LION INDUSTRIES CORPORATION

# LION INDUSTRIES CORPORATION BERHAD

Registration No. 192401000008 (415-D)

Laporan Tahunan

# 2020

Annual Report

# CONTENTS

# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT** the 90th Annual General Meeting of Lion Industries Corporation Berhad ("90th AGM") will be held fully virtual at the Broadcast Venue, Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 25 November 2020 at 2.00 pm for the following purposes:

**AGENDA**

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 and the Reports of the Directors and Auditors thereon. **Note 1**

2. To approve the payment of Directors' fees amounting to RM325,000 for the financial year ended 30 June 2020 (2019: RM347,500). **Resolution 1**

3. To approve the payment of Directors' benefits of up to RM107,000 for the period commencing after the 90th AGM until the next annual general meeting of the Company (2019: RM103,000). **Resolution 2**

4. To re-elect the following Directors who retire by rotation in accordance with Clause 110 of the Company's Constitution and who being eligible, have offered themselves for re-election:

   (i) Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin **Resolution 3**
   (ii) Ms Cheng Hui Ya, Serena **Resolution 4**

5. To re-appoint Messrs Deloitte PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

6. Special Business

   To consider and, if thought fit, pass the following Ordinary Resolutions:

6.1 Authority to Directors to Issue Shares

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approval of all relevant authorities being obtained, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) for the time being and that such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company." **Resolution 6**

6.2 Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions

"THAT approval be and is hereby given for the renewal of the mandate granted by the Shareholders of the Company on 28 November 2019, for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations as detailed in paragraph 3.3 and with those related parties as set out in paragraph 3.2 of Part A of the Circular to Shareholders of the Company dated 27 October 2020 ("Related Parties") which has been despatched to the Shareholders of the Company, provided that such transactions are undertaken in the ordinary course of business and are on normal commercial terms which are consistent with the Group's usual business practices and policies, and on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and **Resolution 7**

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

(i) the conclusion of the next annual general meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) revoked or varied by resolution passed by the Shareholders of the Company in general meeting,

whichever is the earlier; and

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

6.3 Proposed Authority for Share Buy-Back

"THAT, subject to the Companies Act 2016, the provisions of the Constitution of the Company, the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and the approvals of all relevant authorities, the Company be and is hereby authorised to buy back such number of ordinary shares in the Company ("Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company, provided that: **Resolution 8**

(i) the aggregate number of shares bought back and/or held by the Company does not exceed 10% of the total number of issued shares of the Company at any point of time provided always that in the event the Company ceases to hold all or any part of such shares as a result of, amongst others, cancellations, re-sales, transfers and/or distributions of any of these shares so purchased, the Company shall be entitled to further purchase and/or hold such additional number of shares as shall (in aggregate with the shares then still held by the Company) not exceed 10% of the total number of issued shares of the Company; and

(ii) the maximum funds to be allocated for the share buy-back shall not exceed the retained profits of the Company, based on its latest audited financial statements available up to the date of the share buy-back transaction

(hereinafter referred to as the "Proposed Share Buy-Back"); and

THAT authority conferred by this ordinary resolution shall commence immediately upon the passing of this resolution and will only continue to be in force until:

(i) the conclusion of the next annual general meeting of the Company, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in general meeting,

whichever occurs first; and

THAT authority be and is hereby given to the Directors of the Company to decide in their absolute discretion to cancel the Shares so purchased by the Company, to retain the Shares so purchased as treasury shares, or to retain part of such Shares so purchased as treasury shares and cancel the remainder, and to distribute the treasury shares as share dividends and/or resell the treasury shares on the market of Bursa Securities or such other manner as allowed under the Companies Act 2016;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to execute all necessary documents, to give full effect to the Proposed Share Buy-Back with full power to assent to or make any modifications, variations and/or amendments as may be required by the relevant authorities or as may be deemed necessary by the Directors and to take all steps and actions as may be required by the relevant authorities and as the Directors may deem necessary and expedient to finalise, implement and give full effect to the Proposed Share Buy-Back."

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

By Order of the Board

**WONG PHOOI LIN (MAICSA 7013812)**
**SSM PC No. 202008002964**

**WONG PO LENG (MAICSA 7049488)**
**SSM PC No. 202008002973**
Secretaries

Kuala Lumpur
27 October 2020

***Notes:***

- *Proxy*

  (i) *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 18 November 2020 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 Poll Administrator of the Company for the Meeting, SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 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.*

- *In light of the COVID-19 pandemic, please refer to the Administrative Guide for the 90th AGM for registration and participation at the Meeting.*

1. *Audited Financial Statements for the financial year ended 30 June 2020*

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

2. *Circular to Shareholders dated 27 October 2020 ("Circular")*

   *Details on the following are set out in the Circular accompanying the 2020 Annual Report:*

   (i) *Part A - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions*
   (ii) *Part B - Proposed Authority for Share Buy-Back*

3. *Resolution 2*

   *The benefits payable to the Directors of up to RM107,000 for the period commencing after the 90th AGM until the next annual general meeting of the Company comprise estimated meeting allowance in respect of Directors' attendance at Board and Board Committees meetings which have been scheduled and those unscheduled, where necessary. The Board is of the view that it is just and equitable for the Directors to be paid the meeting allowance as and when incurred when they discharge their responsibilities and render their services to the Company throughout the relevant period.*

4. *Resolution 6*

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

   *As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting of the Company held on 28 November 2019 which will lapse at the conclusion of this Annual General Meeting.*

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

5. *Resolution 7*

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

6. *Resolution 8*

   *This approval will empower the Directors of the Company to purchase the Company's shares up to 10% of the total number of issued shares of the Company at any point of time. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.*

   *Details on the Proposed Authority for Share Buy-Back are set out in Part B of the Circular.*

# CORPORATE INFORMATION

| | | |
|---|---|---|
| **Board of Directors** | : | Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin<br>*(Chairman)*<br>Y. Bhg. Tan Sri Cheng Yong Kim<br>*(Managing Director)*<br>Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin<br>Y. Bhg. Dato' Nik Rahmat bin Nik Taib<br>Ms Yap Soo Har<br>Ms Cheng Hui Ya, Serena |
| **Secretaries** | : | Ms Wong Phooi Lin (MAICSA 7013812)<br>SSM PC No. 202008002964<br>Ms Wong Po Leng (MAICSA 7049488)<br>SSM PC No. 202008002973 |
| **Registration No** | : | 192401000008 (415-D) |
| **Registered Office** | : | Level 14, Lion Office Tower<br>No. 1 Jalan Nagasari<br>50200 Kuala Lumpur<br>Wilayah Persekutuan<br>Tel No : 03-21420155<br>Fax No : 03-21413448<br>Website : www.lion.com.my/lionind |
| **Share Registrar** | : | Secretarial Communications Sdn Bhd<br>Level 13, Lion Office Tower<br>No. 1 Jalan Nagasari<br>50200 Kuala Lumpur<br>Wilayah Persekutuan<br>Tel Nos : 03-21420155, 03-21418411<br>Fax No : 03-21428409 |
| **Auditors** | : | Deloitte PLT<br>Level 16, Menara LGB<br>1 Jalan Wan Kadir<br>Taman Tun Dr. Ismail<br>60000 Kuala Lumpur<br>Wilayah Persekutuan |
| **Principal Bankers** | : | Malayan Banking Berhad<br>Affin Investment Bank Berhad<br>Bank of China (Malaysia) Berhad |
| **Stock Exchange Listing** | : | Bursa Malaysia Securities Berhad ("Bursa Securities") |
| **Stock Name** | : | LIONIND |
| **Bursa Securities Stock No** | : | 4235 |
| **Reuters Code** | : | LLBM.KL |

# DIRECTORS' PROFILE

**Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin**
*Independent Non-Executive Chairman*

Y. M. Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin, a Malaysian, male, aged 67, was appointed to the Board on 29 August 2013 and has been the Chairman of the Company since 19 December 2013. He is also the Chairman of the Nomination Committee and a member of the Audit Committee of the Company.

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

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

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

Datuk Seri Raja Nong Chik has a direct shareholding of 100,000 ordinary shares and a deemed interest in 100,000 ordinary shares in the Company.

Datuk Seri Raja Nong Chik attended all 6 Board Meetings of the Company held during the financial year ended 30 June 2020.

**Tan Sri Cheng Yong Kim**
*Managing Director*

Y. Bhg. Tan Sri Cheng Yong Kim, a Singaporean, male, aged 70, was appointed the Managing Director of the Company on 16 January 1995.

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

Tan Sri Cheng is a Director of NTUC Fairprice Co-Operative Limited, Singapore. He was appointed a member of The Malaysian National Standards Committee (MyNSC) for the period from 1 January 2018 to 31 December 2020. Tan Sri Cheng was also the Chairman of the International Chamber of Commerce Malaysia from 2014 to June 2018 and is currently its Vice Chairman.

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

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

Tan Sri Cheng has a direct shareholding of 11,428,289 ordinary shares and a deemed interest in 74,745,649 ordinary shares in the Company. He also has interests in certain companies which conduct similar business with the Group in the property development sector.

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

Tan Sri Cheng attended all 6 Board Meetings of the Company held during the financial year ended 30 June 2020.

**Dato' Kamaruddin @ Abas bin Nordin**
*Non-Independent Non-Executive Director*

Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin, a Malaysian, male, aged 82, was appointed to the Board on 20 July 1994. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

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

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

Dato' Kamaruddin attended all 6 Board Meetings of the Company held during the financial year ended 30 June 2020.

**Dato' Nik Rahmat bin Nik Taib**
*Independent Non-Executive Director*

Y. Bhg. Dato' Nik Rahmat bin Nik Taib, a Malaysian, male, aged 62, was appointed to the Board on 28 February 2018. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

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

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

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

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

Dato' Nik Rahmat attended all 6 Board Meetings of the Company held during the financial year ended 30 June 2020.

**Yap Soo Har**
*Independent Non-Executive Director*

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

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

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

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

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

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

Ms Yap attended all 6 Board Meetings of the Company held during the financial year ended 30 June 2020.

**Cheng Hui Ya, Serena**
*Non-Independent Non-Executive Director*

Ms Cheng Hui Ya, Serena, a Malaysian, female, aged 34, was appointed to the Board on 23 November 2017.

Ms Serena graduated with a Higher Diploma in Multimedia Design and Technology from Hong Kong Polytechnic University in 2010 and thereafter completed her internship with a marketing company in Taiwan.

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

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

Ms Serena is also an Executive Director of Lion Posim Berhad (formerly known as Lion Forest Industries Berhad), a subsidiary of the Company, and Hy-Line Berhad.

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

Ms Serena attended all 6 Board Meetings of the Company held during the financial year ended 30 June 2020.

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

# PROFILE OF KEY SENIOR MANAGEMENT

**Pang Fook Fah, Anthony**
*Malaysian, male, 62 years of age*

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

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

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

**Dominic Lu Chin Siong**
*Malaysian, male, 61 years of age*

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

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

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

**Lee Weng Lan**
*Malaysian, male, 63 years of age*

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

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

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

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

**Wong Pak Yii, William**
*Malaysian, male, 52 years of age*

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

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

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

**Young Pey Feei**
*Malaysian, male, 60 years of age*

Mr Young Pey Feei was appointed on 14 May 2012 as the Managing Director for the Property Division responsible for the Lion Group's property development in Malaysia.

Mr Young graduated with a Bachelor of Science (Hons) (Housing, Building and Planning) degree from the University of Science Malaysia and a Master of Business Administration from the University of Malaya.

Mr Young has more than 30 years of experience in property development. Prior to joining the Lion Group, he was the Senior General Manager - Property Development of Talam Corporation Bhd and the General Manager - Property Development of WCT Land Sdn Bhd.

Mr Young is a Director of Hy-Line Berhad and certain companies within the Lion Group which are involved in property development.

**Poon Sow Har, Valerie**
*Malaysian, female, 55 years of age*

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

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

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

**Cheah Chee Ngen**
*Malaysian, male, 57 years of age*

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

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

**Cheong Chee Kheong, Tony**
*Malaysian, male, 54 years of age*

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

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

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## INTRODUCTION

The Board is pleased to present the Corporate Governance ("CG") Overview Statement of the Company for the financial year ended 30 June 2020. This CG Overview Statement is prepared pursuant to the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

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

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

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

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

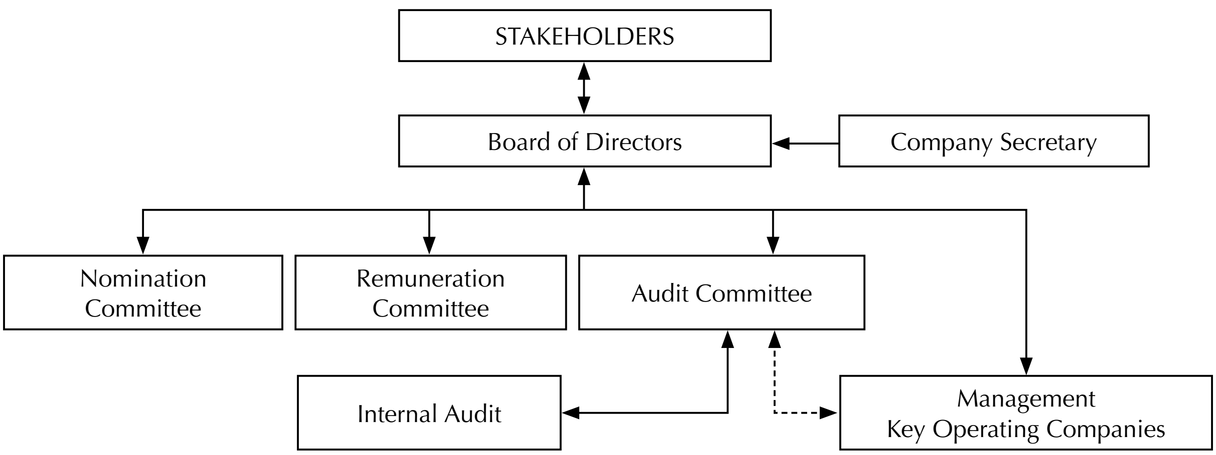
In its deliberation and review of the CG Overview Statement, the Board is satisfied that the practices set out in the MCCG apart from the practices prescribed for Large Companies as defined in the MCCG, in all material respects, have been applied to achieve the intended outcomes for the financial year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

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

The details on the extent of the application of each CG practice as set out in the MCCG including the explanation for non-adoption of or departure from the abovementioned practices, are available in the CG Report for the financial year ended 30 June 2020.

## CORPORATE GOVERNANCE FRAMEWORK

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



## BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

**Responsibilities for Leadership and Meeting Objectives and Goals**

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

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

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

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

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

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

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

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. During the financial year, 6 Board Meetings were held.

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

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

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

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

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

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

**Commitment to Good Business Conduct and Healthy Corporate Culture**

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

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

The Group has adopted and implemented the Anti-Bribery and Corruption Policy ("ABC Policy") which reflects the Group's stand of zero tolerance against all forms of bribery and corruption, and its commitment to lawful and ethical conduct at all times. The ABC Policy elaborates on the Group's core principles set out in the CoBEC and the Employee Code of Conduct, providing information and guidance to all directors, employees and other stakeholders of the Group concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.

The key policies are available on the Company's website under the section on "Governance".

## II. BOARD COMPOSITION

### Objectivity in Board Decision Making

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

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

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

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

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

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

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

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

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

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

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

A brief description of each Director's background is presented in the respective profile under Directors' Profile on pages 6 to 8 of this Annual Report.

The Nomination Committee comprises 3 members, all of whom are non-executive Directors with a majority of them being independent Directors. The Nomination Committee is chaired by an independent Director. The composition and the Terms of Reference of the Nomination Committee are presented on page 36 of this Annual Report and are available on the Company's website for reference.

**Effectiveness of the Board and Individual Directors**

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

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

Time Commitment

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

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

Directors' Training

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

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

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

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

During the financial year, the Directors had attended the following seminars, forums, talks, board visits, dialogues, workshops, breakfast roundtable, virtual conferences and training programmes ("Programmes") on topics in relation to corporate governance, business opportunities, investment and prospects in various industries and countries, risk management and internal controls, economic and regional issues, board, management, entrepreneurship and leadership, statutory and regulatory updates and requirements including the new Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment 2018) on the liability of corporations for corrupt practices which came into force on 1 June 2020, financial and accounting knowledge and updates, sustainability covering community, environment, marketplace and workplace, fraud, corruption and cybersecurity risks, technology and innovation and business/industry familiarisation:

| Name of Directors | Programme |
|---|---|
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | • Bursa Malaysia & ICDM – Corporate Governance Advocacy Programme: "Demystifying the Diversity Conundrum: The Road to Business Excellence"<br>• MIA's Directors' Dialogue with Jonathan Labrey on Integrated Reporting<br>• Bursa Malaysia & Securities Commission Malaysia – Session on Corporate Governance and Anti-Corruption |
| Tan Sri Cheng Yong Kim | • Khazanah Megatrends Forum 2019 – Building Our Collective Brain from the past to the future<br>• NTUC FairPrice Co-operative Ltd – FairPrice Board Visit to Foodfare and Kopitiam<br>• CeDR Corporate Consulting Sdn Bhd – Introduction to Corporate Liability Provision: Enforcement of Section 17A, MACC Amendment Act 2018 |
| Dato' Kamaruddin @ Abas bin Nordin | • KPMG Malaysia – Audit Committee Institute Breakfast Roundtable 2019<br>• Bursa Malaysia & ICDM – Corporate Governance Advocacy Programme: "Demystifying the Diversity Conundrum: The Road to Business Excellence"<br>• Malaysian Institute of Integrity in collaboration with the Malaysian Anti-Corruption Agency – Executive Talk on Integrity and Governance: The Corporate Liability Provision, The "Adequate Procedures" and The Implementation of the National Anti-Corruption Plan (NACP) |
| Dato' Nik Rahmat bin Nik Taib | • Bursa Malaysia Thought Leadership Series – The Convergence of Digitisation and Sustainability<br>• Bursa Malaysia – Case Study Workshop for Independent Directors - "Independent Directors: Towards Boardroom Excellence"<br>• Malaysian Institute of Integrity in collaboration with the Malaysian Anti- Corruption Agency – Executive Talk on Integrity and Governance: The Corporate Liability Provision, The "Adequate Procedures" and The Implementation of the National Anti-Corruption Plan (NACP)<br>• Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees |
| Yap Soo Har | • KPMG Malaysia – Audit Committee Institute Breakfast Roundtable 2019<br>• Bursa Malaysia Thought Leadership Series – The Convergence of Digitisation and Sustainability<br>• Malaysian Accounting Standards Board (MASB) in collaboration with the International Accounting Standards Board (IASB) – Virtual Conference: Presentation of Financial Statements - A Change for Better Comparability and Transparency of Companies' Performance Reporting |
| Cheng Hui Ya, Serena | • CeDR Corporate Consulting Sdn Bhd – Introduction to Corporate Liability Provision: Enforcement of Section 17A, MACC Amendment Act 2018 |

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

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

## III. REMUNERATION

### Level and Composition of Remuneration that Attract and Retain Talents

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

The Board delegates the oversight of the remuneration of the MD to the Remuneration Committee. The composition and the Terms of Reference of the Remuneration Committee are presented on page 37 of this Annual Report and are available on the Company's website for reference.

### Remuneration Factoring in Individual and Company's Performance

Details of the Directors' remuneration paid or payable to all Directors of the Company for the financial year ended 30 June 2020 are as follows:

**The Group**

| | Fees RM'000 | Meeting Allowance RM'000 | Salaries & Bonuses * RM'000 | Benefits-In-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Executive Director** | | | | | |
| Tan Sri Cheng Yong Kim | 35 | 8 | 818 | 239 | 1,100 |
| **Non-executive Directors** | | | | | |
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | 85 | 17 | – | – | 102 |
| Dato' Kamaruddin @ Abas bin Nordin | 55 | 17 | – | – | 72 |
| Dato' Nik Rahmat bin Nik Taib | 55 | 16 | – | – | 71 |
| Yap Soo Har | 60 | 17 | – | – | 77 |
| Cheng Hui Ya, Serena | 55 | 12 | 95 | – | 162 |
| | 345 | 87 | 913 | 239 | 1,584 |

**The Company**

| | Fees RM'000 | Meeting Allowance RM'000 | Salaries & Bonuses * RM'000 | Benefits-In-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Executive Director** | | | | | |
| Tan Sri Cheng Yong Kim | 35 | 8 | 818 | 239 | 1,100 |
| **Non-executive Directors** | | | | | |
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | 85 | 17 | – | – | 102 |
| Dato' Kamaruddin @ Abas bin Nordin | 55 | 17 | – | – | 72 |
| Dato' Nik Rahmat bin Nik Taib | 55 | 16 | – | – | 71 |
| Yap Soo Har | 60 | 17 | – | – | 77 |
| Cheng Hui Ya, Serena | 35 | 8 | – | – | 43 |
| | 325 | 83 | 818 | 239 | 1,465 |

**Note:**

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

## EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. AUDIT COMMITTEE

**Effective and Independent Audit Committee**

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

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

During the financial year, the Audit Committee comprises 4 members, 3 of whom are independent Directors and all 4 members are financially literate. The Chairman of the Audit Committee is elected among the members of the Committee who is not the Chairman of the Board. The Terms of Reference and the main works undertaken by the Audit Committee for the financial year under review are set out in the Audit Committee Report on pages 30 to 35 of this Annual Report.

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

## II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

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

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

An overview of the Board's responsibility, the state and descriptions of the key components of the Group's system of internal control which include the conduct of reviews by the Internal Audit Function, risk management and compliance management are set out in the Statement on Risk Management and Internal Control on pages 22 to 29 of this Annual Report.

### Effectiveness of Governance, Risk Management and Internal Control System

The Board has established an Internal Audit Function within the Group to provide assurance on the effectiveness of risk, control and governance processes. Oversight of the Internal Audit Function is delegated to the Audit Committee to ensure that there are sufficient resources and internal audits are carried out objectively, effectively and independently. The Internal Audit Function is led by the Group Chief Internal Auditor who reports directly to the Audit Committee. The Internal Auditors attend all meetings of the Audit Committee. The Audit Committee's review of the scope of work, budget, reports by the Internal Audit Function and the detailed description of the Internal Audit Function are provided in the Audit Committee Report on pages 34 and 35 of this Annual Report.

The Internal Audit Function discharges its duties in accordance with internationally recognised framework and guidelines as described on page 24 in the Statement on Risk Management and Internal Control and page 34 in the Audit Committee Report of this Annual Report.

## INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. COMMUNICATION WITH STAKEHOLDERS

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

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

The Company's Shareholders and members of the public may gain access to any latest corporate information of the Company on its website at www.lion.com.my/lionind which is linked to the announcements published on the website of Bursa Securities at www.bursamalaysia.com. The Company's website also provides easy access to the Company's Board Charter, Terms of Reference of Board Committees, key policies and annual reports.

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

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

### II. CONDUCT OF GENERAL MEETINGS

**Participation by Shareholders and Informed Voting Decisions**

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

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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

**Board Responsibility**

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

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

**Key Components of Internal Control System**

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

1. **Integrity and Ethical Values**

   - A Code of Business Ethics and Conduct ("CoBEC") which sets out the principles to guide employees' conduct to the highest standards of personal and corporate integrity. The CoBEC covers areas such as conflict of interest, use of company assets, confidentiality of proprietary information, acceptance of gifts and business courtesies, prohibition of kickbacks as well as provisions which cover personal data protection, competition, anti-money laundering and anti-terrorism financing. The CoBEC is published on the Company's website at www.lion.com.my/lionind.

   - A groupwide integrity framework that accentuates the Group's commitment to uphold integrity in all manner of conduct by its employees at all times in their interaction with various stakeholders, both internal and external. This framework includes Integrity & Fraud Risk Policy which interphases with many of the existing policies adopted within the Group and also addresses fraud reporting and investigation.

   - The Group has adopted and implemented the Anti-Bribery and Corruption Policy ("ABC Policy") which reflects the Group's stand of zero tolerance against all forms of bribery and corruption, and its commitment to lawful and ethical conduct at all times. The ABC Policy elaborates on the Group's core principles set out in the CoBEC and the Employee Code of Conduct, providing information and guidance to all directors, employees and other stakeholders of the Group concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.

**2. Authority and Responsibility**

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

- The Board delegates to the Managing Director ("MD"), the authority and powers of executive management of the Company and its businesses within levels of authority specified from time to time. The MD may delegate aspects of his authorities and powers but remains accountable to the Board for the Company's performance and is required to report regularly to the Board on the progress being made by the Company's business units and operations. Delegation of responsibilities and accountability by the MD further down the structure of the Group is communicated and formalised via respective operational structure and organisational chart as well as the authority matrix.

- Board Committees which are guided by respective Terms of Reference were set up to fulfil certain responsibilities delegated by the Board. These Committees assist the Board in promoting governance and accountability as well as overseeing internal controls, Board effectiveness, and nomination and remuneration of Directors and key positions:

  – Audit Committee
  – Nomination Committee
  – Remuneration Committee

- The Management of each operating company is responsible and accountable to the Senior Management, MD and the Board for implementing the frameworks, policies and procedures on risk and internal control as approved or directed by the Board.

**3. Organisation Structure**

- An operational structure and organisational chart which defines the lines of responsibility and delegation of authority together with a hierarchical structure of reporting and accountability.

- The authority matrix outlines the decision areas and the persons empowered to requisite, authorise and approve the expenditure/commitment. Delegated authority carries with it the obligation to exercise sound judgement, good business sense and accountability.

**4. Frameworks, Policies and Procedures**

- A set of Group level internal policies and procedures which is maintained centrally and accessible to employees via the intranet. The policies and procedures at both Group level and business or operational level are regularly reviewed for updates to resolve operational deficiencies and to meet new compliance requirements. Enhancement efforts to streamline local policies, guidelines or procedures at business or operational level to key Group Policies and Procedures are continuing.

- A Group Procurement/Tender Policy which provides a fairly standardised, uniform and consistent set of controls by promoting accountability, ownership and transparency. This increases the ability of the Group to develop a pool of reliable and competent vendors through proper governance, selection of appropriate procurement method and vendor management.

- A Group Personal Data Protection Framework which provides guidelines on implementation of controls in business and operations processes in meeting the requirements of data protection principles of Personal Data Protection Act 2010.

- Other key policies such as Competition Policy and Sexual Harassment Policy which complement the Group's CoBEC and ABC Policy. These policies direct the employees to behave ethically and professionally in ensuring compliance with relevant laws and creation of a conducive working environment.

- A Group Sustainability Framework and Plan which provides the roadmap to enhance Governance and the management of the material Economic, Environmental and Social risks and opportunities as well as stakeholders engagement.

**5. Planning, Monitoring and Reporting**

- An annual exercise involving all business units to prepare a comprehensive budget and business plan which includes development of business strategies and the establishment of key performance indicators against which the overall performance of the companies within the Group can be measured and evaluated.

- Review of key business variables and the monitoring of the achievements of the Group's performance on a quarterly basis by the Board and the AC.

**6. Internal Audit**

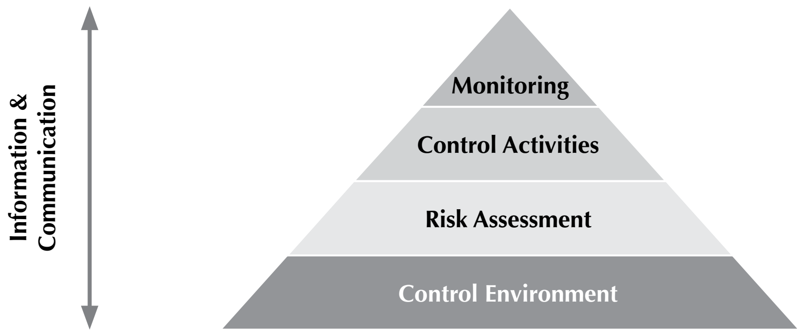
- Internal Audit Charter that is approved by the AC articulates the purpose, responsibility and authority of the GIA function as well as the nature of assurance activities provided by the function.

- Annual Audit Plan that is approved by the AC provides a basis for audit engagements which also considers feedback from the Management. The GIA adopts a risk based audit approach, assesses the selected areas under the audit scope with regard to risk exposures, compliance towards the approved policies and procedures and relevant laws and regulations and where appropriate, benchmarks against best practices in respective industry.

- Review of business processes and system of internal control and risk management by the GIA which submits its reports to the AC on a quarterly basis. The GIA also established follow-up review to monitor and to ensure that the recommendations of internal audit are effectively implemented.

- Confirmation of the effectiveness of internal control and risk assessment process by the respective Head of KOC and Head of accounts and finance of the KOC (on financial related matters) with the signing off of the Risk Management and Internal Control – Self-Assessment Questionnaire (RMIC-SAQ) on an annual basis.

- The GIA assesses and reports the adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework. The following 5 inter-related COSO components are considered during the assessment:




7. **Risk Management**

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

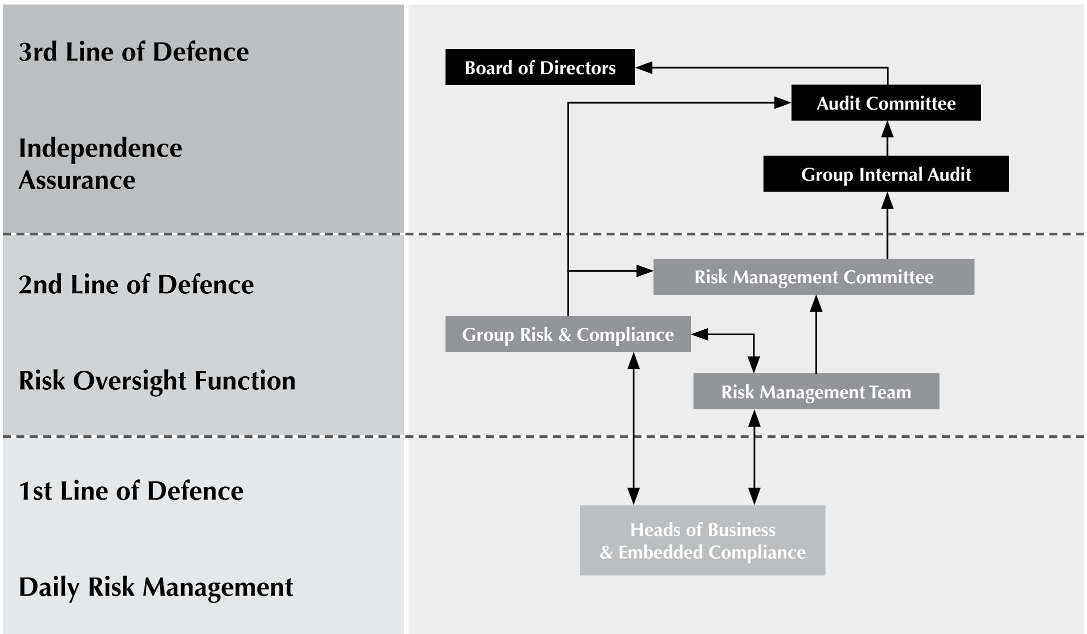
- The ERM Framework provides guidelines on the risk governance, risk management process, risk reporting and generic tools to be used by the Group. The design of the risk governance structure therein is premised on 3 lines of defence concept with clear functional responsibilities and accountabilities for the management of risk:

  – The first line of defence under the framework is found at the KOCs level where the Head of each KOC assumes the overall accountability for the respective KOC's risk management implementation. Each KOC's Heads of department would provide support to the Head of KOC and supervision of risk management practices in key processes under their respective areas of responsibilities. The Heads of KOC, in their half-yearly updates and reporting of respective CPS and Corporate Risk Scorecard ("CRS"), provided confirmation that the risk management process with regard to identification of material issues together with relevant controls and management actions have been adequately complied with.

