langat, State of Selangor for a fixed consideration of RM550,000 ("Land E Easement"); and

(iv) Proposed capital reduction and share issuance in relation to the cancellation of all existing ordinary shares and preference shares of Megasteel and the simultaneous issuance of 100 ordinary shares at RM1.00 per share for cash to the existing Members of Megasteel proportionate to their current shareholding in Megasteel.

On 14 June 2019, Megasteel had issued an Explanatory Statement to its Scheme Creditors in connection with the proposed Schemes of Arrangement calling for the court convened meetings for its Scheme Creditors to be held on 10 July 2019 ("Court Convened Meetings").

At the Court Convened Meetings held on 10 July 2019, Megasteel had obtained the approval from the respective Megasteel Secured Lenders and unsecured creditors for the respective Secured Scheme and Unsecured Scheme ("Schemes").

Megasteel had on 7 August 2019, obtained sanction from the High Court of Malaya ("High Court") for the Secured Scheme and on 9 August 2019, obtained a validation by the High Court for the granting of the Land E Easement. Megasteel had subsequently on 10 September 2019 obtained sanction from the High Court for the Unsecured Scheme in relation to the proposed disposal of the Unencumbered Assets.

The Schemes are currently pending completion and are subject to the fulfilment of the conditions precedent, *inter alia*:

(i) the approval of the non-interested shareholders of LICB; and

(ii) the Secured Scheme becoming unconditional and fully enforceable in relation to the proposed disposal of the Unencumbered Assets.

FINANCIAL STATEMENTS

2019

For The Financial Year Ended 30 June 2019

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 2019.

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	(304,935)	(77,664)
Attributable to:		
- Owners of the Company	(242,813)	(77,664)
- Non-controlling interests	(62,122)	-
	(304,935)	(77,664)

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

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS OF THE COMPANY

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

Tan Sri Cheng Heng Jem	
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	
Tan Sri Cheng Yong Kim	(Resigned with effect from 24 July 2019)
Dr Folk Jee Yoong	(Retired on 22 November 2018)

DIRECTORS OF THE SUBSIDIARIES

The Directors of the subsidiaries in office during the financial year and up to the date of this 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 Cheng Heng Jem
Tan Sri Rafidah Aziz
Tan Sri Cheng Yong Kim
Tan Kim Kee
Wang Wing Ying

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 the Director is a member, or with a company in which the Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and its related 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the 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 the Directors in office at the end of the financial year in shares in the Company during and at the end of the financial year are as follows:

	Number of Ordinary Shares			
	As at 1.7.2018	**Additions**	**Disposals**	**As at 30.6.2019**
Direct Interests				
Tan Sri Cheng Heng Jem	52,175,536	-	-	52,175,536
Tan Sri Cheng Yong Kim	1,947,808	-	-	1,947,808
Deemed Interests				
Tan Sri Cheng Heng Jem	861,865,432	-	-	861,865,432
Tan Sri Cheng Yong Kim	54,197,365	1,389,313	-	55,586,678
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 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 1.7.2018 RM	**Additions RM**	**Disposals RM**	**As at 30.6.2019 RM**
Tan Sri Cheng Heng Jem	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") which had expired on 12 April 2019

	Number of Warrants			
	As at 1.7.2018	**Additions**	**Disposals/ Expired**	**As at 30.6.2019**
Tan Sri Cheng Heng Jem	10,169,387	-	(10,169,387)	-
Tan Sri Cheng Yong Kim	340,594	-	(340,594)	-

DIRECTORS' INTERESTS (continued)

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

Tan Sri Cheng Heng Jem

Deemed Interests

	Number of Shares			
	As at 1.7.2018	**Additions**	**Disposals**	**As at 30.6.2019**
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 1.7.2018	**Additions**	**Disposals**	**As at 30.6.2019**
Bersatu Investments Company Limited	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

(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 and 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.

QUALIFICATION ON THE FINANCIAL STATEMENTS OF SUBSIDIARIES

The particulars of the financial statements of the 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 the Directors 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 18 September 2019.

TAN SRI CHENG HENG JEM
Chairman and Managing Director

DATUK M. CHAREON SAE TANG @ TAN WHYE AUN
Director

Kuala Lumpur

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	6	**64,855**	92,432	**47**	46
Other operating income		**5,821**	63,545	**-**	328
Changes in inventories of finished goods and work-in-progress		**(13,190)**	(25,187)	**-**	-
Raw materials and consumables used		**(7,551)**	(7,144)	**-**	-
Property development expenditure		**(7,945)**	(21,772)	**-**	-
Employee benefits expenses	7	**(12,355)**	(7,342)	**(2)**	(2)
Depreciation		**(3,165)**	(140,139)	**-**	-
Inventories written down		**-**	(75,801)	**-**	-
Other operating expenses		**(41,323)**	(32,649)	**(961)**	(777)
Loss from operations	8	**(14,853)**	(154,057)	**(916)**	(405)
Finance costs	9	**(307,023)**	(276,580)	**(72,905)**	(69,054)
(Impairment losses)/Reversal of impairment losses on:					
- investment securities		**-**	(211)	**-**	-
- amount due from subsidiaries		**-**	-	**(1,346)**	(2,060)
- property, plant and equipment		**(53)**	(1,037,966)	**-**	-
- investment in subsidiaries		**-**	-	**(2,458)**	-
- assets held for sale	22	**20,439**	-	**-**	-
Share in results of associates		**(608)**	1,840	**-**	-
Loss before taxation		**(302,098)**	(1,466,974)	**(77,625)**	(71,519)
Taxation	10	**(2,837)**	(384,141)	**(39)**	(1,840)
Net loss for the financial year		**(304,935)**	(1,851,115)	**(77,664)**	(73,359)

STATEMENTS OF PROFIT OR LOSS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Attributable to:					
- Owners of the Company		**(242,813)**	(1,449,477)	**(77,664)**	(73,359)
- Non-controlling interests		**(62,122)**	(401,638)	**-**	-
Net loss for the financial year		**(304,935)**	(1,851,115)	**(77,664)**	(73,359)
Loss per share attributable to owners of the Company:	11				
- Basic (sen)		**(18.4)**	(110.1)		
- 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 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net loss for the financial year	**(304,935)**	(1,851,115)	**(77,664)**	(73,359)
Other Comprehensive Income/(Loss), net of tax				
Items that may be reclassified subsequently to profit or loss				
- Translation difference on net equity of foreign subsidiaries and other movements	**2,416**	(5,667)	**-**	-
- Share of other comprehensive loss of associates	**(1,300)**	(763)	**-**	-
Item that will not be reclassified to profit or loss				
- Financial assets at fair value through other comprehensive income	**(16,280)**	(270)	**(41)**	1
	(15,164)	(6,700)	**(41)**	1
Total comprehensive loss for the financial year	**(320,099)**	(1,857,815)	**(77,705)**	(73,358)
Attributable to:				
- Owners of the Company	**(257,977)**	(1,456,177)	**(77,705)**	(73,358)
- Non-controlling interests	**(62,122)**	(401,638)	**-**	-
	(320,099)	(1,857,815)	**(77,705)**	(73,358)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30.6.2019 RM'000	30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
ASSETS				
Non-Current Assets				
Property, plant and equipment	12	**24,458**	16,049	1,938,927
Inventories	13(a)	**26,668**	26,102	8,549
Investment in associates	15	**30,333**	35,345	35,271
Investment securities	16(a)	**1,421**	1,727	1,972
Deferred tax assets	17(a)	**-**	-	383,052
		82,880	79,223	2,367,771
Current Assets				
Inventories	13(b)	**59,913**	55,535	174,317
Investment securities	16(b)	**-**	15,585	19,700
Trade and other receivables	19	**25,613**	26,862	54,651
Contract assets	18	**65**	2,379	2,155
Tax recoverable		**3,753**	5,386	757
Deposits with financial institutions	21	**12,900**	6,959	7,689
Cash and bank balances		**49,419**	60,938	56,120
		151,663	173,644	315,389
Assets classified as held for sale	22	**558,778**	558,778	-
		710,441	732,422	315,389
TOTAL ASSETS		**793,321**	811,645	2,683,160

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2019

	Note	30.6.2019 RM'000	30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
EQUITY AND LIABILITIES				
Equity Attributable to Owners of the Company				
Share capital	23	**1,413,884**	1,413,884	1,413,884
Reserves	24	**(4,869,511)**	(4,611,534)	(2,950,339)
		(3,455,627)	(3,197,650)	(1,536,455)
Non-Controlling Interest		**(980,029)**	(917,907)	(491,325)
Total Equity		**(4,435,656)**	(4,115,557)	(2,027,780)
Non-Current Liabilities				
Preference shares	25	**111,000**	111,000	111,000
Loans and borrowings	26	**324,132**	307,677	293,294
Bonds and debts	29	**919,799**	869,178	825,359
Deferred tax liabilities	17(b)	**-**	-	1,211
Deferred liabilities	30	**-**	-	3,344
		1,354,931	1,287,855	1,234,208
Current Liabilities				
Trade and other payables	31	**2,570,470**	2,471,568	2,386,593
Contract liabilities	18	**6,999**	4,028	628
Loans and borrowings	26	**1,296,573**	1,163,698	1,078,369
Tax liabilities		**4**	53	11,142
		3,874,046	3,639,347	3,476,732
Total Liabilities		**5,228,977**	4,927,202	4,710,940
TOTAL EQUITY AND LIABILITIES		**793,321**	811,645	2,683,160

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30.6.2019 RM'000	30.6.2018 RM'000	1.7.2017 RM'000
ASSETS				
Non-Current Assets				
Investment in subsidiaries	14	**5,415**	7,873	7,873
Investment in associates	15	**-**	-	-
Investment securities	16(a)	**33**	74	73
		5,448	7,947	7,946
Current Assets				
Other receivables	19	**124**	227	227
Amount due from subsidiaries	20	**-**	13	13
Tax recoverable		**307**	635	659
Deposits with financial institutions	21	**1,713**	1,095	1,565
Cash and bank balances		**388**	543	527
		2,532	2,513	2,991
TOTAL ASSETS		**7,980**	10,460	10,937

COMPANY STATEMENT OF FINANCIAL POSITION (continued)

AS AT 30 JUNE 2019

	Note	30.6.2019 RM'000	30.6.2018 RM'000	1.7.2017 RM'000
EQUITY AND LIABILITIES				
Equity Attributable to Owners of the Company				
Share capital	23	**1,413,884**	1,413,884	1,413,884
Reserves	24	**(2,822,835)**	(2,745,130)	(2,671,772)
Total Equity		**(1,408,951)**	(1,331,246)	(1,257,888)
Non-Current Liabilities				
Loans and borrowings	26	**324,066**	307,658	293,210
Bonds and debts	29	**919,799**	869,178	825,359
		1,243,865	1,176,836	1,118,569
Current Liabilities				
Other payables	31	**20,307**	20,439	20,439
Amount due to subsidiaries	20	**152,759**	144,431	129,817
		173,066	164,870	150,256
Total Liabilities		**1,416,931**	1,341,706	1,268,825
TOTAL EQUITY AND LIABILITIES		**7,980**	10,460	10,937

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	← Attributable to Owners of the Company →					
		Non-Distributable				
	Share Capital 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 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)
At 1 July 2018	**1,413,884**	**132,276**	**(4,743,810)**	**(3,197,650)**	**(917,907)**	**(4,115,557)**
Total comprehensive loss for the financial year	**-**	**(15,164)**	**(242,813)**	**(257,977)**	**(62,122)**	**(320,099)**
Transfer of warrant reserve	**-**	**(3,673)**	**3,673**	**-**	**-**	**-**
At 30 June 2019	**1,413,884**	**113,439**	**(4,982,950)**	**(3,455,627)**	**(980,029)**	**(4,435,656)**

