FINANCIAL STATEMENTS

2022

For The Financial Year Ended 31 December 2022

DIRECTORS' REPORT

The Directors of **LION POSIM BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are trading and distribution of building materials, steel products, petroleum products and automotive products, manufacturing of petroleum products, investment holding, distribution of and retailing of consumer products, provision of training services, investment and development in agriculture and property development.

The information on the name, place of incorporation, principal activities, and percentage of ownership of the holding company in each subsidiary company is disclosed in Note 13 to the financial statements.

RESULTS

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

	The Group RM'000	The Company RM'000
Profit before tax	2,681	7,213
Tax (expense)/credit	(2,080)	48
Profit for the year	601	7,261
Profit/(Loss) attributable to:		
Owners of the Company	659	
Non-controlling interests	(58)	
	601	

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.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial period. 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.

ISSUE OF SHARES AND DEBENTURES

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

TREASURY SHARES

The Company did not repurchase its ordinary shares during the financial year. As at 31 December 2022, the Company held 3,745,000 treasury shares at a carrying amount of RM2,276,747.

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 of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

(b) any contingent liability 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 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.

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:

Tan Sri Cheng Heng Jem
Cheng Hui Ya, Serena
Dato' Eow Kwan Hoong
Tan Sri Abd Karim bin Shaikh Munisar
Dr Folk Jee Yoong

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:

Cheng Hui Yen, Natalie
Cheng Hui Ya, Serena
Goh Kok Beng
Koo Chuan Hong
Lee Boon Liang
Yeo Keng Leong
Haji Mohamad Khalid Bin Abdullah
(resigned on 6 May 2022)
Lee Whay Keong
Ooi Kim Lai
Poon Sow Har
Tan Sri Cheng Heng Jem
Wang Wing Ying

DIRECTORS' INTERESTS

The interests in shares in the Company of those who were Directors at the end of the financial year according to the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 are as follows:

	Number of ordinary shares			
	As at 1.1.2022	**Addition**	**Disposal**	**As at 31.12.2022**
Direct interest				
Tan Sri Cheng Heng Jem	400	–	–	400
Dato' Eow Kwan Hoong	8,026	–	–	8,026
Dr Folk Jee Yoong	105	–	–	105
Deemed interest				
Tan Sri Cheng Heng Jem	170,186,190	–	–	170,186,190

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

	Number of ordinary shares			
	As at 1.1.2022	**Addition**	**Disposal**	**As at 31.12.2022**
Tan Sri Cheng Heng Jem				
Direct interest				
Lion Industries Corporation Berhad	222,785,449	–	–	222,785,449
Deemed interest				
Holdsworth Investment Pte Ltd	4,500,000	–	–	4,500,000
Inspirasi Elit Sdn Bhd	212,500	–	–	212,500
Lion Industries Corporation Berhad	12,752,369	–	–	12,752,369
Lion Group Management Services Sdn Bhd	5,000,000	–	–	5,000,000
LLB Enterprise Sdn Bhd	940,000	–	–	940,000
Soga Sdn Bhd	4,525,322	–	–	4,525,322
Steelcorp Sdn Bhd	99,750	–	–	99,750
Well Morning Limited	1	–	–	1
Zhongsin Biotech Pte Ltd	1,000,000	–	–	1,000,000

Investments in the People's Republic of China	**Currency**	**As at 1.1.2022**	**Addition**	**Disposal**	**As at 31.12.2022**
Deemed interest					
Tianjin Baden Real Estate Development Co Ltd (In voluntary liquidation)	USD	5,000,000	–	–	5,000,000
Tianjin Hua Shi Auto Meter Co Ltd (In voluntary liquidation)	USD	10,878,944	–	–	10,878,944

In addition to the above, the following Director is also deemed to have an interest in shares in Lion Industries Corporation Berhad ("LICB") by virtue of the warrants issued by LICB with a right to subscribe for ordinary shares in LICB on the basis of 1 new ordinary share for every 1 warrant held:

	Number of warrants			
	As at 14.12.2022 *	**Addition**	**Disposal**	**As at 31.12.2022**
Tan Sri Cheng Heng Jem				
Direct interest	111,392,723	–	–	111,392,723
Deemed interest	6,376,184	–	–	6,376,184

* Date of allotment of warrants

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

DIRECTORS' BENEFITS

Since the end of the previous financial period, none of the Director 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 receivables by Directors as shown below) 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 the benefit which 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 a substantial interest, in the ordinary course of business of the Group and of the Company.