  – The second line of defence provides oversight function via the establishment and roles vested in the KOC's Risk Management Team ("RMT") and Risk Management Committee ("RMC") both of which are supported by the Group Risk and Compliance ("GRC") department. The RMTs establish their strategy roadmap for every financial year via the CPS and identified, analysed and reported risks to the RMC and AC via the CRS. The GRC provides the reporting templates, updated tools, maintenance of Q-Radar system and facilitation or review of KOC's scorecards development or updates with KOCs' risk representatives. The RMC receives and reviews the scorecards reports from KOCs together with the AC.

  – The third line of defence is realised through the provision of objective and independent challenge by GIA with regard to the level of assurance as provided by business operations and oversight functions. The Board, through the deliberations and recommendations of the AC, sets the overall risk appetite for the Group.

- The risk management organisational structure adopted by the Group is illustrated as follows:




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

**RISK UNIVERSE**


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

**8. Compliance Management**

- Half-yearly Compliance Risk Self-Assessment (CRSA) exercises with mitigations identified to address breaches or material non-compliances.

- Joint review of existing operational practices and selected policies or procedures for possible and appropriate control enhancements. Such exercises may result in revision of relevant policies or procedures, new policies or procedures, introduction of control tools such as standard templates/forms and even development of special purpose automated process.

- A compliance programme reviewed by the AC on an annual basis addressing key compliance areas of statutory and regulatory requirements, codes and internal ethics/standards/policies and procedures. The results and status of the compliance programme were reported by the Compliance Function on a half-yearly basis to the Compliance Committee to monitor and address on-going changes and implementations in the legislative and regulatory requirements affecting the Group.

**9. Safety and Hazards Management**

- Operations and safety and hazards action plans of operating companies for business resilience and robustness in contingencies, crisis management and disaster recovery management.

- An Issues Management and Communication Policy and process established under the Corporate Communications Function to guide the handling of external communications in the event of any issue/crisis/disaster.

- Emergency Management Plan (EMP) developed for manufacturing operation includes measures for safety and security of personnel, property and facilities that mitigate the damage of potential emergency events such as fire, explosion, accident, major chemical spillage, radioactive leakage and other related incidents.

- In the wake of the COVID-19 pandemic, the Group has to ensure a safe and healthy workplace for all employees, on top of business continuity concerns. Workplace health and safety procedures and protocols as well as preventive measures to reduce the chances of infection during an outbreak are in place and communicated to employees and business associates. The implementation of the Movement Control Order by the Government required employees to Work From Home except for companies providing Essential Services, and remote working arrangements were implemented.

**10. Information and Communication Technology/Management Information System**

- A quarterly IT Steering Committee meeting is held where all IT Managers from various operating companies meet. It is a platform which enables collaboration among the operating companies, sharing of experiences and consolidation of standard IT platforms.

- A set of Group IT Policies is in place to govern the operations of IT within the Group. Due to the diversity of businesses, each operating company has its own set of IT Policy adopting the standard Group IT Policy wherever possible and adding policies that are peculiar to the business they are in.

- The Group Human Resources Management System runs off a cloud infrastructure where a single system is used across the Lion Group of Companies. Cloud infrastructure is hosted offsite to protect the sensitivity of data and is supported by a hot Disaster Recovery site to enable quick recovery of data in the event of data losses. An annual Disaster Recovery test is carried out to ensure service quality as per agreed service level agreement.

- As part of Lion Group's Cyber Security strategy, the Group has issued cyber security guidelines and related policies to be adopted by all its operating companies.

**11. Insurance**

- An insurance programme to safeguard major assets against financial loss resulting from property damage, machinery breakdown, business interruption and general liability, which is reviewed annually.

- A yearly exercise to ensure the adequacy and renewal of the Group's Directors' and Officers' Liability insurance.

**12. Whistle-Blowing**

- A Whistleblower Policy which provides the channels to report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. The implementation of this policy enables the Group to address such concerns that may adversely affect the reputation and interests of the Group more effectively.

- The oversight by the Board and its engagement with the Management in the handling of reported wrongdoings are also set out in the Integrity & Fraud Risk Policy.

**Risk Management Process**

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

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

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

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

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

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

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

**Conclusion**

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

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

**Review by External Auditors**

The External Auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scopes set out in Audit and Assurance Practice Guide 3 ("AAPG 3"): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the financial year ended 30 June 2020, and reported to the Board that nothing has come to their attention that has caused them to believe the Statement on Risk Management and Internal Control intended to be included in the Annual Report has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, Corporate Disclosure Guide and Corporate Governance Guide (3rd Edition), nor is the Statement factually inaccurate.

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

# AUDIT COMMITTEE REPORT

## COMPOSITION

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

- **Members**

  Ms Yap Soo Har
  *(Chairman, Independent Non-Executive Director)*

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

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

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

  The respective profiles of the members are set out under Directors' Profile in the Annual Report.

- **Secretaries**

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

- **Membership**

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

  None of the members of the Audit Committee was a former key audit partner of the External Auditors of the Group.

- **Meetings and Minutes**

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

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

## TERMS OF REFERENCE

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

**ACTIVITIES FOR THE FINANCIAL YEAR**

During the financial year under review, 5 Audit Committee Meetings were held at which full attendance were recorded for all the members.

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

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

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

- **Financial Results**

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

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

- **Internal Audit**

  (a) Reviewed and approved the annual audit plan to ensure adequate scope and coverage on the activities of the Group, taking into consideration the assessment of key risk areas and ensured that key and high risk areas were audited annually.

  (b) Reviewed the effectiveness of audit programmes, and the adequacy and suitability of the resource requirements and skill levels of the Internal Auditors for the year and assessed the performance of the Internal Audit Function.

  (c) Reviewed the internal audit reports, audit recommendations made and Management's response and actions taken to improve the system of internal control and procedures. Where appropriate, the Audit Committee had directed Management to rectify and improve control procedures and workflow processes based on the Internal Auditors' recommendations and suggestions for improvement.

  Audit approach had been added in areas with weaknesses in control as revealed by the Internal Auditors during their previous annual audit reviews, and areas for critical processes that may be affected by the Movement Control Order ("MCO") imposed by the Malaysian Government to curb the spread of COVID-19.

  (d) Monitored the implementation of the audit recommendations to ensure that all key risks and controls had been addressed.

  (e) Reviewed the risk and control profile changes of the annual Risk Management and Internal Control – Self-Assessment ratings submitted by the respective operations management. The Internal Auditors had validated the ratings during their audit review, and adjustments to the ratings, if any, had been made accordingly and reported to the Audit Committee.

(f) Reviewed recurrent related party transactions of a revenue or trading nature reports on a quarterly basis for compliance with the review procedures outlined in the Shareholders' Mandate and ensured that the transactions were undertaken on an arm's length basis and on normal commercial terms which were consistent with the Group's usual business practices and policies, and on terms not more favourable to the related parties than those generally available to the public and were not to the detriment of the minority shareholders.

All recurrent related party transactions of a revenue or trading nature undertaken were in compliance with the Listing Requirements and the Group's policies and procedures as well as the Shareholders' Mandate.

(g) Reviewed the results of investigative audit reports on internal misconduct and irregularities within the Group tabled during the year and ensured appropriate remedial actions/measures were taken. Additional internal control components for better control over areas of weaknesses discovered during the investigative audit had been included in the RMIC-SAQ to ensure that the operating companies level of internal control was adequately assessed and disclosed.

(h) Reviewed the Statement on Risk Management and Internal Control which provided an overview of the state of internal controls within the Group prior to the Board's approval for inclusion in the Annual Report. The Statement on Risk Management and Internal Control which had been reviewed by the External Auditors is set out on pages 22 to 29 of this Annual Report.

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

(i) Reviewed the Group Compliance Framework for the financial year under review with regard to the scope of activities and their progress as set out in the Compliance Program/Work Plan set out for the financial year.

(j) Approved a budget of RM521,000 for the Internal Audit Function to effectively carry out its audit plan for the financial year ended 30 June 2020.

(k) Approved the Audit Committee Report and recommended the same for Board's approval for inclusion in the Annual Report.

- **External Audit**

(a) Reviewed and discussed with External Auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB, and regulating requirements applicable to the Group; and the processes and controls in place to ensure effective and efficient financial reporting and disclosures under the financial reporting standards.

(b) Reviewed and discussed with External Auditors the results of the audit and the audit report in particular, significant accounting matters arising from the external audit and their opinion on the financial statements of the Group and of the Company.

(c) Reviewed with External Auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal and accounting controls together with Management's response to the findings of the External Auditors and ensured where appropriate, that necessary corrective actions had been taken by Management.

(d) Evaluated the performance and assessed the suitability, objectivity and independence of the External Auditors during the year in accordance with the policies and procedures in place, vide a set of questionnaires covering the calibre of the external audit firm; quality of processes and performance; skills and expertise including industrial knowledge; independence and objectivity; audit scope and planning; audit fees; and their communications with the Audit Committee. The Audit Committee had received from the External Auditors written confirmation on their independence which disclosed their policies on independence, safeguards and procedures to address threats or perceived threats to their independence and objectivity, and that they were in compliance with the independence requirements set out in the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

(e) Having satisfied with the performance and the assessment on the External Auditors' suitability, objectivity and independence, recommended to the Board the re-appointment of the External Auditors and their remuneration.

(f) Reviewed and approved the non-audit fees in respect of services rendered by the External Auditors. The non-audit fees for the financial year ended 30 June 2020 amounted to RM14,000.

(g) Met with the External Auditors without executive Board members and Management twice to discuss matters in relation to their review.

- **Compliance Management**

(a) Conformance to Group policies and procedures

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

(b) Reviewed the status of the activities of Group Risk and Compliance Department which included:

- Monitoring on a half-yearly basis the scope of activities and status of implementation as driven and coordinated by the Group Risk and Compliance as set out in the Compliance Program/Work Plan for the financial year ended 30 June 2020.

- Developed for adoption by the Board, the Anti-Bribery and Corruption Policy ("ABC Policy") which reflects the Group's stand of zero tolerance against all forms of bribery and corruption, and its commitment to lawful and ethical conduct at all times, in line with Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) which came into force on 1 June 2020.

- **Risk Management**

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

- Monitored the year-to-date progress on the achievement of targets set for business objectives of KOCs for the financial year via review of the Corporate Performance Scorecards updates on a half-yearly basis. The Audit Committee sought explanation/understanding from the Risk Management Team ("RMT") of KOCs on non-performance.

- Reviewed the key risks as reported by the RMTs in their Corporate Risk Scorecards across the wide spectrum of risk facing the businesses and operations which included strategic risk, business risk, financial risk and operational risk. The Audit Committee provided comments on the adequacy and effectiveness of controls and/or management actions identified and/or implemented by the KOCs in addressing the identified risks.

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

- **Related Party Transactions**

  (a) Reviewed related party transactions entered into by the Group and ensured that the transactions undertaken were in the best interest of the Group, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders, and recommended the same for approval of the Board.

  (b) Reviewed the renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature for Shareholders' approval to undertake transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of the Group with related parties ("RRPTs").

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

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

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

- **Material Transactions**

  Reviewed the following material transaction entered into by the Group and ensured that the transaction undertaken was in the best interest of the Group, and recommended the same for approval of the Board:

  - Proposed disposal by Amsteel Mills Sdn Bhd, a 99% owned subsidiary of the Company, of the hot-briquetted iron plant and business in Labuan by disposing of the entire 100% equity interest in Antara Steel Mills Sdn Bhd for a cash consideration of USD128.00 million (equivalent to RM546.56 million).

**INTERNAL AUDIT FUNCTION**

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

The Group Chief Internal Auditor, Mr Patrick Lee Chun Lim is a Fellow Member of the Association of Chartered Certified Accountants and a professional member of the Institute of Internal Auditors Malaysia with 20 years of internal audit experience in the field of manufacturing, building materials, semi-conductor, assembly of motorcycles, steel, mining and property development.

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

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

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

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

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with set policies and procedures
- Identification of opportunities to improve the operations and processes
- Investigations and special audit reviews
- Adequacy and effectiveness of the Group's governance, risk management and internal control system using the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control – Integrated Framework
- Areas for critical processes that may be affected by the MCO imposed by the Malaysian Government to curb the spread of COVID-19

The GMA Department had also taken the lead role in the development of the ABC Policy for the Group together with the Anti-Bribery and Corruption Working Committee.

The Internal Auditors also established follow-up review to monitor and to ensure that internal audit recommendations are effectively implemented. Significant matters were reported directly to the Audit Committee and Senior Management to ensure improvement and corrective actions are taken.

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

An annual assessment for evaluating the adequacy and effectiveness of the Internal Audit Function was carried out in 2020.

The Internal Auditors are updated on the improvement and development in internal auditing standards, procedures, techniques, corporate governance and the Listing Requirements through the attendance of seminars and talks organised by the Institute of Internal Auditors Malaysia, the Malaysian Institute of Accountants, Bursa Malaysia Berhad and the Securities Commission of Malaysia as well as core competency courses organised by professional training establishments. The Audit Committee was also satisfied that the Internal Audit Function, backed by 6 staff of managerial/executive level who possessed the relevant qualification and experience, had adequate resources to fulfil the internal audit plan for the next financial year.

The Internal Auditors had confirmed that they are free from any relationships or conflicts of interest which could impair their objectivity and independence in their audit assignments.

The total cost incurred in managing the Internal Audit Function of the Group for the financial year ended 30 June 2020 was RM456,394.

# NOMINATION COMMITTEE

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

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

Ms Yap Soo Har
*(Independent Non-Executive Director)*

**Terms of Reference** :

- To recommend to the Board, candidates for directorships in Lion Industries Corporation Berhad.
- To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or major shareholder and from independent sources.
- To recommend to the Board, Directors to fill the seats on Board Committees.
- To assist the Board in reviewing on an annual basis, the composition, the required mix of skills, experience, diversity and other qualities, including core competencies which each individual Director including the independent non-executive Director should bring to the Board.
- To assess, on an annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director, based on the process and procedure laid out by the Board.
- To review the induction and training needs of Directors.
- To consider other matters as referred to the Committee by the Board from time to time.

## NOMINATION COMMITTEE REPORT

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

### Appointment to the Board and the Effectiveness of the Board

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

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

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

The Directors' mix of skills are set out in the respective profile under Directors' Profile on pages 6 to 8 of this Annual Report.

**Activities of the Nomination Committee for the Financial Year**

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

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

(i) Reviewed and assessed the performance and the effectiveness of the Board as a whole and the Board Committees as well as the individual Directors and their independence based on the broad Fit & Proper, and Independence criteria using a set of quantitative and qualitative performance evaluation forms adopted by the Nomination Committee.

(ii) Reviewed the term of office and performance of the Audit Committee as a whole and each of its members including an assessment of their financial literacy, and assessed and evaluated the effectiveness of the Audit Committee in conducting its activities in accordance with its Terms of Reference, and was satisfied that all members were financially literate and able to understand matters under the purview of the Audit Committee including financial reporting process.

(iii) Reviewed the retirement by rotation of Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin and Ms Cheng Hui Ya, Serena and recommended their re-election for Board's consideration, which shall be tabled for approval of the Shareholders at the forthcoming 90th Annual General Meeting of the Company.

(iv) Reviewed the training needs of the Directors and was satisfied that the Directors having attended the relevant training programmes and having been kept up-to-date with market developments and related issues as well as apprised on a continuing basis by the Company Secretaries on new and/or revised statutory and regulatory requirements, had adequately met the training needs of each of the Directors towards enhancing their skills and knowledge to carry out their duties as a Director.

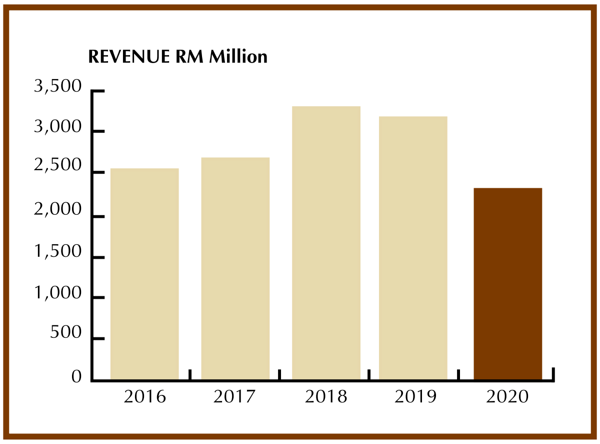
(v) Approved and recommended for Board's consideration the Nomination Committee Report incorporating the Nomination Committee's activities for inclusion in the Annual Report.

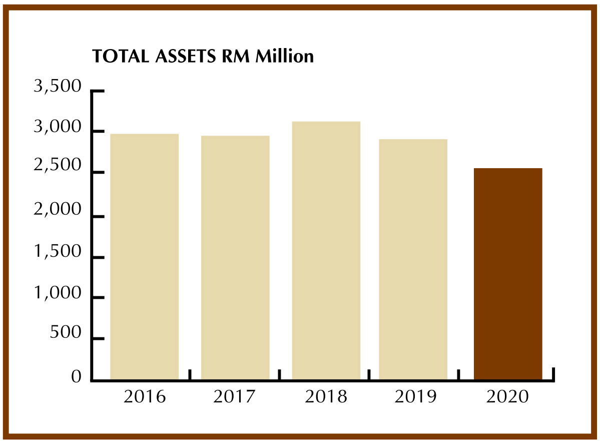
## REMUNERATION COMMITTEE

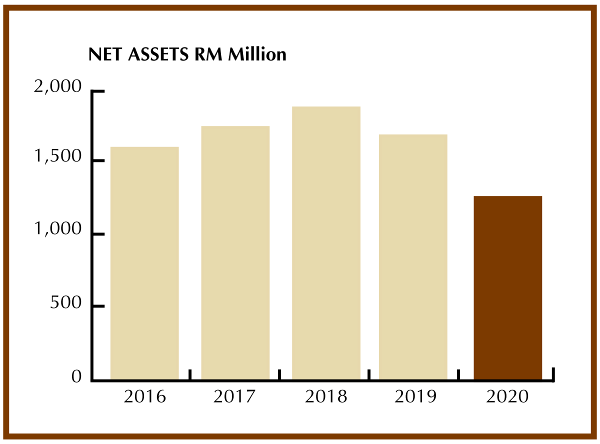
| | | |
|---|---|---|
| **Chairman** | : | Y. Bhg. Dato' Nik Rahmat bin Nik Nordin<br>*(Independent Non-Executive Director)* |
| **Members** | : | Y. Bhg. Dato' Kamaruddin @ Abas bin Nordin<br>*(Non-Independent Non-Executive Director)*<br><br>Ms Yap Soo Har<br>*(Independent Non-Executive Director)* |
| **Terms of Reference** | : | • To recommend to the Board, the remuneration of the executive Directors in all its forms, drawing from outside advice as necessary<br><br>• To carry out other responsibilities, functions or assignments as may be defined by the Board from time to time |

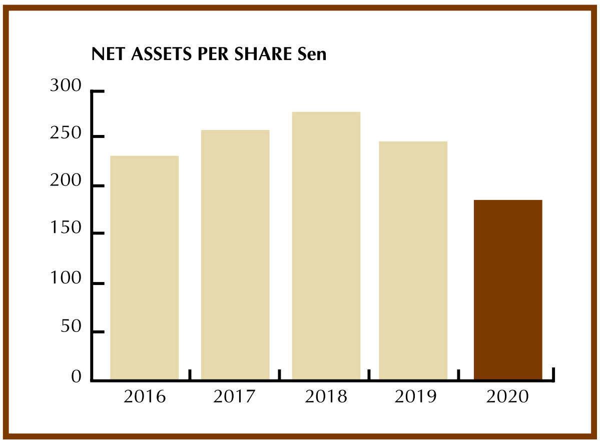
# 5 YEARS GROUP FINANCIAL HIGHLIGHTS

| Financial years ended 30 June | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Revenue | (RM'000) | 2,514,921 | 2,667,492 | 3,290,799 | 3,163,774 | **2,318,470** |
| Profit/(Loss) before tax | (RM'000) | (852,536) | 107,442 | 175,051 | (128,045) | **(377,024)** |
| Profit/(Loss) after tax | (RM'000) | (905,805) | 113,465 | 181,846 | (156,101) | **(383,170)** |
| Net Profit/(Loss) attributable to owners of the Company | (RM'000) | (796,477) | 105,311 | 172,921 | (157,253) | **(390,533)** |
| Total assets | (RM'000) | 2,979,866 | 2,952,634 | 3,104,503 | 2,891,976 | **2,515,969** |
| Net assets | (RM'000) | 1,596,051 | 1,746,820 | 1,880,623 | 1,673,901 | **1,251,585** |
| Total borrowings | (RM'000) | 351,668 | 236,090 | 171,679 | 163,233 | **163,605** |
| Earnings/(Loss) per share | (Sen) | (113.5) | 15.4 | 25.4 | (23.1) | **(57.4)** |
| Net assets per share | (Sen) | 230 | 257 | 276 | 246 | **184** |



# THE GROUP'S BUSINESSES


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

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


- HI-REV Lubricants launched its new range of motorcycle engine oil 4T 150cc series.
- *HI-REV melancarkan rangkaian minyak pelincir enjin motosikal baru untuk siri 4T 150cc.*


- The Building Materials Division is involved in the trading and distribution of a wide range of building materials which provides sustainable building solutions for its customers.
- *Bahagian Bahan Binaan terlibat dalam perniagaan mengedar pelbagai jenis bahan binaan dan menyediakan penyelesaian bangunan yang mampan kepada pelanggannya.*

# PENYATA PENGERUSI

Bagi pihak Lembaga Pengarah, saya dengan ini membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Lion Industries Corporation Berhad ("LICB" atau "Kumpulan" atau "Syarikat") bagi tahun kewangan berakhir 30 Jun 2020.

**PRESTASI KEWANGAN**

Pada tahun kewangan dalam kajian, Kumpulan mencatatkan pendapatan berjumlah RM2,318 juta iaitu 27% lebih rendah berbanding RM3,164 juta yang dicatatkan pada tahun sebelumnya. Keadaan ini disebabkan terutamanya oleh sumbangan yang lebih rendah daripada perniagaan keluli dan bahan binaan. Industri keluli tempatan terus berdepan dengan tekanan dan persaingan sengit daripada operasi sebuah kilang keluli milik penuh pelabur asing yang beroperasi di Malaysia. Selain itu, pandemik COVID-19 dan pelaksanaan beberapa fasa Perintah Kawalan Pergerakan ('PKP') telah mempengaruhi operasi dan prestasi Kumpulan, khususnya perniagaan keluli. Dalam fasa pertama PKP yang dikuatkuasakan pada 18 Mac 2020, operasi Kumpulan terpaksa ditutup buat sementara. Ini memberi kesan buruk kepada jualan dan keuntungan kita. Berikutan itu, Kumpulan telah mencatat kerugian sebelum cukai lebih tinggi sebanyak RM377.0 juta berbanding RM128.0 juta pada tahun lalu.

Kumpulan berada pada kedudukan tunai bersih pada tahun kewangan 2020 dengan aset bersih berjumlah RM1,252 juta, dan mencatatkan nilai aset bersih sesaham sebanyak RM1.84.

**PERKEMBANGAN KETARA DALAM KORPORAT**

(i) Dalam tahun kewangan lalu dan semasa, Syarikat telah mengumumkan cadangan pengembangan operasi kepada perniagaan keluli rata melalui pengambil alihan aset-aset keluli rata untuk pembuatan gegelung gelekan panas dan gegelung gelekan sejuk (Cadangan Pengembangan Operasi kepada Perniagaan Keluli Rata) yang melibatkan cadangan korporat ("Cadangan-cadangan") seperti berikut:

(a) Cadangan Cendana Aset Sdn Bhd ("Cendana Aset"), anak syarikat milik penuh Cendana Domain Sdn Bhd, dan juga milik penuh Syarikat, untuk mengambil alih kesemua aset tetap terhutang dan terapung serta kesemua hutang Secomex Manufacturing (M) Sdn Bhd ("Secomex") kepada Megasteel Sdn Bhd ("Megasteel") yang akan dibayar kepada peminjam-peminjam bercagar Megasteel ("Peminjam-peminjam Bercagar Megasteel") ("Cadangan Pengambil Alihan Aset-Aset Terhutang') dengan pertimbangan bayaran pembelian kira-kira RM537.73 juta.

(b) Cadangan Gelora Berkat Sdn Bhd ("Gelora Berkat"), anak syarikat milik penuh Tahap Berkat Sdn Bhd yang juga dimiliki sepenuhnya oleh Syarikat, untuk membeli nota janji yang diterbitkan oleh Megasteel ('Nota Janji MS') kepada pemegang amanah yang dilantik Peminjam-peminjam Bercagar Megasteel ('Pemegang Amanah Sekuriti') bagi bahagian hutang yang nilai cagarannya lebih rendah dengan pertimbangan bayaran tunai sebanyak RM8.50 juta ("Pertimbangan Pembelian bagi Nota Janji MS). Bayaran akan dibuat oleh Gelora Berkat kepada Peminjam-peminjam Bercagar Megasteel ("Cadangan Pengambil Alihan Nota Janji MS");

(c) Cadangan Gelora Berkat untuk mengambil alih kesemua aset Megasteel yang bebas hutang untuk pertimbangan bayaran tunai kira-kira RM21.59 juta ("Cadangan Pengambil Alihan Aset Bebas Hutang") yang akan dibayar oleh Gelora Berkat kepada Megasteel; dan

(d) Cadangan pembekalan tenaga elektrik kepada Syarikat dan anak-anak syarikatnya di Banting oleh Tenaga Nasional Berhad ("TNB") untuk operasi kilang keluli termasuk Cadangan Pengembangan Operasi Perniagaan kepada Keluli Rata dan penyelesaian hutang Megasteel kepada TNB yang melibatkan pertimbangan bayaran tunai sebanyak RM35.80 juta.

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

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

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

Pada 29 November 2019, para pemegang saham Syarikat yang tidak berkepentingan telah meluluskan Cadangan-cadangan itu di Mesyuarat Agung Luar Biasa yang Ditangguhkan Syarikat.

Pada 27 Julai 2020, Secomex telah menjadi anak syarikat milik penuh Syarikat apabila 500,000 saham biasa, yang mewakili 100% kepentingan ekuiti dalam Secomex didaftarkan atas nama Cendana Aset.

Cadangan-cadangan berikut di bawah Cadangan Pengembangan Operasi kepada Perniagaan Keluli Rata telah dimuktamadkan pada 30 Julai 2020, sebagai Tarikh Penyelesaian (Skim Bercagar) (seperti yang diperjelaskan dalam pengumuman Syarikat bertarikh 11 Jun 2019):

(a) Cadangan Pengambil Alihan Aset Terhutang di mana Pemegang Amanah Sekuriti menyerahkan bayaran pendahuluan sebanyak RM84.00 juta kepada setiap Peminjam-peminjam Bercagar Megasteel dan pemilikan sah Aset-aset Terhutang dipindahkan kepada Cendana Aset.

(b) Cadangan Pengambil Alihan Nota Janji MS di mana Pemegang Amanah Sekuriti menyerahkan Pertimbangan Pembelian Nota Janji MS berjumlah RM8.50 juta kepada setiap Peminjam-peminjam Bercagar Megasteel, dan hak, pemilikan dan kepentingan di bawah Nota Janji MS yang telah ditandatangani dan ditentu tarikh oleh Pemegang Amanah Sekuriti pada Tarikh Penyelesaian (Skim Bercagar), telah dipindahkan kepada Gelora Berkat.

    Nota Janji MS diterbitkan oleh Megasteel kepada Pemegang Amanah Sekuriti sebagai penyelesaian penuh dan terakhir terhadap keseluruhan bahagian hutang yang nilai cagarannya lebih rendah sebanyak RM522.63 juta dengan Peminjam-peminjam Bercagar Megasteel. Nota Janji MS membolehkan Gelora Berkat berhak untuk menerima jumlah penyelesaian yang perlu dibayar oleh Megasteel kira-kira RM2.98 juta berdasarkan Skim Tidak Bercagar Megasteel.

Perintah Mahkamah bagi Skim Tidak Bercagar Megasteel telah diserah simpan di Suruhanjaya Syarikat Malaysia pada 3 Ogos 2020. Oleh itu, perjanjian jual beli untuk Cadangan Pengambil Alihan Aset-aset Bebas Hutang juga bertarikh 3 Ogos 2020.

Penyelesaian Skim Tidak Bercagar Megasteel masih tertangguh.

(ii) Pada 9 Jun 2020, Syarikat dan Amsteel Mills Sdn Bhd ("AMSB"), anak syarikat 99% milik Syarikat, telah memeterai perjanjian jual beli bersyarat dengan Esteel Enterprise Pte Ltd ("Esteel" atau "Pembeli") bagi cadangan pelupusan keseluruhan pegangan AMSB melibatkan (a) 218,010,000 saham biasa; dan (b) 30,000,000 saham keutamaan boleh ditebus dalam Antara Steel Mills Sdn Bhd ("Antara"), mewakili kesemua 100% modal saham terbitan Antara kepada Esteel dengan pertimbangan tunai sebanyak AS$128.00 juta (bersamaan kira-kira RM546.56 juta) ("Cadangan Pelupusan").

    Cadangan Pelupusan itu, antara lain tertakluk kepada Antara melaksanakan langkah penstrukturan semula sebelum selesainya Cadangan Pelupusan ("Penyelesaian") yang mana setelah Penyelesaian, aset tunggal Antara perlu merangkumi semua aset yang akan membolehkan Pembeli menggunakan, menyelenggara dan/atau mengendalikan fasiliti pembuatan dan perniagaan sedia ada di Labuan yang berkaitan dengan operasi besi briket panas ("Aset Khusus") ("Langkah Penstrukturan Semula").

    Aset dan liabiliti yang tiada kaitan dengan Aset Khusus terutamanya kilang besi panjang (long steel) di Pasir Gudang, Johor yang menghasilkan bilet untuk dijadikan bar besi dan 'light sections' seperti 'angle bar', 'flat bar' dan 'U-channels', telah dipindahkan kepada AMSB dan/atau anak syarikat milik penuhnya, Eden Flame Sdn Bhd, berdasarkan Langkah Penstrukturan Semula.

    Pada 3 Julai 2020, AMSB telah mengambil alih 100% kepentingan dalam Eden Flame Sdn Bhd untuk bertindak sebagai nomini berhubung Langkah Penstrukturan Semula. Langkah Penstrukturan Semula itu telah diselesaikan pada 14 Ogos 2020.

    Cadangan Pelupusan tertakluk kepada persetujuan para Pemegang Saham Syarikat, masih belum selesai.

**PROSPEK**

Penularan wabak COVID-19 dan penguatkuasaan PKP yang kemudiannya diperluaskan kepada PKP Bersyarat dan PKP Pemulihan yang belum pernah terjadi sebelum ini, bagi mengekang penyebaran virus berkenaan sejak 18 Mac 2020 telah menyebabkan aktiviti ekonomi terjejas dengan teruk.