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Share Capital RM'000	Non-Distributable Other Reserves RM'000 (Note 24)	Accumulated Losses RM'000	Total Equity RM'000
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)
At 1 July 2018	**1,413,884**	**15,888**	**(2,761,018)**	**(1,331,246)**
Total comprehensive loss for the financial year	**-**	**(41)**	**(77,664)**	**(77,705)**
Transfer of warrant reserve	**-**	**(3,673)**	**3,673**	**-**
At 30 June 2019	**1,413,884**	**12,174**	**(2,835,009)**	**(1,408,951)**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before taxation		**(302,098)**	(1,466,974)	**(77,625)**	(71,519)
Adjustments for non-cash items and interests	36(a)	**299,896**	1,494,031	**76,900**	70,740
Operating (loss)/profit before working capital changes		**(2,202)**	27,057	**(725)**	(779)
Changes in working capital:					
Inventories		**(4,944)**	(438)	**-**	-
Receivables		**3,432**	3,595	**-**	-
Assets held for sale		**346**	-	**-**	-
Payables		**2,756**	(15,218)	**(132)**	-
Cash (used in)/generated from operations		**(612)**	14,996	**(857)**	(779)
Tax (paid)/refunded		**(1,239)**	(16,151)	**289**	(1,816)
Net cash outflow from operating activities		**(1,851)**	(1,155)	**(568)**	(2,595)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	36(b)	**(11,544)**	(66)	**-**	-
Proceeds from disposal/redemption of:					
- property, plant and equipment		**1,581**	7,451	**-**	-
- investments		**-**	3,539	**-**	-
Dividend received		**3,105**	1,033	**-**	-
Advances from subsidiaries		**-**	-	**6,995**	12,554
Interest received		**1,286**	1,388	**47**	46
Net cash (outflow)/inflow from investing activities		**(5,572)**	13,345	**7,042**	12,600

STATEMENTS OF CASH FLOWS (continued)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Redemption of bonds and debts	29	**(4,547)**	(7,921)	**(4,547)**	(7,921)
Repayment of:					
- finance lease liabilities	26	**(75)**	(92)	**-**	-
- short term borrowings (net)	26	**(431)**	(3,225)	**(1,464)**	(2,538)
Interest paid		**-**	(24)	**-**	-
Net cash outflow from financing activities		**(5,053)**	(11,262)	**(6,011)**	(10,459)
Net (decrease)/increase in cash and cash equivalents		**(12,476)**	928	**463**	(454)
Effects of changes in exchange rates		**55**	(86)	**-**	-
Cash and cash equivalents at beginning of the financial year		**15,521**	14,679	**1,638**	2,092
Cash and cash equivalents at end of the financial year	36(c)	**3,100**	15,521	**2,101**	1,638

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and the 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 18 September 2019.

2. BASIS OF PREPARATION

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

In the previous financial years, the financial statements of the Group and of the Company are prepared in accordance with Financial Reporting Standards ("FRS"). These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards* has been applied.

The accounting policies set out in Note 3 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2019, the comparative information presented in the financial statements for the financial year ended 30 June 2018 and in the preparation of the opening MFRS statement of financial position at 1 July 2017 (the date of transition to MFRS).

Comparative figures in the financial statements have been restated to give effect to the transition to MFRS and Note 40 discloses the impact of the transition to MFRS on the Group's and the Company's reported financial position and financial performance for the financial year then ended.

The financial statements of the Group and of 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.

2. BASIS OF PREPARATION (continued)

The Group reports the following conditions and events:

(i) The Group incurred a net loss attributed to the owners of the Company of RM243 million (2018: RM1,449 million) for the financial year ended 30 June 2019 and, as of that date, the Group has deficit in its total equity of RM3,456 million (2018: RM3,198 million) and the Group's current liabilities exceeded its current assets by RM3,164 million (2018: RM2,907 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).

(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.

Further details of the restraining order are disclosed in Note 39(a).

(iv) On 3 July 2018, Megasteel had entered into a Memorandum of Understanding ("MOU") with Lion Industries Corporation Berhad ("LICB") for the disposal of assets of Megasteel and its subsidiary as part of the schemes of arrangement for the secured lenders and unsecured creditors (of which certain terms were further varied or amended pursuant to the supplemental MOU dated 1 November 2018 and the second supplemental MOU dated 11 June 2019) ("Schemes of Arrangement"). Further details of the Schemes of Arrangement are disclosed in Note 39(b).

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign Currencies (continued)

(ii) Foreign Currency Transactions (continued)

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.

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:

	2019	**2018**
	RM	**RM**
1 United States Dollar ("USD")	**4.14**	4.04
1 Euro	**4.71**	4.67
1 Singapore Dollar ("SGD")	**3.06**	2.95

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue Recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(i) Revenue from Property Development

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

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

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amount collected on behalf of third parties such as sales taxes.

If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

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

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

(ii) Sale of Goods and Services

Revenue from the sale of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of goods and services taxes and discounts.

Deferred costs are recognised when the goods delivered to customers but pending installation and/or testing rendered to customers.

(iii) Rental Income

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue Recognition (continued)

(iv) Interest Income

Interest income is recognised using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(v) Dividend Income

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

(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").

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is measured 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment (continued)

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.

(g) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses recognised in respect of CGU are to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of Non-Financial Assets (continued)

Impairment losses, if any, recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investment in Associates (continued)

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.

(j) Financial Instruments

During the financial year, the Group and the Company adopted MFRS 9, *Financial Instruments* which replaced MFRS 139, *Financial Instruments: Recognition and Measurement*.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Initial Recognition and Measurement

A financial asset or a financial liability is recognised in the financial statements when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

Current Financial Year

A financial asset (unless it is a receivable without a significant financing component) or a financial liability is initially measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A trade receivable that does not contain a significant financing component, is initially measured at the transaction price.

There is no change to the accounting policy in relation to regular way purchases or sales (purchases or sales under a contract whose terms require delivery of financial assets within a time frame established by regulation or convention in the marketplace concerned).

Previous Financial Year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction costs incurred at the acquisition or issuance of the financial instrument.

Regular way purchases or sales were recognised on the trade date i.e. the date that the Group and the Company committed to purchase or sell the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(ii) Financial Instrument Categories and Subsequent Measurement

Financial Assets

Current Financial Year

The Group and the Company categorise financial instruments as follows:

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised Cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(b) Fair Value Through Other Comprehensive Income

(i) Debt Investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Equity Investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(ii) Financial Instrument Categories and Subsequent Measurement (continued)

<u>Financial Assets</u> (continued)

***<u>Current Financial Year</u>* (continued)**

(c) Fair Value Through Profit or Loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment as described in Note 3(k).

<u>Previous Financial Year</u>

The Group and the Company categorised financial instruments as follows:

(a) Financial Assets at Fair Value Through Profit or Loss

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument) or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(ii) Financial Instrument Categories and Subsequent Measurement (continued)

Financial Assets (continued)

***Previous Financial Year* (continued)**

(b) Loans and Receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale Financial Assets

Available-for-sale category comprised investment in equity and debt securities instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value cannot be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedge items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, were subject to review for impairment as described in Note 3(k).

Financial Liabilities

Current Financial Year

At initial recognition, all financial liabilities are measured at fair value through profit or loss or at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(ii) Financial Instrument Categories and Subsequent Measurement (continued)

<u>Financial Liabilities</u> (continued)

***<u>Current Financial Year</u>* (continued)**

(a) Fair Value Through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with gains or losses, including any interest expense, recognised in profit or loss.

For financial liabilities designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised that amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, and remaining amount of the change in fair value in the profit or loss.

(b) Amortised Cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses are also recognised in profit or loss.

<u>Previous Financial Year</u>

All financial liabilities were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured were measured at cost.

Other financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial Instruments (continued)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(k) Impairment of Assets

(i) Financial Assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9 *Financial Instruments* , the Group and the Company have elected not to restate the comparatives.

Current Financial Year

The Group and the Company recognise loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of Assets (continued)

(i) Financial Assets (continued)

<u>Current Financial Year</u> **(continued)**

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without resource by the Group and the Company to actions such as realising security.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, while 12 months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and the Company are exposed to credit risk.

ECLs are probability-weighted estimate of credit losses. The Group and the Company estimate the ECLs on trade receivables using a provision matrix with reference to historical credit loss experience.

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

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

<u>Previous Financial Year</u>

All financial assets (except for investments in subsidiaries, investments in associates and investments in joint ventures) were assessed at each reporting date to determine whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the financial asset’s recoverable amount was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of Assets (continued)

(i) Financial Assets (continued)

Previous Financial Year **(continued)**

If, in a subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount reversed was recognised in profit or loss.

(ii) Other Assets

The carrying amounts of other assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 at amortised cost in accordance with policy as described in Note 3(j).

(m) Inventories

(i) Properties

Inventories comprise land held for development, properties under construction and completed properties held for sales.

Inventories are measured at the lower of cost and net realisable value.

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

Land held for property development is defined as land on which development is not expected to be completed within the normal operating cycle. Usually, no significant development work would have been undertaken on these land. Accordingly, land held for property development are classified as non-current assets in the statement of financial position and are stated at cost plus incidental expenditure incurred to put the land in a condition ready for development.

Land on which development has commenced and is expected to be completed within the normal operating cycle is included in 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.

(ii) Raw Material, Finished Goods, Work-In-Progress and Others

Raw material, finished goods, work-in-progress and others are measured 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Contract Assets and Contract Liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. A contract asset is subject to impairment in accordance with MFRS 9 *Financial Instruments* (see Note 3(k)(i)).

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(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 disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by 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 disclose its existence when inflows of economic benefits are probable, but not virtually certain.

(p) 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.

(q) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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.

(s) 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.

(t) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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 year are assumed to approximate their fair values.

4. STANDARDS AND INTERPRETATIONS

As of 1 July 2018, the Group and the Company adopted the following new MFRSs and Issues Committee (“IC”) Interpretation which have been issued by the Malaysian Accounting Standards Board (“MASB”):

Effective for annual periods beginning on or after 1 January 2018:

MFRS 9 *Financial Instruments*
MFRS 15 *Revenue from Contracts with Customers*
MFRS 15 *Revenue from Contracts with Customers: Clarifications*
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The principal changes in accounting policies and their effects are set out below:

MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the cash flow characteristics and business model in which financial assets are managed. The new standard contains three classifications for financial assets measured at amortised cost, fair value through profit or loss (“FVTPL”) and fair value through other comprehensive income (“FVOCI"), and eliminates the existing MFRS 139 categories of loans and receivables, held to maturity and available for sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (“ECLs”) model. Under MFRS 9, loss allowances are measured on either 12-months ECLs or lifetime ECLs.

4. STANDARDS AND INTERPRETATIONS (continued)

MFRS 9 *Financial Instruments* (continued)

The Group and the Company have applied the requirements of MFRS 9 retrospectively with practical expedients and transitional exemptions as allowed by the standard, as follows:

(i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139; and

(ii) The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

There was no material impact on the classification and measurement recognised in relation to these financial assets and financial liabilities from the adopting of MFRS 9.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The initial application of the abovementioned pronouncements does not have any material impact to the financial statements of the Group and the Company.

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.

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

MFRS 16 *Leases*
Amendments to MFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*
Amendments to MFRS 119 *Employee Benefits: Plan Amendment, Curtailment or Settlement*
Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*
IC Interpretation 23 *Uncertainty over Income Tax Treatments*

Annual Improvements to MFRSs 2015 - 2017 Cycle
Amendments to MFRS 3 *Business Combinations: Previously Held Interest in a Joint Operation*
Amendments to MFRS 11 *Joint Arrangements: Previously Held Interest in a Joint Operation*
Amendments to MFRS 112 *Income Taxes: Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
Amendments to MFRS 123 *Borrowing Costs: Borrowing Costs Eligible for Capitalisation*

4. STANDARDS AND INTERPRETATIONS (continued)

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

Amendments to MFRS 2 *Share-based Payment*
Amendments to MFRS 3 *Business Combinations*
Amendments to MFRS 6 *Exploration for and Evaluation of Mineral Resources*
Amendments to MFRS 14 *Regulatory Deferral Accounts*
Amendments to MFRS 101 *Presentation of Financial Statements*
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
Amendments to MFRS 134 *Interim Financial Reporting*
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
Amendments to MFRS 138 *Intangible Assets*
Amendments to IC Interpretation 12 *Service Concession Arrangements*
Amendments to IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
Amendments to IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
Amendments to IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
Amendments to IC Interpretation 132 *Intangible Assets - Web Site Costs*

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

MFRS 17 *Insurance Contracts*

Deferred to a date to be determined by the MASB:

Amendments to MFRS 10 *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

MFRS 16 *Leases*

MFRS 16 specifies how an MFRSs reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

The Directors acknowledge that the application of MFRS 16 will affect how leases are being reported and disclosed in the Group's financial statements. The Group has assessed but does not expect any material impact from the adoption of MFRS 16. The Group plans to adopt the new standard on the required effective date.