Details of the remuneration paid to or receivable by the Directors of the Company during the financial year are as follows:

	The Group RM'000	The Company RM'000
Directors' fees	170	170
Other emoluments	43	43
Total	213	213

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

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

HOLDING COMPANIES

The Company is a subsidiary company of Amsteel Mills Sdn Bhd, a private limited liability company incorporated in Malaysia. The Directors regard Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company of the Company.

AUDITORS

The total amount of fees paid to or receivable by the auditors as remuneration for their services as auditors of the Group and of the Company for the current financial year are RM322,000 and RM119,000 respectively.

The auditors, Mazars PLT, Chartered Accountants, have expressed their willingness to accept re-appointment.

To the extent permitted by laws, the Company has agreed to indemnify its auditors, Mazars PLT as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Mazars PLT for the current financial year.

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

TAN SRI CHENG HENG JEM

CHENG HUI YA, SERENA

Kuala Lumpur
5 April 2023

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LION POSIM BERHAD (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Lion Posim Berhad**, which comprise the statements of financial position as at 31 December 2022, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 142.

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 at 31 December 2022, and of their financial performance and their cash flows for the financial 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 financial 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.

Impairment of investment properties in Cambodia

The Group's accounting policies, significant judgement and estimates made by the management and disclosure notes on investment properties are disclosed in Note 3, Note 4(i)(b) and Note 12 to the financial statements.

The risk:

As at 31 December 2022, the carrying amount of the investment properties of the Group amounted to RM114 million, representing 37% and 13% of the Group's total non-current assets and total assets respectively. Included in the investment properties of the Group are freehold land, leasehold land and economic land concessions in Cambodia ("Cambodia Land") amounting to USD26 million, equivalent to RM113 million.

The recoverable amount of the Cambodia Land was determined by management based on fair value less cost to sell, by references to the latest valuations carried out by independent valuers.

The valuation process involves significant judgement in determining the appropriate valuation methodologies and the underlying assumptions. The valuations are highly sensitive to key assumptions applied and any change in the assumptions can have a significant impact to the valuations.

In view of the significant judgement and estimates required by management in determining the recoverable amount of the Cambodia Land, which also includes the Economic Land Concessions ("ELC") totaling RM40 million for which formal lease agreements are pending, as disclosed in Note 12 to the financial statements, and management's plans on its realisation, we identified impairment of the Cambodia Land as a key audit matter.

How the matter was addressed in our audit:

Our audit procedures to address this area included, among others:

- Obtained an understanding of impairment assessment process and evaluated the design and implementation of the relevant controls surrounding impairment assessment on Cambodia Land;
- Obtained and evaluated the management assessment in determining the recoverable amount of Cambodia Land;
- Obtained the independent valuation reports for the Cambodia Land and compared to management's assessment;
- Assessed the competency, capabilities and objectivity of the valuers and challenged the assumptions and methodology used in the valuations;
- Obtained and understood the agreements or other relevant documents relating to the conversion of leasehold land and granting of ELC;
- Performed retrospective review of management's plans to convert the economic land concessions to leasehold land;
- Held discussion with independent valuers on the valuation and challenged the basis of determining the fair value of the Cambodia Land and impact of Covid-19 on the valuation of these properties; and
- 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 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.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group 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.

Auditor's 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 a high level of assurance, but is not a 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 and of 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 and of 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 and the Company to cease to continue as a going concern.