Namun begitu, pakej rangsangan dan pelan pemulihan ekonomi jangka pendek yang dilaksanakan oleh Kerajaan telah mengurangkan kesan akibat pandemik COVID-19 sehingga ke satu tahap dan membuka jalan kepada pemulihan ekonomi. Prospek dijangka tertakluk kepada risiko ke bawah dan ketidakpastian berikutan risiko penularan semula wabak berkenaan.

Menyedari bahawa cabaran akan datang sukar untuk dipastikan, Kumpulan telah melaksanakan langkah-langkah kawalan kos yang ketat untuk mengawal kos operasi dan terus berwaspada serta peka terhadap sebarang perubahan pasaran. Kesemua bidang perniagaan yang diceburi Kumpulan berharap untuk bertambah baik sejajar dengan pemulihan persekitaran perniagaan.

**PENGHARGAAN**

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

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

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

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

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors ("Board"), I hereby present the Annual Report and Audited Financial Statements of Lion Industries Corporation Berhad ("LICB" or "the Group" or "the Company") for the financial year ended 30 June 2020.

## FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a revenue of RM2,318 million which is 27% lower than the RM3,164 million recorded in the previous year. This was attributed primarily to the lower contribution from our steel and building materials businesses. The local steel industry continued to face intense competition and pressure from a wholly foreign-owned steel mill in Malaysia. In addition, the COVID-19 pandemic and the various phases of the Movement Control Order ("MCO") have significantly affected the Group, in particular, its steel business. During the first phase of the MCO which took effect on 18 March 2020, the Group's businesses were temporarily closed. This had adversely impacted our sales and profit. As such, the Group posted a higher loss before tax of RM377.0 million compared with RM128.0 million in last year.

The Group is in a net cash position as at 30 June 2020 with net assets of RM1,252 million, registering a net assets per share of RM1.84.

## SIGNIFICANT CORPORATE DEVELOPMENTS

(i) During the previous and current financial year, the Company had announced the proposed expansion into the flat steel business through the proposed acquisitions of flat steel assets for the production of hot rolled coils and cold rolled coils ("Proposed Expansion into Flat Steel Business") involving the following corporate proposals ("Proposals"):

(a) Proposed acquisition by Cendana Aset Sdn Bhd ("Cendana Aset"), a wholly-owned subsidiary of Cendana Domain Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, from Megasteel Sdn Bhd ("Megasteel"), of the encumbered fixed and floating assets and the assignment of the entire debt owing by Secomex Manufacturing (M) Sdn Bhd ("Secomex") to Megasteel for a total purchase consideration of approximately RM537.73 million, which is payable by Cendana Aset to the secured lenders of Megasteel ("Megasteel Secured Lenders") ("Proposed Acquisition of Encumbered Assets");

(b) Proposed acquisition by Gelora Berkat Sdn Bhd ("Gelora Berkat"), a wholly-owned subsidiary of Tahap Berkat Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of the promissory note to be issued by Megasteel ("MS Promissory Note") to the Megasteel Secured Lenders' appointed trustee ("Security Trustee") in relation to the under-secured portion debts for a cash consideration of RM8.50 million ("Purchase Consideration for MS Promissory Note"), which is payable by Gelora Berkat to the Megasteel Secured Lenders ("Proposed Acquisition of MS Promissory Note");

(c) Proposed acquisition by Gelora Berkat of all the unencumbered assets of Megasteel for a cash consideration of approximately RM21.59 million ("Proposed Acquisition of Unencumbered Assets") which is payable by Gelora Berkat to Megasteel; and

(d) Proposed supply of electricity to the Company and its subsidiary companies in Banting by Tenaga Nasional Berhad ("TNB") for their steel mill operations including the Proposed Expansion into Flat Steel Business and settlement of the amount owing by Megasteel to TNB for a cash consideration of RM35.80 million.

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

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

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

The non-interested shareholders of the Company had on 29 November 2019, approved the Proposals at the Company's Adjourned Extraordinary General Meeting.

Secomex had on 27 July 2020 became a wholly-owned subsidiary of the Company following the registration of the 500,000 ordinary shares, representing 100% equity interest in Secomex in the name of Cendana Aset.

The following proposals under the Proposed Expansion into Flat Steel Business have been completed on 30 July 2020, being the Settlement Date (Secured Scheme) (as defined in the Company's announcement dated 11 June 2019):

(a) Proposed Acquisition of Encumbered Assets whereby the Security Trustee had released the upfront payment of RM84.00 million to each of the Megasteel Secured Lenders and the legal ownership of the Encumbered Assets have been transferred to Cendana Aset.

(b) Proposed Acquisition of MS Promissory Note whereby the Security Trustee had released the Purchase Consideration for MS Promissory Note of RM8.50 million to each of the Megasteel Secured Lenders and the right, title and interest under the MS Promissory Note which was duly signed and dated by the Security Trustee on Settlement Date (Secured Scheme) has been transferred to Gelora Berkat.

    The MS Promissory Note was issued by Megasteel to the Security Trustee as full and final settlement of the entire under-secured portion debt of RM522.63 million with the Megasteel Secured Lenders. The MS Promissory Note allows Gelora Berkat to be entitled to receive a settlement amount payable by Megasteel estimated at approximately RM2.98 million pursuant to the Megasteel Unsecured Scheme.

The Court Order for the Megasteel Unsecured Scheme was lodged with the Companies Commission of Malaysia on 3 August 2020. Accordingly, the sale and purchase agreement for the Proposed Acquisition of Unencumbered Assets, had also been dated 3 August 2020.

The Megasteel Unsecured Scheme is pending completion.

(ii) The Company had on 9 June 2020 together with Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Esteel Enterprise Pte Ltd ("Esteel" or "Buyer") for the proposed disposal by AMSB of its entire holding of (a) 218,010,000 ordinary shares; and (b) 30,000,000 redeemable preference shares in Antara Steel Mills Sdn Bhd ("Antara"), representing the entire 100% issued share capital of Antara to Esteel for a cash consideration of USD128.00 million (equivalent to approximately RM546.56 million) ("Proposed Disposal").

    The Proposed Disposal is subject to, inter alia, a restructuring exercise to be undertaken by Antara prior to the completion of the Proposed Disposal ("Completion") such that on Completion, the sole assets of Antara shall comprise all assets which will enable the Buyer to use, maintain and/or operate the existing manufacturing facilities and business in Labuan in relation to hot briquetted iron ("Specified Assets") ("Restructuring Exercise").

    The assets and liabilities that are not related to the Specified Assets mainly the long steel plant located in Pasir Gudang, Johor that produces billets which are rolled into steel bars and light sections such as angle bars, flat bars and U-channels, has been transferred to AMSB and/or its wholly-owned subsidiary, Eden Flame Sdn Bhd, pursuant to the Restructuring Exercise.

    AMSB had on 3 July 2020 acquired 100% equity interest in Eden Flame Sdn Bhd to act as its nominee in relation to the Restructuring Exercise. The Restructuring Exercise has been completed on 14 August 2020.

    The Proposed Disposal which is subject to the approval of the Shareholders of the Company, is pending completion.

**PROSPECTS**

The unprecedented outbreak of COVID-19 and the MCO which was then extended to Conditional MCO and Recovery MCO by the Government to curb the spread of the virus since 18 March 2020 have caused economic activities to be significantly affected.

Nonetheless, the stimulus packages and the short-term economic recovery plan implemented by the Government have softened the impact of the COVID-19 pandemic to an extent and paved the way towards economic recovery. It is expected that the outlook is still subject to downside risks and uncertainties, primarily due to the risk of a resurgence of the pandemic.

While the challenges ahead are uncertain, the Group has implemented strict cost control measures to contain operating costs and remains vigilant and responsive to market changes. The Group's businesses are hopeful of improving in the recovering business environment.

## APPRECIATION

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

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

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

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

# 主席报告

我谨代表董事部，提呈金狮工业机构有限公司截至2020年6月30日会计年度的常年报告和经审核财务报表。

**财务表现**

在受审核的会计年度，本集团的收入共23亿1,800万令吉，比上一个年度的31亿6,400万令吉减少了27%。主要是由于我们的钢铁以及建筑材料业务的收入减少。本地的钢铁工业，继续受到在马来西亚的一家全外资钢铁厂的激烈竞争和压力。此外，新冠病毒COVID-19肆虐以及政府分阶段实施“行动管制令”大大地影响本集团的业务，尤其是钢铁部门的业务。在2020年3月18日开始实施的行动管制令的第一阶段，本集团的业务暂时关闭。这对我们的销售带来不利的影响。这样一来，本集团蒙受更大的税前亏损，共3亿7,700万令吉，上一个年度的税前亏损是1亿2,800万令吉。

截至2020年6月30日，本集团处在净现金地位，共拥有12亿5,200万令吉的净资产，每股的净资产是1.84令吉。

公司的重大企业发展

(i) 在上一个会计年度和本会计年度，本公司宣布建议收购扁钢资产来扩充扁钢业务，以生产热轧钢卷和冷轧钢卷（“建议从事扁钢业务的扩充计划”），涉及下述企业建议（“建议”）：

(a) 建议由Cendana Aset Sdn Bhd (“Cendana Aset”), Cendana Domain Sdn Bhd的独资子公司，后者则是本公司的独资子公司，以大约5亿3千773万令吉收购美佳钢铁私人有限公司(“美佳钢铁”)被抵押的固定资产和流动资产，以及所有Secomex Manufacturing (M) Sdn Bhd欠美佳钢铁的债务，收购款项将由Cendana Aset支付给美佳钢铁的抵押债权人(“美佳钢铁抵押债权人”)；

(b) 建议由Gelora Berkat Sdn Bhd (“Gelora Berkat”), Tahap Berkat Sdn Bhd的独资子公司，后者则是本公司的独资子公司，收购将由美佳钢铁发行给美佳钢铁抵押债权人委任的信托人的“美佳钢铁本票”。这些本票是用来解决抵押不足的债务，成交价值是850万令吉，由Gelora Berkat支付给美佳钢铁抵押债权人；

(c) 建议由Gelora Berkat 收购美佳钢铁的所有未被抵押的资产，收购价大约2千159万令吉(“建议收购未抵押资产”)，由Gelora Berkat支付给美佳钢铁；以及

(d) 建议由国家能源公司(“国能”)供应电流给本公司及其位于万津的子公司的钢铁业务，包括“建议中的扁钢业务扩展计划与清偿美佳钢铁亏欠国能的债务”，支付的现金额是3千580万令吉。

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

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

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

本公司无关联的股东们，已在2019年11月29日举行的展延特别大会批准有关“建议”。

Secomex在2020年7月27日成为本公司的独资子公司，这是随着50万股普通股（代表Secomex的100%股权）登记在Cendana Aset名下而落实。

在2020年7月30日结算日完成的（“建议从事扁钢业务的扩充计划”）之下，有以下各项建议（请参照公司在2019 年6月11日的通告 ）：

(a) 建议收购被抵押资产，由担保信托人发放8,400万令吉的预付款给每一个美佳钢铁抵押债权人，以及把抵押资产的法定拥有权转移给Cendana Aset。

(b) 建议收购美佳钢铁期票，在这方面，担保信托人发出收购美佳钢铁期票的收购代价各850万令吉给每一位美佳钢铁有担保贷款人，美佳钢铁期票之权利、所有权和利益转让给Gelora Berkat。在结算日，这些期票由担保信托人签署及注明日期。

美佳钢铁期票是由美佳钢铁发给担保信托人，作为全面及最终偿付款给美佳钢铁抵押债权人抵押不足部份的全部债务，数额共5亿2,263万令吉。根据美佳钢铁无担保计划，美佳钢铁期票，允许Gelora Berkat有权收取由美佳钢铁支付的结算付款，数额接近298万令吉。

美佳钢铁无担保计划的庭令在2020年8月3日向马来西亚公司委员会交存。这样一来，建议中收购无拖累资产的买卖合约的日期也是2020年8月3日。

美佳钢铁无担保计划正等待完成。

(ii) 在2020年6月9日，本公司联同Amsteel Mills Sdn Bhd (“AMSB”)，99%股权的独资子公司，和Esteel Enterprise Pte, Ltd（“Esteel”或“买主”）订立有条件买卖合约，建议由AMSB脱售其在Antara Steel Mills Sdn Bhd的全部拥有权给买主，包括：（a）218,010,000股普通股；和（b）30,000,000股可赎回优先股（等于Antara所发行的全部100%股票资本），现金成交价值是1亿2,800万美元（相等于大约5亿4,656万令吉）（“建议中的脱售”）。

建议中的脱售计划和Antara将要执行的重组计划有关；重组计划需在建议中的脱售完成之前进行，这样一来，在完成之后，Antara的独有资产包括的所有资产，使到买主能够使用、维持以及/或者经营在纳闽岛上和生产热铁砖有关的现有制造设施和业务（“特定资产”）、（“重组计划”）。

与“特定资产”无关的资产和负债，主要是设在柔佛州巴西古当的钢条厂。该厂生产小钢胚，可以扎成钢条和轻型钢厂品，诸如角钢、扁钢和U型钢铁条槽钢，已被转移给AMSB以及/或是其独资子公司Eden Flame Sdn Bhd。

AMSB在2020年7月3日收购Eden Flame Sdn Bhd的100%股权，在重组计划中，作为它的受托人。重组计划在2020年8月14日完成。

建议中的脱售计划必须获得本公司的股东批准，还有待完成。

## 展望

新冠病毒COVID-19毫无预警的爆发，以及政府从2020年3月18日起实施行动管制令，后来又延长实施有条件行管令和复苏行管令以抑制病毒的蔓延，使经济活动大受影响。

无论如何，政府推行的刺激经济配套和短期经济复苏计划，在某种程度上缓和了新冠病毒COVID-19的影响，以及为经济复苏铺路。预料前景仍然具有下行的风险和不确定性，主要是由于新冠病毒具有卷土重来的风险。

在面对未来的挑战具有不确定性，本集团实行严格成本控制的措施以抑制营运成本，以及保持警惕和对市场变化作出反应。在商业复苏的环境之下，本集团的业务有望改善。

## 鸣谢

我谨代表董事部，衷心感谢我们所有尊贵的股东、客户、融资机构、商业伙伴和各个政府部门及监督机构，感激他们在这充满挑战的时期，继续支持本集团以及对本集团具有信心。

我也要真诚感谢董事们，在这一年来给于宝贵的指导、支持与贡献。

最后，我要感谢管理层和职员，对本集团作出奉献与承诺。

主席
**DATUK SERI UTAMA RAJA NONG CHIK BIN DATO’ RAJA ZAINAL ABIDIN**

# MANAGEMENT DISCUSSION AND ANALYSIS

**Overview**

| Consolidated Statement of Profit or Loss | 2020 RM'000 | 2019 RM'000 | Change % |
|---|---|---|---|
| Revenue | **2,318,470** | 3,163,774 | -27% |
| Loss from operations | **(261,886)** | (99,927) | >-100% |
| Loss before tax | **(377,024)** | (128,045) | >-100% |
| Loss after tax | **(383,170)** | (156,101) | >-100% |
| **Consolidated Statement of Financial Position** | | | |
| Total assets | **2,515,969** | 2,891,976 | -13% |
| Deposits, cash and bank balances | **333,517** | 376,013 | -11% |
| Total liabilities | **1,089,149** | 1,046,337 | 4% |
| Loans and borrowings | **163,605** | 163,233 | 0.2% |
| Net assets | **1,251,585** | 1,673,901 | -25% |

The Group posted a 27% lower revenue of RM2,318 million for the financial year 2020 compared with RM3,164 million in the previous year. This was mainly due to the lower revenue registered by our Steel and Building Materials Divisions. The Group's businesses were temporarily closed during the Movement Control Order ("MCO") period which commenced on 18 March 2020. The Group recorded a higher loss from operations of RM261.9 million compared with RM99.9 million a year ago.

The Group shared a higher loss of RM115.1 million from the associated companies and a joint venture compared with RM28.1 million in the previous year. This was largely attributed to the loss from the retail business of an associated company as the COVID-19 pandemic had resulted in a general prohibition of mass movement, and the retail business which was not considered as providing essential services was not allowed to operate during the lockdown period to curb the spread of the virus.

Overall, the Group posted a higher loss before tax of RM377.0 million compared with RM128.0 million a year ago.

As at 30 June 2020, the Group's total assets decreased by 13% to RM2,516 million from RM2,892 million a year ago and the Group's total liabilities increased by 4% from RM1,046 million last year to RM1,089 million. The Group's net assets decreased by 25% to RM1,252 million and net assets per share decreased by 62 sen to RM1.84 from RM2.46 last year. The Group borrowings has increased slightly by 0.2% to RM163.6 million, registering a net cash position for the financial year 2020.

**REVIEW OF OPERATIONS**

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

**Steel**

| | 2020 RM Million | 2019 RM Million | Change % |
|---|---|---|---|
| Revenue | **2,048** | 2,870 | -29% |
| Loss | **(260.5)** | (112.0) | >-100% |

| Product | Annual Rated Capacity (Metric Tons) |
|---|---|
| HBI | 0.9 million |
| Billets/Molten Steel | 3.1 million |
| Steel Bars and Wire Rods | 2.4 million |

**Long Products (Billets, Steel Bars & Wire Rods)**

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

The long products business of the Group posted a lower revenue of RM1.3 billion compared with RM1.9 billion a year ago mainly due to lower selling prices and lower sales tonnage particularly during the Movement Control Order ("MCO") period that commenced on 18 March 2020. The unprecedented outbreak of COVID-19 had almost brought global business activities to a halt as countries imposed tight restrictions on movement to curb the spread of the virus.

During the MCO period, our steel plants' activities were temporarily stopped and the supply of steel products to the construction sites was disrupted. Our Klang plant resumed its operations on 4 May 2020 whilst the steel plants at Banting and Johor were temporarily shut down. In addition to the impact of the pandemic, local steel millers continued to face intense competition from a wholly foreign-owned steel mill in the domestic market, resulting in highly competitive selling prices for steel bars. As such, the long products business recorded a higher loss of RM217 million for the financial year under review as compared to RM207 million a year ago.

**Hot Briquetted Iron ("HBI")**

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

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

The HBI operation's revenue decreased by 19% to RM793 million this year from RM974 million a year ago due to lower sales tonnage. HBI had been under tremendous price pressure throughout the year due to the weak sentiments in the global steel market. In addition, the shortage of high grade iron ore has kept its prices near historical high. As such, the HBI operation recorded an operating loss of RM34 million against an operating profit of RM110 million last year.

**Building Materials**

| | 2020 RM Million | 2019 RM Million | Change |
|---|---|---|---|
| Revenue | **331.7** | 381.7 | -13% |
| Profit | **22.2** | 2.4 | >100% |

The construction industry which was expected to recover in 2020 with the resumption of major infrastructure projects was severely impacted by the outbreak of the COVID-19 pandemic which worsened the slowdown in the industry. This situation was further compounded by restrictions under the MCO imposed by the Government on 18 March 2020 to curb the spread of the virus as construction companies faced challenges in adapting to the new norms at construction sites. The construction industry is expected to remain soft towards the end of 2020 given the underlying conditions that are currently affecting the industry.

2020 was thus another very challenging year for the Division with the implementation of the MCO. The Division recorded a revenue of RM331.7 million for the financial year under review, which declined by 13% against the previous year. However, towards the end of the financial year, the Division recovered RM22.0 million from its debtors which was previously impaired, resulting in a higher profit before tax of RM22.2 million compared with RM2.4 million in the preceding financial year.

The construction industry is expected to remain challenging in 2021 due to the prolonged impact of the COVID-19 pandemic as well as the measures to contain its spread. However, a recovery is seen on the roll out of some deferred infrastructure projects and several stimulus packages to support the industry.

Operating in an intensely challenging and competitive business environment, the Division is always vigilant and responsive to market changes. The Division continues to remain positive on its operating performance by forging strategic relationships with principal suppliers and trading partners, developing partnerships with key customers and developers, and expanding its market coverage into East Malaysia in the distribution of in-house brands of finishing products such as Simwares (sanitary wares), Simtec (tap fittings), Simcera (tiles) and SimLoc (ironmongery) to grow revenue and enhance margins. The Division has also taken all the necessary precautions to prevent any disruption to its business operations in the event of a next wave of COVID-19.

| **Lubricants, Petroleum and Automotive Products** | | | |
|---|---|---|---|
| | **2020 RM Million** | **2019 RM Million** | **Change** |
| Revenue | **78.9** | 93.1 | -15% |
| Profit | **13.9** | 13.8 | 1% |

Year 2020 marks a milestone of 25 successful years in building our own Hi-Rev lubricants brand in the Malaysian market. Our growth in the high-street lubricant segment in the automotive aftermarket has been significant, and currently we serve no less than 4,600 workshops across the country.

Through the years, our commitment to our customers has motivated us to be innovative in our products and offerings, efficient in our supply chain from production to logistics; and these have enabled us to raise our service levels to continuously meet their expectations and gain their confidence in our products and offerings.

The realities of the COVID-19 pandemic tested our business operational capabilities to remain resilient in the face of uncertainties and risks. As lubricant is an 'essential' item, we continuously served our customers throughout the Conditional MCO ("CMCO") period. Our operational set-up and systems, which were already in-practice for remote ordering/collection, and logistics/deliveries facilitated a smooth transition for the business to abide by COVID-19 Standard Operating Procedures without any compromise to health and business risks.

Wherever our customers faced business impacts in their regions which affected their obligations or support to us, we took longer term considerations to work out viable solutions with them to achieve mutual benefits for both parties. For customers who were less affected, we continued to reinforce our strong collaboration with them, and had received considerable support from their businesses.

We recorded lower revenue for the financial year 2020, primarily due to low business activity during MCO, which has reduced the overall full year revenue achieved. Despite this, we recorded improvement in our annual operating profit margins to achieve a better than expected operating profit for the Division.

# SUSTAINABILITY STATEMENT

The Group has embraced the values of corporate responsibility and elements of sustainability management since the early days of its operations. These values are reflected in our core values, policy statements and work practices across our operations and contribute to the development of the Group's Sustainability Framework.

This Sustainability Statement provides an overview of our sustainability practices and performance for the financial year ended 30 June 2020 ("FYE 2020") in the 3 aspects of sustainability i.e. economic, environmental and social ("EES"). We have taken steps to incorporate standard disclosures in accordance to the Global Reporting Initiatives ("GRI") reporting guidelines and Bursa Malaysia Securities Berhad's Main Market Listing Requirements on sustainability reporting.

## ECONOMIC

This section covering the Marketplace and Workplace, highlights the continual measures to support the economic sustainability of our operations by giving due attention to our suppliers and customers, and our employees respectively. We have strengthened our policies governing our business dealings, conduct of employees and business continuity management. These policies pertaining to group procurement, vendor code of conduct, code of business ethics and conduct ("CoBEC"), integrity and fraud, competition, whistleblowing and sexual harassment, are disseminated to all our companies and employees as well as uploaded onto Lion Group's corporate website for public viewing.

The Group maintains zero-tolerance for bribery, fraud and corruption, and has adopted and implemented its Anti-Bribery and Corruption Policy ("ABC Policy") which abides by the rules, laws and regulations of the countries we are operating in. The ABC Policy has incorporated more comprehensive issues and a robust set of internal standards and procedures to further enhance the Group's core principles in the existing CoBEC, and is available on our website.

### Marketplace

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

- **Product Responsibility**

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

- **Customer Satisfaction**

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

- **Supply Chain and Responsible Procurement Practices**

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

- **Vendor Code of Conduct**

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

- **Employee Code of Conduct**

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

- **Whistleblower Policy**

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

  All concerns may be communicated to the Chief Internal Auditor of the Group via telephone call, mail, email and/or facsimile, as follows:

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

- **System Efficiency**

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

- **Privacy and Data Protection**

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

**Workplace**

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

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

- **Talent Attraction and Management**

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

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

- **Capability Building**

  We provide learning and development opportunities in respect of technical, functional and behaviour competencies for our employees in line with their job requirements and career aspirations. Learning interventions are delivered on-the-job, via formal class training or online and continuing education. We encourage and support employees to participate in upskilling courses related to their work scope and obtain skill certification for wider job coverage.

- **Rewards and Performance**

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

- **HR Operational Excellence**

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

- **Safety & Health in the Workplace**

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

  In compliance with legal requirements such as the Occupational Safety and Health Act, Factories and Machineries Act, Electricity Act 1990, Gas and other related regulations, we have in place our Safety and Health Standard Operating Procedures. Compliance with the safe work practices stated in these standard operating procedures is the primary responsibility of all employees, contractors and consultants performing their duties at our premises.

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

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

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

**ENVIRONMENT**

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

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

  Our steel manufacturing plants are certified under ISO14001 Environmental Management System and Energy Commission Act 2001 (Energy Management Practices) which is testament of our commitment to prevention of pollution, continual improvement in overall environmental performance, and compliance with all applicable statutory and regulatory requirements. This includes managing and reducing the impacts arising from operational activities over which we have direct control such as energy and water consumption and wastes management.

- **Promoting Green and Environmental Friendly Products**

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

- **Digitisation to Reduce Use of Paper**

  We acknowledge that the environmental impact of paper usage is significant and need to avoid unnecessary paper consumption and waste generation. We are encouraging greater use of digitisation and the usage of electronic means such as email, internet, WhatsApp and other social media platform as efficient alternative modes of communication with our suppliers and customers, and including intranet for our day-to-day internal operations, and to use recycled paper for printing as far as possible.

**SOCIAL**

In keeping with its philosophy of giving back to the community, the Group focuses on helping to uplift the community via Lion-Parkson Foundation (the "Foundation") established in 1990 by Lion Group of Companies of which the Group is a member. The companies within the Group are also supporting the local community wherein they operate by participating in charity programmes and fundraising drives to assist those in need.

**Empowerment through Education**

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

Annually, the Foundation awards scholarships to undergraduates in local universities. The selected scholars undergo training in soft skills such as problem-solving and communication skills as well as internships at Lion Group companies during their semester breaks to prepare them for working in the corporate world. In FYE2020, the Foundation awarded scholarships worth RM10,000 per annum to 10 students based on their academic performance, extra-curricular activities and leadership qualities. Todate, the Foundation has sponsored a total of 469 students under its scholarship and other sponsorship programmes worth RM11.0 million.

For the 11th consecutive year, students from 5 schools staged calligraphy demonstrations and orchestra performances at 8 participating Parkson stores in the Klang Valley over 2 weekends prior to the 2020 Lunar New Year and successfully raised RM169,568 from the sale of their calligraphy pieces. The yearly Lunar New Year Calligraphy Exhibition and Charity Sale since 2010 had raised a total of RM2,552,212 to assist needy students in these schools.

**Home for Special Children**

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

**Medical Assistance for the Less Fortunate**

In reaching out to a broad and diverse cross-section of beneficiaries irrespective of race or religion, the Foundation also provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery as well as purchase of medical equipment and medication. The Foundation is also assisting organisations that are geared towards helping the less fortunate to achieve a better life, including sponsoring community health programmes such as medical camps and donation of dialysis machines.

Approximately RM9.2 million has been disbursed in the form of sponsorship for medical treatment to 976 individuals, purchase of equipment and medication for needy Malaysians, purchase of medicine for medical camps as well as purchase of 23 dialysis machines worth RM875,000 for dialysis centres operated by National Kidney Foundation of Malaysia and Non-Governmental Organisations (NGOs) to provide subsidised treatment to those suffering from kidney failure.

**Other Charitable Causes**

In May 2020, the Foundation handed over a total contribution of RM30,000 in cash and hand sanitisers worth RM4,000 to Malaysian Red Crescent Selangor State (“MRCSS”) in support of the assistance work extended by MRCSS to hospitals, clinics and the underprivileged to help overcome the COVID-19 pandemic. The Foundation also contributed face masks and hand sanitisers, amongst other items to 50 single mothers and their children, at a Hari Raya event.

Todate, a total of RM48.8 million has been contributed to various charitable causes championed by the Foundation.

**COVID-19 RESPONSE**

Following the global outbreak of COVID-19, the Group has put in place various precautionary measures recommended by the Ministry of Health. The requirements include strict site protocols for hygiene and social distancing; cleaning and disinfecting workplaces; temperature screening and contact tracing record at all entrances; providing face masks to employees as well as hand sanitisers to employees and visitors to our offices and premises. We have also reduced non-essential travel and meetings are conducted via video conferencing technology.

COVID-19 has impacted business operations, suppliers and customers in their contractual obligations due to physical restrictions or financial difficulties. We have taken proactive steps to address the risks of COVID-19 in a way that mitigates adverse impact on our supply chain, and initiated meetings and negotiations with key stakeholders to mutually resolve any issues that may arise.

## STAKEHOLDER ENGAGEMENT

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

| Stakeholder Group | Stakeholders Expectation | Communication Channel/Platform |
|---|---|---|
| Employees | • Learning and development<br>• Respect and recognition<br>• Job satisfaction<br>• Pay and benefits | • Meetings<br>• Training programmes<br>• Internal newsletter<br>• Staff gatherings and other engagement channels |
| Customers | • Convenience and experience<br>• Engaging, knowledgeable personnel | • Face-to-face interaction through service channels<br>• Communication through Customer Service Department and Corporate Communications Department<br>• Feedback through website, e-mail, social media platform<br>• Sales, promotions, road shows and related events |
| Suppliers/Vendors | • Long term partnership<br>• Financial resilience<br>• Sustainable business growth<br>• Experienced management team | • Liaison with suppliers before sourcing and engaging with contract managers<br>• Meetings, business alliance events/ meetings<br>• Vendor service/support channel |
| Shareholders and investors | • Good governance<br>• Sustainable business growth<br>• Disclosure and transparency | • Investor relations channel and meetings<br>• Annual General Meeting<br>• Quarterly reports, Annual Report, media releases |
| Government and regulators | • Regulatory compliance | • Meetings and events |
| Local communities | • Responsible corporate citizen<br>• Support for social causes | • Activities and sponsorships organised by the Company and Lion-Parkson Foundation |
| Media | • Response to media enquiries and requests for interviews<br>• Long term engagement | • Media releases and interviews<br>• Advertisements |
| Industry Associations | • Support for mutual interests | • Meetings and events |

# FINANCIAL STATEMENTS 2020

For The Financial Year Ended 30 June 2020

## DIRECTORS' REPORT

The Directors of **LION INDUSTRIES CORPORATION BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

### PRINCIPAL ACTIVITIES

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is disclosed in Note 41 to the financial statements.

### SIGNIFICANT EVENTS

Significant events of the Group are disclosed in Note 40 to the financial statements.

### RESULTS OF OPERATIONS

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

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| (Loss)/Profit for the year | (383,170) | 11,970 |
| (Loss)/Profit attributable to: | | |
| Owners of the Company | (390,533) | |
| Non-controlling interests | 7,363 | |
| | (383,170) | |

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the impairment losses no longer required on trade and other receivables as disclosed in Note 4(i)(a) of the financial statements.

### DIVIDENDS

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

### RESERVES AND PROVISIONS

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

**ISSUE OF SHARES AND DEBENTURES**

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

**TREASURY SHARES**

As of 30 June 2020, the Company held 37,105,300 treasury shares at a carrying amount of RM13,192,722 as disclosed in Note 28 to the financial statements.

**OTHER STATUTORY INFORMATION**

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made, other than those disclosed in Note 40 to the financial statements.