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 property, plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives up to its residual value. Management reviews the residual values, useful lives and depreciation method at the end of each financial year and ensures consistencies with previous estimates and patterns of consumptions of the economic benefits that embodies the items in these assets. Changes in useful lives and residual values of property, plant and equipment may result in revision of future depreciation charges.

(ii) Impairment of Assets

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and cash-generating units ("CGUs"), and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and changes in the recoverable amounts of assets may require impairment losses.

(iii) Inventories

Inventories are measured at lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time estimate are made. The Group's core business is subject to economical changes which may cause selling prices change rapidly and the Group's net profit to change.

(iv) Impairment on Receivables

The Group recognises impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's financial positions and results.

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

Critical Accounting Estimates and Assumptions (continued)

(v) 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 these 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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue from contracts with customers: *				
Property development	**32,826**	50,817	**-**	-
Sales of goods	**29,489**	41,444	**-**	-
Registration and other professional fees	**177**	171	**-**	-
	62,492	92,432	**-**	-
Revenue from other sources:				
Rental income	**2,363**	-	**-**	-
Interest income	**-**	-	**47**	46
	2,363	-	**47**	46
	64,855	92,432	**47**	46

* Set out below is the disaggregation of the revenue from contracts with customers:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At a point in time:				
- Property development	**10,581**	29,815	**-**	-
- Sales of goods	**29,489**	41,444	**-**	-
	40,070	71,259	**-**	-
Over time:				
- Property development	**22,245**	21,002	**-**	-
- Registration and other professional fees	**177**	171	**-**	-
	22,422	21,173	**-**	-
	62,492	92,432	**-**	-

7. EMPLOYEE BENEFITS EXPENSES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, wages and bonuses	**9,984**	5,767	**2**	2
Defined contribution plans	**1,191**	8	**-**	-
Other staff related expenses	**1,180**	1,567	**-**	-
	12,355	7,342	**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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other emoluments	**166**	245	**2**	2
Defined contribution plans	**-**	14	**-**	-
	166	259	**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

Loss from operations is arrived at:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging:				
Auditors' remuneration:				
- current year	**163**	169	**42**	42
- prior year	**(1)**	17	**-**	-
Directors' remuneration (Note)	**264**	369	**100**	112
Impairment losses on receivables (net)	**131**	1,815	**103**	-
Property, plant and equipment written off	**2**	-	**-**	-
Rental of premises	**284**	722	**-**	-
Net foreign exchange loss:				
- unrealised	**12,219**	-	**135**	-
Professional fees paid to a firm in which a Director, Datuk M. Chareon Sae Tang @ Tan Whye Aun, has interest	**97**	30	**-**	-

8. LOSS FROM OPERATIONS (continued)

Loss from operations is arrived at: (continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
And crediting:				
Gain on disposal of property, plant and equipment	**1,580**	2,894	**-**	-
Interest income	**1,286**	2,208	**47**	46
Net foreign exchange gain:				
- realised	**112**	50	**-**	-
- unrealised	**-**	31,539	**-**	328
Rental income	**1,950**	1,479	**-**	-
Reversal of property expenditure over recognised previously	**-**	20,966	**-**	-

Note: The Directors' remuneration is categorised as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Director:				
- Salary and other emoluments	**166**	245	**2**	2
- Fees	**10**	10	**10**	10
- Defined contribution plans	**-**	14	**-**	-
	176	269	**12**	12
Non-Executive Directors:				
- Other emoluments	**17**	20	**17**	20
- Fees	**71**	80	**71**	80
	264	369	**100**	112

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
Executive Director:				
- RM15,000 and below	**-**	-	**1**	1
- RM150,001 - RM200,000	**1**	-	**-**	-
- RM250,001 - RM300,000	**-**	1	**-**	-
Non-Executive Directors: *				
- RM25,000 and below	**6**	6	**6**	6

* 2019: Including a Director who retired at the Annual General Meeting held on 22 November 2018.

9. FINANCE COSTS

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Interest Expenses on:				
- bonds and debts	**55,033**	52,068	**55,033**	52,068
- RCSLS	**17,872**	16,986	**17,872**	16,986
- term loans	**108,322**	91,284	**-**	-
- product financing liabilities	**6,276**	5,985	**-**	-
- bank overdrafts	**5,573**	5,726	**-**	-
- others	**113,947**	104,531	**-**	-
	307,023	276,580	**72,905**	69,054

10. TAXATION

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current Estimated Tax:				
Malaysian income tax:				
- Current year	**(2,840)**	(966)	**-**	-
- Over/(Under) provision in prior years	**3**	(1,334)	**(39)**	(1,840)
	(2,837)	(2,300)	**(39)**	(1,840)
Deferred Taxation: (Note 17)				
- Relating to origination and reversal of temporary differences	**-**	4,569	**-**	-
- Under provision in prior years	**-**	(386,410)	**-**	-
	-	(381,841)	**-**	-
Total	**(2,837)**	(384,141)	**(39)**	(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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loss before taxation	**(302,098)**	(1,466,974)	**(77,625)**	(71,519)
Tax calculated at Malaysian statutory tax rate of 24% (2018: 24%)	**72,504**	352,074	**18,630**	17,165
Income not subject to tax	**5,662**	10,675	**-**	-
Expenses not deductible for tax purposes	**(12,323)**	(289,414)	**(18,630)**	(17,165)
Deferred tax assets not recognised during the year	**(68,537)**	(70,174)	**-**	-
Tax effect of share in results of associates	**(146)**	442	**-**	-
Over/(Under) provision in prior years	**3**	(387,744)	**(39)**	(1,840)
	(2,837)	(384,141)	**(39)**	(1,840)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 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	
	2019	2018
Net loss for the financial year attributable to owners of the Company (RM'000)	**(242,813)**	(1,449,477)
Weighted average number of ordinary shares in issue ('000)	**1,316,199**	1,316,199
Basic loss per share (sen)	**(18.4)**	(110.1)

(b) Diluted

The diluted loss per share is not presented as the unexercised warrants and RCSLS has 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 and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Group						
2019						
Cost						
At 1 July 2018	27,620	29,155	8,335	979	-	66,089
Additions	121	214	25	11,270	-	11,630
Disposals	-	(700)	-	(101)	-	(801)
Written off	-	-	(3)	-	-	(3)
At 30 June 2019	27,741	28,669	8,357	12,148	-	76,915
Accumulated Depreciation						
At 1 July 2018	14,411	26,452	6,923	729	-	48,515
Charge for the year	327	260	523	2,055	-	3,165
Disposals	-	(700)	-	(100)	-	(800)
Written off	-	-	(1)	-	-	(1)
At 30 June 2019	14,738	26,012	7,445	2,684	-	50,879
Accumulated Impairment Losses						
At 1 July 2018	-	1,525	-	-	-	1,525
Charge for the year	-	-	53	-	-	53
At 30 June 2019	-	1,525	53	-	-	1,578
Net Book Value						
At 30 June 2019	13,003	1,132	859	9,464	-	24,458

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RM'000	Plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles and equipment 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
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
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
Net Book Value						
At 30 June 2018	13,209	1,178	1,412	250	-	16,049
At 1 July 2017						
- at cost	294,575	601,733	8,002	340	26,774	931,424
- at valuation	300,000	707,503	-	-	-	1,007,503
	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				
2019				
Cost				
At 1 July 2018	-	3,623	23,997	27,620
Additions	-	-	121	121
At 30 June 2019	-	3,623	24,118	27,741
Accumulated Depreciation				
At 1 July 2018	-	1,106	13,305	14,411
Charge for the year	-	40	287	327
At 30 June 2019	-	1,146	13,592	14,738
Accumulated Impairment Losses				
At 1 July 2018/ 30 June 2019	-	-	-	-
Net Book Value				
At 30 June 2019	-	2,477	10,526	13,003

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				
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
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
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	-	-	-	-
Net Book Value				
At 30 June 2018	-	2,517	10,692	13,209
At 1 July 2017				
- at cost	1,518	3,525	289,532	294,575
- at valuation	300,000	-	-	300,000
	301,518	3,525	289,532	594,575

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold land is analysed as follows:

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Long term leasehold land	**2,477**	2,517	3,525

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

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Motor vehicles	**235**	250	332

13. INVENTORIES

		Group		
		30.6.2019	**30.6.2018**	**1.7.2017**
		RM'000	**RM'000**	**RM'000**
			(Restated)	**(Restated)**
(a) Non-Current				
Land Held for Property Development	(i)	**26,668**	26,102	8,549
(b) Current				
Property Development Costs	(ii)	**13,366**	28,637	29,204
At Cost:				
Completed properties units for sale		**38,615**	19,616	30,053
Raw materials		**125**	62	718
Work-in-progress		**1,966**	1,888	1,377
Spares, supplies and consumables		**39**	39	101,936
		40,745	21,605	134,084
At Net Realisable Value:				
Raw materials		**1,950**	1,960	3,192
Finished goods		**3,852**	3,333	6,229
Spares, supplies and consumables		**-**	25,865	1,608
		5,802	31,158	11,029
		46,547	52,763	145,113
Reclassified to assets held for sale (Note 22)		**-**	(25,865)	-
		46,547	26,898	145,113
Total		**59,913**	55,535	174,317

During the year, inventories recognised as an expense in the profit or loss of the Group was RM28.7 million (2018: RM54.1 million).

The land was charged as security for the bonds and debts and RCSLS issued by the Company. Other inventories of the Group amounting to RM Nil (30.6.2018: RM25.9 million, 1.7.2017: 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 previous reporting date.

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

13. INVENTORIES (continued)

	Group 2019 RM'000	2018 RM'000 (Restated)	2017 RM'000 (Restated)
(i) Land Held for Property Development			
Freehold land, at cost			
At 1 July	**26,102**	8,549	706
Cost incurred during the financial year	**587**	6,191	-
Transfer (to)/from property development costs	**(21)**	11,362	7,843
At 30 June	**26,668**	26,102	8,549
(ii) Property Development Costs			
At 1 July			
- Freehold land	**8,592**	6,567	6,676
- Development costs	**41,211**	34,852	56,676
	49,803	41,419	63,352
Cost incurred during the financial year:			
- Freehold land	**-**	3,417	-
- Development costs	**11,673**	18,713	40,074
	11,673	22,130	40,074
Reversal of completed projects	**(23,427)**	(600)	(21,451)
Cost recognised in profit or loss:			
At 1 July	**(21,166)**	(12,215)	(16,603)
Recognised during the financial year	**(4,603)**	(9,551)	(17,063)
Reversal of completed projects	**23,406**	600	21,451
At 30 June	**(2,363)**	(21,166)	(12,215)
Transfer from/(to) land held for property development	**21**	(11,362)	(7,843)
Transfer to completed properties units for sale	**(22,341)**	(1,784)	(32,713)
At 30 June	**13,366**	28,637	29,204

14. INVESTMENT IN SUBSIDIARIES

	Company		
	30.6.2019 RM'000	30.6.2018 RM'000	1.7.2017 RM'000
Unquoted Shares			
At cost	**25,916**	25,916	25,916
Accumulated impairment losses	**(20,501)**	(20,501)	(20,501)
	5,415	5,415	5,415
Cost of investment arising from share options	**2,458**	2,458	2,458
Accumulated impairment losses	**(2,458)**	-	-
	-	2,458	2,458
	5,415	7,873	7,873

Certain investment in subsidiaries with carrying values totalling RM5.4 million (30.6.2018: RM5.4 million, 1.7.2017: 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 2019 %	2018 %	Principal Activities
LCB Harta (M) Sdn Bhd	Malaysia	**100.00**	100.00	Managing of debts novated from the Company and certain of its subsidiaries pursuant to a debt restructuring exercise undertaken by the Company 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 2019 %	2018 %	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
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
Subsidiary of Lion Construction & Engineering Sdn Bhd				
PMB Building System Sdn Bhd	Malaysia	**100.00**	100.00	Investment holding

14. INVESTMENT IN SUBSIDIARIES (continued)

The subsidiaries are as follows: (continued)

Name of Company	Country of Incorporation	Holding in Equity 2019 %	2018 %	Principal Activities
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, leasing of equipment and trading of building materials
Subsidiaries of Bright Steel Sdn Bhd				
B.A.P. Industries Sdn Bhd (Dissolved on 25 January 2019)	Malaysia	-	100.00	Ceased operations
Bright Steel Service Centre Sdn Bhd	Malaysia	**100.00**	100.00	Ceased operations
Bright Enterprise (Sdn.) Berhad (Dissolved on 25 January 2019)	Malaysia	-	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.