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats of 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 financial 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 subsidiaries of which we have not acted as auditors, are disclosed in Note 13 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 to any other person for the content of this report.

The financial statements of the Group and of the Company for the financial period ended 31 December 2021 were audited by another firm of auditors whose report dated 12 April 2022 expressed an unmodified opinion on the financial statements.

MAZARS PLT
201706000496 (LLP0010622-LCA)
AF 001954
Chartered Accountants

FRANCIS XAVIER JOSEPH
02997/06/2024 J
Chartered Accountant

Kuala Lumpur
5 April 2023

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group 1.1.2022 to 31.12.2022 RM'000	The Group 1.7.2020 to 31.12.2021 RM'000	The Company 1.1.2022 to 31.12.2022 RM'000	The Company 1.7.2020 to 31.12.2021 RM'000
Revenue	5	**838,773**	871,808	**10,000**	13,170
Other operating income		**4,326**	13,651	**163**	11,213
Changes in inventories of finished goods and trading merchandise		**7,484**	(709)	**–**	–
Raw materials and consumables used		**(56,037)**	(49,699)	**–**	–
Purchase of trading merchandise		**(732,400)**	(752,268)	**–**	–
Staff costs	6	**(28,224)**	(39,640)	**(146)**	(685)
Directors' remuneration	6	**(213)**	(452)	**(213)**	(452)
Depreciation of:					
Property, plant and equipment	10	**(2,688)**	(3,673)	**(20)**	(9)
Right-of-use assets	11	**(1,251)**	(308)	**–**	–
Investment properties	12	**(454)**	(27)	**(18)**	(27)
Impairment losses net of reversals on:					
Trade receivables	19	**(4,243)**	(163)	**–**	–
Other receivables		**–**	69	**–**	–
Other investment in unquoted bonds		**–**	82	**–**	–
Gain on foreign exchange:					
Realised		**288**	353	**–**	–
Unrealised		**96**	51	**–**	–
Other operating expenses		**(18,175)**	(29,914)	**(2,444)**	(3,445)
Profit from operations	6	**7,282**	9,161	**7,322**	19,765
Gain on settlement of secured debts	13	**–**	136,538	**–**	–
Finance costs	7	**(453)**	(567)	**(109)**	(128)
Share of results of associated companies	14	**(4,148)**	469	**–**	–
Profit before tax		**2,681**	145,601	**7,213**	19,637
Tax (expense)/credit	8	**(2,080)**	(4,406)	**48**	(93)
Profit for the year/period		**601**	141,195	**7,261**	19,544
Profit/(Loss) attributable to:					
Owners of the Company		**659**	144,021	**7,261**	19,544
Non-controlling interests		**(58)**	(2,826)	**–**	–
		601	141,195	**7,261**	19,544
Earnings per share (sen)					
Basic and diluted	9	**0.29**	63.22		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	The Group		The Company	
		1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Profit for the year/period		**601**	141,195	**7,261**	19,544
Other comprehensive (loss)/income					
Item that will not be reclassified subsequently to profit or loss					
Net (loss)/gain on other investments at fair value through other comprehensive income:					
- Fair value changes		**(3,080)**	5,600	**(3,080)**	5,600
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences arising from foreign operations		**3,987**	14,138	**–**	–
Other comprehensive income/(loss) for the year/period		**907**	19,738	**(3,080)**	5,600
Total comprehensive income for the year/period		**1,508**	160,933	**4,181**	25,144
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		**1,566**	161,101	**4,181**	25,144
Non-controlling interests		**(58)**	(168)	**–**	–
		1,508	160,933	**4,181**	25,144