**DIRECTORS**

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

Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin
Tan Sri Cheng Yong Kim
Dato' Kamaruddin @ Abas bin Nordin
Dato' Nik Rahmat bin Nik Taib
Yap Soo Har
Cheng Hui Ya, Serena

**LIST OF DIRECTORS OF SUBSIDIARY COMPANIES**

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

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

Chan Poh Lan (resigned with effect from 30 September 2019)

**DIRECTORS' INTERESTS**

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

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **As of 1.7.2019** | **Additions** | **Disposals** | **As of 30.6.2020** |
| **Direct interest** | | | | |
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | – | 100,000 | – | **100,000** |
| Tan Sri Cheng Yong Kim | 10,003,289 | 1,425,000 | – | **11,428,289** |
| Dato' Kamaruddin @ Abas bin Nordin | 128,000 | – | – | **128,000** |
| **Deemed interest** | | | | |
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | – | 100,000 | – | **100,000** |
| Tan Sri Cheng Yong Kim | 74,745,649 | – | – | **74,745,649** |

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

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | **As of 1.7.2019** | **Additions** | **Disposals** | **As of 30.6.2020** |
| **Tan Sri Cheng Yong Kim** | | | | |
| **Direct interest** | | | | |
| Lion Posim Berhad (Formerly known as Lion Forest Industries Berhad) | 130 | – | – | **130** |
| **Deemed interest** | | | | |
| Lion Posim Berhad | 2,059 | – | – | **2,059** |

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

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest save and except for any benefit which may be deemed to have arisen by virtue of the balances and transactions between the Company and its related companies and certain companies in which a Director of the Company has interest as disclosed in Note 34 to the financial statements.

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

**INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS**

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

There were no indemnity given to or insurance effected for auditors of the Group and the Company in accordance with Section 289 of the Companies Act 2016.

**AUDITORS**

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

**AUDITORS' REMUNERATION**

The remuneration of the auditors for the financial year ended 30 June 2020 is as disclosed in Note 6 to the financial statements.

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

**TAN SRI CHENG YONG KIM**

**CHENG HUI YA, SERENA**

15 October 2020

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of **LION INDUSTRIES CORPORATION BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 30 June 2020, 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 then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 66 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

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

**Independence and Other Ethical Responsibilities**

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

**Key Audit Matters**

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

| Key audit matter | How the scope of our audit responded to the key audit matter |
|---|---|
| **<u>Impairment of property, plant and equipment</u>**<br><br>As at 30 June 2020, impairment losses of RM8,930,000 have been recognised on the assets located at Banting and Johor (collectively referred as "Plants").<br><br>The impairment of the Plants is considered a key audit matter in view that significant judgement and estimates are required to be exercised by the management when determining the recoverable amount of the Plants for impairment assessment.<br><br>The significant judgement and estimates made by the management is disclosed in Note 4(ii)(e) to the financial statements. | Our audit procedures to address this area included, among others:<br><br>• Inquired management about plans for the Plants and evaluated the possible impact on the realisation of the Plants.<br><br>• Assessed the competency, capabilities and objectivity of the independent valuers engaged by the Group to determine the market value of the Plants.<br><br>• Compared the carrying amount of the Plants against the values determined by the independent valuers to evaluate for indicators of impairment and challenged the variables and assumptions used in the valuations. We have used Deloitte specialists where applicable.<br><br>• Performed a physical inspection of the Plants to ensure the existence and condition of the Plants. |

(Forward)

| Key audit matter | How the scope of our audit responded to the key audit matter |
|---|---|
| **Impairment of investment properties**<br><br>As at 30 June 2020, included in the investment properties of the Group are freehold land and economic land concessions in Cambodia amounting to USD25,733,000, equivalent to RM110,869,000.<br><br>The impairment of investment properties is considered a key audit matter in view that significant judgement and estimates are required to be exercised by the management when determining the recoverable amount of the investment properties for impairment assessment.<br><br>The significant judgement and estimates made by the management is disclosed in Note 4(i)(b) to the financial statements. | Our audit procedures to address this area included, among others:<br><br>• Read and considered agreements and relevant documentation relating to the acquisition of land and economic land concessions in Cambodia;<br><br>• Inquired management about plans for the investment properties and evaluated the possible impact on the realisation of the freehold land and economic land concessions;<br><br>• Assessed the competency, capabilities and objectivity of the independent valuers engaged by the Group to determine the market value of the investment properties.<br><br>• Compared the carrying amount of the investment properties against the values determined by the independent valuers to evaluate for indicators of impairment and challenged the variables and assumptions used in the valuations.<br><br>• Assessed the adequacy and appropriateness of the disclosures in the financial statements. |

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

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

(Forward)

**Responsibility of the Directors for the Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

(Forward)

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

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

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary companies of which we have not acted as auditors, are disclosed in Note 41 to the financial statements.

**Other Matters**

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

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

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

15 October 2020

# STATEMENTS OF PROFIT OR LOSS

## FOR THE YEAR ENDED 30 JUNE 2020

| | Note | The Group 2020 RM'000 | The Group 2019 RM'000 | The Company 2020 RM'000 | The Company 2019 RM'000 |
|---|---|---|---|---|---|
| Revenue | 5 | **2,318,470** | 3,163,774 | **–** | 185,483 |
| Other income | | **54,972** | 83,261 | **15,083** | 11,976 |
| Net changes in inventories | | **(67,721)** | 46,625 | **–** | – |
| Raw materials and consumables used | | **(2,008,893)** | (2,687,610) | **–** | – |
| Purchase of trading merchandise | | **(123,992)** | (307,482) | **–** | – |
| Cost of completed units sold | | **(412)** | (260) | **–** | – |
| Staff costs | 6 | **(148,124)** | (164,736) | **(318)** | (365) |
| Directors' remuneration | 7 | **(1,345)** | (1,621) | **(1,226)** | (1,476) |
| Investment income | 8 | **8,595** | 6,915 | **841** | 865 |
| Finance costs | 9 | **(27,942)** | (21,114) | **(667)** | (790) |
| Depreciation of property, plant and equipment | 12 | **(86,392)** | (88,159) | **(166)** | (285) |
| Depreciation of investment properties | 13 | **(69)** | (43) | **–** | – |
| Amortisation of prepaid land lease payments | 14 | **(1,544)** | (2,281) | **–** | – |
| Depreciation of right-of-use assets | 15 | **(17,203)** | – | **(63)** | – |
| Other expenses | | **(160,286)** | (127,196) | **(1,530)** | (13,426) |
| (Loss)/Profit from operations | 6 | **(261,886)** | (99,927) | **11,954** | 181,982 |
| Share in results of: | | | | | |
| Associated companies | 18 | **(115,169)** | (35,153) | **–** | – |
| Joint venture | 19 | **31** | 7,035 | **–** | – |
| Gain on disposal of investment in an associated company | | **–** | – | **–** | 60,697 |
| **(Loss)/Profit before tax** | | **(377,024)** | (128,045) | **11,954** | 242,679 |
| Tax (expense)/credit | 10 | **(6,146)** | (28,056) | **16** | (359) |
| **(Loss)/Profit for the year** | | **(383,170)** | (156,101) | **11,970** | 242,320 |
| **(Loss)/Profit attributable to:** | | | | | |
| Owners of the Company | | **(390,533)** | (157,253) | **11,970** | 242,320 |
| Non-controlling interests | | **7,363** | 1,152 | **–** | – |
| | | **(383,170)** | (156,101) | **11,970** | 242,320 |
| **Loss per ordinary share attributable to owners of the Company (sen):** | | | | | |
| Basic and diluted | 11 | **(57.36)** | (23.10) | | |

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

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2020

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **(Loss)/Profit for the year** | **(383,170)** | (156,101) | **11,970** | 242,320 |
| **Other comprehensive income/(loss)** | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translation of foreign operations | **3,519** | (725) | **–** | – |
| Share of other comprehensive loss of associated companies | **(34,255)** | (21,529) | **–** | – |
| **Other comprehensive loss for the year, net of tax** | **(30,736)** | (22,254) | **–** | – |
| **Total comprehensive (loss)/income for the year** | **(413,906)** | (178,355) | **11,970** | 242,320 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **(Loss)/Profit attributable to:** | | | | |
| Owners of the Company | **(422,316)** | (180,526) | **11,970** | 242,320 |
| Non-controlling interests | **8,410** | 2,171 | **–** | – |
| | **(413,906)** | (178,355) | **11,970** | 242,320 |

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

# STATEMENTS OF FINANCIAL POSITION

## AS OF 30 JUNE 2020

| | Note | The Group 2020 RM'000 | The Group 2019 RM'000 | The Company 2020 RM'000 | The Company 2019 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 12 | **399,243** | 474,819 | **495** | 662 |
| Investment properties | 13 | **113,001** | 108,851 | **–** | – |
| Prepaid land lease payments | 14 | **40,485** | 55,263 | **–** | – |
| Right-of-use assets | 15 | **50,027** | – | **84** | – |
| Land held for property development | 16(a) | **50,885** | 50,709 | **26** | 26 |
| Investment in subsidiary companies | 17 | **–** | – | **751,034** | 751,034 |
| Investment in associated companies | 18 | **475,365** | 644,542 | **79,833** | 79,833 |
| Investment in joint venture | 19 | **31** | – | **–** | – |
| Long-term investments | 20 | **611** | 1,228 | **216** | 400 |
| Deferred tax assets | 21 | **48,133** | 48,543 | **–** | – |
| Goodwill | 22 | **130,443** | 130,443 | **–** | – |
| **Total Non-Current Assets** | | **1,308,224** | 1,514,398 | **831,688** | 831,955 |
| **Current Assets** | | | | | |
| Property development costs | 16(b) | **12,022** | 11,915 | **–** | – |
| Inventories | 23 | **375,498** | 533,578 | **43** | 43 |
| Trade receivables | 24(a) | **253,303** | 243,252 | **–** | – |
| Other receivables, deposits and prepayments | 24(b) | **215,936** | 195,894 | **4,347** | 30,936 |
| Amount owing by subsidiary companies | 25(a) | **–** | – | **618,824** | 503,150 |
| Investment in money market funds | 26(a) | **17,469** | 16,926 | **–** | – |
| Deposits, cash and bank balances | 26(b) | **333,517** | 376,013 | **10,638** | 97,914 |
| **Total Current Assets** | | **1,207,745** | 1,377,578 | **633,852** | 632,043 |
| **Total Assets** | | **2,515,969** | 2,891,976 | **1,465,540** | 1,463,998 |

(Forward)

| | Note | The Group 2020 RM'000 | The Group 2019 RM'000 | The Company 2020 RM'000 | The Company 2019 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Share capital | 27 | **1,250,536** | 1,250,536 | **1,250,536** | 1,250,536 |
| Reserves | 28 | **1,049** | 423,365 | **12,910** | 940 |
| Equity attributable to owners of the Company | | **1,251,585** | 1,673,901 | **1,263,446** | 1,251,476 |
| Non-controlling interests | 17 | **175,235** | 171,738 | **–** | – |
| **Total Equity** | | **1,426,820** | 1,845,639 | **1,263,446** | 1,251,476 |
| **Non-Current and Deferred Liabilities** | | | | | |
| Loans and borrowings | 29 | **48,001** | 40,132 | **–** | – |
| Lease liabilities | 30 | **20,123** | – | **22** | – |
| Deferred tax liabilities | 21 | **3,919** | 5,203 | **–** | – |
| **Total Non-Current and Deferred Liabilities** | | **72,043** | 45,335 | **22** | – |
| **Current Liabilities** | | | | | |
| Trade payables | 31(a) | **430,943** | 420,582 | **166** | 166 |
| Other payables, deposits and accrued expenses | 31(b) | **430,073** | 417,625 | **900** | 951 |
| Contract liabilities | 31(c) | **18,509** | 18,370 | **–** | – |
| Provisions | 32 | **3,473** | 3,473 | **–** | – |
| Advance billings of property development projects | | **20** | – | **–** | – |
| Amount owing to subsidiary companies | 25(a) | **–** | – | **191,357** | 187,665 |
| Amount owing to an associated company | 25(b) | **–** | 14,000 | **–** | 14,000 |
| Loans and borrowings | 29 | **115,604** | 123,101 | **9,584** | 9,645 |
| Lease liabilities | 30 | **13,996** | – | **65** | – |
| Tax liabilities | | **4,488** | 3,851 | **–** | 95 |
| **Total Current Liabilities** | | **1,017,106** | 1,001,002 | **202,072** | 212,522 |
| **Total Liabilities** | | **1,089,149** | 1,046,337 | **202,094** | 212,522 |
| **Total Equity and Liabilities** | | **2,515,969** | 2,891,976 | **1,465,540** | 1,463,998 |

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2020

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

(Forward)

| The Group | | ← Non-distributable reserves | | → | Distributable | Attributable | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital RM'000 | Treasury shares RM'000 | Translation adjustment reserve RM'000 | Capital reserve RM'000 | reserve – Retained earnings RM'000 | to owners of the Company RM'000 | Non–controlling interests RM'000 | Total equity RM'000 |
| **As of 1 July 2019** | 1,250,536 | (13,193) | 16,692 | (66,658) | 486,524 | 1,673,901 | 171,738 | 1,845,639 |
| (Loss)/Profit for the year | – | – | – | – | (390,533) | (390,533) | 7,363 | (383,170) |
| Other comprehensive (loss)/income | – | – | 2,472 | (34,255) | – | (31,783) | 1,047 | (30,736) |
| Total comprehensive (loss)/income for the year | – | – | 2,472 | (34,255) | (390,533) | (422,316) | 8,410 | (413,906) |
| Dividend paid to non-controlling interests of a subsidiary company | – | – | – | – | – | – | (4,913) | (4,913) |
| **As of 30 June 2020** | **1,250,536** | **(13,193)** | **19,164** | **(100,913)** | **95,991** | **1,251,585** | **175,235** | **1,426,820** |

(Forward)

**The Company**

| | ← Non-distributable reserves → | | | Distributable Reserve – | |
|---|---|---|---|---|---|
| | Share capital RM'000 | Treasury shares RM'000 | Capital reserve RM'000 | (Accumulated losses)/ Retained earnings RM'000 | Total equity RM'000 |
| **As of 1 July 2018** | 1,250,536 | (13,193) | 5,419 | (233,606) | 1,009,156 |
| Profit for the year | – | – | – | 242,320 | 242,320 |
| Other comprehensive income | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | 242,320 | 242,320 |
| **As of 30 June 2019** | 1,250,536 | (13,193) | 5,419 | 8,714 | 1,251,476 |
| **As of 1 July 2019** | 1,250,536 | (13,193) | 5,419 | 8,714 | 1,251,476 |
| Profit for the year | – | – | – | 11,970 | 11,970 |
| Other comprehensive income | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | 11,970 | 11,970 |
| **As of 30 June 2020** | **1,250,536** | **(13,193)** | **5,419** | **20,684** | **1,263,446** |

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

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2020

| The Group | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | |
| Loss for the year | | **(383,170)** | (156,101) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 12 | **86,392** | 88,159 |
| Tax expenses recognised in profit or loss | | **6,146** | 28,056 |
| Finance costs | 9 | **27,942** | 21,114 |
| Allowance for obsolescence of inventories | 23 | **9,956** | 99 |
| Inventories written down | | **35,546** | 51,304 |
| Unrealised gain on foreign exchange | 6 | **(525)** | (1,765) |
| Impairment losses on: | | | |
| Trade and other receivables | 24 | **14,518** | 8,394 |
| Property, plant and equipment | 12 | **8,930** | 2,491 |
| Amortisation of prepaid land lease payments | 14 | **1,544** | 2,281 |
| Depreciation of right-of-use assets | 15 | **17,203** | – |
| Property, plant and equipment written off | 12 | **656** | 30 |
| Fair value loss on long-term investments | 20 | **617** | – |
| Depreciation of investment properties | 13 | **69** | 43 |
| Share in results of: | | | |
| Associated companies | | **115,169** | 35,153 |
| Joint venture | | **(31)** | (7,035) |
| Translation exchange gain recycled from reserve to profit or loss arising from disposal of investment in an associated company | | **–** | (26,196) |
| Investment income | | **(8,912)** | (8,226) |
| Impairment losses no longer required for: | | | |
| Trade and other receivables | 24 | **(36,025)** | (1,684) |
| Investment properties | 13 | **(592)** | – |
| Gain on disposal of property, plant and equipment | | **(159)** | (5,337) |
| Remeasurement of finance lease payables | | **(3,934)** | – |
| Operating (Loss)/Profit Before Working Capital Changes | | **(108,660)** | 30,780 |
| Movements in working capital: | | | |
| Decrease/(Increase) in: | | | |
| Inventories | | **112,578** | 38,825 |
| Trade and other receivables, deposits and prepayments | | **(9,782)** | (57,843) |
| Amount owing by associated companies | | **–** | 336 |
| Property development costs | | **(107)** | (12) |
| Amount owing by joint venture | | **–** | 1,458 |
| (Decrease)/Increase in: | | | |
| Trade and other payables, deposits and accrued expenses | | **26,591** | (11,605) |
| Contract liabilities | | **–** | 2,112 |
| Cash Generated From Operations | | **20,620** | 4,051 |
| Tax paid | | **(5,870)** | (8,126) |
| Tax refunded | | **1,500** | – |
| Net Cash From/(Used in) Operating Activities | | **16,250** | (4,075) |

(Forward)

| The Group | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Dividends received from associated companies and joint venture | | **456** | 10,796 |
| Increase in investment in money market funds | | **(543)** | (596) |
| Investment income received | | **8,912** | 8,226 |
| Proceeds from disposal of: | | | |
| Property, plant and equipment | | **651** | 7,900 |
| Investment in an associated company | | **–** | 98,752 |
| Additions to property, plant and equipment | | **(18,770)** | (28,007) |
| Increase in land held for property development | | **(176)** | (423) |
| Net Cash (Used in)/From Investing Activities | | **(9,470)** | 96,648 |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Increase in cash and cash equivalents - restricted | | **(95,237)** | (1,006) |
| Repayments of: | | | |
| Short-term borrowings | | **(2,018)** | (12,116) |
| Finance lease liabilities | | **(2,042)** | (21,688) |
| Lease liabilities | | **(20,233)** | – |
| Hire-purchase obligations | | **(315)** | (359) |
| Interest and profit element paid | | **(25,350)** | (21,114) |
| Dividend paid to non-controlling interests of a subsidiary company | | **(4,913)** | (3,300) |
| Proceeds from borrowings | | **–** | 25,000 |
| Increase in amount owing to an associated company | | **1,000** | 14,000 |
| Net Cash Used In Financing Activities | | **(149,108)** | (20,583) |
| **NET (DECREASED)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(142,328)** | 71,990 |
| Effect of foreign exchange differences | | **153** | – |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **361,403** | 289,413 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 33 | **219,228** | 361,403 |

| Note: | | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| Additions to: | | | |
| (a) Property, plant and equipment were acquired by the following mean: | | | |
| Cash purchase | | **18,770** | 28,007 |
| Hire purchase payables | | **305** | 765 |
| Total additions of property, plant and equipment | 12 | **19,075** | 28,772 |

(Forward)

| The Company | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | |
| Profit for the year | | **11,970** | 242,320 |
| Adjustments for: | | | |
| Impairment loss on other receivables | 24 | **–** | 297 |
| Finance costs | 9 | **667** | 790 |
| Depreciation of property, plant and equipment | 12 | **166** | 285 |
| Depreciation of right-of-use asset | 15 | **63** | – |
| Tax (credit)/expense recognised in profit or loss | | **(16)** | 359 |
| Impairment loss on amount owing by subsidiary companies | 25(a) | **7** | 65 |
| Impairment loss on other investments | 20 | **184** | – |
| Impairment loss on investment in subsidiary companies | 17 | **–** | 11,634 |
| Unrealised gain on foreign exchange | 6 | **(7)** | (64) |
| (Gain)/Loss on disposal of property, plant and equipment | | **1** | (132) |
| Interest income | | **(911)** | (953) |
| Gain on disposal of investment in an associated company | | **–** | (60,697) |
| Dividend income | | **–** | (185,483) |
| Impairment losses no longer required for amount owing by subsidiary companies | | **–** | (11,634) |
| Waiver of debt from an associate company | | **(15,000)** | – |
| Operating Loss Before Working Capital Changes | | **(2,876)** | (3,213) |
| Movements in working capital: | | | |
| Decrease/(Increase) in trade and other receivables, deposits and prepayments | | **26,699** | (26,489) |
| Decrease in trade and other payables, deposits and accrued expenses | | **(49)** | (573) |
| Cash Generated From/(Used In) Operations | | **23,774** | (30,275) |
| Tax paid | | **(190)** | (742) |
| Net Cash From/(Used In) Operating Activities | | **23,584** | (31,017) |

(Forward)

| The Company | Note | 2020 RM'000 | 2019 RM'000 |
|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | |
| Interest received | | **911** | 953 |
| Decrease/(Increase) in amount owing by subsidiary companies | | **(115,674)** | 8,665 |
| Addition to investment in a subsidiary company | | **–** | (11,634) |
| Purchase of property, plant and equipment | | **–** | (11) |
| Proceeds from disposal of an associated company | | **–** | 98,752 |
| Proceeds from disposal of property, plant and equipment | | **–** | 132 |
| Net Cash (Used In)/From Investing Activities | | **(114,763)** | 96,857 |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Repayments of borrowings | | **(61)** | – |
| Repayments of lease liability | | **(60)** | – |
| Interest on lease liability | | **(8)** | – |
| Finance costs paid | | **(659)** | (790) |
| Increase in cash and cash equivalents - restricted | | **(116)** | (1,057) |
| Increase in amount owing to an associated company | | **1,000** | 14,000 |
| Increase in amount owing to subsidiary companies | | **3,692** | 8,033 |
| Net Cash From Financing Activities | | **3,788** | 20,186 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(87,391)** | 86,026 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **89,100** | 3,074 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 33 | **1,709** | 89,100 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2020

**1. GENERAL INFORMATION**

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

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

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary company is disclosed in Note 41.

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

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

The principal place of business of the Company is located at Level 2-4, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 15 October 2020.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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

**Adoption of New MFRSs, Amendments to MFRSs and Issues Committee Interpretation ("IC Interpretation")**

In the current financial year, the Group and the Company adopted all the new , amendments to MFRSs and IC Interpretation issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 July 2019 and relevant to its operations, as follows:

| | |
|---|---|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |
| Annual Improvements to MFRSs 2015 - 2017 Cycle | |

The adoption of these relevant new MFRSs, Amendments to MFRSs and IC Interpretation did not result in significant changes in the accounting policies of the Group and the Company and has no significant effect on the financial performance or position of the Group and the Company except for the following:

**Impact on initial application of MFRS 16 Leases**

In the current year, the Group and the Company have applied MFRS 16 Leases that is effective for annual periods that begin on or after 1 January 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value asset. In contrast to lessee accounting, the requirement for lessor accounting have remained largely unchanged. Details of these requirements are described in Note 3. The impact of adoption of MFRS 16 on the Group and the Company's financial statements is described below.

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

**Impact on initial application of MFRS 16 Leases (continued)**

The date of initial application of MFRS 16 for the Group and the Company is 1 July 2019.

The Group and the Company have applied MFRS 16 using the cumulative catch-up approach which:

- requires the Group and the Company to recognise the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings as at the date of initial application; and
- does not permit restatement of comparatives, which continued to be presented under MFRS 117.

(a) Impact of the new definition of a lease

The Group and the Company have made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in MFRS 117.

The Group and the Company apply the definition of a lease and related guidance set out in MFRS 16 to all lease contracts entered into or changed on or after 1 July 2019, whether they are a lessor or a lessee in the lease contract. The new definition in MFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group and the Company.

(b) Impact on Lessee Accounting

*(i) Former operating leases*

MFRS 16 changes how the Group and the Company accounts for leases previously classified as operating leases under MFRS 117, which were off-balance-sheet.

Applying MFRS 16, for all leases, the Group and the Company:

- recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with MFRS 16;
- recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- separate the total amount of cash paid into a principal portion and interest on lease liabilities, presented within financing activities in the statement of cash flows.

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136.

For short-term lease, the Group and the Company have opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within 'other expenses' in profit or loss.

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

**Impact on initial application of MFRS 16 Leases (continued)**

(b) Impact on Lessee Accounting (continued)

*(i) Former operating leases (continued)*

The Group and the Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying MFRS 117.

- the Group and the Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application; and
- the Group and the Company have excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application.

*(ii) Former finance leases*

For leases that were classified as finance leases applying MFRS 117, the carrying amount of the leased assets and obligations under finance leases measured applying MFRS 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group and the company have elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying MFRS 16 from 1 July 2019.

(c) Impact on Lessor Accounting

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, MFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of MFRS 16

The lease incremental borrowing rate applied to lease liability recognised in the statement of financial position on 1 July 2019 ranges from 4.62% to 6.65%.

The following table shows the operating lease commitments disclosed applying MFRS 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

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

**Impact on initial application of MFRS 16 Leases (continued)**

(b) Impact on Lessee Accounting (continued)

*Finance leases (continued)*

*Financial impact of initial application of MFRS 16*

The reconciliation of differences between the operating lease commitments disclosed under the prior standard and the additional lease liabilities recognised on the statement of financial position at 1 July 2019 as follows:

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Operating lease commitments at 30 June 2019 | 5,783 | – |
| Present value of the lease payments additionally recognised based on the initial application of MFRS 16 | 48,526 | 159 |
| Short-term lease | (22) | – |
| Effect of discounting the above amount | (2,526) | (12) |
| Lease liability recognised as at 1 July 2019 | 51,761 | 147 |

The Group and the Company have recognised RM51,761,000 and RM147,000 of right-of-use assets and of lease liabilities respectively upon transition to MFRS 16.

**Standards and Amendments to MFRSs in Issue But Not Yet Effective**

At the date of authorisation for issue of these financial statements, the new and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

| | |
|---|---|
| MFRS 17 | Insurance Contracts[4] |
| Amendments to MFRS 3 | Definition of a Business[1] |
| Amendments to MFRS 3 | Reference to Concenptual Framework[3] |
| Amendments to MFRS 4 | Extension of the Temporary Exemption from Applying MFRS 9[4] |
| Amendments to MFRS 7, MFRS 9 and MFRS 139 | Interest Rate Benchmark Reform[1] |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[5] |
| Amendments to MFRS 16 | COVID-19 - Related Rent Concession[2] |
| Amendments to MFRS 101 | Classification of Liability as Current or Non-current[4] |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material[1] |
| Amendments to MFRS 116 | Property, Plant and Equipment - Proceeds before Intended Use[3] |
| Amendments to MFRS 137 | Onerous contracts - Costs of Fulfilling a Contract[3] |

Amendments to References to the Conceptual Framework in MFRS Standards[1]

Annual Improvements to MFRS Standards 2018 - 2020[3]

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

**Standards and Amendments to MFRSs in Issue But Not Yet Effective (continued)**

[1] Effective for annual periods beginning on or after 1 January 2020.
[2] Effective for annual periods beginning on or after 1 June 2020.
[3] Effective for annual periods beginning on or after 1 January 2022.
[4] Effective for annual periods beginning on or after 1 January 2023.
[5] Effective date deferred to a date to be determined and announced by MASB.

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

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

Fair value measurement

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

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

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

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

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

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

**Basis of Consolidation**

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

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

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

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Basis of Consolidation (continued)**

Where the Group loses control of a subsidiary company, a gain or loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary company are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable MFRSs. The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associated company or joint venture.

**Business Combinations**

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business Combinations (continued)

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

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

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

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

### Investment in Subsidiary Companies

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

### Investment in Associated Companies and Joint Venture

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

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

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

**Investment in Associated Companies and Joint Venture (continued)**

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

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

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

The Group discontinues the use of the equity method from the date when investment ceases to be an associated company or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associated company or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9. The difference between the carrying amount of the associated company or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the associated company or joint venture is included in the determination of the gain or loss on disposal of the associated company or joint venture.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associated company or joint venture on the same basis as would be required if that associated company or joint venture had directly disposed of the related assets and liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associated company or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment in Associated Companies and Joint Venture (continued)**

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

**Revenue Recognition**

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

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

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

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

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

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

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

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

**(i) Steel Division**

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

**(ii) Property Development Division**

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue Recognition (continued)**

**(ii) Property Development Division (continued)**

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

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

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

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

**(iii) Building Materials Division**

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

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

**(iv) Other Divisions**

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

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

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

<u>Revenue from Other Sources</u>

(i) **Dividend income**

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

(ii) **Interest income**

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Foreign Currency**

**(i) Functional and Presentation Currencies**

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

**(ii) Foreign Currency Transactions**

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

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

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

**Employee Benefits**

**(i) Short-term Employee Benefits**

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

**(ii) Defined Contribution Plans**

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

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

**Income Tax**

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

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

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

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

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

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

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

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

**Impairment of Assets Excluding Goodwill**

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

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

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

**Impairment of Assets Excluding Goodwill (continued)**

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

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

**Property, Plant and Equipment**

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

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

The annual depreciation rates are as follows:

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

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

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

**Property, Plant and Equipment under Hire-Purchase Arrangement**

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

**Prepaid Land Lease Payments**

Leasehold land that has an indefinite economic life and title that is not expected to pass to the Group by the end of the lease period is classified as right-of-use assets. The up-front payments for right to use the leasehold land over a predetermined period are accounted for as right-of-use assets under MFRS 16 and are subsequently measured at cost less accumulated amortisation and impairment losses.

Prepaid land lease payments are amortised over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the prepaid land lease reflects that the Group expects to exercise a purchase option, the related prepaid land lease payments are amortised over the useful life of the underlying asset. The amortisation starts at the commencement date of the lease. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 66 to 72 years (2019: 36 to 79 years).

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Capitalisation of Borrowing Cost**

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

**Investment Properties**

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

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

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

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

**Leases**

The Group and the Company have applied MFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under MFRS 117. The details of accounting policies under both MFRS 117 and MFRS 16 are presented separately below.

<u>Accounting policies applied from 1 July 2019 under MFRS 16</u>

*As Lessee*

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- the amount expected to be payable by the lessee under residual value guarantees; and
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability by using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leases (continued)**

*As Lessee (continued)*

The Group and the Company remeasure the lease liability and make a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The lease term and the estimated remaining useful lives of the right-of-use assets are as follows:

| | |
|---|---|
| Leasehold land and buildings | 2-36 years |
| Plant and equipment | 3-5 years |

Upon adoption of MFRS 16, the right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group has recognised right-of-use assets in relation to the rental of leasehold land, buildings, premisses, plant and equipment, which had previously been classified as operating leases.

The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

*As Lessor*

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group and the Company are an intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

**Leases (continued)**

*As Lessor (continued)*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and the Company's net investment in the leases. Finance lease income is allocated to financial periods so as to reflect a constant periodic rate of return on the Group's and the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group and the Company apply MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 30 June 2019 under MFRS 117

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

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

**Property, Plant and Equipment under Finance Leases**

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

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

**Land held for Property Development**

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

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

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

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

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

**Goodwill on Consolidation**

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

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

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

**Property Development Cost**

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Inventories

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

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

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

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

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

### Provisions

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

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

### Segment Reporting

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

### Contract Asset and Contract Liability

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Contingent Liabilities**

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

**Financial Guarantee Contracts**

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

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

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

**Financial Instruments**

**<u>Financial assets</u>**

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

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

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

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

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

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

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

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

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

**Financial Instruments (continued)**

**<u>Financial assets</u> (continued)**

(b) Financial assets at amortised cost

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

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

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

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

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

(i) Debt investments

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

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

(ii) Equity investments

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment of financial assets**

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

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

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

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

The Group considers past loss experience and observable data such as current changes and future forecast in economic changes to estimate the amount of expected impairment loss. The methodology assumptions including any forecast of future economic conditions are reviewed regularly. An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

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

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

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

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

**Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The measurement of financial liabilities depends on their classification.