\# Held by Lion Com Sdn Bhd

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:

- Disclaimer of opinions on the going concern basis of accounting and carrying values of assets held for sale have 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:

	30.6.2019 RM'000	30.6.2018 RM'000	1.7.2017 RM'000
Accumulated balances of non-controlling interest:			
- Material non-controlling interest: Megasteel	**(980,029)**	(917,907)	(491,325)

	2019 RM'000	2018 RM'000
Loss allocated to non-controlling interests:		
- Material non-controlling interest: Megasteel	**(62,122)**	(401,638)

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

	Megasteel	
	2019 RM'000	2018 RM'000
Summarised Statement of Profit or Loss:		
Revenue	**-**	-
Loss for the year	**(294,210)**	(1,878,232)
Summarised Statement of Financial Position:		
Assets held for sale	**558,778**	558,778
Non-current liability	**(186,670)**	(186,670)
Current liabilities	**(5,302,771)**	(5,008,561)
Net liabilities	**(4,930,663)**	(4,636,453)
Summarised cash flows information:		
Operating	**(9,404)**	(11,436)
Investing	**1,528**	7,131
Financing	**1,033**	(687)
Net decrease in cash and cash equivalents	**(6,843)**	(4,992)

15. INVESTMENT IN ASSOCIATES

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Quoted Shares outside Malaysia			
- at cost	**95,994**	95,994	95,994
- accumulated impairment losses	**(52,457)**	(52,457)	(52,457)
	43,537	43,537	43,537
Unquoted Shares			
- at cost	**844,786**	844,786	844,786
- accumulated impairment losses	**(447,512)**	(447,512)	(447,512)
	397,274	397,274	397,274
	440,811	440,811	440,811
Share of post-acquisition results and reserves	**(410,478)**	(405,466)	(405,540)
	30,333	35,345	35,271
Market value of quoted shares:			
- quoted outside Malaysia	**31,236**	35,916	34,802
Represented by:			
Share of net assets other than goodwill	**70,122**	76,705	75,084

	Company		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Unquoted Shares			
- at cost	**1,540**	1,540	1,540
- accumulated impairment losses	**(1,540)**	(1,540)	(1,540)
	-	-	-

15. INVESTMENT IN ASSOCIATES (continued)

The associates are as follows:

Name of Company	Country of Incorporation	Holding in Equity 2019 %	2018 %	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

The summarised financial information of the associates is as follows:

	30.6.2019 RM'000	30.6.2018 RM'000	1.7.2017 RM'000
Assets			
Current assets	**248,192**	285,487	300,286
Non-current assets	**332,805**	308,951	344,194
Total assets	**580,997**	594,438	644,480
Liabilities			
Current liabilities	**(1,881,064)**	(1,807,372)	(1,863,910)
Non-current liabilities	**(8,052)**	(3,051)	(2,949)
Total liabilities	**(1,889,116)**	(1,810,423)	(1,866,859)

	2019 RM'000	2018 RM'000
Results		
Revenue	**176,524**	110,714
(Loss)/Profit for the year	**(91,120)**	49,761

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 RM751.7 million (30.6.2018: RM709.1 million, 1.7.2017: RM730.4 million) and current year's unrecognised share of loss amounted to RM42.6 million (2018: share of profit of RM21.3 million).

16. INVESTMENT SECURITIES

(a) Non-Current

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Fair Value Through Other Comprehensive Income			
- Quoted Shares in Malaysia	**458**	-	-
- Unquoted Shares	**963**	-	-
Available-for-sale Investments			
Quoted Shares in Malaysia			
- at fair value	**-**	764	1,034
Unquoted Shares			
- at cost	**-**	1,243	1,243
- accumulated impairment losses	**-**	(280)	(305)
	-	963	938
	1,421	1,727	1,972
Market value of quoted shares	**458**	764	1,034

	Company		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Fair Value Through Other Comprehensive Income			
- Quoted Shares in Malaysia	**33**	-	-
Available-for-sale Investments			
Quoted Shares in Malaysia			
- at fair value	**-**	74	73
Total	**33**	74	73
Market value of quoted shares	**33**	74	73

16. INVESTMENT SECURITIES (continued)

(b) Current

		Group		
		30.6.2019	30.6.2018	1.7.2017
		RM'000	RM'000	RM'000
Fair Value Through Other Comprehensive Income (2018: At amortised cost)				
- unquoted bonds	(c)	**-**	15,585	19,700
		-	15,585	19,700

(c) Unquoted Bonds

	Group	
	2019	2018
	RM'000	RM'000
At 1 July	**15,585**	19,700
Exchange difference	**389**	(1,159)
Accreted interest	**-**	819
Redemption during the year	**-**	(3,539)
	15,974	15,821
Impairment losses	**(15,974)**	(236)
At 30 June	**-**	15,585
Receivable within one year	**-**	(15,585)
	-	-

Investments in unquoted bonds 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 were 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	
	2019	**2018**
	RM'000	**RM'000**
At 1 July	-	381,841
Recognised in profit or loss (Note 10)	-	(381,841)
At 30 June	-	-
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	-	-
At 30 June	-	-

(a) Deferred Tax Assets of the Group

	Property, plant and equipment RM'000	**Others RM'000**	**Total RM'000**
At 1 July 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	-	-	-
At 1 July 2018/30 June 2019	-	-	-

17. DEFERRED TAXATION (continued)

(b) Deferred Tax Liabilities of the Group

	Accelerated capital allowances RM'000	Total RM'000
At 1 July 2017	(1,211)	(1,211)
Recognised in profit or loss	1,211	1,211
At 30 June 2018	-	-
At 1 July 2018/30 June 2019	**-**	**-**

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

	Group	
	2019 RM'000	**2018 RM'000**
Unused tax losses	**2,607,654**	2,325,787
Unabsorbed capital allowances	**3,053,935**	3,050,233
Unutilised reinvestment allowances	**47,154**	47,154
	5,708,743	5,423,174

The above amounts are subject to agreement with the tax authority.

As announced in the Annual Budget 2019, effective from year of assessment 2019, the unused tax losses of Malaysian entities as at 31 December 2018 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unused tax losses will be disregarded.

18. CONTRACT ASSETS/LIABILITIES

	Group		
	30.6.2019 RM'000	30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Revenue recognised to date	**68,584**	41,265	21,873
Progress billings issued to date	**(75,518)**	(42,914)	(20,346)
	(6,934)	(1,649)	1,527
Represented by:			
Contract assets	**65**	2,379	2,155
Contract liabilities	**(6,999)**	(4,028)	(628)
	(6,934)	(1,649)	1,527

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for sale of development properties. Contract assets are transferred to receivable when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received progress payment in advance from customers for sale of development properties. Contract liabilities are recognised as revenue as the Group performs under the contract.

19. TRADE AND OTHER RECEIVABLES

		Group		
		30.6.2019 RM'000	30.6.2018 RM'000 (Restated)	1.7.2017 RM'000 (Restated)
Trade receivables		**28,358**	31,733	40,532
Accumulated impairment losses	(a)	**(11,360)**	(14,276)	(14,164)
		16,998	17,457	26,368
Other receivables		**3,945**	30,501	31,601
Accumulated impairment losses	(b)	**(3,519)**	(9,922)	(8,219)
		426	20,579	23,382
Prepayments		**4,163**	4,811	154
Deposits		**4,026**	4,300	4,747
		25,613	47,147	54,651
Reclassified to assets held for sale (Note 22)		**-**	(20,285)	-
		25,613	26,862	54,651

19. TRADE AND OTHER RECEIVABLES (continued)

		Company		
		30.6.2019	**30.6.2018**	**1.7.2017**
		RM'000	**RM'000**	**RM'000**
Other receivables		**226**	226	226
Accumulated impairment losses	(c)	**(103)**	-	-
		123	226	226
Deposits		**1**	1	1
		124	227	227

Included in receivables of the Group and of the Company are related parties balances of which RM5.9 million (30.6.2018: RM0.6 million, 1.7.2017: RM1.1 million) and RM Nil (30.6.2018: RM Nil, 1.7.2017: RM Nil) respectively are in trade receivables and RM0.1 million (30.6.2018: RM0.4 million, 1.7.2017: RM0.6 million) and RM0.1 million (30.6.2018: RM0.1 million, 1.7.2017: RM0.1 million) respectively are in other receivables.

The Group’s normal trade credit terms range from 5 days to 60 days (30.6.2018: 5 days to 60 days, 1.7.2017: 5 days to 60 days). Interest on overdue trade balances are charged at a rate of 6% to 16% (30.6.2018: 6% to 16%, 1.7.2017: 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.

Ageing analysis of trade receivables

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

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Neither past due nor impaired	**8,328**	6,972	9,687
1 to 30 days past due not impaired	**4,826**	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	**3,834**	212	2,025
More than 180 days past due not impaired	**10**	51	1,546
	8,670	10,485	16,681
Impaired	**11,360**	14,276	14,164
	28,358	31,733	40,532

19. TRADE AND OTHER RECEIVABLES (continued)

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

	Group		
	2019	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**
At 1 July	**11,367**	14,164	13,031
Additions	**28**	520	1,258
Reversal	**-**	(408)	(16)
Written off	**(35)**	-	(109)
	11,360	14,276	14,164
Reclassified to assets held for sale (Note 22)	**-**	(2,909)	-
At 30 June	**11,360**	11,367	14,164

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

	Group		
	2019	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**
At 1 July	**3,416**	8,219	6,804
Additions	**103**	1,703	1,415
	3,519	9,922	8,219
Reclassified to assets held for sale (Note 22)	**-**	(6,506)	-
At 30 June	**3,519**	3,416	8,219

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

	Company		
	2019	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**
At 1 July	**-**	-	-
Additions	**103**	-	-
At 30 June	**103**	-	-

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 RM8.7 million (30.6.2018: RM10.5 million, 1.7.2017: 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 RM Nil (30.6.2018: RM20.3 million, 1.7.2017: 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 previous reporting date.

20. AMOUNT DUE FROM/TO SUBSIDIARIES

		Company	
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Amount due from subsidiaries	**1,181,185**	1,179,852	1,177,792
Accumulated impairment losses	**(1,181,185)**	(1,179,839)	(1,177,779)
	-	13	13
Amount due to subsidiaries	**152,759**	144,431	129,817

Movement of the accumulated impairment losses account is as follows:

		Company	
	2019	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**
At 1 July	**1,179,839**	1,177,779	1,173,564
Additions	**1,346**	2,060	4,215
At 30 June	**1,181,185**	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 (30.6.2018: interest free, 1.7.2017: 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 2.7% (30.6.2018: 2.8%, 1.7.2017: 2.8%) and 2.7% (30.6.2018: 3.0%, 1.7.2017: 2.9%) per annum respectively and have varying periods of between 5 days and 31 days (30.6.2018: 1 day and 27 days, 1.7.2017: 1 day and 27 days) and 7 days (30.6.2018: 3 days, 1.7.2017: 2 days) respectively.