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Company 2022 RM'000	The Company 2021 RM'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**39,588**	14,142	**4,842**	4,862
Right-of-use assets	11	**3,173**	2,193	**–**	–
Investment properties	12	**113,877**	108,452	**478**	496
Investment in subsidiary companies	13	**–**	–	**344,689**	344,689
Investment in associated companies	14	**25,698**	40,069	**–**	–
Other investments	15	**8,846**	11,926	**7,563**	10,643
Amount owing by other related company	17	**105,051**	111,051	**105,051**	111,051
Other receivable	17	**–**	13,000	**–**	–
Deferred tax assets	16	**9,411**	8,435	**–**	–
Total Non-Current Assets		**305,644**	309,268	**462,623**	471,741
Current Assets					
Inventories	18	**24,481**	13,052	**–**	–
Trade receivables	19(a)	**223,919**	183,460	**–**	–
Other receivables, deposits and prepaid expenses	19(b)	**77,281**	65,536	**180**	201
Amount owing by subsidiary companies	13(a)	**–**	–	**11,620**	9,260
Amount owing by immediate holding company	17	**72,486**	81,448	**–**	–
Amount owing by other related companies	17	**90,894**	60,554	**–**	–
Tax recoverable		**5,483**	4,311	**138**	72
Investment in money market funds	20(a)	**2,279**	2,417	**–**	86
Fixed deposits, cash and bank balances	20(b)	**80,981**	150,596	**8,562**	2,787
Total Current Assets		**577,804**	561,374	**20,500**	12,406
Total Assets		**883,448**	870,642	**483,123**	484,147

(Forward)

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Company 2022 RM'000	The Company 2021 RM'000
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	21	**920,902**	920,902	**920,902**	920,902
Reserves	22	**(180,240)**	(181,806)	**(472,113)**	(476,294)
Equity attributable to owners of the Company		**740,662**	739,096	**448,789**	444,608
Non-controlling interests		**43**	473	**–**	–
Total Equity		**740,705**	739,569	**448,789**	444,608
Non-Current and Deferred Liabilities					
Lease liabilities	23	**2,094**	1,726	**–**	–
Hire-purchase payables	24	**62**	77	**–**	–
Deferred tax liabilities	16	**176**	52	**–**	–
Total Non-Current and Deferred Liabilities		**2,332**	1,855	**–**	–
Current Liabilities					
Trade payables	25(a)	**41,097**	34,645	**–**	–
Other payables and accrued expenses	25(b)	**48,653**	49,666	**10,030**	15,097
Contract liabilities	25(c)	**28,794**	24,405	**–**	–
Provision	26	**–**	–	**–**	–
Amount owing to other related companies	17	**700**	885	**–**	167
Amount owing to subsidiary companies	13(b)	**–**	–	**20,804**	20,775
Lease liabilities	23	**1,270**	517	**–**	–
Hire-purchase payables	24	**15**	14	**–**	–
Bank borrowings	27	**18,634**	16,769	**3,500**	3,500
Tax liabilities		**1,248**	2,317	**–**	–
Total Current Liabilities		**140,411**	129,218	**34,334**	39,539
Total Liabilities		**142,743**	131,073	**34,334**	39,539
Total Equity and Liabilities		**883,448**	870,642	**483,123**	484,147

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Group		← Non-distributable reserves →							
	Share capital RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Surplus reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 July 2020	920,902	(2,277)	51,276	–	(26,880)	(365,026)	577,995	–	577,995
Profit/(Loss) for the period	–	–	–	–	–	144,021	144,021	(2,826)	141,195
Other comprehensive income for the period	–	–	10,261	1,219	5,600	–	17,080	2,658	19,738
Total comprehensive income/(loss) for the period	–	–	10,261	1,219	5,600	144,021	161,101	(168)	160,933
Transfer to reserve	–	–	–	236	–	(236)	–	–	–
Dividend paid to non-controlling interests of a subsidiary company	–	–	–	–	–	–	–	(58,029)	(58,029)
Acquisition of subsidiary companies	–	–	–	–	–	–	–	58,670	58,670
As at 31 December 2021	920,902	(2,277)	61,537	1,455	(21,280)	(221,241)	739,096	473	739,569