Equity instruments

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

Other financial liabilities

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

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

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

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

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

**Statements of Cash Flows**

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

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Impairment of Receivables

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

As at 30 June 2020, the Group has trade and other receivables due from three major related parties namely Megasteel Sdn Bhd ("Megasteel"), Lion DRI Sdn Bhd ("Lion DRI") and Graimpi Sdn Bhd ("Graimpi"):

During the financial year, the Group has recovered RM28,438,000 from Graimpi and Lion DRI and also written off the outstanding receivables due from Megasteel up to its recoverable amount pursuant to schemes of arrangement of Megasteel which was approved by Megasteel's secured and unsecured creditors at the Court Convened Meeting on 10 July 2019.

| | The Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Trade receivables (Note 24 (a)) | **151,989** | 696,222 |
| Other receivables (Note 24 (b)) | **286,465** | 358,638 |
| | **438,454** | 1,054,860 |
| Less: Accumulated impairment losses | **(438,454)** | (1,054,860) |
| Net | **–** | – |

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

(b) Impairment of Investment Properties

The Group has investment properties which comprise mainly freehold land and economic land concession ("ELC") in Cambodia of RM110,869,000 (2019: RM106,651,000). Significant judgement is exercised in determining the manner in which the recovery of the said investment properties could be made and the amounts that could be realised. The amount expected to be recovered for the said investment properties was determined based on the fair value less cost to sell, by references to the latest valuation carried out by an independent firm of professional valuers.

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

### (ii) Key sources of estimation uncertainty

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

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

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As at 30 June 2020, the Group and the Company recognised accumulated impairment losses in respect of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Investment properties | **–** | 592 | **–** | – |
| Long-term investments | **70,134** | 70,134 | **–** | – |
| Investment in associated companies | **12,655** | 12,655 | **–** | – |
| Investment in subsidiary companies | **–** | – | **241,898** | 241,898 |

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

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

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

#### (b) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the VIU of the cash-generating units to which goodwill has been allocated. The VIU calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of goodwill at the end of the reporting period, pertaining to the steel operations of the Group, was RM130,443,000 (2019: RM130,443,000) and no impairment loss has been recognised in profit or loss during the current financial year as the Directors are of the opinion that the recoverable amount of the cash-generating unit is higher than the carrying amount. Details of the cash-generating unit calculation are provided in Note 22.

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

**(ii) Key sources of estimation uncertainty (continued)**

**(c) Deferred Tax Assets**

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of deferred tax assets recognised by the Group amounts to RM48,133,000 (2019: RM48,543,000).

**(d) Depreciation of Property, Plant and Equipment**

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

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

(i) As at 30 June 2020, the Directors have made a further impairment assessment on the steel making plant of a subsidiary company located at Banting ("the Banting plant"), which has temporarily stopped production since the previous financial years. The recoverable amount of the plant, which consists of land and buildings and plant and machinery, was determined based on fair value less cost to sell, by a reference to the latest valuation carried out by an independent firm of professional valuers in July/August 2020. The basis of fair value less cost to sell for the said assets was determined as follows:

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

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

(c) Plant and machineries - Market approach by comparing the subject asset with identical or similar assets for which price information is available.

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

The impairment loss of RM300,000 have been recognised during the year.

The Directors are of the opinion that the carrying amount of the Banting plant of RM160,842,000 (2019: RM203,866,000), net of accumulated impairment loss of RM185,772,000 (2019: RM185,772,000) is recoverable.

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

**(ii) Key sources of estimation uncertainty (continued)**

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

(ii) During the financial year, the steel making plant located in Johor ("the Johor Plant") has temporarily stopped operations. The recoverable amount of the plant, which consists of plant and machinery, was determined based on fair value less cost to sell, by a reference to the latest valuation carried out by an independent firm of professional valuers in June 2020. The basis of fair value less cost to sell for the said assets was determined as follows:

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

(b) Plant and machineries - Depreciated Replacement Cost method which is Gross Current Replacement Cost less Depreciation to reflect the remaining portion of their useful economic working life and it is expressed on the assumption that the items are considered value to the business that would ensure their continued use in the foreseeable future.

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

The impairment loss of RM8,629,947 have been recognised during the year.

The Directors are of the opinion that the carrying amount of the Johor plant of RM98,503,195 (2019: RM118,255,491), net of accumulated impairment loss of RM153,196,445 (2019: RM144,566,498) is recoverable.

**(f) Provision for expected credit losses ("ECL") of trade receivables**

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

## 5. REVENUE

An analysis of revenue is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Revenue from contracts with customers: | | | | |
| Sale of goods | **2,285,900** | 3,150,173 | **–** | – |
| Sale of completed property units | **544** | 429 | **–** | – |
| Service rendered | **31,993** | 13,143 | **–** | – |
| | **2,318,437** | 3,163,745 | **–** | – |
| Revenue from other sources: | | | | |
| Gross dividend income from: | | | | |
| Subsidiary companies | **–** | – | **–** | 170,043 |
| Associated companies | **–** | – | **–** | 15,440 |
| Interest income | **33** | 29 | **–** | – |
| | **2,318,470** | 3,163,774 | **–** | 185,483 |

Timing of revenue recognition:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| At a point in time | **2,286,444** | 3,150,602 | **–** | – |
| Over time | **31,993** | 13,143 | **–** | – |
| Revenue from contracts with customers | **2,318,437** | 3,163,745 | **–** | – |
| Other revenue | **33** | 29 | **–** | 185,483 |
| | **2,318,470** | 3,163,774 | **–** | 185,483 |

## 6. (LOSS)/PROFIT FROM OPERATIONS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Impairment losses on: | | | | |
| Property, plant and equipment (Note 12) | **(8,930)** | (2,491) | **–** | – |
| Trade and other receivables (Note 24) | **(14,518)** | (8,394) | **–** | (297) |
| Investment in subsidiary companies (Note 17) | **–** | – | **–** | (11,634) |
| Amount owing by subsidiary companies (Note 25(a)) | **–** | – | **(7)** | (65) |
| Property, plant and equipment written off (Note 12) | **(656)** | (30) | **–** | – |
| Fair value loss on investment in long-term investments (Note 20) | **(617)** | – | **(184)** | – |
| Allowance for obsolescence of inventories (Note 23) | **(9,956)** | (99) | **–** | – |
| Inventories written down | **(35,546)** | (51,304) | **–** | – |
| Impairment losses no longer required for: | | | | |
| Trade and other receivables(Note 24) | **36,025** | 1,684 | **5** | – |
| Amount owing by subsidiary companies (Note 25(a)) | **–** | – | **–** | 11,634 |
| Gain/(Loss) on disposal of property, plant and equipment | **159** | 5,337 | **(1)** | 132 |
| Fees paid/payable to external auditors: | | | | |
| Statutory audit: | | | | |
| Auditors of the Company: | | | | |
| Current year | **(767)** | (778) | **(125)** | (125) |
| Overprovision in prior years | **(8)** | – | **–** | – |
| Other auditors: | | | | |
| Current year | **(53)** | (61) | **–** | – |
| Bad debts recovered | **2** | 556 | **–** | – |
| Waiver of debts from an associated company | **–** | – | **15,000** | – |
| Rental income from premises | **13,782** | 4,125 | **–** | – |
| Rental expense of: | | | | |
| Premises | **(465)** | (5,640) | **–** | – |
| Plant, machinery and equipment | **(402)** | (4,135) | **–** | – |
| Jetties and leasehold land | **–** | (4,868) | **–** | – |
| Gain on foreign exchange (net): | | | | |
| Realised | **4,162** | 4,813 | **(331)** | – |
| Unrealised | **525** | 1,765 | **7** | 64 |
| Interest income from Housing Development Accounts | **317** | 1,311 | **70** | 88 |
| Translation exchange gain recycled from reserve to profit or loss arising from disposal of investment in an associated company | **–** | 26,196 | **–** | – |

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

Analysis of staff costs is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Salaries, bonuses and allowances | **135,629** | 151,232 | **248** | 343 |
| Defined contribution plans | **12,495** | 13,504 | **70** | 22 |
| | **148,124** | 164,736 | **318** | 365 |

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

| | The Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Salaries, bonuses and allowances | **3,379** | 3,334 |
| Defined contribution plans | **245** | 266 |
| | **3,624** | 3,600 |

The estimated monetary value of benefits-in-kind received and receivable by the key management personnel, other than the Directors of the Group and of the Company as disclosed in Note 7, otherwise than in cash from the Group amounted to RM29,052 (2019: RM27,166).

7. **DIRECTORS' REMUNERATION**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| **Executive Director:** | | | | |
| Fee | **35** | 35 | **35** | 35 |
| Salary and other emoluments | **780** | 994 | **780** | 994 |
| Defined contribution plans | **46** | 59 | **46** | 59 |
| | **861** | 1,088 | **861** | 1,088 |
| **Non-executive Directors:** | | | | |
| Fees | **310** | 333 | **290** | 313 |
| Salary and other emoluments | **164** | 187 | **75** | 75 |
| Defined contribution plans | **10** | 13 | **–** | – |
| | **484** | 533 | **365** | 388 |
| Total | **1,345** | 1,621 | **1,226** | 1,476 |

The estimated monetary value of benefits-in-kind received and receivable by the Directors otherwise than in cash from the Group and the Company amounted to RM238,876 and RM238,876 respectively (2019: RM108,506 and RM107,456 respectively).

## 8. INVESTMENT INCOME

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Interest income from: | | | | |
| Fixed deposits | **7,286** | 4,691 | **556** | 394 |
| Related parties | **7** | 199 | **7** | 199 |
| Subsidiary companies | **–** | – | **278** | 272 |
| Others | **759** | 1,408 | **–** | – |
| Dividend income from: | | | | |
| Investment in money market funds | **543** | 596 | **–** | – |
| Other investment | **–** | 21 | **–** | – |
| | **8,595** | 6,915 | **841** | 865 |

## 9. FINANCE COSTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Interest expense on: | | | | |
| Term loans | **1,277** | 396 | **287** | 396 |
| Security deposits received from customers | **3,955** | 2,320 | **–** | – |
| Bills payable | **3,594** | 4,965 | **–** | – |
| Bank overdrafts | **765** | 815 | **368** | 389 |
| Finance lease and hire-purchase | **2,297** | 350 | **–** | – |
| Lease liabilities | **2,591** | – | **8** | – |
| Product financing liabilities | **4,843** | 6,000 | **–** | – |
| Others | **8,620** | 6,268 | **4** | 5 |
| | **27,942** | 21,114 | **667** | 790 |

## 10. TAX (EXPENSE)/CREDIT

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Estimated tax payable: | | | | |
| Current year | **(6,038)** | (7,644) | **–** | (254) |
| (Under)/Over provision in prior years | **(982)** | 2,005 | **16** | (105) |
| | **(7,020)** | (5,639) | **16** | (359) |
| Deferred taxation (Note 21): | | | | |
| Current year | **460** | (22,655) | **–** | – |
| Overprovision in prior years | **414** | 238 | **–** | – |
| | **874** | (22,417) | **–** | – |
| Total tax (expense)/credit | **(6,146)** | (28,056) | **16** | (359) |

## 10. TAX (EXPENSE)/CREDIT (continued)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| (Loss)/Profit before tax | **(377,024)** | (128,045) | **11,954** | 242,679 |
| Tax credit/(expense) at statutory tax rate of 24% (2019: 24%) | **90,486** | 30,731 | **(2,869)** | (58,243) |
| Tax effects of: | | | | |
| Non-taxable income | **15,560** | 26,298 | **3,603** | 61,923 |
| Non-deductible expenses | **(38,264)** | (22,546) | **(734)** | (3,934) |
| Tax effect on share in results of associated companies and joint venture | **(27,633)** | (6,748) | **–** | – |
| Deferred tax assets not recognised | **(45,727)** | (58,034) | **–** | – |
| (Under)/Over provision in prior years: | | | | |
| Income tax | **(982)** | 2,005 | **16** | (105) |
| Deferred taxation | **414** | 238 | **–** | – |
| | **(6,146)** | (28,056) | **16** | (359) |

## 11. LOSS PER ORDINARY SHARE

### (a) Basic loss per share

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

| | **2020 RM'000** | **2019 RM'000** |
|---|---|---|
| Loss attributable to owners of the Company | **(390,533)** | (157,253) |

| | **2020 '000** | **2019 '000** |
|---|---|---|
| Weighted average number of ordinary shares in issue | **680,804** | 680,804 |

| | **2020** | **2019** |
|---|---|---|
| Basic loss per share (sen) | **(57.36)** | (23.10) |

### (b) Diluted loss per share

The basic and diluted loss per share are the same for 2020 and 2019 as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

## 12. PROPERTY, PLANT AND EQUIPMENT

**The Group**

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

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

**The Group**

| | COST | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **As of 1 July 2019 RM'000** | **Additions RM'000** | **Disposals RM'000** | **Write-offs RM'000** | **Upon adoption of MFRS 16 RM'000** | **Transfer to investment properties (Note 13) RM'000** | **Reclassification RM'000** | **Exchange differences RM'000** | **As of 30 June 2020 RM'000** |
| Freehold land | 77,101 | – | – | – | – | – | – | – | **77,101** |
| Freehold buildings | 305,206 | 130 | – | – | – | – | – | – | **305,336** |
| Buildings under long lease | 112,741 | – | (1,740) | – | 680 | (207) | 855 | – | **112,329** |
| Buildings under short lease | 466 | – | – | – | – | – | – | – | **466** |
| Plant, machinery and equipment | 1,511,511 | 9,150 | (1,001) | (8,864) | – | – | 25,283 | 288 | **1,536,367** |
| Prime movers and trailers | 2,294 | – | – | – | – | – | – | – | **2,294** |
| Motor vehicles | 14,590 | 342 | (105) | – | – | – | – | 16 | **14,843** |
| Furniture and office equipment | 72,547 | 1,217 | (340) | (674) | – | – | 169 | – | **72,919** |
| Computer equipment | 6,790 | 115 | (22) | (17) | – | – | – | 1 | **6,867** |
| Floating cranes | 87,616 | – | – | – | – | – | – | – | **87,616** |
| Tug boats and barges | 56,514 | – | (35) | – | – | – | – | – | **56,479** |
| Infrastructure | 107,100 | – | – | – | – | – | – | – | **107,100** |
| Renovations | 1,892 | – | – | (69) | – | – | – | – | **1,823** |
| Construction work-in-progress | 158,202 | 8,121 | – | (653) | – | – | (26,307) | – | **139,363** |
| Total | 2,514,570 | 19,075 | (3,243) | (10,277) | 680 | (207) | – | 305 | **2,520,903** |

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

**The Group**

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

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

**The Group**

**ACCUMULATED DEPRECIATION**

| | As of 1 July 2019 RM'000 | Charge for the year RM'000 | Disposals RM'000 | Write-offs RM'000 | Upon adoption of MFRS 16 RM'000 | Transfer to investment properties (Note 13) RM'000 | Exchange difference RM'000 | As of 30 June 2020 RM'000 |
|---|---|---|---|---|---|---|---|---|
| Freehold land | – | – | – | – | – | – | – | **–** |
| Freehold buildings | 229,823 | 13,504 | – | – | – | – | – | **243,327** |
| Buildings under long lease | 96,873 | 2,551 | (1,740) | – | (1,020) | (207) | – | **96,457** |
| Buildings under short lease | 466 | – | – | – | – | – | – | **466** |
| Plant, machinery and equipment | 1,201,999 | 59,414 | (708) | (8,864) | – | – | 170 | **1,252,011** |
| Prime movers and trailers | 2,294 | – | – | – | – | – | – | **2,294** |
| Motor vehicles | 11,794 | 395 | (105) | – | – | – | 15 | **12,099** |
| Furniture and office equipment | 61,936 | 2,470 | (159) | (671) | – | – | – | **63,576** |
| Computer equipment | 5,884 | 247 | (16) | (17) | – | – | 1 | **6,099** |
| Floating cranes | 62,788 | 6,659 | – | – | – | – | – | **69,447** |
| Tug boats and barges | 52,534 | 1,095 | (23) | – | – | – | – | **53,606** |
| Infrastructure | 49,980 | – | – | – | – | – | – | **49,980** |
| Renovations | 1,746 | 57 | – | (69) | – | – | – | **1,734** |
| Construction work-in-progress | – | – | – | – | – | – | – | **–** |
| Total | 1,778,117 | 86,392 | (2,751) | (9,621) | (1,020) | (207) | 186 | **1,851,096** |

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

| The Group | ACCUMULATED IMPAIRMENT LOSSES | | | | | NET BOOK VALUE | |
|---|---|---|---|---|---|---|---|
| | As of 1 July 2018 RM'000 | Charge for the year RM'000 | As of 30 June 2019 RM'000 | Charge for the year RM'000 | As of 30 June 2020 RM'000 | As of 30 June 2020 RM'000 | As of 30 June 2019 RM'000 |
| Freehold land | 1,754 | – | 1,754 | – | **1,754** | **75,347** | 75,347 |
| Freehold buildings | 28,299 | – | 28,299 | – | **28,299** | **33,710** | 47,084 |
| Buildings under long lease | 1,515 | – | 1,515 | – | **1,515** | **14,357** | 14,353 |
| Buildings under short lease | – | – | – | – | **–** | **–** | – |
| Plant, machinery and equipment | 85,546 | 2,491 | 88,037 | 8,630 | **96,667** | **187,689** | 221,475 |
| Prime movers and trailers | – | – | – | – | **–** | **–** | – |
| Motor vehicles | – | – | – | – | **–** | **2,744** | 2,796 |
| Furniture and office equipment | – | – | – | – | **–** | **9,343** | 10,611 |
| Computer equipment | – | – | – | – | **–** | **768** | 906 |
| Floating cranes | – | – | – | – | **–** | **18,169** | 24,828 |
| Tug boats and barges | – | – | – | – | **–** | **2,873** | 3,980 |
| Infrastructure | 57,120 | – | 57,120 | – | **57,120** | **–** | – |
| Renovations | – | – | – | – | **–** | **89** | 146 |
| Construction work-in-progress | 84,909 | – | 84,909 | 300 | **85,209** | **54,154** | 73,293 |
| Total | 259,143 | 2,491 | 261,634 | 8,930 | **270,564** | **399,243** | 474,819 |

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

**The Company**

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

| | COST | | | |
|---|---|---|---|---|
| | **As of 1 July 2019 RM'000** | **Addition RM'000** | **Disposals RM'000** | **As of 30 June 2020 RM'000** |
| Motor vehicles | 75 | – | – | **75** |
| Furniture and office equipment | 1,617 | – | (2) | **1,615** |
| Computer equipment | 3,501 | – | (16) | **3,485** |
| Renovations | 1,007 | – | – | **1,007** |
| Total | 6,200 | – | (18) | **6,182** |

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

| | ACCUMULATED DEPRECIATION | | | | NET BOOK VALUE |
|---|---|---|---|---|---|
| | **As of 1 July 2019 RM'000** | **Charge for the year RM'000** | **Disposals RM'000** | **As of 30 June 2020 RM'000** | **As of 30 June 2020 RM'000** |
| Motor vehicles | 73 | – | – | **73** | **2** |
| Furniture and office equipment | 1,530 | 24 | (1) | **1,553** | **62** |
| Computer equipment | 3,072 | 85 | (16) | **3,141** | **344** |
| Renovations | 863 | 57 | – | **920** | **87** |
| Total | 5,538 | 166 | (17) | **5,687** | **495** |

**12. PROPERTY, PLANT AND EQUIPMENT (continued)**

(a) During the financial year, the Group has recognised impairment losses of RM8,930,000 in respect of the assets located at the Banting and Johor plants, as a result of the said Banting and Johor plants having temporarily stopped productions. The said impairment losses were determined based on the assumptions as disclosed in Notes 4(ii)(e)(i) and (ii).

(b) As at 30 June 2020, the property, plant and equipment of certain subsidiary companies with carrying values totalling RM20.9 million (2019: RM28.5 million) have been charged as collateral to certain financial institutions for the loans and borrowings granted to the Group (Notes 29).

(c) Included in property, plant and equipment of the Group are assets acquired under lease and hire-purchase arrangements with net book values of RM21,734,000 (2019: RM28,749,000).

**13. INVESTMENT PROPERTIES**

| | The Group | | | | |
|---|---|---|---|---|---|
| | **Freehold land RM'000** | **Freehold land and buildings RM'000** | **Leasehold land and buildings RM'000** | **Work-in-progress RM'000** | **Total RM'000** |
| **Cost:** | | | | | |
| As at 1 July 2018 | 48,047 | 462 | 2,152 | 56,580 | 107,241 |
| Exchange differences | 1,202 | – | – | 1,414 | 2,616 |
| As at 30 June 2019/1 July 2019 | 49,249 | 462 | 2,152 | 57,994 | 109,857 |
| Transfer from property, plant and equipment (Note 12) | – | – | 207 | – | 207 |
| Exchange differences | 1,665 | – | – | 1,962 | 3,627 |
| As at 30 June 2020 | **50,914** | **462** | **2,359** | **59,956** | **113,691** |
| **Accumulated depreciation:** | | | | | |
| As at 1 July 2018 | – | 179 | 192 | – | 371 |
| Charge for the year | – | 9 | 34 | – | 43 |
| As at 30 June 2019/1 July 2019 | – | 188 | 226 | – | 414 |
| Transfer from property, plant and equipment (Note 12) | – | – | 207 | – | 207 |
| Charge for the year | – | 10 | 59 | – | 69 |
| As at 30 June 2020 | **–** | **198** | **492** | **–** | **690** |
| **Accumulated impairment losses:** | | | | | |
| As at 1 July 2018 | 578 | – | – | – | 578 |
| Exchange differences | 14 | – | – | – | 14 |
| As at 30 June 2019/1 July 2019 | 592 | – | – | – | 592 |
| No longer required | (592) | – | – | – | (592) |
| As at 30 June 2020 | **–** | **–** | **–** | **–** | **–** |
| **Net book value** | | | | | |
| As at 30 June 2019 | 48,657 | 274 | 1,926 | 57,994 | 108,851 |
| As at 30 June 2020 | **50,914** | **264** | **1,867** | **59,956** | **113,001** |
| **Fair value** | 70,637 | 410 | 3,394 | Note a | |

## 13. INVESTMENT PROPERTIES (continued)

The rental income earned by the Group from its investment properties amounted to RM11,200 (2019: RM72,800). Direct operating expenses pertaining to the investment properties of the Group that generated rental income during the financial year amounted to RM3,141 (2019: RM3,192).

Direct operating expenses incurred by the Group for investment properties that did not generate any rental income during the financial year amounted to RM6,469 (2019: RM6,823).

The fair value of investment properties is estimated by reference to market evidence of transaction prices for similar properties and the latest valuation carried out by an independent firm of professional valuers in June 2020.

At the end of the reporting period, the fair value of the Group's investment properties are measured using Level 3 valuation technique as disclosed in Note 3. There were no transfers between Levels 1, 2 and 3 during the financial year.

Note a

Work-in-progress comprises mainly economic land concession ("ELC") in Cambodia. The lease agreements for the ELC which determine the lease period of the land have yet to be obtained. The fair value of the ELC are not reasonably determinable until the ELC are converted into leasehold land. Based on the market evidence of transaction prices for leasehold land by the independent firm of professional valuers in June 2020, the Directors have concluded there is no impairment of the ELC.

## 14. PREPAID LAND LEASE PAYMENTS

| | The Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| **Cost:** | | |
| At beginning of year | **103,355** | 103,355 |
| Upon adoption of MFRS 16 | **1,570** | – |
| Transfer to right-of-use assets (Note 15) | **(33,696)** | – |
| Reclassification | **22** | – |
| At end of year | **71,251** | 103,355 |
| **Accumulated amortisation:** | | |
| At beginning of year | **48,092** | 45,811 |
| Amortisation for the year | **1,544** | 2,281 |
| Upon adoption of MFRS 16 | **(665)** | – |
| Transfer to right-of-use assets (Note 15) | **(18,227)** | – |
| Reclassification | **22** | – |
| At end of year | **30,766** | 48,092 |
| **Net book value** | **40,485** | 55,263 |

## 14. PREPAID LAND LEASE PAYMENTS (continued)

The Group's leases consist of leasehold lands, factory buildings, office complex and warehouse. The lease will expire between the years 2085 and 2091.

During the financial year, the Group reassesses the lease term of a certain leasehold land and building located in the Mukim of Bukit Raja, Klang, Selangor, to include the purchase option in the lease term. Purchase option is included, when possible, to provide the Group with greater flexibility to align its need for access to the leasehold land and building with the fulfilment of the Group's business strategy. The purchase option held is exercisable only by the Group and not by the lessor. In cases in which the Group is not reasonably certain to exercise the purchase option, payments associated with the purchase option are not included within the obligations under leases arrangement. The financial effect of revising lease terms to reflect effect of exercising the purchase option was an increase in recognised right-of-use assets of RM3,935,000 and obligations under leases arrangement of RM5,625,000 as disclosed in Note 29(c). Correspondingly, a remeasurement loss on liabilities amounted to RM1,690,000 is recognised to the statement of profit or loss.

Except for the leasehold land as mentioned above, the Group does not have the option to purchase the leased land upon the expiry of the lease period.

Certain of the leasehold land of the Group with carrying values totalling RM5,743,000 (2019: RM5,828,000, which is capitalised as prepaid land lease payments in Note 14) have been charged as collaterals to certain financial institutions for the short-term borrowings granted to the Group as disclosed in Note 29.

## 15. RIGHT-OF-USE ASSETS

The Group leases several assets including buildings, plant and machineries and equipment. The average lease term is 10 years.

**The Group**

| | Leasehold land and buildings RM'000 | Plant and equipment RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost:** | | | |
| At 1 July 2019 (on adoption of MFRS 16) | 30,995 | 20,766 | 51,761 |
| Transfer from prepaid land lease payments (Note 14) | 33,696 | – | 33,696 |
| As at 30 June 2020 | **64,691** | **20,766** | **85,457** |
| **Accumulated depreciation:** | | | |
| Transfer from prepaid land lease payments (Note 14) | (18,227) | – | (18,227) |
| Charge for the year | (11,598) | (5,605) | (17,203) |
| As at 30 June 2020 | **(29,825)** | **(5,605)** | **(35,430)** |
| **Net carrying amount as at 30 June 2020** | **34,866** | **15,161** | **50,027** |

## 15. RIGHT-OF-USE ASSETS (continued)

| **The Company** | **Premises RM'000** |
|---|---|
| **Cost:** | |
| At 1 July 2019 (on adoption of MFRS 16)/30 June 2020 | **147** |
| **Accumulated depreciation:** | |
| At 1 July 2019 (on adoption of MFRS 16) | – |
| Charge for the year | 63 |
| As at 30 June 2020 | **63** |
| **Net carrying amount as at 30 June 2020** | **84** |

During the current financial year, amounts recognised in profit or loss are as follows:

| **2020** | **The Group RM'000** | **The Company RM'000** |
|---|---|---|
| Depreciation expense on right-of-use assets | **17,203** | **63** |
| Interest expense on lease liabilities | **2,591** | **8** |
| Expenses relating to short term lease | **167** | **–** |
| Expense relating to leases of low-value assets | **244** | **–** |

## 16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land Held for Property Development

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| At beginning of year: | | | | |
| Land costs | **27,452** | 27,452 | **13** | 13 |
| Development costs | **23,257** | 22,834 | **13** | 13 |
| | **50,709** | 50,286 | **26** | 26 |
| Costs incurred: | | | | |
| Development costs | **176** | 423 | **–** | – |
| At end of year: | | | | |
| Land costs | **27,452** | 27,452 | **13** | 13 |
| Development costs | **23,433** | 23,257 | **13** | 13 |
| | **50,885** | 50,709 | **26** | 26 |

## 16. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (continued)

### (b) Property Development Costs

| | The Group 2020 RM'000 | The Group 2019 RM'000 |
|---|---|---|
| At beginning of year: | | |
| Land costs | **63,678** | 63,678 |
| Development costs | **191,749** | 191,737 |
| | **255,427** | 255,415 |
| Costs incurred: | | |
| Development costs | **107** | 12 |
| At end of year: | | |
| Land costs | **63,678** | 63,678 |
| Development costs | **191,856** | 191,749 |
| | **255,534** | 255,427 |
| Costs recognised as expenses in profit or loss: | | |
| Previous years | **(243,512)** | (243,512) |
| Current year | **–** | – |
| | **(243,512)** | (243,512) |
| Net | **12,022** | 11,915 |

## 17. INVESTMENT IN SUBSIDIARY COMPANIES

| | The Company 2020 RM'000 | The Company 2019 RM'000 |
|---|---|---|
| Shares quoted in Malaysia: | | |
| At beginning and end of year | **42,232** | 42,232 |
| Unquoted shares in Malaysia: | | |
| At cost | **937,071** | 925,437 |
| Addition | **–** | 11,634 |
| Deemed capital contribution | **13,629** | 13,629 |
| | **950,700** | 950,700 |
| Accumulated impairment losses | **(241,898)** | (241,898) |
| | **708,802** | 708,802 |
| Total | **751,034** | 751,034 |
| Market value of quoted shares | **14,440** | 18,954 |

## 17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Movements in the accumulated impairment losses are as follows:

| | The Company | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| At beginning of year | **241,898** | 230,264 |
| Impairment losses recognised during the year (Note 6) | **–** | 11,634 |
| At end of year | **241,898** | 241,898 |

During the current financial year, the Directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that accumulated impairment losses of RM241,898,000 (2019: RM241,898,000) is deemed adequate in respect of investment in subsidiary companies.

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

**Composition of the Group**

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

| Principal activity | Place of incorporation and operation | Number of wholly-owned subsidiary companies | | Number of non wholly-owned subsidiary companies | |
|---|---|---|---|---|---|
| | | 2020 | 2019 | 2020 | 2019 |
| Property development | Malaysia | **7** | 7 | **2** | 2 |
| Manufacture and sale and distribution of steel products | Malaysia | **–** | – | **3** | 3 |
| Manufacture and sale and distribution of other products | Malaysia | **–** | – | **3** | 3 |
| Others | Malaysia | **28** | 30 | **21** | 23 |
| Others | Other countries | **–** | – | **21** | 23 |
| | | **35** | 37 | **50** | 54 |

Certain investment in subsidiaries of the Company has been pledged as collateral to a financial institutions for a banking facility as disclosed in Note 29.