22. ASSETS CLASSIFIED AS HELD FOR SALE

	Group		
	2019	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**
At 1 July	**558,778**	-	17,268
Property, plant and equipment *, **	**-**	510,320	(3,462)
Inventories *	**-**	25,865	-
Trade and other receivables *	**-**	20,285	-
Cash and bank balances *	**-**	2,308	-
Disposal **	**-**	-	(13,806)
Cash and bank balances changes	**(1,271)**	-	-
Receivables and inventories changes	**(19,168)**	-	-
Reversal of impairment losses	**20,439**	-	-
At 30 June	**558,778**	558,778	-

Assets classified as held for sale as at the reporting dates consist of the following:

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Property, plant and equipment	**530,745**	510,320	-
Inventories	**25,850**	25,865	-
Trade and other receivables	**1,146**	20,285	-
Cash and bank balances	**1,037**	2,308	-
	558,778	558,778	-

22. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

* On 3 July 2018, Megasteel had entered into a MOU with LICB for the following (of which certain terms were further varied or amended pursuant to the supplemental MOU dated 1 November 2018 and the second supplemental MOU dated 11 June 2019):

(i) proposed disposal of Megasteel's encumbered fixed and floating assets to Cendana Aset Sdn Bhd ("Cendana Aset"), 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 Cendana Aset; and

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

The assets were reclassified as assets held for sale at the previous reporting dates as the proposed disposals were highly probable at the previous reporting date, with management committed to a plan to dispose of the said assets. Further details of the proposed disposals are disclosed in Note 39(b).

** In the financial year 2017, 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		
	2019	**2018**	**2017**
	'000	**'000**	**'000**
Number of Ordinary Shares:			
At 1 July/30 June	**1,316,199**	1,316,199	1,316,199
	RM'000	**RM'000**	**RM'000**
Issued Share Capital:			
At 1 July	**1,413,884**	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	1,413,884

24. RESERVES

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Non-Distributable:			
Asset revaluation reserve	**56,915**	56,915	264,859
Capital reserves	**46,086**	44,606	49,038
Foreign currency translation reserve	**17,115**	17,479	19,477
Fair value adjustment reserve	**(15,667)**	613	883
Equity component of RCSLS	**8,990**	8,990	8,990
Warrant reserve	**-**	3,673	3,673
	113,439	132,276	346,920
Accumulated losses	**(4,982,950)**	(4,743,810)	(3,297,259)
	(4,869,511)	(4,611,534)	(2,950,339)

	Company		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Non-Distributable:			
Capital reserves	**3,046**	3,046	3,046
Fair value adjustment reserve	**138**	179	178
Equity component of RCSLS	**8,990**	8,990	8,990
Warrant reserve	**-**	3,673	3,673
	12,174	15,888	15,887
Accumulated losses	**(2,835,009)**	(2,761,018)	(2,687,659)
	(2,822,835)	(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 of fair value through other comprehensive income (30.6.2018 and 1.7.2017: available-for-sale financial assets).

(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. Any warrant which has not been exercised at the date of maturity will lapse and cease to be valid for any purpose.

The LCB Warrants had expired on 12 April 2019. Warrant reserve in relation to the unexercised warrants at the expiry of warrant periods is transferred to accumulated losses.

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		
	2019	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**
Preference "E" Shares			
Issued Share Capital:			
At 1 July	**11,000**	11,000	110
Transfer from share premium pursuant to Section 618(2) of the Companies Act 2016	**-**	-	10,890
At 30 June	**11,000**	11,000	11,000
Preference "G" Shares			
Issued Share Capital:			
At 1 July	**100,000**	100,000	1,000
Transfer from share premium pursuant to Section 618(2) of the Companies Act 2016	**-**	-	99,000
At 30 June	**100,000**	100,000	100,000
Total	**111,000**	111,000	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;

25. PREFERENCE SHARES (continued)

Terms of Preference "E" Shares (continued)

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

(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.

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;

25. PREFERENCE SHARES (continued)

Terms of Preference "G" Shares (continued)

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

(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;

(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

25. PREFERENCE SHARES (continued)

Terms of Preference "G" Shares (continued)

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

(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.

The Preference "G" Shares were due for redemption on 4 February 2019.

26. LOANS AND BORROWINGS

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Short Term Borrowings			
Secured:			
Syndicated Term Loans	**1,109,184**	993,143	922,022
Other term loan	**30,576**	27,730	26,603
Bills payable	**50,746**	47,009	44,818
Revolving credits	**45,781**	41,066	35,428
Bank overdrafts	**60,256**	54,684	49,130
Finance lease liabilities (Note 28)	**30**	66	93
	1,296,573	1,163,698	1,078,094
Unsecured:			
Bills payable	**-**	-	275
	1,296,573	1,163,698	1,078,369
Long Term Borrowings			
Secured:			
RCSLS (Note 27)	**324,066**	307,658	293,210
Finance lease liabilities (Note 28)	**66**	19	84
	324,132	307,677	293,294

26. LOANS AND BORROWINGS (continued)

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Total Borrowings			
RCSLS (Note 27)	**324,066**	307,658	293,210
Syndicated Term Loans (Note A)	**1,109,184**	993,143	922,022
Other term loan	**30,576**	27,730	26,603
Bills payable	**50,746**	47,009	45,093
Revolving credits	**45,781**	41,066	35,428
Bank overdrafts	**60,256**	54,684	49,130
Finance lease liabilities (Note 28)	**96**	85	177
	1,620,705	1,471,375	1,371,663

	Company		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Long Term Borrowings			
Secured:			
RCSLS (Note 27)	**324,066**	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 1.7.2018 RM'000	**Drawdown/ (Repayment) RM'000**	**Interest Accrued RM'000**	**Exchange Differences RM'000**	**As at 30.6.2019 RM'000**
RCSLS	**307,658**	**(1,464)**	**17,872**	**-**	**324,066**
Syndicated Term Loans	**993,143**	**-**	**106,509**	**9,532**	**1,109,184**
Other term loan	**27,730**	**1,033**	**1,813**	**-**	**30,576**
Bills payable	**47,009**	**-**	**3,737**	**-**	**50,746**
Revolving credits	**41,066**	**-**	**4,715**	**-**	**45,781**
	1,416,606	**(431)**	**134,646**	**9,532**	**1,560,353**
Finance lease liabilities	**85**	**11**	**-**	**-**	**96**
	1,416,691	**(420)**	**134,646**	**9,532**	**1,560,449**

26. LOANS AND BORROWINGS (continued)

Reconciliation of liabilities arising from financing liabilities of the Group (continued)

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: (continued)

	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
	1,322,356	(3,225)	115,824	(18,349)	1,416,606
Finance lease liabilities	177	(92)	-	-	85
	1,322,533	(3,317)	115,824	(18,349)	1,416,691

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

	As at 1.7.2018 RM'000	Repayment RM'000	Interest Accrued RM'000	As at 30.6.2019 RM'000
RCSLS	**307,658**	**(1,464)**	**17,872**	**324,066**

	As at 1.7.2017 RM'000	Repayment RM'000	Interest Accrued RM'000	As at 30.6.2018 RM'000
RCSLS	293,210	(2,538)	16,986	307,658

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

		Group	
	30.6.2019	**30.6.2018**	**1.7.2017**
	%	**%**	**%**
Fixed rate			
RCSLS	**5.8**	5.8	5.8
Floating rate			
Term loans	**12.0**	11.8	12.0
Bills payable	**9.7**	9.9	9.7
Revolving credits	**10.7**	11.0	10.7
Bank overdrafts	**9.5**	9.5	9.5

26. LOANS AND BORROWINGS (continued)

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

	Company		
	30.6.2019	**30.6.2018**	**1.7.2017**
	%	**%**	**%**
RCSLS	**5.8**	5.8	5.8

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		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
RM Term Loan	**504,132**	448,144	398,919
USD Term Loan	**605,052**	544,999	523,103
	1,109,184	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.

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

On 3 July 2018, Megasteel had entered into a MOU with LICB for the disposal of assets of Megasteel and its subsidiary as part of the schemes of arrangement for the secured lenders and unsecured creditors (of which certain terms were further varied or amended pursuant to the supplemental MOU dated 1 November 2018 and the second supplemental MOU dated 11 June 2019) ("Schemes of Arrangement"). Further details of the Schemes of Arrangement are disclosed in Note 39(b).

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 2019, RM476,160,000 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	
	2019	**2018**
	RM'000	**RM'000**
Liability component at 1 July	**307,658**	293,210
Interest expenses recognised during the year (Note 9)	**17,872**	16,986
Repayment during the year	**(1,464)**	(2,538)
Liability component at 30 June	**324,066**	307,658

27. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

The RCSLS are redeemable over the following periods:

	Group and Company		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Within 1 year	**-**	-	-
From 1 to 2 years	**-**	-	-
From 2 to 5 years	**66,951**	23,493	-
After 5 years	**257,115**	284,165	293,210
	324,066	307,658	293,210

Included in the RCSLS is an amount of RM291.2 million (30.6.2018: RM276.6 million, 1.7.2017: RM263.7 million) due to a related party.

28. FINANCE LEASE LIABILITIES

	Group		
	30.6.2019	**30.6.2018**	**1.7.2017**
	RM'000	**RM'000**	**RM'000**
Minimum lease payments:			
Not later than 1 year	**34**	70	105
Later than 1 year and not later than 2 years	**14**	19	70
Later than 2 years and not later than 5 years	**61**	-	19
	109	89	194
Future finance charges	**(13)**	(4)	(17)
	96	85	177
Present value of finance lease payments:			
Not later than 1 year	**30**	66	93
Later than 1 year and not later than 2 years	**12**	19	65
Later than 2 years and not later than 5 years	**54**	-	19
	96	85	177
Analysed as:			
Due within 12 months	**30**	66	93
Due after 12 months	**66**	19	84
	96	85	177

The finance lease liabilities carry interest rates at the reporting date at rates ranging from 2.5% to 3.5% (30.6.2018: 2.3% to 3.7%, 1.7.2017: 2.3% to 3.7%) per annum.

29. BONDS AND DEBTS

	Group and Company		
	30.6.2019	30.6.2018	1.7.2017
	RM'000	RM'000	RM'000
Non-Current			
Secured:			
- LCB Bonds	**914,038**	863,758	819,785
- LCB Debts	**5,761**	5,420	5,574
	919,799	869,178	825,359

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

	Group and Company		
	30.6.2019	30.6.2018	1.7.2017
	RM'000	RM'000	RM'000
Within 1 year	**-**	-	-
From 1 to 2 years	**-**	-	-
From 2 to 5 years	**168,993**	52,152	-
After 5 years	**750,806**	817,026	825,359
	919,799	869,178	825,359

Reconciliation of liabilities arising from financing liabilities of the Group and of the Company

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

	As at 1.7.2018 RM'000	Redemption RM'000	Interest Accrued RM'000	Exchange Differences RM'000	As at 30.6.2019 RM'000
LCB Bonds	**863,758**	**(4,520)**	**54,800**	**-**	**914,038**
LCB Debts	**5,420**	**(27)**	**233**	**135**	**5,761**
	869,178	**(4,547)**	**55,033**	**135**	**919,799**

	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

29. BONDS AND DEBTS (continued)

Included in the Bonds and Debts is an amount of RM870.6 million (30.6.2018: RM820.1 million, 1.7.2017: 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).

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 ("LPM")*, 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 LPM 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;

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)

(g) All rights, title and interest of the Company and Limpahjaya Sdn Bhd 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);

(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.

* LPM was disposed of on 31 December 2013. Consequent thereon, LPM is no longer a subsidiary of the Company and was excluded from LCB Scheme.

29. BONDS AND DEBTS (continued)

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Non-Current		
At 1 July	-	3,344
Benefit paid	-	-
Recognised in profit or loss	-	(3,344)
At 30 June	-	-
The amount recognised is analysed as follows:		
- Present value of unfunded defined benefit obligations	-	-
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	
	2019	**2018**
	%	**%**
Discount rate	-	-
Expected rate of salary increase	-	-

31. TRADE AND OTHER PAYABLES

	Group		
	30.6.2019	30.6.2018	1.7.2017
	RM'000	RM'000	RM'000
		(Restated)	(Restated)
Trade payables	**2,028,790**	1,976,979	1,930,674
Other payables	**348,068**	313,994	289,209
Security deposits received from customers	**11,903**	11,016	9,605
Product financing liabilities	**106,696**	100,420	96,108
Accruals	**71,130**	65,276	57,114
Project payables	**3,883**	3,883	3,883
	2,570,470	2,471,568	2,386,593

	Company		
	30.6.2019	30.6.2018	1.7.2017
	RM'000	RM'000	RM'000
Other payables	**4,140**	4,127	4,120
Accruals	**16,167**	16,312	16,319
	20,307	20,439	20,439

Included in payables of the Group and of the Company are related parties balances of which RM1,649.8 million (30.6.2018: RM1,598.3 million, 1.7.2017: RM1,479.9 million) and RM Nil (30.6.2018: RM Nil, 1.7.2017: RM Nil) respectively are in trade payables, RM86.5 million (30.6.2018: RM77.8 million, 1.7.2017: RM68.4 million) and RM4.1 million (30.6.2018: RM4.1 million, 1.7.2017: RM4.1 million) respectively are in other payables and RM79.1 million (30.6.2018: RM75.6 million, 1.7.2017: RM69.5 million) and RM Nil (30.6.2018: RM Nil, 1.7.2017: RM Nil) respectively are in product financing liabilities.