(Forward)

The Group		← Non-distributable reserves →							
	Share capital RM'000	Treasury shares RM'000	Translation adjustment reserve RM'000	Surplus reserve RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2022	**920,902**	**(2,277)**	**61,537**	**1,455**	**(21,280)**	**(221,241)**	**739,096**	**473**	**739,569**
Profit/(Loss) for the year	–	–	–	–	–	**659**	**659**	**(58)**	**601**
Other comprehensive income/(loss) for the year	–	–	**5,442**	**(1,455)**	**(3,080)**	–	**907**	–	**907**
Total comprehensive income/(loss) for the year	–	–	**5,442**	**(1,455)**	**(3,080)**	**659**	**1,566**	**(58)**	**1,508**
Dividend paid to non-controlling interests of a subsidiary company	–	–	–	–	–	–	–	**(372)**	**(372)**
As at 31 December 2022	**920,902**	**(2,277)**	**66,979**	–	**(24,360)**	**(220,582)**	**740,662**	**43**	**740,705**

(Forward)

The Company	Share capital RM'000	Non-distributable reserves Treasury shares RM'000	Fair value reserve RM'000	Accumulated losses RM'000	Total equity RM'000
As at 1 July 2020	920,902	(2,277)	(26,880)	(472,281)	419,464
Profit for the period	–	–	–	19,544	19,544
Other comprehensive income for the period	–	–	5,600	–	5,600
Total comprehensive income for the period	–	–	5,600	19,544	25,144
As at 31 December 2021	920,902	(2,277)	(21,280)	(452,737)	444,608
As at 1 January 2022	**920,902**	**(2,277)**	**(21,280)**	**(452,737)**	**444,608**
Profit for the year	**–**	**–**	**–**	**7,261**	**7,261**
Other comprehensive loss for the year	**–**	**–**	**(3,080)**	**–**	**(3,080)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(3,080)**	**7,261**	**4,181**
As at 31 December 2022	**920,902**	**(2,277)**	**(24,360)**	**(445,476)**	**448,789**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Group	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Profit for the year/period	**601**	141,195
Adjustments for:		
Tax expense recognised in profit or loss	**2,080**	4,406
Impairment losses on:		
Property, plant and equipment	**–**	607
Trade receivables	**6,063**	3,936
Share of results of associated companies	**4,148**	(469)
Depreciation of:		
Property, plant and equipment	**2,688**	3,673
Right-of-use assets	**1,251**	308
Investment properties	**454**	27
Finance costs	**453**	567
(Reversal of)/Allowance for slow-moving and obsolete inventories	**(241)**	1,540
Fair value loss on:		
Financial assets measured at amortised cost	**5,000**	–
Unquoted investments	**–**	12
Gain on settlement of secured debts	**–**	(136,538)
Gain on disposal of property, plant and equipment	**(153)**	(171)
Interest income	**(2,290)**	(8,344)
Impairment losses no longer required:		
Trade receivables	**(1,820)**	(3,773)
Other receivables	**–**	(69)
Unquoted bonds	**–**	(82)
Unrealised gain on foreign exchange	**(96)**	(51)
Dividend income from:		
Investment in money market funds	**(209)**	(257)
Unquoted investments	**–**	(189)
Property, plant and equipment written off	**5**	–
Gain on termination of lease	**(3)**	–
Operating Profit Before Working Capital Changes	**17,931**	6,328
(Increase)/Decrease in:		
Inventories	**(11,188)**	28,676
Trade receivables	**(44,702)**	(70,329)
Other receivables, deposits and prepaid expenses	**(9,484)**	(30,423)
Amount owing by immediate holding company	**8,834**	1,595
Amount owing by other related companies	**(30,346)**	(51,292)
Increase/(Decrease) in:		
Trade payables	**6,452**	4,973
Other payables and accrued expenses	**(1,407)**	(2,803)
Contract liabilities	**4,389**	5,896
Cash Used In Operations	**(59,521)**	(107,379)
Interest received	**1,183**	1,953
Net income tax paid	**(5,173)**	(10,974)
Net Cash Used In Operating Activities	**(63,511)**	(116,400)