## 17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

### Non-Controlling Interests in Subsidiary Companies

The Group's subsidiary company that has material non-controlling interests ("NCI") is Lion Posim Berhad ("LPB") (Formerly known as Lion Forest Industries Berhad).

| | Percentage of ownership interests held by NCI | Profit allocated to NCI RM'000 | Accumulated NCI RM'000 |
|---|---|---|---|
| **2020** | | | |
| LPB | **26%** | **8,230** | **149,852** |
| Other individually immaterial subsidiary companies with NCI | | **(867)** | **25,383** |
| | | **7,363** | **175,235** |
| **2019** | | | |
| LPB | 26% | 2,353 | 143,042 |
| Other individually immaterial subsidiary companies with NCI | | (1,201) | 28,696 |
| | | 1,152 | 171,738 |

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

| | LPB 2020 RM'000 | LPB 2019 RM'000 |
|---|---|---|
| Non-current assets | **289,084** | 293,646 |
| Current assets | **390,095** | 360,053 |
| Non-current liabilities | **(272)** | (547) |
| Current liabilities | **(100,912)** | (101,423) |
| Total equity | **577,995** | 551,729 |
| Equity attributable to owners of the Company | **577,995** | 551,729 |
| Revenue | **411,505** | 476,006 |
| Profit for the year | **31,745** | 9,075 |
| Profit attributable to: | | |
| Owners of the Company | **31,745** | 9,075 |
| Non-controlling interests | **–** | – |
| | **31,745** | 9,075 |

## 17. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

| | LPB | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Other comprehensive loss attributable to: | | |
| Owners of the Company | **(5,479)** | (13,993) |
| Non-controlling interests | **–** | – |
| | **(5,479)** | (13,993) |
| Total comprehensive income/(loss) attributable to: | | |
| Owners of the Company | **26,266** | (4,918) |
| Non-controlling interests | **–** | – |
| | **26,266** | (4,918) |
| Net cash inflow/(outflow) from: | | |
| Operating activities | **32,934** | (17,530) |
| Investing activities | **593** | 3,531 |
| Financing activities | **(1,010)** | 266 |
| Net cash inflow/(outflow) | **32,517** | (13,733) |

## 18. INVESTMENT IN ASSOCIATED COMPANIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At cost: | | | | |
| Quoted investments | **239,501** | 239,501 | **64,394** | 64,394 |
| Unquoted investments | **104,949** | 104,949 | **15,439** | 15,439 |
| | **344,450** | 344,450 | **79,833** | 79,833 |
| Share in post-acquisition results and reserves less dividends received | **143,570** | 312,747 | **–** | – |
| Accumulated impairment losses | **(12,655)** | (12,655) | **–** | – |
| | **475,365** | 644,542 | **79,833** | 79,833 |
| Market value of quoted investments | **65,698** | 117,408 | **6,356** | 18,361 |

In prior year, the Group disposed of the entire equity interest in an associated company, Angkasa Amsteel Pte Ltd, for a total consideration equivalent to the entity's net assets.

## 18. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Certain investment in associated companies of the Group and of the Company has been pledged as collateral to a financial institutions for a banking facility as disclosed in Note 29.

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

| 2020 | Parkson RM'000 | Other individually immaterial associated companies RM'000 | Total RM'000 |
|---|---|---|---|
| **Summarised financial information** | | | |
| Proportion of the Group's effective ownership interest | **28%** | | |
| **Assets and Liabilities** | | | |
| Current assets | **2,337,439** | **232,200** | **2,569,639** |
| Non-current assets | **8,118,107** | **29,717** | **8,147,824** |
| Current liabilities | **(2,670,140)** | **(11,816)** | **(2,681,956)** |
| Non-current liabilities | **(5,161,520)** | **(20,336)** | **(5,181,856)** |
| Non-controlling interests | **(1,036,942)** | **–** | **(1,036,942)** |
| Net assets | **1,586,944** | **229,765** | **1,816,709** |
| **Results** | | | |
| Revenue | **3,251,152** | **57,257** | **3,308,409** |
| Loss for the year | **(627,248)** | **(28,027)** | **(655,275)** |
| Other comprehensive loss for the year | **(71,820)** | **–** | **(71,820)** |
| Total comprehensive loss for the year | **(699,068)** | **(28,027)** | **(727,095)** |
| Group's share of (loss)/profit of associated companies | **(115,860)** | **691** | **(115,169)** |
| Dividend received/receivable from associated companies | **–** | **5,022** | **5,022** |
| **Reconciliation of net assets to carrying amount** | | | |
| Group's share of net assets | **430,071** | **45,294** | **475,365** |
| Carrying amount in the statements of financial position | **430,071** | **45,294** | **475,365** |

## 18. INVESTMENT IN ASSOCIATED COMPANIES (continued)

| 2019 | Parkson RM'000 | Other individually immaterial associated companies RM'000 | Total RM'000 |
|---|---|---|---|
| **Summarised financial information** | | | |
| Proportion of the Group's effective ownership interest | 28% | | |
| **Assets and Liabilities** | | | |
| Current assets | 2,904,591 | 272,729 | 3,177,320 |
| Non-current assets | 5,631,325 | 29,585 | 5,660,910 |
| Current liabilities | (2,203,681) | (11,530) | (2,215,211) |
| Non-current liabilities | (3,020,987) | (16,685) | (3,037,672) |
| Non-controlling interests | (1,264,360) | – | (1,264,360) |
| Net assets | 2,046,888 | 274,099 | 2,320,987 |
| **Results** | | | |
| Revenue | 4,032,665 | 327,917 | 4,360,582 |
| (Loss)/Profit for the year | (152,268) | 76 | (152,192) |
| Other comprehensive loss for the year | (115,710) | – | (115,710) |
| Total comprehensive (loss)/income for the year | (267,978) | 76 | (267,902) |
| Group's share of (loss)/profit of associated companies | (35,958) | 805 | (35,153) |
| Dividend received from associated companies | – | 3,761 | 3,761 |
| **Reconciliation of net assets to carrying amount** | | | |
| Group's share of net assets | 580,185 | 64,357 | 644,542 |
| Carrying amount in the statements of financial position | 580,185 | 64,357 | 644,542 |

## 18. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

| | The Group 2020 RM'000 | The Group 2019 RM'000 |
|---|---|---|
| Share of net assets (excluding goodwill) | **133,452** | 287,650 |
| Share of goodwill of associated companies | **341,913** | 356,892 |
| | **475,365** | 644,542 |

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

| | The Group 2020 RM'000 | The Group 2019 RM'000 |
|---|---|---|
| At beginning and end of year | **26,739** | 26,739 |

## 19. INVESTMENT IN JOINT VENTURE

| | The Group 2020 RM'000 | The Group 2019 RM'000 |
|---|---|---|
| Unquoted shares: | | |
| At cost | **125** | 125 |
| Share in post-acquisition results less dividend received | **(94)** | (125) |
| | **31** | – |

Details of the joint venture are as follows:

| Name of Joint Venture | Financial Year End | Country of Incorporation | Effective Percentage Ownership 2020 % | Effective Percentage Ownership 2019 % | Principal Activity |
|---|---|---|---|---|---|
| Mergexcel Property Development Sdn Bhd | 31 March | Malaysia | **49** | 49 | Property development |

## 19. INVESTMENT IN JOINT VENTURE (continued)

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

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

| | The Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| **Assets and Liabilities** | | |
| Current assets | **2,112** | 2,121 |
| Non-current assets | **2** | 2 |
| Current liabilities | **(10)** | (40) |
| Net assets | **2,104** | 2,083 |
| **Results** | | |
| Revenue | **–** | – |
| Profit for the year | **56** | 12,738 |
| Group's share of profit of joint venture | **31** | 7,035 |
| **Reconciliation of net assets to carrying amount** | | |
| Group's share of net assets | **1,162** | 1,150 |
| Other adjustments | **(1,131)** | (1,150) |
| Carrying amount in the statements of financial position | **31** | – |

The above profit for the year including the following:

| | The Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Depreciation of property, plant and equipment | **1** | 14 |
| Interest income | **80** | 219 |

## 20. LONG-TERM INVESTMENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Fair value through other comprehensive income** | | | | |
| Unquoted investments in Malaysia | **611** | 1,228 | **216** | 400 |
| **At amortised cost** | | | | |
| Unquoted bonds, adjusted for accretion of interest | **70,134** | 70,134 | **–** | – |
| Less: Accumulated impairment losses | **(70,134)** | (70,134) | **–** | – |
| | **–** | – | **–** | – |
| Total | **611** | 1,228 | **216** | 400 |

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

Investments in unquoted bonds of the Group bears yield to maturity of 4.75% (2019: 4.75%) per annum.

## 21. DEFERRED TAX ASSETS/(LIABILITIES)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At beginning of year | **43,340** | 65,757 | **–** | – |
| Transfer to/(from) profit or loss (Note 10): | | | | |
| Property, plant and equipment | **26,767** | 2,585 | **–** | (27) |
| Trade and other receivables | **(16,611)** | – | **–** | – |
| Inventories | **4,917** | (2,574) | **–** | – |
| Others | **(1,466)** | 2,643 | **–** | – |
| Unused tax losses and unabsorbed capital allowances | **(12,733)** | (25,071) | **–** | 27 |
| | **874** | (22,417) | **–** | – |
| At end of year | **44,214** | 43,340 | **–** | – |

**21. DEFERRED TAX ASSETS/(LIABILITIES) (continued)**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Deferred tax assets | **48,133** | 48,543 | **–** | – |
| Deferred tax liabilities | **(3,919)** | (5,203) | **–** | – |
| | **44,214** | 43,340 | **–** | – |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Deferred tax assets** | | | | |
| Temporary differences arising from: | | | | |
| Trade and other receivables | **8,619** | 25,230 | **–** | – |
| Inventories | **4,917** | – | **–** | – |
| Others | **8,527** | 9,999 | **–** | – |
| Unused tax losses and unabsorbed capital allowances | **41,692** | 54,425 | **100** | 141 |
| | **63,755** | 89,654 | **100** | 141 |
| Offsetting | **(15,622)** | (41,111) | **(100)** | (141) |
| Deferred tax assets (after offsetting) | **48,133** | 48,543 | **–** | – |
| **Deferred tax liabilities** | | | | |
| Temporary differences arising from: | | | | |
| Property, plant and equipment | **16,575** | 43,342 | **100** | 141 |
| Others | **2,966** | 2,972 | **–** | – |
| | **19,541** | 46,314 | **100** | 141 |
| Offsetting | **(15,622)** | (41,111) | **(100)** | (141) |
| Deferred tax liabilities (after offsetting) | **3,919** | 5,203 | **–** | – |

## 21. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As at 30 June 2020, the estimated amount of temporary differences, unused tax losses, unabsorbed capital allowances and unused reinvestment allowances, for which the tax effects are not recognised in the financial statements due to uncertainty of their realisation, is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Temporary differences arising from: | | | | |
| Property, plant and equipment | **(62,620)** | (143,169) | **–** | – |
| Right of use assets | **(52,905)** | (44,838) | **–** | – |
| Trade and other receivables | **223,721** | 207,328 | **–** | – |
| Others | **74,935** | 129,912 | **–** | – |
| Unused tax losses and unabsorbed capital allowances | **1,204,655** | 1,048,023 | **14,822** | 14,822 |
| Unused reinvestment allowances | **85,825** | 85,825 | **–** | – |
| | **1,473,611** | 1,283,081 | **14,822** | 14,822 |

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

The unused tax losses are subject to agreement by the tax authorities.

In accordance with the provision of Finance Act 2019 requirement, the unused tax losses are available for utilisation in the next seven years, for which, any excess at the end of the seventh year, will be disregarded. .

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Unused tax losses | | | | |
| - Expired by 30 June 2025 | **922,245** | 922,245 | **12,175** | 12,175 |
| - Expired by 30 June 2026 | **96,132** | 96,132 | **–** | – |
| - Expired on 30 June 2027 | **144,666** | – | **1,839** | – |
| Unused tax losses | **1,163,043** | 1,018,377 | **14,014** | 12,175 |

## 22. GOODWILL

| | The Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Goodwill on consolidation: | | |
| At beginning and end of year | **131,644** | 131,644 |
| Cumulative impairment loss: | | |
| At beginning and end of year | **(1,201)** | (1,201) |
| Net | **130,443** | 130,443 |

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for next financial year and extrapolates cash flows for the following 4 financial years based on an estimated growth rate of 5% (2019: 5%) per annum. The pre-tax discount rate used is 8% (2019: 8%) per annum.

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

## 23. INVENTORIES

Inventories consist of the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Property: | | | | |
| Completed units for sale | **2,424** | 2,836 | **43** | 43 |
| Products at cost: | | | | |
| Raw materials | **142,070** | 216,977 | **–** | – |
| Finished goods | **120,052** | 185,653 | **–** | – |
| General and consumable stores | **138,672** | 144,590 | **–** | – |
| Trading merchandise | **9,377** | 11,497 | **–** | – |
| | **410,171** | 558,717 | **–** | – |
| Less: Allowance for obsolescence of inventories | **(37,097)** | (27,975) | **–** | – |
| | **373,074** | 530,742 | **–** | – |
| Net | **375,498** | 533,578 | **43** | 43 |

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

| | The Group | |
|---|---|---|
| | **2020** | 2019 |
| | **RM'000** | RM'000 |
| At beginning of year | **27,975** | 31,392 |
| Addition (Note 6) | **9,956** | 99 |
| Written off | **(834)** | (3,516) |
| Net | **37,097** | 27,975 |

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### (a) Trade receivables

| | The Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Trade receivables | **437,237** | 964,962 |
| Less: Accumulated impairment losses | **(183,934)** | (721,710) |
| Net | **253,303** | 243,252 |

Trade receivables of the Group comprise amounts receivable for the sale of goods and services rendered. Trade receivable of the Company comprise amounts receivable for the sale of land previously held for development.

The credit period granted to customers ranges from 30 to 90 days (2019: 30 to 90 days).

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

| | The Group | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **Gross trade receivables RM'000** | **Lifetime ECL RM'000** | **Gross trade receivables RM'000** | **Lifetime ECL RM'000** |
| Not past due | **188,591** | **542** | 202,794 | 820 |
| Past due | | | | |
| 1 to 30 days | **14,075** | **155** | 17,311 | 157 |
| 31 to 60 days | **19,880** | **312** | 5,085 | 53 |
| More than 60 days | **214,691** | **182,925** | 739,772 | 720,680 |
| | **437,237** | **183,934** | 964,962 | 721,710 |

**24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)**

**(a) Trade receivables (continued)**

Movements in the accumulated impairment losses are as follows:

| | The Group 2020 RM'000 | The Group 2019 RM'000 |
|---|---|---|
| At beginning of year | **721,710** | 719,850 |
| Impairment loss recognised during the year (Note 6) | **9,721** | 5,985 |
| Amount recovered during the year (Note 6) | **(12,142)** | (1,678) |
| Amount written off during the year | **(535,355)** | (2,447) |
| At end of year | **183,934** | 721,710 |

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

As of 30 June 2020, the Group has trade receivables due from the following two major related parties, Megasteel and Lion DRI which have been fully impaired in the previous year:

| | The Group 2020 RM'000 | The Group 2019 RM'000 |
|---|---|---|
| Megasteel | **3,412** | 542,708 |
| Lion DRI | **148,577** | 153,514 |
| | **151,989** | 696,222 |
| Less: Accumulated impairment losses | **(151,989)** | (696,222) |
| Net | **–** | – |

During the current financial year, the said outstanding receivables due from Megasteel was written off up to its estimated recoverable amount of RM3.4 million (2019: RM Nil) pursuant to schemes of arrangement of Megasteel which was approved by Megasteel's secured and unsecured creditors at the Court Convened Meeting on 10 July 2019.

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

The currency profile of trade receivables is as follows:

| | The Group 2020 RM'000 | The Group 2019 RM'000 |
|---|---|---|
| Ringgit Malaysia | **211,640** | 239,612 |
| United States Dollar | **41,663** | 3,640 |
| | **253,303** | 243,252 |

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

| | The Group 2020 RM'000 | The Group 2019 RM'000 | The Company 2020 RM'000 | The Company 2019 RM'000 |
|---|---|---|---|---|
| Other receivables | **412,928** | 500,200 | **5,372** | 32,077 |
| Less: Accumulated impairment losses | **(326,090)** | (390,594) | **(1,392)** | (1,397) |
| | **86,838** | 109,606 | **3,980** | 30,680 |
| Advance payments to suppliers | **24,590** | 29,540 | **–** | – |
| Dividend receivable from an associated company | **4,567** | – | **–** | – |
| Tax recoverable | **20,319** | 22,332 | **111** | – |
| Deposits | **13,832** | 19,068 | **256** | 256 |
| Prepayments | **65,790** | 15,348 | **–** | – |
| | **215,936** | 195,894 | **4,347** | 30,936 |

Movements in the accumulated impairment losses are as follows:

| | The Group 2020 RM'000 | The Group 2019 RM'000 | The Company 2020 RM'000 | The Company 2019 RM'000 |
|---|---|---|---|---|
| At beginning of year | **390,594** | 388,191 | **1,397** | 1,100 |
| Impairment losses recognised during the year (Note 6) | **4,797** | 2,409 | **–** | 297 |
| Impairment losses no longer required (Note 6) | **(23,883)** | (6) | **(5)** | – |
| Amount written off during the year | **(45,418)** | – | **–** | – |
| At end of year | **326,090** | 390,594 | **1,392** | 1,397 |

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

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

As at 30 June 2020, the Group has other receivables due from the following three major related parties, Megasteel, Lion DRI and Graimpi:

| | 2020<br>RM'000 | 2019<br>RM'000 |
|---|---|---|
| **Other receivables** | | |
| Megasteel | **73** | 48,558 |
| Lion DRI | **34,273** | 37,900 |
| Graimpi | **252,119** | 272,180 |
| | **286,465** | 358,638 |
| Less: Accumulated impairment losses | **(286,465)** | (358,638) |
| | **–** | – |

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

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

(a) RM252.1 million (2019: RM272.2 million) due from Graimpi, representing debts novated from Lion DRI, which bore interest at 8.85% per annum in the previous years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM252.1 million (2019: RM272.2 million) on the said outstanding receivables due from Graimpi.

RM0.1 million (2019:RM48.6 million) represents the estimated deferred cash payment receivable from Megasteel pursuant to a settlement scheme approved by Megasteel's secured and unsecured creditors at the Court Convened Meeting on 10 July 2019. RM48.5 million was written-off against the accumulated impairment losses related to the outstanding receivables due from Megasteel. The amount was fully impaired in the previous financial years.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM0.1 million (2019: RM48.6 million) on the said outstanding receivables due from Megasteel.

(b) RM34.3 million (2019: RM37.9 million) due from Lion DRI, are unsecured, interest-free and repayable on demand.

At the end of the reporting period, the Group recognised an impairment loss amounting to RM34.3 million (2019: RM37.9 million) on the said outstanding receivables due from Lion DRI.

## 24. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Ringgit Malaysia | **164,616** | 128,346 | **4,347** | 4,667 |
| United States Dollar | **45,112** | 30,063 | **–** | – |
| Euro | **–** | 4,330 | **–** | – |
| Chinese Renminbi | **5,238** | 6,085 | **–** | – |
| Singapore Dollar | **22** | 27,070 | **–** | 26,269 |
| Others | **948** | – | **–** | – |
| | **215,936** | 195,894 | **4,347** | 30,936 |

## 25. RELATED COMPANY TRANSACTIONS

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

Amount owing by/to subsidiary companies comprises:

| | The Company | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Amount owing by subsidiary companies | **740,069** | 624,388 |
| Less: Accumulated impairment losses | **(121,245)** | (121,238) |
| Net | **618,824** | 503,150 |
| Amount owing to subsidiary companies | **191,357** | 187,665 |

Movement in the accumulated impairment losses is as follows:

| | The Company | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| At beginning of year | **121,238** | 132,807 |
| Impairment losses recognised during the year (Note 6) | **7** | 65 |
| Impairment losses on amount owing by subsidiary companies no longer required (Note 6) | **–** | (11,634) |
| At end of year | **121,245** | 121,238 |

Amount owing by subsidiary companies arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is either interest-free or bears interest at 5% (2019: 5%) per annum and repayable on demand.

## 25. RELATED COMPANY TRANSACTIONS (continued)

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

Amount owing to subsidiary companies which arose mainly from inter-company advances, expenses paid on behalf and novation of debts, is interest-free (2019: interest-free) and repayable on demand.

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

| | The Company | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Ringgit Malaysia | **618,803** | 503,140 |
| United States Dollar | **21** | 10 |
| | **618,824** | 503,150 |

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

| | The Company | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Ringgit Malaysia | **182,521** | 178,829 |
| Chinese Renminbi | **8,836** | 8,836 |
| | **191,357** | 187,665 |

### (b) Amount owing to an associated company

| | The Group and The Company | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Amount owing to an associated company | **–** | 14,000 |

Amount owing to an associated company in 2019, denominated in Ringgit Malaysia, arose from advances, bears interest at 4% per annum.

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

### (a) Investment in money market funds

| | The Group | |
|---|---|---|
| | 2020 RM'000 | 2019 RM'000 |
| Fair value through profit or loss: | | |
| Investment in money market funds | **17,469** | 16,926 |

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 RM'000 | 2019 RM'000 | 2020 RM'000 | 2019 RM'000 |
| Deposits with financial institutions: | | | | |
| Restricted | **100,246** | 5,006 | **4,203** | 4,074 |
| Unrestricted (Note 33) | **133,530** | 258,741 | **2,050** | 89,472 |
| | **233,776** | 263,747 | **6,253** | 93,546 |
| Housing Development Accounts (Note 33) | **19,477** | 19,145 | **4,280** | 4,210 |
| Cash and bank balances: | | | | |
| Restricted | **54** | 57 | **54** | 57 |
| Unrestricted (Note 33) | **80,210** | 93,064 | **51** | 101 |
| | **333,517** | 376,013 | **10,638** | 97,914 |

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

Included in deposits with financial institutions, and cash and bank balances are the amount totalling RM100.3 million (2019: RM5.1 million) and RM4.3 million (2019: RM4.1 million) of the Group and of the Company, respectively, which have been earmarked for the purposes of purchase of property, plant and equipment, repayment of the borrowings and pledged as collateral for bank guarantees granted.

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

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Deposits with financial institutions | **1.50% to 3.35%** | 1.20% to 6.15% | **1.55% to 3.25%** | 2.63% to 3.25% |

Deposits of the Group and of the Company have an average maturity of 182 days (2019: 182 days) and 365 days (2019: 365 days) respectively.

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Ringgit Malaysia | **271,655** | 273,233 | **10,638** | 97,914 |
| Chinese Renminbi | **25,838** | 25,316 | **–** | – |
| United States Dollar | **36,011** | 77,456 | **–** | – |
| Singapore Dollar | **13** | 8 | **–** | – |
| | **333,517** | 376,013 | **10,638** | 97,914 |

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

## 27. SHARE CAPITAL

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

| | The Group and The Company | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | **Number of shares ('000)** | **RM'000** | **Number of shares ('000)** | **RM'000** |
| **Issued share capital:** | | | | |
| Ordinary shares: | | | | |
| At beginning and end of year | **717,909** | **1,250,536** | 717,909 | 1,250,536 |

## 28. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Non-distributable reserves:** | | | | |
| Treasury shares | **(13,193)** | (13,193) | **(13,193)** | (13,193) |
| Capital reserve | **(100,913)** | (66,658) | **5,419** | 5,419 |
| Translation adjustment reserve | **19,164** | 16,692 | **–** | – |
| | **(94,942)** | (63,159) | **(7,774)** | (7,774) |
| Retained earnings | **95,991** | 486,524 | **20,684** | 8,714 |
| | **1,049** | 423,365 | **12,910** | 940 |

**Treasury shares**

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

As of 30 June 2020, the Company held 37,105,300 (2019: 37,105,300) treasury shares at a carrying amount of RM13,192,722 (2019: 13,192,722).

**Capital reserve**

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

**Translation adjustment reserve**

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

## 29. LOANS AND BORROWINGS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Non-current** | | | | |
| Secured | | | | |
| Obligations under finance lease arrangement (Note 29 (c)) | **47,250** | 39,375 | **–** | – |
| Unsecured | | | | |
| Obligations under hire-purchase arrangement (Note 29 (d)) | **751** | 757 | **–** | – |
| | **48,001** | 40,132 | **–** | – |

## 29. LOANS AND BORROWINGS (continued)

| | The Group 2020 RM'000 | The Group 2019 RM'000 | The Company 2020 RM'000 | The Company 2019 RM'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Secured | | | | |
| Obligations under finance lease arrangement (Note 29 (c)) | **19,400** | 29,317 | **–** | – |
| Short-term loan from financial institution | **14,672** | 15,962 | **4,912** | 4,962 |
| Bank overdraft | **13,989** | 9,547 | **4,672** | 4,683 |
| Unsecured | | | | |
| Obligations under hire-purchase arrangement (Note 29 (d)) | **307** | 311 | **–** | – |
| Bills payable | **67,236** | 67,964 | **–** | – |
| | **115,604** | 123,101 | **9,584** | 9,645 |
| | **163,605** | 163,233 | **9,584** | 9,645 |

The currency profile of loans and borrowings of the Group and of the Company are denominated in Ringgit Malaysia.

### (a) Terms and debt repayment schedule

| | | The Group | |
|---|---|---|---|
| | Carrying amount RM'000 | Within 1 year RM'000 | 2 to 5 years RM'000 |
| **2020** | | | |
| Secured | | | |
| Obligations under lease arrangements (Note 29 (c)) | **66,650** | **19,400** | **47,250** |
| Short-term loans from financial institutions | **14,672** | **14,672** | **–** |
| Bank overdraft | **13,989** | **13,989** | **–** |
| Unsecured | | | |
| Obligations under hire-purchase arrangements (Note 29 (d)) | **1,058** | **307** | **751** |
| Bills payable | **67,236** | **67,236** | **–** |
| | **163,605** | **115,604** | **48,001** |
| **2019** | | | |
| Secured | | | |
| Obligations under lease arrangements (Note 29 (c)) | 68,692 | 29,317 | 39,375 |
| Short-term loans from financial institutions | 15,962 | 15,962 | – |
| Bank overdraft | 9,547 | 9,547 | – |
| Unsecured | | | |
| Obligations under hire-purchase arrangements (Note 29 (d)) | 1,068 | 311 | 757 |
| Bills payable | 67,964 | 67,964 | – |
| | 163,233 | 123,101 | 40,132 |

## 29. LOANS AND BORROWINGS (continued)

### (a) Terms and debt repayment schedule (continued)

| | | The Company | |
|---|---|---|---|
| | Carrying amount RM'000 | within 1 year RM'000 | 2 to 5 years RM'000 |
| **2020** | | | |
| Secured | | | |
| Short-term loans from financial institutions | **4,912** | **4,912** | **–** |
| Bank overdraft | **4,672** | **4,672** | **–** |
| | **9,584** | **9,584** | **–** |
| **2019** | | | |
| Secured | | | |
| Short-term loans from financial institutions | 4,962 | 4,962 | – |
| Bank overdraft | 4,683 | 4,683 | – |
| | 9,645 | 9,645 | – |

The short-term borrowings pertaining to certain subsidiary companies are secured by charges on the property, plant and equipment (Note 12) and floating charges over the other assets of the subsidiary companies, right-of-use-assets (Note 15) and long-term investments (Note 20).

The short-term borrowings of the Company are secured by charges on the investment in associated companies (Note 18) and investment in subsidiary companies (Note 17).

The short-term borrowings and hire-purchase obligations of the Group and of the Company bear interest at rates ranging from 3.84% to 9.52% (2019: 3.84% to 9.52%) and 4.33% to 8.35% (2019: 4.33% to 8.35%) per annum, respectively.

## 29. LOANS AND BORROWINGS (continued)

### (b) Reconciliation of liabilities arising from financing activities

| | As of 1 July 2018 RM'000 | Financing cash flows RM'000 | Other changes* RM'000 | As of 30 June 2019/ 1 July 2019 RM'000 | Financing cash flows RM'000 | As of 30 June 2020 RM'000 |
|---|---|---|---|---|---|---|
| **The Group** | | | | | | |
| Obligations under lease arrangements | 90,380 | (21,688) | – | 68,692 | (2,042) | **66,650** |
| Obligations under hire-purchase arrangements | 662 | (359) | 765 | 1,068 | (10) | **1,058** |
| Short-term borrowings (other than current portion of lease payables and hire-purchase obligations) | 80,637 | 12,884 | (48) | 93,473 | 2,424 | **95,897** |
| | 171,679 | (9,163) | 717 | 163,233 | 372 | **163,605** |
| **The Company** | | | | | | |
| Short-term borrowings | 9,651 | (6) | – | 9,645 | (61) | **9,584** |

* Other changes consist of unamortised borrowing costs.

## 29. LOANS AND BORROWINGS (continued)

### (c) Obligations under finance lease arrangements

Obligations under leases arrangement (previously known as finance lease payables) as follows:

| | The Group Minimum lease payment | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Amounts payable under finance lease: | | |
| Within one year | **21,650** | 29,317 |
| In the second to fifth year inclusive | **50,625** | 39,375 |
| | **72,275** | 68,692 |
| Less: Future finance charges | **(5,625)** | – |
| Present value of lease payables | **66,650** | 68,692 |

The obligations under lease arrangements are repayable as follows:

| | The Group Minimum lease payment | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| - not later than one year | **19,400** | 29,317 |
| - two to five years | **47,250** | 39,375 |
| | **66,650** | 68,692 |

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

Obligations under lease arrangements, which are denominated in Ringgit Malaysia, bear interest at rates ranging from 9.25% to 10.30% (2019: 9.25% to 10.30%) per annum.

Obligations under lease arrangements of RM20,872,000 (2019: RM27,067,000) are secured by charges on certain of the property, plant and equipment (Note 12).

## 29. LOANS AND BORROWINGS (continued)

### (d) Obligations under hire-purchase arrangements

| | The Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Minimum hire-purchase payments: | | |
| - not later than one year | **342** | 350 |
| - two to five years | **821** | 825 |
| | **1,163** | 1,175 |
| Future finance charges on hire-purchase liabilities: | | |
| - not later than one year | **(35)** | (39) |
| - two to five years | **(70)** | (68) |
| | **(105)** | (107) |
| Principal amount relating to hire-purchase liabilities | **1,058** | 1,068 |

## 30. LEASE LIABILITIES

| | The Group | The Company |
|---|---|---|
| | **2020** | **2020** |
| | **RM'000** | **RM'000** |
| At 1 July 2019 (on adoption of MFRS 16) | **51,761** | **147** |
| Finance costs (Note 9) | **2,591** | **8** |
| Payment of lease rental | **(20,233)** | **(68)** |
| | **34,119** | **87** |
| Breakdown: | | |
| Non-current | **20,123** | **22** |
| Current | **13,996** | **65** |
| | **34,119** | **87** |

**30. LEASE LIABILITIES (continued)**

The minimum lease payments for the lease liabilities are payable as follows:

**The Group**

| | Future Minimum lease payments RM'000 | Interest RM'000 | Present value of minimum lease payments RM'000 |
|---|---|---|---|
| Less than 1 year | **15,740** | **(1,744)** | **13,996** |
| Between 1 to 2 years | **14,547** | **(967)** | **13,580** |
| Between 2 to 5 years | **6,674** | **(373)** | **6,301** |
| More than 5 years | **263** | **(21)** | **242** |
| Lease liabilities | **37,224** | **(3,105)** | **34,119** |

**The Company**

| | Future Minimum lease payments RM'000 | Interest RM'000 | Present value of minimum lease payments RM'000 |
|---|---|---|---|
| Less than 1 year | **69** | **(4)** | **65** |
| Between 1 to 2 years | **22** | **–** | **22** |
| Lease liabilities | **91** | **(4)** | **87** |

The Group does not face a significant liquidity risk with regard to its lease liablities. Lease liabilities are monitored within the Group's treasure function.