Certain of the related parties balances bear interest rates ranging from 7.9% to 9.1% (30.6.2018: 7.9% to 9.1%, 1.7.2017: 7.9% to 9.1%) per annum.

The entire security deposits received from customers bear interest rates ranging from 8.5% to 12.0% (30.6.2018: 8.5% to 12.0%, 1.7.2017: 8.5% to 12.0%) 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 8.1% to 12.0% (30.6.2018: 8.1% to 12.0%, 1.7.2017: 8.1% to 12.0%) per annum. The inventories under such arrangements are disclosed in Note 13. 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.

31. TRADE AND OTHER PAYABLES (continued)

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(a).

On 3 July 2018, Megasteel had entered into a MOU with LICB for the disposal of assets of Megasteel and its subsidiary as part of the schemes of arrangement for the secured lenders and unsecured creditors (of which certain terms were further varied or amended pursuant to the supplemental MOU dated 1 November 2018 and the second supplemental MOU dated 11 June 2019) ("Schemes of Arrangement"). Further details of the Schemes of Arrangement are disclosed in Note 39(b).

32. COMMITMENTS

Non-Cancellable Operating Lease Commitments

	Group	
	30.6.2019	**30.6.2018**
	RM'000	**RM'000**
As Lessor		
Future minimum rentals receivable:		
Not later than one year	**1,353**	1,353
Later than one year and not later than five years	**5,351**	5,375
Later than five years	**15,890**	17,218
	22,594	23,946

33. CONTINGENT LIABILITIES

	Company	
	30.6.2019	**30.6.2018**
	RM'000	**RM'000**
Guarantees in respect of loans and facilities granted to subsidiaries		
- unsecured	**100,670**	97,848

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 with such Directors and/or substantial shareholders have interests.

Significant transactions undertaken with related parties are as follows:

		Group	
		2019	**2018**
Name of Company	**Type of Transactions**	**RM'000**	**RM'000**
(i) With Lion Asiapac Limited ("LAP") Group			
Compact Energy Sdn Bhd	Rental income	**-**	120
(ii) With Other Related Parties			
Amsteel Mills Sdn Bhd	Trade sales	**273**	172
	Rental expenses	**84**	112
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**12,093**	22,380
Lion Waterway Logistics Sdn Bhd	Rental income	**187**	187
Posim Marketing Sdn Bhd	Trade sales	**48**	66
Lion DRI Sdn Bhd	Rental income	**1,142**	1,142
Lion Tin Sdn Bhd	Rental income	**3,049**	-
PM Holdings Sdn Bhd	Management fee	**2,765**	4,816
Lion Group Management Services Sdn Bhd	Management fee	**1,072**	1,128

LAP is an associate of the Company wherein a Director and certain substantial shareholders of the Company have interests.

Amsteel Mills Sdn Bhd, Amsteel Mills Marketing Sdn Bhd, Lion Waterway Logistics Sdn Bhd, Posim Marketing Sdn Bhd, PM Holdings Sdn Bhd and Lion Group Management Services Sdn Bhd are subsidiaries of Lion Industries Corporation Berhad, a substantial shareholder of the Company wherein certain Directors and a substantial shareholder 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.

Lion Tin Sdn Bhd is a company wherein certain Directors and a substantial shareholder 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, leasing of equipment and trading of building materials

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						
2019						
Revenue						
External	**32,826**	**17,172**	**12,197**	**2,660**	**-**	**64,855**
Inter-segment	**-**	**-**	**-**	**18**	**(18)**	**-**
	32,826	**17,172**	**12,197**	**2,678**	**(18)**	**64,855**
Results						
Segment results	**2,447**	**(74)**	**(15,317)**	**(3,195)**	**-**	**(16,139)**
Interest income	**1,043**	**73**	**70**	**100**	**-**	**1,286**
Loss from operations						**(14,853)**
Finance costs						**(307,023)**
Reversal of impairment losses on assets held for sale						**20,439**
Impairment losses on property, plant and equipment						**(53)**
Share in results of associates						**(608)**
Loss before taxation						**(302,098)**
Taxation						**(2,837)**
Net loss for the financial year						**(304,935)**

35. SEGMENTAL ANALYSIS (continued)

	Property RM'000	Furniture RM'000	Steel RM'000	Others RM'000	Elimination RM'000	Group RM'000
Group						
2019						
Segment assets	**146,420**	**18,119**	**575,075**	**19,621**	**-**	**759,235**
Investment in associates						**30,333**
Unallocated corporate assets						**3,753**
Consolidated total assets						**793,321**
Segment liabilities	**35,944**	**2,112**	**3,857,625**	**89,427**	**-**	**3,985,108**
Unallocated corporate liabilities						**1,243,869**
Consolidated total liabilities						**5,228,977**
Other information						
Capital expenditure	**96**	**569**	**-**	**10,965**	**-**	**11,630**
Depreciation	**33**	**357**	**817**	**1,958**	**-**	**3,165**

35. SEGMENTAL ANALYSIS (continued)

	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)
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

36. STATEMENTS OF CASH FLOWS

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gain on disposal of property, plant and equipment	**(1,580)**	(2,894)	**-**	-
Impairment losses/(Reversal of impairment losses) on:				
- investment securities	**-**	211	**-**	-
- receivables	**131**	1,815	**103**	-
- amount due from subsidiaries	**-**	-	**1,346**	2,060
- property, plant and equipment	**53**	1,037,966	**-**	-
- investment in subsidiaries	**-**	-	**2,458**	-
- assets held for sale	**(20,439)**	-	**-**	-
Interest expenses	**307,023**	276,580	**72,905**	69,054
Interest income	**(1,286)**	(2,208)	**(47)**	(46)
Inventories written down	**-**	75,801	**-**	-
Depreciation	**3,165**	140,139	**-**	-
Property, plant and equipment written off	**2**	-	**-**	-
Share in results of associates	**608**	(1,840)	**-**	-
Unrealised loss/(gain) on foreign exchange	**12,219**	(31,539)	**135**	(328)
	299,896	1,494,031	**76,900**	70,740

(b) Purchase of property, plant and equipment

	Group	
	2019	**2018**
	RM'000	**RM'000**
Aggregate cost of purchase (Note 12)	**11,630**	66
Purchase by means of hire purchase	**(86)**	-
Purchase by cash	**11,544**	66

36. STATEMENTS OF CASH FLOWS (continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**49,419**	60,938	**388**	543
Deposits with financial institutions	**12,900**	6,959	**1,713**	1,095
Bank overdrafts (Note 26)	**(60,256)**	(54,684)	**-**	-
	2,063	13,213	**2,101**	1,638
Cash and bank balances - reclassified as assets held for sale (Note 22)	**1,037**	2,308	**-**	-
	3,100	15,521	**2,101**	1,638

Cash and bank balances and deposits with financial institutions of the Group amounting to RM1.0 million (2018: RM2.3 million) are secured by way of a floating charge for borrowings as disclosed in Note 26. This amount had been reclassified as assets held for sale at the reporting dates.

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Bank balances	**23,117**	28,563

Included in bank balances of a subsidiary is an amount of RM45.0 million (2018: RM42.0 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

Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9:

(a) Financial assets measured at amortised cost (''FAAC'');
(b) Financial liabilities measured at amortised cost (''FLAC''); and
(c) Fair value through other comprehensive income ("FVOCI").

	Carrying amount RM'000	FAAC RM'000	FLAC RM'000	FVOCI RM'000
30.6.2019				
Group				
Financial Assets				
Investment securities	1,421	-	-	1,421
Trade and other receivables	21,450	21,450	-	-
Contract assets	65	65	-	-
Deposits with financial institutions	12,900	12,900	-	-
Cash and bank balances	49,419	49,419	-	-
	85,255	83,834	-	1,421
Financial Liabilities				
Trade and other payables	2,499,340	-	2,499,340	-
Contract liabilities	6,999	-	6,999	-
Loans and borrowings	1,620,705	-	1,620,705	-
Bonds and debts	919,799	-	919,799	-
	5,046,843	-	5,046,843	-
30.6.2019				
Company				
Financial Assets				
Investment securities	33	-	-	33
Other receivables	124	124	-	-
Deposits with financial institutions	1,713	1,713	-	-
Cash and bank balances	388	388	-	-
	2,258	2,225	-	33
Financial Liabilities				
Other payables	4,140	-	4,140	-
Amount due to subsidiaries	152,759	-	152,759	-
Loans and borrowings	324,066	-	324,066	-
Bonds and debts	919,799	-	919,799	-
	1,400,764	-	1,400,764	-

37. FINANCIAL INSTRUMENTS (continued)

The table below provides an analysis of financial instruments categorised under MFRS 139:

(a) Loans and receivables (‘‘L&R’’);

(b) Financial liabilities measured at amortised cost (‘‘FL’’); and

(c) Available-for-sale ("AFS").

	Carrying amount RM'000 (Restated)	L&R RM'000	FL RM'000	AFS RM'000
30.6.2018				
Group				
Financial Assets				
Investment securities	1,727	-	-	1,727
Trade and other receivables	22,051	22,051	-	-
Contract assets	2,379	2,379	-	-
Deposits with financial institutions	6,959	6,959	-	-
Cash and bank balances	60,938	60,938	-	-
	94,054	92,327	-	1,727
Financial Liabilities				
Trade and other payables	2,406,292	-	2,406,292	-
Contract liabilities	4,028	-	4,028	-
Loans and borrowings	1,471,375	-	1,471,375	-
Bonds and debts	869,178	-	869,178	-
	4,750,873	-	4,750,873	-
30.6.2018				
Company				
Financial Assets				
Investment securities	74	-	-	74
Other receivables	227	227	-	-
Amount due from subsidiaries	13	13	-	-
Deposits with financial institutions	1,095	1,095	-	-
Cash and bank balances	543	543	-	-
	1,952	1,878	-	74
Financial Liabilities				
Other payables	4,127	-	4,127	-
Amount due to subsidiaries	144,431	-	144,431	-
Loans and borrowings	307,658	-	307,658	-
Bonds and debts	869,178	-	869,178	-
	1,325,394	-	1,325,394	-

37. FINANCIAL INSTRUMENTS (continued)

The table below provides an analysis of financial instruments categorised under MFRS 139: (continued)

	Carrying amount RM'000 (Restated)	L&R RM'000	FL RM'000	AFS RM'000
1.7.2017				
Group				
Financial Assets				
Investment securities	1,972	-	-	1,972
Trade and other receivables	54,497	54,497	-	-
Contract assets	2,155	2,155	-	-
Deposits with financial institutions	7,689	7,689	-	-
Cash and bank balances	56,120	56,120	-	-
	122,433	120,461	-	1,972
Financial Liabilities				
Trade and other payables	2,329,479	-	2,329,479	-
Contract liabilities	628	-	628	-
Loans and borrowings	1,371,663	-	1,371,663	-
Bonds and debts	825,359	-	825,359	-
	4,527,129	-	4,527,129	-
1.7.2017				
Company				
Financial Assets				
Investment securities	73	-	-	73
Other receivables	227	227	-	-
Amount due from subsidiaries	13	13	-	-
Deposits with financial institutions	1,565	1,565	-	-
Cash and bank balances	527	527	-	-
	2,405	2,332	-	73
Financial Liabilities				
Other payables	4,120	-	4,120	-
Amount due to subsidiaries	129,817	-	129,817	-
Loans and borrowings	293,210	-	293,210	-
Bonds and debts	825,359	-	825,359	-
	1,252,506	-	1,252,506	-

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 is exposed to financial risk from operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk.

37. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies (continued)

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 following sections provide details regarding the Group’s exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks:

(a) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency risk.

The Group is exposed to foreign currency risk on trade and other receivables, trade and other payables, loans and borrowings and bonds and debts that are denominated in currencies other than the functional currency of the Group.

The Group does not hedge the currency risk because the amounts are short term in nature.

Carrying amounts of the Group’s exposure to foreign currency risk are as follows:

	USD RM'000	Euro RM'000	Others RM'000	Total RM'000
Group				
30.6.2019				
Trade and other receivables	**210**	**-**	**-**	**210**
Trade and other payables	**40,172**	**24,670**	**847**	**65,689**
Loans and borrowings	**605,052**	**-**	**-**	**605,052**
Bonds and debts	**5,761**	**-**	**-**	**5,761**
Company				
30.6.2019				
Bonds and debts	**5,761**	**-**	**-**	**5,761**
Group				
30.6.2018				
Trade and other receivables	741	-	-	741
Trade and other payables	38,248	23,634	818	62,700
Loans and borrowings	544,999	-	-	544,999
Bonds and debts	5,420	-	-	5,420
Company				
30.6.2018				
Bonds and debts	5,420	-	-	5,420

37. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies (continued)

(a) Foreign Currency Risk (continued)

	USD RM'000	Euro RM'000	Others RM'000	Total RM'000
Group				
1.7.2017				
Trade and other receivables	1,243	-	-	1,243
Trade and other payables	42,404	18,437	6,340	67,181
Loans and borrowings	523,103	-	-	523,103
Bonds and debts	5,574	-	-	5,574
Company				
1.7.2017				
Bonds and debts	5,574	-	-	5,574

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity of the Group's and of the Company's profit after tax for the financial year to a reasonably possible change in the USD against the functional currency of the Group and the Company, with all other variables held constant:

	Profit after tax 2019 RM'000	Profit after tax 2018 RM'000
Group		
USD/RM - strengthened 3%	**(14,838)**	(13,405)
- weakened 3%	**14,838**	13,405
Company		
USD/RM - strengthened 3%	**(131)**	(124)
- weakened 3%	**131**	124

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

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.

37. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies (continued)

(b) Interest Rate Risk (continued)

The interest rate profile of the Group's and the Company's significant interest bearing financial instruments, based on the carrying amounts as at the end of the reporting dates are as follows:

	30.6.2019 RM'000	30.6.2018 RM'000	1.7.2017 RM'000
Fixed Rate Instruments			
Group			
Financial liabilities			
Finance lease liabilities	**96**	85	177
RCSLS	**324,066**	307,658	293,210
Bonds and debts	**919,799**	869,178	825,359
Company			
Financial liabilities			
RCSLS	**324,066**	307,658	293,210
Bonds and debts	**919,799**	869,178	825,359
Floating Rate Instruments			
Group			
Financial liabilities			
Loans and borrowings (excluding RCSLS and finance lease liabilities)	**1,296,543**	1,163,632	1,078,276

Interest rate risk sensitivity analysis

Sensitivity analysis is not disclosed on fixed rate financial liabilities as fixed rate financial liabilities are not exposed to interest rate risk and are measured at amortised cost.

At the reporting date, if the interest rate of floating rate instruments had been 10 basis points lower/higher, with all other variables were held constant, the Group’s profit after tax would have been RM1 million (2018: RM1 million, 2017: RM1 million) higher/lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

37. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies (continued)

(c) Credit Risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group’s exposure to credit risk arises principally from trade and other receivables and the Company's exposure to credit risk arises primarily from loans and advances to subsidiaries and financial guarantee 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.

Receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks of the Group are minimised and monitored via strictly limiting association to business partners with high credit worthiness. The Group also has an internal credit review which is conducted if the credit risk is material. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

Concentration of credit risk

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The Group has applied the simplified approach to measure the loss allowance at lifetime ECLs. The Group determines the ECLs on these items by using a provision matrix, where applicable, estimated based on historical credit loss experience based on the past due status of the receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

(d) Liquidity Risk

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 arise 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 credit facilities.

37. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies (continued)

(d) Liquidity Risk (continued)

Analysis of financial instruments by remaining contractual maturities

The tables below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting dates based on undiscounted contractual payments:

	On demand RM'000	Within 1 year RM'000	1 to 5 years RM'000	After 5 years RM'000	Total RM'000
30.6.2019					
Group					
Trade and other payables	**2,446,243**	**53,097**	**-**	**-**	**2,499,340**
Contract liabilities	**-**	**6,999**	**-**	**-**	**6,999**
Loans and borrowings	**1,296,543**	**34**	**84,332**	**391,903**	**1,772,812**
Bonds and debts	**-**	**-**	**220,335**	**1,429,689**	**1,650,024**
	3,742,786	**60,130**	**304,667**	**1,821,592**	**5,929,175**
30.6.2019					
Company					
Other payables	**-**	**4,140**	**-**	**-**	**4,140**
Amount due to subsidiaries	**152,759**	**-**	**-**	**-**	**152,759**
Loans and borrowings	**-**	**-**	**84,257**	**391,903**	**476,160**
Bonds and debts	**-**	**-**	**220,335**	**1,429,689**	**1,650,024**
	152,759	**4,140**	**304,592**	**1,821,592**	**2,283,083**
30.6.2018					
Group					
Trade and other payables	2,353,348	52,944	-	-	2,406,292
Contract liabilities	-	4,028	-	-	4,028
Loans and borrowings	1,163,651	70	29,978	448,059	1,641,758
Bonds and debts	-	-	68,339	1,587,260	1,655,599
	3,516,999	57,042	98,317	2,035,319	5,707,677

37. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies (continued)

(d) Liquidity Risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

The tables below summarises the maturity profile of the Group's and the Company’s financial liabilities as at the end of the reporting dates based on undiscounted contractual payments: (continued)

	On demand RM'000	Within 1 year RM'000	1 to 5 years RM'000	After 5 years RM'000	Total RM'000
30.6.2018					
Company					
Other payables	-	4,127	-	-	4,127
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	4,127	98,298	2,035,319	2,282,175
1.7.2017					
Group					
Trade and other payables	2,315,057	14,422	-	-	2,329,479
Contract liabilities	-	628	-	-	628
Loans and borrowings	1,078,001	105	89	481,439	1,559,634
Bonds and debts	-	-	-	1,666,784	1,666,784
	3,393,058	15,155	89	2,148,223	5,556,525
1.7.2017					
Company					
Other payables	-	4,120	-	-	4,120
Amount due to subsidiaries	129,817	-	-	-	129,817
Loans and borrowings	-	-	-	481,439	481,439
Bonds and debts	-	-	-	1,666,784	1,666,784
	129,817	4,120	-	2,148,223	2,282,160

37. FINANCIAL INSTRUMENTS (continued)

Determination of Fair Values

(a) Financial Instrument Carried at Amortised Cost

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	Group Fair value RM'000
30.6.2019		
Financial Liability		
Finance lease liabilities	**96**	**96**
30.6.2018		
Financial Liability		
Finance lease liabilities	85	85
1.7.2017		
Financial Liability		
Finance lease liabilities	177	180

The following methods and assumptions are used to estimate the fair values of each class 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 at 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)

(b) Financial Instrument Carried at Fair Value

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**
30.6.2019				
Group				
Financial Asset				
Investments - quoted shares	**458**	**-**	**-**	**458**
- unquoted shares	**-**	**-**	**963**	**963**
30.6.2019				
Company				
Financial Asset				
Investments - quoted shares	**33**	**-**	**-**	**33**
30.6.2018				
Group				
Financial Asset				
Investments - quoted shares	764	-	-	764
- unquoted shares	-	-	963	963
30.6.2018				
Company				
Financial Asset				
Investments - quoted shares	74	-	-	74

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial Instrument Carried at Fair Value (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1.7.2017				
Group				
Financial Asset				
Investments - quoted shares	1,034	-	-	1,034
- unquoted shares	-	-	938	938

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1.7.2017				
Company				
Financial Asset				
Investments - quoted shares	73	-	-	73

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 objectives, policies or processes during the financial years ended 30 June 2019 and 2018.

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Loans and borrowings	**1,620,705**	1,471,375	**324,066**	307,658
Bonds and debts	**919,799**	869,178	**919,799**	869,178
Trade and other payables	**2,570,470**	2,471,568	**20,307**	20,439
Contract liabilities	**6,999**	4,028	**-**	-
Less: Deposits with financial institutions	**(12,900)**	(6,959)	**(1,713)**	(1,095)
Cash and bank balances	**(49,419)**	(60,938)	**(388)**	(543)
Net debt (A)	**5,055,654**	4,748,252	**1,262,071**	1,195,637
Equity attributable to owners of the Company	**(3,455,627)**	(3,197,650)	**(1,408,951)**	(1,331,246)
Capital and net debt (B)	**1,600,027**	1,550,602	**(146,880)**	(135,609)
Gearing ratio (A/B)	**316%**	306%	**N/A**	N/A

39. SIGNIFICANT EVENTS

(a) Restraining orders

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 ("5 May 2016 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, Tenaga Nasional Berhad ("TNB") and Woodgrove Investments Pte Ltd ("Woodgrove") have respectively applied to intervene and set-aside the 5 May 2016 Court Order.

Subsequently on 2 August 2016, the High Court had granted Megasteel an ad-interim extension of the 5 May 2016 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 5 May 2016 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 5 May 2016 Court Order ("TNB Application"); and

(iii) Woodgrove's application dated 14 July 2016 to intervene in these proceedings and to set-aside the 5 May 2016 Court Order.

An extension of the 5 May 2016 Court Order was applied 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 (pursuant to Section 366 of the Companies Act 2016), and a restraining order be granted (pursuant to Section 368(1) of the Companies Act 2016) for a period of 3 months 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.

39. SIGNIFICANT EVENTS (continued)

(a) Restraining orders (continued)

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.

During the case management on 15 November 2018, the High Court allowed Lion Industries Corporation Berhad's ("LICB") request for an adjournment of the hearing of LICB's application to intervene and fixed a hearing on 4 January 2019. Woodgrove's application to set aside the Fresh Restraining Order was also fixed for case management on the same day.

On 17 December 2018, during the hearing of Megasteel's application to extend the Fresh Restraining Order ("Enclosure 32"), Woodgrove objected to Enclosure 32.

On Megasteel's request, the High Court granted an ad-interim restraining order ("Ad-Interim Order") pending the disposal of Enclosure 32. The Ad-Interim Order will expire on 21 September 2019 unless a fresh restraining order is obtained.

During the hearing of LICB's application to intervene on 4 January 2019, the High Court allowed the application to intervene with costs. LICB was added as the second Respondent to the court proceedings.

On 9 July 2019, consent order was entered between Woodgrove and LICB. Woodgrove's application to set aside the Fresh Restraining Order was withdrawn and struck off with no order as to costs.

During case management on 16 July 2019, Megasteel's solicitor had updated the High Court that Megasteel's Schemes of Arrangement with its secured lenders pursuant to the Secured Scheme and unsecured creditors pursuant to the Unsecured Scheme (collectively, the "Schemes") were passed on 10 July 2019.

Megasteel had on 7 August 2019 obtained sanction from the High Court for the Secured Scheme and on 9 August 2019 obtained a validation by the High Court for the granting of the Land E Easement (as defined hereinafter). On 10 September 2019, Megasteel had obtained sanction from the High Court for the Unsecured Scheme in relation to the proposed disposal of the Unencumbered Assets (as defined hereinafter).

39. SIGNIFICANT EVENTS (continued)

(b) Schemes of Arrangement

On 3 July 2018, Megasteel had entered into a Memorandum of Understanding ("MOU") with LICB for the following (of which certain terms were further varied or amended pursuant to the supplemental MOU dated 1 November 2018 and the second supplemental MOU dated 11 June 2019):

(i) proposed disposal of all encumbered fixed and floating assets of Megasteel Group as follows ("Encumbered Assets") to Cendana Aset Sdn Bhd ("Cendana Aset"), 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 Cendana Aset;

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

(ii) (a) proposed acquisition by Gelora Berkat Sdn Bhd ("Gelora Berkat"), a wholly-owned subsidiary of LICB, of a promissory note in relation to the under-secured portion debts to be issued by Megasteel to the security trustees appointed by the secured lenders of Megasteel (“Megasteel Secured Lenders”) under the Secured Scheme for a cash consideration of RM8.50 million; and

(b) proposed disposal of unencumbered assets comprising 2 pieces of freehold land in Kuala Langat, State of Selangor (“Unencumbered Assets) owned by Megasteel to Gelora Berkat for a cash consideration of approximately RM21.59 million.