Reconciliation of liabilities arising from financing activities

The table below details the reconciliation of the opening and closing amounts in the statements of financial position for each liability for which cash flows have been, or would be, classified as financing activities in the statement of cash flows:

| | 1 July 2019 (on adoption of MFRS 16) RM'000 | Interest expense on lease liabilities RM'000 | Repayments RM'000 | 30 June 2020 RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| Lease liabilities | 51,761 | 2,591 | (20,233) | **34,119** |
| **The Company** | | | | |
| Lease liabilities | 147 | 8 | (68) | **87** |

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

### (a) Trade payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Trade payables | **422,863** | 412,301 | **139** | 139 |
| Retention monies | **8,080** | 8,281 | **27** | 27 |
| | **430,943** | 420,582 | **166** | 166 |

The normal credit period granted to the Group and the Company for trade purchases ranges from 30 to 60 days (2019: 30 to 60 days).

The currency profile of trade payables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Ringgit Malaysia | **395,564** | 379,031 | **166** | 166 |
| United States Dollar | **31,933** | 36,355 | **–** | – |
| Euro | **1,942** | 3,868 | **–** | – |
| Singapore Dollar | **323** | 406 | **–** | – |
| Chinese Renminbi | **402** | 922 | **–** | – |
| Others | **779** | – | **–** | – |
| | **430,943** | 420,582 | **166** | 166 |

### (b) Other payables, deposits and accrued expenses

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Other payables and deposits | **213,088** | 187,502 | **452** | 478 |
| Accrued expenses | **216,985** | 230,123 | **448** | 473 |
| | **430,073** | 417,625 | **900** | 951 |

Included in other payables of the Group, is an amount of RM15.0 million (2019: RM14.1 million) representing security deposits received from customers, which bear interest ranging from 11.75% to 12.00% (2019: 11.25% to 11.75%) per annum and have repayment periods ranging from 1 to 120 days (2019: 1 to 120 days).

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

### (b) Other payables, deposits and accrued expenses (continued)

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Ringgit Malaysia | **398,200** | 376,692 | **900** | 951 |
| United States Dollar | **26,323** | 25,392 | **–** | – |
| Euro | **630** | 10,297 | **–** | – |
| Chinese Renminbi | **4,543** | 4,474 | **–** | – |
| Others | **377** | 770 | **–** | – |
| | **430,073** | 417,625 | **900** | 951 |

### (c) Contract liabilities

| | The Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| Customer loyalty programs | **18,509** | 18,370 |

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

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

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

| | The Group | |
|---|---|---|
| | **2020 RM'000** | **2019 RM'000** |
| At beginning of year | **18,370** | 16,258 |
| Provision during the year | **8,162** | 11,065 |
| Utilised during the year | **(8,023)** | (8,953) |
| At end of year | **18,509** | 18,370 |

## 32. PROVISIONS

| | The Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees: | | |
| At beginning of year | **3,473** | 3,489 |
| Utilised during the year | **–** | (16) |
| At end of year | **3,473** | 3,473 |

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

During the previous financial year, SFI entered into settlement agreements with certain of SFI's employees for a cash sum of RM16,166 to settle the claim in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006 as disclosed in Note 36.

At the end of the reporting period, a provision for the indemnity loss of RM3,473,000 (2019: RM3,473,000) has been made for the remaining employees. The Group had on 21 August 2020 paid the amount to SFI for SFI onward payment to SFI's employees, as disclosed in Note 36.

## 33. CASH AND CASH EQUIVALENTS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cash and bank balances (unrestricted) (Note 26(b)) | **80,210** | 93,064 | **51** | 101 |
| Deposits with licensed banks and financial institutions (unrestricted) (Note 26(b)) | **133,530** | 258,741 | **2,050** | 89,472 |
| Housing Development Accounts (Note 26(b)) | **19,477** | 19,145 | **4,280** | 4,210 |
| Bank overdrafts (Note 29) | **(13,989)** | (9,547) | **(4,672)** | (4,683) |
| | **219,228** | 361,403 | **1,709** | 89,100 |

## 34. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS

Related parties are entities in which certain Directors and/or substantial shareholders of the Company or of its subsidiary companies or persons connected with such Directors and/or substantial shareholders have interest, excluding those parties disclosed in Notes 17, 18, 19 and 25.

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

| Name of Company | Nature | The Company 2020 RM'000 | The Company 2019 RM'000 |
|---|---|---|---|
| **Subsidiary companies** | | | |
| Inspirasi Elit Sdn Bhd | Administrative fee income | – | 15 |
| Amsteel Mills Sdn Bhd | Interest income | **278** | 272 |

**Sales and purchase of goods and services and interest**

| Name of Company | Nature | The Group 2020 RM'000 | The Group 2019 RM'000 |
|---|---|---|---|
| CPB Enterprise Sdn Bhd | Sale of goods | – | 82,760 |
| | Purchase of goods, raw materials and consumables | – | 106,424 |
| | Scrap financing charges | – | 388 |
| Angkasa Amsteel (M) Sdn Bhd | Sale of goods | – | 3,207 |
| | Purchase of goods, raw materials and consumables | – | 1,122 |
| Bright Steel Sdn Bhd | Sale of goods | **6,070** | 11,962 |
| | Purchase of goods | – | 15 |
| Lion Tooling Sdn Bhd | Purchase of toolings | **1,854** | 2,340 |
| | Provision of engineering services | **77** | 306 |
| Parkson Corporation Sdn Bhd | Provision of training services | **1,270** | 2,089 |
| Lion Steelworks Sdn Bhd | Purchase of goods | **69** | 136 |
| Lion Tin Sdn Bhd | Sale of goods | **22** | 928 |
| Lion Titco Resources (Johor) Sdn Bhd | Purchase of goods | **1,324** | 422 |
| | Processing scrap charge | **192** | 133 |
| Compact Energy Sdn Bhd | Purchase of consumables | **7,913** | 11,479 |
| | Rental income | **366** | 340 |
| | Interest expense | **46** | 115 |

## 34. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| Receivables: | | | | |
| Included in trade receivables | **156,104** | 700,849 | **–** | – |
| Included in other receivables | **297,752** | 364,523 | **1,913** | 2,349 |
| Payables: | | | | |
| Included in trade payables | **647** | 19,573 | **–** | – |
| Included in other payables | **27,411** | 6,594 | **56** | 56 |

The outstanding balances with related parties are either interest-free or bear interest at 8.00% (2019: either interest-free or bore interest at 8.00%) per annum and repayable on demand.

## 35. SEGMENTAL INFORMATION

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

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

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

### (a) Business Segments:

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

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

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

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

## 35. SEGMENTAL INFORMATION (continued)

### (a) Business Segments (continued):

| The Group 2020 | Steel RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Consolidated Statement of Profit or Loss** | | | | | |
| **Revenue** | | | | | |
| External revenue | 1,893,863 | 331,734 | 92,873 | – | 2,318,470 |
| Inter-segment revenue | 154,343 | – | 18,693 | (173,036) | – |
| Total revenue | 2,048,206 | 331,734 | 111,566 | (173,036) | 2,318,470 |
| **Results** | | | | | |
| Segment results | (260,521) | 22,212 | (4,230) | – | (242,539) |
| Finance costs | (26,686) | (4) | (1,252) | – | (27,942) |
| Share in results of: | | | | | |
| Associated companies | (190) | – | (114,979) | – | (115,169) |
| Joint venture | – | – | 31 | – | 31 |
| Investment income | 1,495 | 905 | 6,195 | | 8,595 |
| Loss before tax | | | | | (377,024) |
| Tax expenses | | | | | (6,146) |
| Loss for the year | | | | | (383,170) |

## 35. SEGMENTAL INFORMATION (continued)

### (a) Business Segments (continued):

| The Group 2020 | Steel RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Consolidated Statement of Financial Position** | | | | | |
| Segment assets | **1,298,933** | **197,548** | **475,640** | **–** | **1,972,121** |
| Investment in associated companies and joint venture | **6,320** | **–** | **469,076** | | **475,396** |
| Unallocated corporate assets | | | | | **68,452** |
| **Consolidated Total Assets** | | | | | **2,515,969** |
| Segment liabilities | **844,732** | **39,348** | **196,662** | **–** | **1,080,742** |
| Unallocated liabilities | | | | | **8,407** |
| **Consolidated Total Liabilities** | | | | | **1,089,149** |
| **Other Information** | | | | | |
| Capital expenditure | **16,853** | **8** | **2,214** | **–** | **19,075** |
| Depreciation and amortisation | **97,454** | **65** | **7,689** | | **105,208** |
| Other non-cash expenses/ (income) | **4,132** | **(22,465)** | **6,693** | | **(11,640)** |

**35. SEGMENTAL INFORMATION (continued)**

**(a) Business Segments (continued):**

| The Group 2019 | Steel RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Consolidated Statement of Profit or Loss** | | | | | |
| **Revenue** | | | | | |
| External revenue | 2,675,078 | 381,680 | 107,016 | – | 3,163,774 |
| Inter-segment revenue | 195,013 | – | 20,207 | (215,220) | – |
| Total revenue | 2,870,091 | 381,680 | 127,223 | (215,220) | 3,163,774 |
| **Results** | | | | | |
| Segment results | (112,002) | 2,389 | 23,885 | – | (85,728) |
| Finance costs | (20,283) | (4) | (827) | – | (21,114) |
| Share in results of: | | | | | |
| Associated companies | 1,751 | – | (36,904) | – | (35,153) |
| Joint venture | – | – | 7,035 | – | 7,035 |
| Investment income | 1,786 | 1,265 | 3,864 | – | 6,915 |
| Loss before tax | | | | | (128,045) |
| Tax expenses | | | | | (28,056) |
| Loss for the year | | | | | (156,101) |

## 35. SEGMENTAL INFORMATION (continued)

### (a) Business Segments (continued):

| The Group 2019 | Steel RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|
| **Consolidated Statement of Financial Position** | | | | | |
| Segment assets | 1,511,675 | 163,326 | 501,558 | – | 2,176,559 |
| Investment in associated companies and joint venture | 21,573 | – | 622,969 | – | 644,542 |
| Unallocated corporate assets | | | | | 70,875 |
| **Consolidated Total Assets** | | | | | 2,891,976 |
| Segment liabilities | 795,051 | 37,563 | 204,669 | | 1,037,283 |
| Unallocated liabilities | | | | | 9,054 |
| **Consolidated Total Liabilities** | | | | | 1,046,337 |
| **Other Information** | | | | | |
| Capital expenditure | 26,355 | 26 | 2,391 | – | 28,772 |
| Depreciation and amortisation | 87,291 | 83 | 3,109 | – | 90,483 |
| Other non-cash expenses/ (income) | 55,475 | 2,726 | (25,528) | – | 32,673 |

**35. SEGMENTAL INFORMATION (continued)**

(b) Geographical Segments:

The Group operates in two main geographical areas:

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

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

| | Revenue | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Malaysia | **1,487,455** | 2,156,084 |
| Other countries | **831,015** | 1,007,690 |
| | **2,318,470** | 3,163,774 |

| | Total assets | | Capital expenditure | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Malaysia | **2,339,811** | 2,715,171 | **19,075** | 28,772 |
| Other countries | **176,158** | 176,805 | **–** | – |
| | **2,515,969** | 2,891,976 | **19,075** | 28,772 |

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

**36. CONTINGENT LIABILITIES**

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

| | The Company | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Unsecured: | | |
| Subsidiary companies | **899,420** | 365,380 |

## 36. CONTINGENT LIABILITIES (continued)

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

Indemnity for back pay labour claims from SFI's employees

On 10 September 2008, Jupmi @ Jupini Sinding and 1,069 others (collectively referred to as "Complainants") lodged a complaint under Section 7A of the Sabah Labour Ordinance Cap. 67 against SFI. The Complainants alleged that they have not been given annual increments from 1997 to 2006 (with some also claiming for 2007) and are claiming a total of RM23,427,401 being the arrears of wages allegedly due in respect of the said annual increments. The contingent liabilities in relation to these claims have been reduced from RM13,556,275 to RM13,554,372 after the cash settlement with certain SFI's employees and provision made during the previous financial year as disclosed in Note 32.

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

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

From 13 July 2017, SFI obtained a series of restraining orders whereby all proceedings including but not limited to all proceedings in the Labour Court shall be restrained and stayed ("Restraining Order"). The Restraining Order was valid until 14 October 2019.

Subsequent to the financial year, the Group had on 21 August 2020 paid an amount of RM3.5 million to SFI for SFI onward payment to SFI's employees. The payment was for the full and final settlement of the Group's obligations in relation to SFI's employees claim for alleged arrears of wages. Subsequent to the settlement, the Group was released and discharged from all obligations in connection with the said claims howsoever arising and from its obligation under the letter of indemnity.

## 37. CAPITAL COMMITMENTS

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

| | The Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Purchase of property, plant and equipment and others: | | |
| Approved and contracted for | **598,533** | 30,713 |
| Approved but not contracted for | **30,199** | 43,862 |
| | **628,732** | 74,575 |

## 38. LEASE COMMITMENTS

Lease commitments pertaining to the Group in respect of rental commitments for jetty and time charter of tug boat are as below:

| | The Group | |
|---|---|---|
| | **2020** | **2019** |
| | **RM'000** | **RM'000** |
| Within one year | **–** | 11,779 |
| Within two to five years | **–** | 23,735 |
| | **–** | 35,514 |

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

## 39. FINANCIAL INSTRUMENTS

### Capital Risk Management

The objective of the Group's and of the Company's capital management is to safeguard the Group's and the Company's ability to continue as a going-concern while maximising the return to shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged since 2019.

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

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

### Gearing Ratio

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Debt (i) | **163,605** | 163,233 | **9,584** | 9,645 |
| Cash and cash equivalents (excluding bank overdrafts) | **(233,217)** | (370,950) | **(6,381)** | (93,783) |
| Net (cash)/debt | **(69,612)** | (207,717) | **3,203** | (84,138) |
| Equity (ii) | **1,426,820** | 1,845,639 | **1,263,446** | 1,251,476 |
| Debt to equity ratio | **N/A*** | N/A* | **0.26%** | N/A* |

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

(i) Debt is defined as finance lease payables, hire-purchase obligations and short-term borrowings as disclosed in Note 29.

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

## 39. FINANCIAL INSTRUMENTS (continued)

### Significant accounting policies

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

### Categories of financial instruments

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 RM'000** | **2019 RM'000** | **2020 RM'000** | **2019 RM'000** |
| **Financial assets** | | | | |
| FVTPL: | | | | |
| Investment in money market funds | **17,469** | 16,926 | **–** | – |
| FVTOCI: | | | | |
| Unquoted investments | **611** | 1,228 | **216** | 400 |
| At amortised cost: | | | | |
| Trade receivables | **253,303** | 243,252 | **–** | – |
| Other receivables and refundable deposits | **100,670** | 128,674 | **4,236** | 30,936 |
| Amount owing by subsidiary companies | **–** | – | **618,824** | 503,150 |
| Deposits, cash and bank balances | **333,517** | 376,013 | **10,638** | 97,914 |
| **Financial liabilities** | | | | |
| Other financial liabilities at amortised cost: | | | | |
| Trade payables | **430,943** | 420,582 | **166** | 166 |
| Other payables, deposits and accrued expenses | **430,073** | 417,625 | **900** | 951 |
| Amount owing to subsidiary companies | **–** | – | **191,357** | 187,665 |
| Amount owing to an associated company | **–** | 14,000 | **–** | 14,000 |
| Lease liabilities | **34,119** | – | **87** | – |
| Loans and borrowings | **163,605** | 163,233 | **9,584** | 9,645 |

### Financial Risk Management Objectives and Policies

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

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

**39. FINANCIAL INSTRUMENTS (continued)**

**Foreign currency risk**

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | Assets RM'000 | Liabilities RM'000 | Assets RM'000 | Liabilities RM'000 |
| **2020** | | | | |
| United States Dollar | **122,786** | **58,256** | **21** | **–** |
| Chinese Renminbi | **31,076** | **4,945** | **–** | **8,836** |
| Euro | **–** | **2,572** | **–** | **–** |
| Singapore Dollar | **35** | **323** | **–** | **–** |
| Others | **948** | **1,156** | **–** | **–** |
| | **154,845** | **67,252** | **21** | **8,836** |
| **2019** | | | | |
| United States Dollar | 111,159 | 61,747 | 10 | – |
| Chinese Renminbi | 31,401 | 5,396 | – | 8,836 |
| Euro | 4,330 | 14,165 | – | – |
| Singapore Dollar | 27,078 | 406 | 26,269 | – |
| Others | – | 770 | – | – |
| | 173,968 | 82,484 | 26,279 | 8,836 |

<u>Foreign currency sensitivity analysis</u>

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

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

## 39. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis (continued)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| United States Dollar | **(6,454)** | (4,941) | **(2)** | (1) |
| Chinese Renminbi | **(2,613)** | (2,601) | **884** | 884 |
| Euro | **257** | 984 | **–** | – |
| Singapore Dollar | **29** | (2,667) | **–** | (2,627) |
| | **(8,781)** | (9,225) | **882** | (1,744) |

**Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on bank borrowings. The interest rates for the said bank borrowings are disclosed in Note 35.

The interest rates for the loans and borrowings and lease liabilities, which are fixed at the inception of the borrowing/financing arrangements, are disclosed in Notes 29 and 30 respectively.

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's profit or loss before tax for the year ended 30 June 2020 would increase or decrease by as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Floating rate liabilities** | | | | |
| Bank overdrafts | **70** | 48 | **23** | 23 |
| Bills payable | **336** | 340 | **–** | – |
| Term loan | **73** | 80 | **25** | 25 |
| | **479** | 468 | **48** | 48 |

## 39. FINANCIAL INSTRUMENTS (continued)

### Credit risk

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

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

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

The Group's and the Company's exposure to credit risk in relation to their receivables, should all their customers fail to perform their obligations as of 30 June 2020, is the carrying amount of these receivables as disclosed in the statements of financial position.

### Liquidity risk

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

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

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

| **The Group 2020** | **Less than 1 year RM'000** | **1 to 2 years RM'000** | **2 to 5 years RM'000** | **More than 5 years RM'000** | **Total RM'000** | **Contractual interest rate %** |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Non-interest bearing: | | | | | | |
| Trade payables | **430,943** | **–** | **–** | **–** | **430,943** | **–** |
| Other payables, deposits and accrued expenses | **415,084** | **–** | **–** | **–** | **415,084** | **–** |
| Interest bearing: | | | | | | |
| Other payables, deposits and accrued expenses | **14,989** | **–** | **–** | **–** | **14,989** | **11.25 - 11.75** |
| Lease liabilities | **15,740** | **14,547** | **6,674** | **263** | **37,224** | **4.62 - 6.6 7** |
| Loans and borrowings: | | | | | | |
| Obligations under hire purchase arrangements | **342** | **339** | **482** | **–** | **1,163** | **4.68 - 5.58** |
| Obligations under finance lease arrangements | **21,650** | **2,250** | **48,375** | **–** | **72,275** | **8.00 - 10.30** |
| Bank overdrafts | **13,989** | **–** | **–** | **–** | **13,989** | **3.84 - 8.35** |
| Bills payable | **67,236** | **–** | **–** | **–** | **67,236** | **3.84 - 8.35** |
| Short-term loans from financial institutions | **14,672** | **–** | **–** | **–** | **14,672** | **4.33 - 9.25** |
| | **994,645** | **17,136** | **55,531** | **263** | **1,067,575** | |

## 39. FINANCIAL INSTRUMENTS (continued)

**Liquidity risk (continued)**

| **The Group 2019** | **Less than 1 year RM'000** | **1 to 2 years RM'000** | **2 to 5 years RM'000** | **Total RM'000** | **Contractual interest rate %** |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Non-interest bearing: | | | | | |
| Trade payables | 420,582 | – | – | 420,582 | – |
| Other payables, deposits and accrued expenses | 403,128 | – | – | 403,128 | – |
| Interest bearing: | | | | | |
| Other payables, deposits and accrued expenses | 14,497 | – | – | 14,497 | 11.25 - 11.75 |
| Amount owing to an associated company | 14,000 | – | – | 14,000 | 4.00 |
| Loans and borrowings: | | | | | |
| Obligations under hire purchase arrangements | 353 | 350 | 472 | 1,175 | 2.36 - 5.58 |
| Obligations under finance lease arrangements | 29,317 | 4,500 | 34,875 | 68,692 | 9.25 - 10.30 |
| Bank overdrafts | 9,547 | – | – | 9,547 | 3.84 - 9.52 |
| Bills payable | 67,964 | – | – | 67,964 | 3.84 - 9.52 |
| Short-term loans from financial institutions | 15,962 | – | – | 15,962 | 4.33 - 8.20 |
| | 975,350 | 4,850 | 35,347 | 1,015,547 | |

| **The Company 2020** | **Less than 1 year RM'000** | **1 to 2 years RM'000** | **2 to 5 years RM'000** | **Total RM'000** | **Contractual interest rate %** |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Non-interest bearing: | | | | | |
| Trade payables | **166** | **–** | **–** | **166** | **–** |
| Other payables, deposits and accrued expenses | **900** | **–** | **–** | **900** | **–** |
| Amount owing to subsidiary companies | **191,357** | **–** | **–** | **191,357** | **–** |
| Interest bearing: | | | | | |
| Lease liabilities | **69** | **22** | **–** | **91** | **4.62 – 10.30** |
| Loans and borrowings: | | | | | |
| Bank overdrafts | **4,672** | **–** | **–** | **4,672** | **8.35** |
| Short-term loans from financial institutions | **4,912** | **–** | **–** | **4,912** | **4.33 - 8.35** |
| | **202,076** | **22** | **–** | **202,098** | |

**39. FINANCIAL INSTRUMENTS (continued)**

**Liquidity risk (continued)**

| **The Company 2019** | **Less than 1 year RM'000** | **1 to 2 years RM'000** | **2 to 5 years RM'000** | **Total RM'000** | **Contractual interest rate %** |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Non-interest bearing: | | | | | |
| Trade payables | 166 | – | – | 166 | – |
| Other payables, deposits and accrued expenses | 951 | – | – | 951 | – |
| Amount owing to subsidiary companies | 187,665 | – | – | 187,665 | – |
| Interest bearing: | | | | | |
| Amount owing to an associated company | 14,000 | – | – | 14,000 | 4.00 |
| Loans and borrowings: | | | | | |
| Bank overdrafts | 4,683 | – | – | 4,683 | 8.35 |
| Short-term loans from financial institutions | 4,962 | – | – | 4,962 | 4.33 - 8.35 |
| | 212,427 | – | – | 212,427 | |

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

**Fair values of financial instruments**

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

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| **2020** | **Carrying amount RM'000** | **Fair value RM'000** | **Carrying amount RM'000** | **Fair value RM'000** |
| **Financial assets** | | | | |
| Investment in money market funds | **17,469** | **17,469#** | **–** | **–** |
| Unquoted investments | **611** | **–^** | **216** | **–^** |
| **Financial liabilities** | | | | |
| Lease liabilities | **34,119** | **37,224 *** | **87** | **91** |
| Loans and borrowings | **163,605** | **169,335 *** | **9,584** | **9,584 *** |

## 39. FINANCIAL INSTRUMENTS (continued)

**Fair values of financial instruments (continued)**

| 2019 | The Group Carrying amount RM'000 | The Group Fair value RM'000 | The Company Carrying amount RM'000 | The Company Fair value RM'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Investment in money market funds | 16,926 | 16,926 # | – | – |
| Unquoted investments | 1,228 | –^ | 400 | –^ |
| **Financial liability** | | | | |
| Loans and borrowings | 163,233 | 163,340 * | 9,645 | 9,645 * |

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

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

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

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

## 39. FINANCIAL INSTRUMENTS (continued)

**Fair value hierarchy**

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

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **2020** | | | | |
| **Financial Assets** | | | | |
| Investment in money market funds | **17,469** | **–** | **–** | **17,469** |
| Unquoted investments | **–** | **–** | **611** | **611** |
| **2019** | | | | |
| **Financial Assets** | | | | |
| Investment in money market funds | 16,926 | – | – | 16,926 |
| Unquoted investments | – | – | 1,228 | 1,228 |
| **The Company** | | | | |
| **2020** | | | | |
| **Financial Asset** | | | | |
| Unquoted investments | **–** | **–** | **216** | **216** |
| **2019** | | | | |
| **Financial Asset** | | | | |
| Unquoted investments | – | – | 400 | 400 |

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

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| **2020** | | | | |
| **Financial Liabilities** | | | | |
| Lease liabilities | **–** | **–** | **37,224** | **37,224** |
| Loans and borrowings | **–** | **–** | **169,335** | **169,335** |
| **2019** | | | | |
| **Financial Liability** | | | | |
| Loans and borrowings | – | – | 163,340 | 163,340 |
| **The Company** | | | | |
| **2020** | | | | |
| **Financial Liabilities** | | | | |
| Lease liability | **–** | **–** | **91** | **91** |
| Loans and borrowings | **–** | **–** | **9,584** | **9,584** |
| **2019** | | | | |
| **Financial Liability** | | | | |
| Loans and borrowings | – | – | 9,645 | 9,645 |

## 40. SIGNIFICANT EVENTS

(i) During the previous and current financial year, the Company had announced the proposed expansion into the flat steel business through the proposed acquisitions of flat steel assets for the production of hot rolled coils and cold rolled coils (“Proposed Expansion into Flat Steel Business”) involving the following corporate proposals (“Proposals”):

(a) Proposed acquisition by Cendana Aset Sdn Bhd (“Cendana Aset”), a wholly-owned subsidiary of Cendana Domain Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, from Megasteel Sdn Bhd (“Megasteel”), of the encumbered fixed and floating assets and the assignment of the entire debt owing by Secomex Manufacturing (M) Sdn Bhd (“Secomex”) to Megasteel for a total purchase consideration of approximately RM537.73 million, which is payable by Cendana Aset to the secured lenders of Megasteel (“Megasteel Secured Lenders”) (“Proposed Acquisition of Encumbered Assets”);

(b) Proposed acquisition by Gelora Berkat Sdn Bhd (“Gelora Berkat”), a wholly-owned subsidiary of Tahap Berkat Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of the promissory note to be issued by Megasteel (“MS Promissory Note”) to the Megasteel Secured Lenders’ appointed trustee (“Security Trustee”) in relation to the under-secured portion debts for a cash consideration of RM8.50 million (“Purchase Consideration for MS Promissory Note”), which is payable by Gelora Berkat to the Megasteel Secured Lenders (“Proposed Acquisition of MS Promissory Note”);

(c) Proposed acquisition by Gelora Berkat of all the unencumbered assets of Megasteel for a cash consideration of approximately RM21.59 million (“Proposed Acquisition of Unencumbered Assets”) which is payable by Gelora Berkat to Megasteel; and

(d) Proposed supply of electricity to the Company and its subsidiary companies in Banting by Tenaga Nasional Berhad (“TNB”) for their steel mill operations including the Proposed Expansion into Flat Steel Business and settlement of the amount owing by Megasteel to TNB for a cash consideration of RM35.80 million.

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

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

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

The non-interested shareholders of the Company had on 29 November 2019, approved the Proposals at the Company’s Adjourned Extraordinary General Meeting.

Secomex had on 27 July 2020 became a wholly-owned subsidiary of the Company following the registration of the 500,000 ordinary shares, representing 100% equity interest in Secomex in the name of Cendana Aset.

**40. SIGNIFICANT EVENTS (continued)**

(i) During the previous financial year, the Company had announced the proposed expansion into the flat steel business through the proposed acquisitions of flat steel assets for the production of hot rolled coils and cold rolled coils ("Proposed Expansion into Flat Steel Business") involving the following corporate proposals ("Proposals") (continued):

The following proposals under the Proposed Expansion into Flat Steel Business have been completed on 30 July 2020, being the Settlement Date (Secured Scheme) (as defined in the Company's announcement dated 11 June 2019):

(a) Proposed Acquisition of Encumbered Assets whereby the Security Trustee had released the upfront payment of RM84.00 million to each of the Megasteel Secured Lenders and the legal ownership of the Encumbered Assets have been transferred to Cendana Aset.

(b) Proposed Acquisition of MS Promissory Note whereby the Security Trustee had released the Purchase Consideration for MS Promissory Note of RM8.50 million to each of the Megasteel Secured Lenders and the right, title and interest under the MS Promissory Note which was duly signed and dated by the Security Trustee on Settlement Date (Secured Scheme) has been transferred to Gelora Berkat.

The MS Promissory Note was issued by Megasteel to the Security Trustee as full and final settlement of the entire under-secured portion debt of RM522.63 million with the Megasteel Secured Lenders. The MS Promissory Note allows Gelora Berkat to be entitled to receive a settlement amount payable by Megasteel estimated at approximately RM2.98 million pursuant to the Megasteel Unsecured Scheme.

The Court Order for the Megasteel Unsecured Scheme was lodged with the Companies Commission of Malaysia on 3 August 2020. Accordingly, the sale and purchase agreement for the Proposed Acquisition of Unencumbered Assets, had also been dated 3 August 2020.

The Megasteel Unsecured Scheme is pending completion.

(ii) The Company had on 9 June 2020 together with Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Esteel Enterprise Pte Ltd ("Esteel" or "Buyer") for the proposed disposal by AMSB of its entire holding of (a) 218,010,000 ordinary shares; and (b) 30,000,000 redeemable preference shares in Antara Steel Mills Sdn Bhd ("Antara"), representing the entire 100% issued share capital of Antara to Esteel for a cash consideration of USD128.00 million (equivalent to approximately RM546.56 million) ("Proposed Disposal").

The Proposed Disposal is subject to, *inter alia*, a restructuring exercise to be undertaken by Antara prior to the completion of the Proposed Disposal ("Completion") such that on Completion, the sole assets of Antara shall comprise all assets which will enable the Buyer to use, maintain and/or operate the existing manufacturing facilities and business in Labuan in relation to hot briquetted iron ("Specified Assets") ("Restructuring Exercise").

The assets and liabilities that are not related to the Specified Assets mainly the long steel plant located in Pasir Gudang, Johor that produces billets which are rolled into steel bars and light sections such as angle bars, flat bars and U-channels shall be transferred to AMSB and/or its wholly-owned subsidiary, Eden Flame Sdn Bhd pursuant to the Restructuring Exercise.

AMSB had on 3 July 2020 acquired 100% equity interest in Eden Flame Sdn Bhd to act as its nominee in relation to the Restructuring Exercise. The Restructuring Exercise has been completed on 14 August 2020.

The Proposed Disposal, which subject to the approval of the Shareholders of the Company, is pending completion.

## 40. SIGNIFICANT EVENTS (continued)

(iii) The unprecedented outbreak of COVID-19 and the Movement Control Order ("MCO") which was then extended to Conditional MCO by the Government to curb the spread of the pandemic since 18 March 2020 have caused economic activities to be significantly affected. The severity of the economic impact and the duration of the outbreak are highly unpredictable in the absence of a safe and effective vaccine against the virus.

While the challenges ahead are highly uncertain, the Group has implemented strict cost control measures to contain operating costs and remains vigilant and responsive to market changes.

Nonetheless, the stimulus packages and the short-term economic recovery plan implemented by the Government have softened the impact of the COVID-19 pandemic and paved the way towards economic recovery. The Group's businesses are hopeful of improving in the recovering business environment.

## 41. SUBSIDIARY COMPANIES

The subsidiary companies are as follows:

| Name of company | Country of incorporation | Percentage ownership 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| * Amble Legacy Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Cendana Domain Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| * Crest Wonder Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Lion Courts Sdn Bhd | Malaysia | **100** | 100 | Property development and investment holding |
| Lion Posim Berhad (formerly known as Lion Forest Industries Berhad) | Malaysia | **74[α]** | 74[α] | Investment holding |
| Lion Group Management Services Sdn Bhd | Malaysia | **52[b]** | 52[b] | Provision of management services |
| * Lion Metal Industries Sdn Bhd | Malaysia | **100** | 100 | Provision of storage facilities |
| * Lion Motor Venture Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| LLB Enterprise Sdn Bhd | Malaysia | **94** | 69 | Dormant |
| LLB Harta (L) Limited | Malaysia | **100** | 100 | Treasury business |
| LLB Harta (M) Sdn Bhd | Malaysia | **100** | 100 | Managing of debts novated from the Company and certain of its subsidiary companies pursuant to a debt restructuring exercise undertaken by the Company and certain of its subsidiary companies |
| LLB Nominees Sdn Bhd | Malaysia | **100** | 100 | Investment holding |

## 41. SUBSIDIARY COMPANIES (continued)

| Name of company | Country of incorporation | Percentage ownership 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| * LLB Steel Industries Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| LLB Strategic Holdings Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| * LLB Venture Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| Malim Courts Property Development Sdn Bhd | Malaysia | **100** | 100 | Property development and investment holding |
| Matrix Control Sdn Bhd (Dissolved on 6 December 2019) | Malaysia | **–** | 100 | Ceased operations |
| Mcken Sdn Bhd | Malaysia | **100** | 100 | Ceased operations |
| * Slag Aggregate Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Sucorp Enterprise Sdn Bhd | Malaysia | **100** | 100 | Money lending and investment holding |
| Tahap Berkat Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| **Subsidiary company of Amble Legacy Sdn Bhd** | | | | |
| * Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation) | People's Republic of China | **95** | 95 | Property development |
| **Subsidiary company of Cendana Domain Sdn Bhd** | | | | |
| Cendana Aset Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| **Subsidiary company of Crest Wonder Sdn Bhd** | | | | |
| Lunas Cemerlang Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| **Subsidiary company of Lunas Cemerlang Sdn Bhd** | | | | |
| Oriental Shield Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| **Subsidiary company of Lion Motor Venture Sdn Bhd** | | | | |
| * Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation) | People's Republic of China | **56** | 56 | Manufacture of meters for motor vehicles and after sales services (ceased operations) |
| **Subsidiary companies of LLB Nominees Sdn Bhd** | | | | |
| * Holdsworth Investment Pte Ltd | Singapore | **70** | 70 | Investment holding |
| * Zhongsin Biotech Pte Ltd | Singapore | **51** | 51 | Investment holding |

## 41. SUBSIDIARY COMPANIES (continued)

| Name of company | Country of incorporation | Percentage ownership 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary company of LLB Steel Industries Sdn Bhd** | | | | |
| * Steelcorp Sdn Bhd | Malaysia | **99** | 99 | Investment holding |
| **Subsidiary company of LLB Venture Sdn Bhd** | | | | |
| Marvenel Sdn Bhd | Malaysia | **70** | 70 | Dormant |
| **Subsidiary companies of Malim Courts Property Development Sdn Bhd** | | | | |
| Berkat Timor Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| Inspirasi Elit Sdn Bhd | Malaysia | **85** | 85 | Property development |
| JOPP Builders Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| LLB Bina Sdn Bhd | Malaysia | **100** | 100 | Ceased operations |
| LLB Damai Holdings Sdn Bhd (Dissolved on 4 November 2019) | Malaysia | **–** | 100 | Investment holding |
| LLB Indah Permai Sdn Bhd | Malaysia | **100** | 100 | Property development |
| LLB Suria Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| PM Holdings Sdn Bhd | Malaysia | **100** | 100 | Investment holding, property development and provision of management services |
| Soga Sdn Bhd | Malaysia | **98** | 98 | Property development |
| Sumber Realty Sdn Bhd | Malaysia | **100** | 100 | Investment holding and property development |
| Syarikat Pekan Baru Kemajuan Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| **Subsidiary company of Sucorp Enterprise Sdn Bhd** | | | | |
| Kisan Agency Sdn Bhd | Malaysia | **100** | 100 | Property development |
| **Subsidiary company of Tahap Berkat Sdn Bhd** | | | | |
| Gelora Berkat Sdn Bhd | Malaysia | **100** | 100 | Investment holding |

## 41. SUBSIDIARY COMPANIES (continued)

| Name of company | Country of incorporation | Percentage ownership 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of PM Holdings Sdn Bhd** | | | | |
| Citibaru Sendirian Berhad | Malaysia | **100** | 100 | Dormant |
| Malim Jaya (Melaka) Sdn Bhd | Malaysia | **100** | 100 | Property development |
| **Subsidiary company of Soga Sdn Bhd** | | | | |
| Batu Pahat Enterprise Sdn Berhad | Malaysia | **100** | 100 | Dormant |
| **Subsidiary company of Steelcorp Sdn Bhd** | | | | |
| Amsteel Mills Sdn Bhd | Malaysia | **100** | 100 | Manufacture and marketing of steel bars and wire rods |
| **Subsidiary companies of Sumber Realty Sdn Bhd** | | | | |
| Projek Jaya Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Seri Lalang Development Sdn Bhd | Malaysia | **100** | 100 | Ceased operations |
| Sharikat Pengangkutan East West Sdn Bhd | Malaysia | **100** | 100 | Dormant |
| **Subsidiary companies of Amsteel Mills Sdn Bhd** | | | | |
| Amsteel Mills Marketing Sdn Bhd | Malaysia | **100** | 100 | Sale and distribution of steel products |
| * Amsteel Mills Realty Sdn Bhd | Malaysia | **100** | 100 | Ceased operations |
| Antara Steel Mills Sdn Bhd | Malaysia | **100** | 100 | Manufacture and sale of steel and related products |
| # Lion Waterway Logistics Sdn Bhd | Malaysia | **100** | 100 | Stevedoring and related activities and to own, lease and operate ships barges and to enter into charter parties |

## 41. SUBSIDIARY COMPANIES (continued)

| Name of company | Country of incorporation | Percentage ownership 2020 % | Percentage ownership 2019 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of Lion Posim Berhad** | | | | |
| Gama Harta Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Intra Inspirasi Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| LFIB Agriculture (Cambodia) Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| * Lion AMB Resources Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| Lion Petroleum Products Sdn Bhd | Malaysia | **100** | 100 | Manufacturing of petroleum products |
| Lion Rubber Industries Sdn Bhd (Dissolved on 27 December 2019) | Malaysia | – | 100 | Ceased operations |
| Ototek Sdn Bhd (Dissolved on 3 January 2020) | Malaysia | – | 100 | Ceased operations |
| Posim EMS Sdn Bhd | Malaysia | **100** | 100 | Provision of energy management and conservation services |
| Posim Marketing Sdn Bhd | Malaysia | **100** | 100 | Trading and distribution of building materials and steel products |
| Posim Petroleum Marketing Sdn Bhd | Malaysia | **100** | 100 | Trading and distribution of petroleum products |
| * Singa Logistics Sdn Bhd | Malaysia | **100** | 100 | Provision of transportation services |
| **Subsidiary company of Gama Harta Sdn Bhd** | | | | |
| Brands Pro Management Sdn Bhd | Malaysia | **100** | 100 | Distribution and retailing of ACCA KAPPA products and other beauty and fashion brands |

## 41. SUBSIDIARY COMPANIES (continued)

| Name of company | Country of incorporation | Percentage ownership 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of LFIB Agriculture (Cambodia) Sdn Bhd ("BVI Companies")** | | | | |
| ^ Bright Triumph Investments Limited | British Virgin Islands | **100** | 100 | Investment holding |
| ^ Distinct Harvest Limited | British Virgin Islands | **100** | 100 | Investment holding |
| ^ Double Merits Enterprise Limited | British Virgin Islands | **100** | 100 | Investment holding |
| ^ Elite Image Investments Limited | British Virgin Islands | **100** | 100 | Investment holding |
| ^ Eminent Elite Investments Limited | British Virgin Islands | **100** | 100 | Investment holding |
| ^ Grand Ray Investments Limited (Dissolved on 27 March 2020) | British Virgin Islands | **–** | 100 | Ceased operations |
| ^ Green Choice Holdings Limited | British Virgin Islands | **100** | 100 | Investment holding |
| ^ Radiant Elite Holdings Limited | British Virgin Islands | **100** | 100 | Investment holding |
| ^ Up Reach Limited | British Virgin Islands | **100** | 100 | Investment holding |
| **Subsidiary companies of BVI Companies** | | | | |
| ^ Bright Triumph (Cambodia) Co., Limited | Cambodia | **100** | 100 | Investment and development in agriculture |
| ^ Distinct Harvest (Cambodia) Co., Ltd | Cambodia | **100** | 100 | Investment and development in agriculture |
| ^ Hi-Rev Lubricants (Cambodia) Co., Limited | Cambodia | **100** | 100 | Wholesale of petroleum products and related products |
| ^ Elite Image (Cambodia) Co., Ltd (In voluntary liquidation) | Cambodia | **100** | 100 | Investment and development in agriculture |
| ^ Eminent Elite (Cambodia) Co., Ltd | Cambodia | **100** | 100 | Investment and development in agriculture |
| ^ Grand Ray (Cambodia) Co., Limited (Dissolved on 3 January 2020) | Cambodia | **–** | 100 | Ceased operations |

**41. SUBSIDIARY COMPANIES (continued)**

| Name of company | Country of incorporation | Percentage ownership 2020 % | Percentage ownership 2019 % | Principal activities |
|---|---|---|---|---|
| **Subsidiary companies of BVI Companies (continued)** | | | | |
| ^ Green Choice (Cambodia) Co., Limited | Cambodia | **100** | 100 | Investment and development in agriculture |
| ^ Radiant Elite (Cambodia) Co., Ltd | Cambodia | **100** | 100 | Investment and development in agriculture |
| ^ Up Reach (Cambodia) Co., Limited (In voluntary liquidation) | Cambodia | **100** | 100 | Investment and development in agriculture |
| **Subsidiary companies of Lion AMB Resources Sdn Bhd** | | | | |
| AMB Harta (L) Limited | Malaysia | **100** | 100 | Treasury business |
| * AMB Venture Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| * CeDR Corporate Consulting Sdn Bhd | Malaysia | **100** | 100 | Provision of training services |
| **Subsidiary companies of AMB Venture Sdn Bhd** | | | | |
| * Chrome Marketing Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| * Lion Tyre Venture Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| * Range Grove Sdn Bhd | Malaysia | **100** | 100 | Investment holding |
| **Subsidiary company of Range Grove Sdn Bhd** | | | | |
| * Shanghai AMB Management Consulting Co Ltd | People's Republic of China | **100** | 100 | Provision of management services |

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

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

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

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

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

## 42. ASSOCIATED COMPANIES

The associated companies of the Group are as follows:

| Name of company | Financial year-end | Country of incorporation | Percentage ownership 2020 % | Percentage ownership 2019 % | Principal activities |
|---|---|---|---|---|---|
| Renor Pte Ltd (In liquidation) | 30 June | Singapore | **40** | 40 | Investment holding |
| Lion Insurance Company Limited | 30 June | Malaysia | **41** | 41 | Captive insurance business |
| Parkson Holdings Berhad | 30 June | Malaysia | **28** | 28 | Investment holding |
| Lion Titco Resources Sdn Bhd | 30 June | Malaysia | **40** | 40 | Processing of steel slag and metal extraction |
| Lion Corporation Berhad | 30 June | Malaysia | **21** | 21 | Investment holding |
| Lion Asiapac Limited | 30 June | Singapore | **37** | 37 | Investment holding |
| Angkasa Amsteel (M) Sdn Bhd | 30 June | Malaysia | **50** | 50 | Trading and distribution of fabricated steel reinforcement bars |
| Angkasa Steel Sdn Bhd | 30 June | Malaysia | **50** | 50 | Dormant |

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

## STATEMENT BY DIRECTORS

The Directors of **LION INDUSTRIES CORPORATION BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2020 and of the financial performance and the cash flows of the Group and of the Company for the year then ended.

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

**TAN SRI CHENG YONG KIM** **CHENG HUI YA, SERENA**

15 October 2020

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

I, **TAN SRI CHENG YONG KIM**, the Director primarily responsible for the financial management of **LION INDUSTRIES CORPORATION BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Notaries Public Act 1959.

**TAN SRI CHENG YONG KIM**

Subscribed and solemnly declared by the
abovenamed **TAN SRI CHENG YONG KIM**
in **Singapore** on the 15th day of October, 2020.

Before me,

**HO SUK TSING LESLIE**
**N2020/0104**
NOTARY PUBLIC

# LIST OF GROUP PROPERTIES

## AS OF 30 JUNE 2020

| | Address | Tenure/ Expiry Date for Leasehold | Area | Description | Existing Use/ Age of Building (Year) | Net Book Value (RM Million) | Date of Acquisition/ Last Revaluation |
|---|---|---|---|---|---|---|---|
| 1. | Taman Supreme<br>Mukim of Cheras<br>Kuala Lumpur | Freehold | 12.1 hectares | Land | For future development | 14.0 | June 1991 |
| 2. | PT 862-3348<br>Mukim of Bacang<br>Melaka | Leasehold<br>12.4.2081 (residential)<br>22.8.2077 (industrial) | 0.1 hectares | Land | Property under development | 0.1 | June 1991 |
| 3. | Lot 11233 HS(D) 54584<br>Taman Tayton, Cheras<br>Kuala Lumpur | Freehold | 620 sq metres | Land | For future development | 0.1 | June 1991 |
| 4. | Mukim 17<br>North East District<br>Batu Ferringhi<br>Pulau Pinang | Freehold | 28.7 hectares | Land | Property under development | 50.9 | June 1991 |
| 5. | PT 3494<br>Mukim of Bukit Raja<br>Klang<br>Selangor Darul Ehsan | Leasehold<br>9.11.2085 | 24.0 hectares | Industrial land and buildings | Office and factory (43) | 17.8 | 22 October 1994 |
| 6. | PT 17631<br>Mukim of Bukit Raja<br>Klang<br>Selangor Darul Ehsan | Leasehold<br>29.10.2091 | 2,880 sq metres | Industrial land and buildings | Office and factory (43) | 0.6 | 22 October 1994 |
| 7. | PT 3510, HS(D) 24284<br>Mukim of Bukit Raja<br>Klang<br>Selangor Darul Ehsan | Leasehold<br>21.10.2088 | 2.9 hectares | Industrial land and buildings | Office and factory (25) | 5.7 | 22 October 1994 |
| 8. | Lot 2320, 2323B, 2582 & 2584<br>Mukim of Tanjung Dua Belas<br>District of Kuala Langat<br>Selangor Darul Ehsan | Freehold | 69.4 hectares | Industrial land and buildings | Office and factory (15-20) | 105.0 | 1996 |
| 9. | Pasir Gudang Industrial Estate<br>81707 Pasir Gudang, Johor | Leasehold | | | Office and factory | | |
| | - PLO 417, Jalan Gangsa Satu | 17.6.2052 | 6.3 ) | Industrial land and buildings | (29) | 5.2 ) | |
| | - PLO 218, Jalan Gangsa Satu | 26.12.2056 | 4.4 ) | | (25) | 9.5 ) | September 2002 |
| | - PLO 277, Jalan Gangsa Satu | 29.9.2038 | 6.5 ) hectares | | (42) | 3.3 ) | |

| | Address | Tenure/ Expiry Date for Leasehold | Area | Description | Existing Use/ Age of Building (Year) | Net Book Value (RM Million) | Date of Acquisition/ Last Revaluation |
|---|---|---|---|---|---|---|---|
| 10. | PLO 495, Jalan Keluli<br>Pasir Gudang Industrial Estate<br>81707 Pasir Gudang, Johor | Leasehold<br>6.2.2025 | 11.1<br>hectares | Industrial land and buildings | Warehouse<br>(25) | 2.5 | September 2002 |
| 11. | Blok 86 & 87<br>Jalan Tembusu<br>Taman Air Biru<br>81700 Pasir Gudang, Johor | Leasehold<br>2.11.2085 | 3,080.8<br>sq metres | Apartments/ flats | Rental<br>(26) | 1.6 | June 2017 |
| 12. | PT3501, HS(D) 24277<br>Mukim of Kapar<br>Klang<br>Selangor Darul Ehsan | Leasehold<br>22.10.2088 | 3.2<br>hectares | Industrial land and building | Office and factory<br>(31) | 20.0 | January 2013 |
| 13. | Lot 72<br>Persiaran Jubli Perak<br>40000 Shah Alam<br>Selangor Darul Ehsan | Freehold | 2.02<br>hectares | Industrial land and building | Factory<br>(26) | 10.1 | March 2003 |
| 14. | 12 & 12/1<br>Jalan Nangka Tiga<br>Taman Rumpun Bahagia<br>75300 Bacang<br>Melaka | Leasehold<br>21.7.2084 | 153.3<br>sq metres | Land and building | 2-storey shop office<br>(35) | 0.1 | March 2003 |
| 15. | Centre Point Business Park<br>Unit No. B-8-1 & B-8-2<br>5, Jalan Tanjung<br>Karamat 26/35, Seksyen 26<br>40400 Shah Alam<br>Selangor Darul Ehsan | Freehold | 252.3<br>sq metres | Building | Office<br>(22) | 0.3 | March 2003 |
| 16. | 50-2 & 50-3<br>Jalan Wangsa 2/5<br>Taman Wangsa Permai<br>52200 Kuala Lumpur | Leasehold<br>21.10.2087 | 130.1<br>sq metres | Land and building | 2-storey shop office<br>(22) | 0.1 | March 2003 |
| 17. | B2-2-39B<br>Jalan Pinggiran 1/3<br>Taman Pinggiran Putra<br>Seksyen 1<br>43300 Seri Kembangan<br>Selangor Darul Ehsan | Leasehold<br>13.12.2097 | 63.0<br>sq metres | Building | Office<br>(18) | 0.1 | July 2004 |
| 18. | Preah Net Preah District<br>Bantey Meanchey Province<br>Cambodia | Freehold | 3,372<br>hectares | Land | Vacant | 50.9 | July 2018 |

# ANALYSIS OF SHAREHOLDINGS

**Issued Shares as at 30 September 2020**

| | | |
|---|---|---|
| Total Number of Issued Shares | : | 717,909,365* |
| Class of Shares | : | Ordinary shares |
| Voting Rights | : | 1 vote per ordinary share |

***Note:***

* *Inclusive of 37,105,300 shares bought back by the Company and retained as treasury shares as at 30 September 2020.*

**Distribution of Shareholdings as at 30 September 2020**

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares | % of Shares[(a)] |
|---|---|---|---|---|
| Less than 100 | 3,100 | 16.94 | 123,722 | 0.02 |
| 100 to 1,000 | 5,046 | 27.58 | 2,846,623 | 0.42 |
| 1,001 to 10,000 | 6,794 | 37.13 | 30,096,585 | 4.42 |
| 10,001 to 100,000 | 2,912 | 15.92 | 96,534,101 | 14.18 |
| 100,001 to less than 5% of issued shares | 442 | 2.42 | 360,379,410 | 52.93 |
| 5% and above of issued shares | 3 | 0.01 | 190,823,624 | 28.03 |
| | 18,297 | 100.00 | 680,804,065 | 100.00 |

**Substantial Shareholders as at 30 September 2020**

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Substantial Shareholders** | **No. of Shares** | **% of Shares[(a)]** | **No. of Shares** | **% of Shares[(a)]** |
| 1. Tan Sri Cheng Heng Jem | 222,785,449 | 32.72 | 12,709,351 | 1.87 |
| 2. Tan Sri Cheng Yong Kim | 11,428,289 | 1.68 | 74,472,627 | 10.94 |
| 3. Dynamic Horizon Holdings Limited | 74,472,627 | 10.94 | – | – |

***Note:***

[(a)] *Based on the total number of issued shares of the Company, excluding 37,105,300 shares bought back by the Company and retained as treasury shares as at 30 September 2020.*

**Thirty Largest Registered Shareholders as at 30 September 2020**

| Registered Shareholders | | No. of Shares | % of Shares[(a)] |
|---|---|---|---|
| 1. | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Cheng Heng Jem | 90,369,951 | 13.27 |
| 2. | Affin Hwang Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Cheng Heng Jem (M09) | 57,500,000 | 8.45 |
| 3. | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Cheng Heng Jem | 42,953,673 | 6.31 |
| 4. | Maybank Nominees (Asing) Sdn Bhd<br>MTrustee Berhad for Dynamic Horizon Holdings Limited (419461) | 32,600,000 | 4.79 |
| 5. | RHB Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Dynamic Horizon Holdings Limited | 29,789,051 | 4.38 |
| 6. | Maybank Nominees (Tempatan) Sdn Bhd<br>MTrustee Berhad for Cheng Heng Jem (419450) | 25,900,000 | 3.80 |
| 7. | CGS-CIMB Nominees (Asing) Sdn Bhd<br>CGS-CIMB Securities (Singapore) Pte. Ltd. (Prop A/C) | 20,968,662 | 3.08 |
| 8. | Affin Hwang Nominees (Asing) Sdn Bhd<br>Dynamic Horizon Holdings Limited | 12,000,000 | 1.76 |
| 9. | Cheng Yong Kim | 11,409,539 | 1.68 |
| 10. | Ooi Chin Hock | 11,027,800 | 1.62 |
| 11. | LDH Management Sdn Bhd | 9,935,200 | 1.46 |
| 12. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Sim Ann Huat | 6,268,800 | 0.92 |
| 13. | RHB Nominees (Tempatan) Sdn Bhd<br>Industrial and Commercial Bank of China (Malaysia) Berhad<br>Pledged Securities Account for Cheng Heng Jem | 6,033,430 | 0.89 |
| 14. | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients) | 5,881,056 | 0.86 |
| 15. | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Ltd (SFS) | 5,606,553 | 0.82 |
| 16. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Mahalingam A/L Sinnatamby (E-SJA/USJ) | 4,500,000 | 0.66 |
| 17. | Lion-Parkson Foundation | 4,030,694 | 0.59 |
| 18. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Koh Lye Siang (TJJ/KEN) | 3,715,600 | 0.55 |
| 19. | Lim Pei Tiam @ Liam Ahat Kiat | 3,540,000 | 0.52 |
| 20. | Maybank Nominees (Tempatan) Sdn Bhd<br>MTrustee Berhad for Pacific Dividend Fund (UT-PM-DIV) (419467) | 3,429,800 | 0.50 |
| 21. | Lee Yew Chen | 3,198,900 | 0.47 |
| 22. | HSBC Nominees (Asing) Sdn Bhd<br>Exempt AN for JPMorgan Chase Bank,<br>National Association (Singapore JPMPB) | 2,900,000 | 0.43 |
| 23. | Low Kien Khuan | 2,746,100 | 0.40 |
| 24. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lim Han Joeh (MY2811) | 2,707,400 | 0.40 |
| 25. | Liang Chiang Heng | 2,451,500 | 0.36 |
| 26. | HLIB Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Neo Say Wei (CCTS) | 2,351,100 | 0.35 |
| 27. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lim Tiem Chai (E-BPT) | 2,340,000 | 0.34 |
| 28. | RHB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lim Hong San @ Lin Hun Soo | 2,223,700 | 0.33 |
| 29. | Apollo Food Holdings Berhad | 2,177,200 | 0.32 |
| 30. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>CIMB Islamic Trustee Berhad for Pacific Dana Aman (3717 TRO1) | 2,151,400 | 0.32 |

***Note:***

[(a)] *Based on the total number of issued shares of the Company, excluding 37,105,300 shares bought back by the Company and retained as treasury shares as at 30 September 2020.*

**Directors' Interests in Shares in the Company and its Related Corporations as at 30 September 2020**

The Directors' interests in shares in the Company and its related corporations as at 30 September 2020 are as follows:

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | No. of Ordinary Shares | % | No. of Ordinary Shares | % |
| **The Company** | | | | |
| Datuk Seri Utama Raja Nong Chik bin Dato' Raja Zainal Abidin | 100,000 | 0.01[(a)] | 100,000 | 0.01[(a)] |
| Tan Sri Cheng Yong Kim | 11,428,289 | 1.68[(a)] | 74,745,649 | 10.98[(a)] |
| Dato' Kamaruddin @ Abas bin Nordin | 128,000 | 0.02[(a)] | – | – |
| **Related Corporation** | | | | |
| Tan Sri Cheng Yong Kim | | | | |
| Lion Posim Berhad ("LPB") (formerly known as Lion Forest Industries Berhad) | 130 | Negligible[(b)] | 2,059 | Negligible[(b)] |

***Notes:***

[(a)] *Based on the total number of issued shares of the Company, excluding 37,105,300 shares bought back by the Company and retained as treasury shares as at 30 September 2020.*

[(b)] *Based on the total number of issued shares of the Company, excluding 3,745,000 shares in LPB bought back by LPB and retained as treasury shares as at 30 September 2020.*

Other than as disclosed above, none of the other Directors of the Company had any interest in shares in the Company or its related corporations as at 30 September 2020.

# OTHER INFORMATION

## (I) MATERIAL CONTRACTS INVOLVING THE INTEREST OF DIRECTORS AND MAJOR SHAREHOLDERS

1. Memorandum of Understanding ("MOU") dated 3 July 2018, Supplemental MOU dated 1 November 2018 and Second Supplemental MOU dated 11 June 2019 between the Company and Megasteel Sdn Bhd ("Megasteel"), a subsidiary of Lion Corporation Berhad ("LCB") wherein a major shareholder of the Company has interests, in relation to the Company's proposed expansion into the flat steel business through the proposed acquisitions of flat steel assets with a production capacity of 3.20 million metric ton per annum of hot-rolled coils and 0.70 million metric ton per annum of cold rolled coils involving the following ("Proposed Expansion into Flat Steel Business"):

   (a) Proposed acquisition by Cendana Aset Sdn Bhd ("Cendana Aset"), a wholly-owned subsidiary of Cendana Domain Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of all encumbered fixed and floating assets (including (i) land and buildings, plant and machineries and floating assets owned by Megasteel; and (ii) 500,000 ordinary shares, representing 100% equity interest in Secomex Manufacturing (M) Sdn Bhd, a wholly-owned subsidiary of Megasteel, that are charged to the secured lenders of Megasteel ("Encumbered Assets") ("Megasteel Secured Lenders") from Megasteel for a purchase consideration of approximately RM537.73 million which is payable by Cendana Aset to the Megasteel Secured Lenders ("Proposed Acquisition of Encumbered Assets");

   (b) Proposed acquisition by Gelora Berkat Sdn Bhd ("Gelora Berkat"), a wholly-owned subsidiary of Tahap Berkat Sdn Bhd, which is in turn a wholly-owned subsidiary of the Company, of the MS Promissory Note to be issued by Megasteel to the Megasteel Secured Lenders' appointed trustee in relation to the under-secured portion debt for a cash consideration of RM8.50 million which is payable by Gelora Berkat to the Megasteel Secured Lenders ("Proposed Acquisition of MS Promissory Note"); and

   (c) Proposed acquisition by Gelora Berkat of all the following unencumbered assets of Megasteel for a cash consideration of approximately RM21.59 million which is payable to Megasteel ("Proposed Acquisition of Unencumbered Assets"):

      (i) freehold land measuring approximately 203,069 square metres held under Geran H.S.(D) 26819 No. PT17217 in Mukim of Tanjong Duabelas, District of Kuala Langat, State of Selangor; and

      (ii) that piece of land measuring 9,222 square metres held under Geran H.S.(D) 43988 PT 457 in Pekan Bukit Changgang, District of Kuala Langat, State of Selangor.

   Save for the Proposed Acquisition of Unencumbered Assets which is still pending completion, the Proposed Acquisition of Encumbered Assets and the Proposed Acquisition of MS Promissory Note have been completed on 30 July 2020.

2. Tri-partite Settlement Agreement dated 3 July 2018 ("Agreement") entered into among Oriental Shield Sdn Bhd (a wholly-owned subsidiary of the Company) ("Oriental Shield"), Megasteel and Tenaga Nasional Berhad ("TNB") and letters of extension of time from TNB dated 13 September 2018, 11 March 2019 and 11 July 2019 for the proposed supply of electricity to the Company and its subsidiaries in Banting to facilitate the Proposed Expansion into Flat Steel Business for a cash consideration of RM35.80 million ("Full Settlement Sum").

   The Agreement became unconditional on 29 November 2019 following which payment obligations by Oriental Shield commenced on 27 December 2019 ("TNB First Payment Date") and the Full Settlement Sum shall be settled over the next 4 years annually from the TNB First Payment Date.

**(II) NON-AUDIT FEES**

The amount of non-audit fees paid or payable to External Auditors by the Group and Company for the financial year was RM14,000 and RM8,000 respectively (RM14,000 and RM8,000 respectively in 2019).

**(III) RECURRENT RELATED PARTY TRANSACTIONS**

The aggregate value of transactions conducted during the financial year ended 30 June 2020 were as follows:

| Nature of Recurrent Transactions | Related Parties | Amount RM'000 |
|---|---|---|
| **Steel related** | | |
| (i) Sale of scrap iron, steel bars, wire rods, hot briquetted iron, billets and other related products and services | Lion Corporation Berhad Group ("LCB Group") (1) | 6,070 |
| (ii) Purchase of scrap iron and other related products and services | LCB Group (1) | 69 |
| | Lion Asiapac Limited Group ("LAP Group") (1) | 7,913 |
| | | 7,982 |
| (iii) Purchase of tools, dies and spare parts | ACB Resources Berhad Group (1) | 1,931 |
| (iv) Provision of storage, leasing and rental of properties, management and support, and other related services | LAP Group (1) | 366 |

**Notes:**

"Group" includes subsidiary and associated companies, excluding public companies.

(1) Companies in which a major shareholder of the Company has a substantial interest.

# FORM OF PROXY

CDS ACCOUNT NUMBER

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | – | | | | – | | | | | | | | | |

I/We ..........................................................................................................................................................

I.C. No./Registration No. ......................................................................................................................

of ..............................................................................................................................................................

being a member of LION INDUSTRIES CORPORATION BERHAD, hereby appoint .....................................................

.................................................................................................................................................................

I.C. No. ......................................................................................................................................................

of ..............................................................................................................................................................

or failing whom, .......................................................................................................................................

I.C. No. ......................................................................................................................................................

of ..............................................................................................................................................................

as my/our proxy to vote for me/us and on my/our behalf at the 90th Annual General Meeting of the Company to be held fully virtual at the Broadcast Venue, Meeting Hall, Level 16, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan on Wednesday, 25 November 2020 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. Dato' Kamaruddin @ Abas bin Nordin as Director | | |
| 4. | To re-elect Cheng Hui Ya, Serena as Director | | |
| 5. | To re-appoint Messrs Deloitte PLT as Auditors | | |
| 6. | Authority to Directors to Issue Shares | | |
| 7. | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions | | |
| 8. | Proposed Authority for Share Buy-Back | | |

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 ...................................... 2020

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

Signed: .............................................

**Representation at Meeting:**

(i) In respect of deposited securities, only Members whose names appear in the Record of Depositors on 18 November 2020 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 Poll Administrator of the Company for the Meeting, SS E Solutions Sdn Bhd at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 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 INDUSTRIES CORPORATION BERHAD**
Registration No. 192401000008 (415-D)
Level 14, Lion Office Tower
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Wilayah Persekutuan

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