On 3 July 2018, Megasteel had also entered into a tri-partite agreement with Tenaga Nasional Berhad ("TNB") and Oriental Shield Sdn Bhd ("Oriental Shield"), a wholly-owned subsidiary of LICB, for the proposed supply of electricity to LICB or its nominees and settlement of TNB’s entire claim against Megasteel for a cash consideration of RM35.80 million ("Tri-partite Settlement Agreement"). TNB had vide its letters dated 13 September 2018, 11 March 2019 and 11 July 2019 respectively, granted extensions of time for Megasteel and Oriental Shield to satisfy the conditions precedent as set out in the Tri-partite Settlement Agreement by 31 December 2019.

Megasteel had on 11 June 2019 obtained the approval of its shareholders for the following:

(i) Proposed disposal of the Encumbered Assets;

(ii) Proposed disposal of the Unencumbered Assets;

(iii) Proposed grant by Megasteel to Cendana Aset of an easement over a piece of freehold land in Kuala Langat, State of Selangor for access to another piece of freehold land in Kuala Langat, State of Selangor for a fixed consideration of RM550,000 (“Land E Easement”); and

39. SIGNIFICANT EVENTS (continued)

(b) Schemes of Arrangement (continued)

(iv) Proposed capital reduction and share issuance in relation to the cancellation of all existing ordinary shares and preference shares of Megasteel and the simultaneous issuance of 100 ordinary shares at RM1.00 per share for cash to the existing Members of Megasteel proportionate to their current shareholding in Megasteel.

On 14 June 2019, Megasteel had issued an Explanatory Statement to its Scheme Creditors in connection with the proposed Schemes of Arrangement calling for the court convened meetings for its Scheme Creditors to be held on 10 July 2019 ("Court Convened Meetings").

At the Court Convened Meetings held on 10 July 2019, Megasteel had obtained the approval from the respective Megasteel Secured Lenders and unsecured creditors for the respective Secured Scheme and Unsecured Scheme ("Schemes").

Megasteel had on 7 August 2019, obtained sanction from the High Court for the Secured Scheme and on 9 August 2019, obtained a validation by the High Court for the granting of the Land E Easement. Megasteel had subsequently on 10 September 2019 obtained sanction from the High Court for the Unsecured Scheme in relation to the proposed disposal of the Unencumbered Assets.

The Schemes are currently pending completion and are subject to the fulfilment of the conditions precedent, *inter alia* :

(i) the approval of the non-interested shareholders of LICB; and

(ii) the Secured Scheme becoming unconditional and fully enforceable in relation to the proposed disposal of the Unencumbered Assets.

40. EXPLANATION OF TRANSITION TO MFRS

As stated in Note 2, this is the first financial statements of the Group and of the Company prepared in accordance with MFRS.

In preparing the opening statement of financial position at 1 July 2017, the Group has adjusted certain amounts reported previously in the consolidated financial statements prepared in accordance with previous FRS. An explanation of how the transition from previous FRS to MFRS has affected the Group's financial position is set out below:

(a) MFRS 15 *Revenue from Contracts with Customers*

The Group assessed expenses incurred by the Group in securing contracts with customers will now be capitalised as costs to obtain the contract. The cost to obtain contract will be amortised to profit or loss by reference to the progress towards completing the performance obligation under the contracts.

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

All of the Group's land held for property development and property development costs previously measured under FRS 201 are measured under MFRS 102 as inventories.

The financial impacts to the statement of financial position of the Group arising from the transition to the MFRS Framework are disclosed below:

	As at 30.6.2018 under FRS RM'000	Effect of Transition to MFRSs RM'000	Restated as at 30.6.2018 under MFRS RM'000
Non-Current Assets			
Land held for property development	26,102	(26,102)	-
Inventories	-	26,102	26,102
Current Assets			
Property development costs	28,637	(28,637)	-
Inventories	26,898	28,637	55,535
Trade and other receivables	29,241	(2,379)	26,862
Contract assets	-	2,379	2,379
Current Liabilities			
Trade and other payables	2,475,596	(4,028)	2,471,568
Contract liabilities	-	4,028	4,028

40. EXPLANATION OF TRANSITION TO MFRS (continued)

The financial impacts to the statement of financial position of the Group arising from the transition to the MFRS Framework are disclosed below: (continued)

	As at 1.7.2017 under FRS RM'000	Effect of Transition to MFRSs RM'000	Restated as at 1.7.2017 under MFRS RM'000
Non-Current Assets			
Land held for property development	8,549	(8,549)	-
Inventories	-	8,549	8,549
Current Assets			
Property development costs	29,204	(29,204)	-
Inventories	145,113	29,204	174,317
Trade and other receivables	56,806	(2,155)	54,651
Contract assets	-	2,155	2,155
Current Liabilities			
Trade and other payables	2,387,221	(628)	2,386,593
Contract liabilities	-	628	628

STATEMENT BY DIRECTORS

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

We, TAN SRI CHENG HENG JEM and DATUK M. CHAREON SAE TANG @ TAN WHYE AUN, 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 15 to 119 are drawn up in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 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 18 September 2019.

TAN SRI CHENG HENG JEM
Chairman and Managing Director

DATUK M. CHAREON SAE TANG @ TAN WHYE AUN
Director

Kuala Lumpur

STATUTORY DECLARATION

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

I, TAN SRI CHENG HENG JEM, 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 15 to 119 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 CHENG HENG JEM at Kuala Lumpur in the Federal Territory on 18 September 2019.

TAN SRI CHENG HENG JEM

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 2019 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 15 to 119.

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 2019, and of their financial performance and their cash flows for the year then.

Basis for Disclaimer of Opinion

We draw attention to Note 2(i) to the financial statements, which indicates that the Group incurred a net loss of RM243 million for the financial year ended 30 June 2019 and, as of that date, the Group has a deficit in its total equity of RM3,456 million and the Group's current liabilities exceeded its current assets by RM3,164 million.

As at the reporting date, Megasteel had defaulted on all of its bank borrowing obligations and had not been able to comply with the credit terms granted by its creditors.

There was no impairment assessment carried out for property, plant and equipment and inventories of Megasteel and its subsidiary ("Megasteel Group") which were classified as assets held for sale at the reporting date. We were unable to obtain sufficient and appropriate audit evidences to satisfy ourselves as to whether the carrying values of the said assets were appropriate.

As described in Note 2(iv) to the financial statements, Megasteel had entered into a Memorandum of Understanding for the disposal of assets of the Megasteel Group as part of the schemes of arrangement for the secured lenders and unsecured creditors. The recoverable amounts of the assets of the Megasteel Group are dependent on the successful implementation of these schemes.

All the above events indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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.

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 requirement 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.

Report on Other Legal and Regulatory Requirements (continued)

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 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 going concern and on the same matters in the *Basis for disclaimer of opinion* section.

Other Matters

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

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

WONG SOO THIAM
01315/12/2020 J
Chartered Accountant

Kuala Lumpur
18 September 2019

ANALYSIS OF SHAREHOLDINGS AND CONVERTIBLE SECURITIES

Issued Shares as at 27 September 2019

Total Number of Issued Shares	:	1,316,198,949
Class of Shares	:	Ordinary shares
Voting Rights	:	1 vote per ordinary share

Distribution of Shareholdings as at 27 September 2019

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	1,507	9.40	46,877	0.00
100 to 1,000	7,251	45.21	3,023,292	0.23
1,001 to 10,000	5,583	34.81	20,036,987	1.52
10,001 to 100,000	1,344	8.38	43,718,620	3.32
100,001 to less than 5% of issued shares	349	2.18	602,745,922	45.79
5% and above of issued shares	4	0.02	646,627,251	49.14
	16,038	100.00	1,316,198,949	100.00

Substantial Shareholders as at 27 September 2019

	Direct Interest		Deemed Interest		
Substantial Shareholders	No. of Shares	% of Shares	No. of Shares	% of Shares	RCSLS (RM) (1)
1. Tan Sri Cheng Heng Jem	52,175,536	3.96	861,777,027	65.47	316,075,950
2. Lion Diversified Holdings Berhad	92,366,371	7.02	355,287,002	26.99	–
3. Lion Industries Corporation Berhad	5,705,277	0.43	284,955,838	21.65	–
4. LLB Steel Industries Sdn Bhd	–	–	284,954,998	21.65	–
5. Steelcorp Sdn Bhd	–	–	284,954,998	21.65	–
6. Amsteel Mills Sdn Bhd	207,020,179	15.73	77,934,819	5.92	–

Note:

(1) Redeemable convertible secured loan stocks of nominal value RM1.00 each convertible into new ordinary shares in Lion Corporation Berhad ("LCB") at a conversion price of RM5.00 for every 1 new ordinary share in LCB ("RCSLS").

Thirty Largest Registered Shareholders as at 27 September 2019

	Registered Shareholders	No. of Shares	% of Shares
1.	Lion DRI Sdn Bhd	229,343,551	17.42
2.	Amsteel Mills Sdn Bhd	203,598,706	15.47
3.	Graimpi Sdn Bhd	125,733,851	9.55
4.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lion Diversified Holdings Berhad	87,951,143	6.68
5.	Dynamic Horizon Holdings Limited	51,914,285	3.94
6.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sims Holdings Sdn Bhd	44,147,746	3.35
7.	Cheng Heng Jem	40,461,251	3.07
8.	Antara Steel Mills Sdn Bhd	33,220,957	2.52
9.	SMS Group GMBH	21,740,630	1.65
10.	Horizon Towers Sdn Bhd	18,590,836	1.41
11.	Singa Logistics Sdn Bhd	17,678,976	1.34
12.	Tan Yu Yeh	17,549,300	1.33
13.	Lion Tooling Sdn Bhd	12,331,339	0.94
14.	Coke & Coal Products (M) Sdn Bhd	12,261,795	0.93
15.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheng Heng Jem (M09)	11,714,285	0.89
16.	Narajaya Sdn Bhd	11,025,940	0.84
17.	Posim Petroleum Marketing Sdn Bhd	10,187,456	0.77
18.	Toh Ean Hai	9,970,085	0.76
19.	Lee Kim Soon	9,541,800	0.72
20.	Compact Energy Sdn Bhd	9,445,273	0.72
21.	Sims Holdings Sdn Bhd	7,694,656	0.58
22.	Posim Marketing Sdn Bhd	7,402,157	0.56
23.	Maybank Nominees (Asing) Sdn Bhd Exempt AN for MTrustee Berhad (LCB) (419457)	7,197,361	0.55
24.	S. P. Techvance Corporation Sdn Bhd	6,739,939	0.51
25.	Tan Yu Wei	6,569,434	0.50
26.	Amanvest (M) Sdn Bhd	5,569,841	0.42
27.	Andalas Development Sdn Bhd	5,319,835	0.40
28.	Lion Industries Corporation Berhad	4,990,992	0.38
29.	William Cheng Sdn Bhd	4,620,493	0.35
30.	Lion Development (Penang) Sdn Bhd	4,150,309	0.32

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 46th Annual General Meeting of the Company to be held at the Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Thursday, 28 November 2019 at 2.00 pm and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. To approve Directors' fees		
2. To approve Directors' benefits		
3. To re-elect Y. Bhg. Tan Sri Cheng Heng Jem as Director		
4. To re-elect Y. Bhg. Dato' Afifuddin bin Abdul Kadir as Director		
5. To re-appoint Messrs Ong Boon Bah & Co. as Auditors		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand this .... day of 2019

No. of shares: ....

Signed: ....

Representation at Meeting:

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 21 November 2019 shall be eligible to attend the Meeting.

(ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than 2 proxies to attend and vote instead of him. A proxy need not be a member of the Company.

(iii) If a member appoints 2 proxies, the proportion of his shareholdings represented by each proxy must be specified.

(iv) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or the hand of an officer or attorney duly authorised.

(v) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(vi) The instrument appointing a proxy shall be deposited at the Office of the Registrar of the Company at Level 13, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan not less than 48 hours before the time for holding the Meeting.

(vii) Completed Form of Proxy sent through facsimile transmission or any electronic or digital manner shall not be accepted.

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

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