(Forward)

The Group	Note	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Decrease/(Increase) in:			
Investment in money market funds		**138**	15,052
Amount owing by immediate holding company		**128**	(134)
Amount owing by other related companies		**1,006**	70
Indemnity paid for claims against a former subsidiary company		**–**	(3,473)
Interest received from fixed deposits with licensed banks		**1,107**	6,391
Proceeds from disposal of property, plant and equipment		**290**	586
Repayment from unquoted bonds		**–**	82
Dividend income received from:			
An associated company		**10,656**	4,567
Investment in money market funds		**209**	257
Unquoted investments		**–**	189
Additions to property, plant and equipment (Note)		**(15,204)**	(1,970)
Partial purchase consideration paid for land acquisition		**(3,178)**	(13,000)
Net cash inflow from acquisition of subsidiary companies	13	**–**	176,379
Net Cash (Used In)/From Investing Activities		**(4,848)**	184,996
CASH FLOWS USED IN FINANCING ACTIVITIES			
(Decrease)/Increase in:			
Amount owing to other related companies	17	**(185)**	167
Cash at banks held under fixed deposits pledged		**(609)**	(23,166)
Drawdown of bank borrowings	27	**1,865**	16,769
Dividend paid to non-controlling interests of a subsidiary company		**(372)**	(58,029)
Finance costs paid		**(453)**	(567)
Lease rental paid	23	**(1,107)**	(261)
Hire-purchase paid	24	**(14)**	(19)
Net Cash Used In Financing Activities		**(875)**	(65,106)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(69,234)**	3,490
Effect of exchange differences		**(990)**	12,157
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		**126,448**	110,801
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	31	**56,224**	126,448

Note:

Additions to property, plant and equipment

Property, plant and equipment were acquired by the following means:			
Cash purchase		**15,204**	1,970
Hire-purchase payable		**–**	94
	10	**15,204**	2,064

(Forward)

The Company	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES		
Profit for the year/period	**7,261**	19,544
Adjustments for:		
Tax (credit)/expense recognised in profit or loss	**(48)**	93
Depreciation of:		
Property, plant and equipment	**20**	9
Investment properties	**18**	27
Finance costs	**109**	128
Dividend income from:		
Subsidiary companies	**(10,000)**	(13,170)
Investment in money market funds	**–**	(65)
Fair value loss on financial assets measured at amortised cost	**5,000**	–
Interest income	**(63)**	(36)
Waiver of amount owing to subsidiary companies	**–**	(11,070)
Gain on disposal of property, plant and equipment	**–**	(10)
Operating Profit/(Loss) Before Working Capital Changes	**2,297**	(4,550)
Decrease in other receivables, deposits and prepaid expenses	**21**	8
(Decrease)/Increase in other payables and accrued expenses	**(5,067)**	97
Cash Used In Operations	**(2,749)**	(4,445)
Income tax paid	**(18)**	(471)
Net Cash Used In Operating Activities	**(2,767)**	(4,916)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Decrease/(Increase) in:		
Amount owing by other related companies	**1,000**	75
Amount owing by subsidiary companies	**(2,360)**	(40,918)
Investment in money market funds	**86**	5,244
Dividend received from:		
Subsidiary companies	**10,000**	13,170
Investment in money market funds	**–**	65
Interest received from fixed deposits with licensed banks	**63**	36
Proceeds from disposal of property, plant and equipment	**–**	10
Indemnity paid for litigation claim against a former subsidiary company	**–**	(3,473)
Purchase of property, plant and equipment	**–**	(87)
Net Cash From/(Used In) Investing Activities	**8,789**	(25,878)

(Forward)

The Company	Note	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Increase/(Decrease) in:			
Amount owing to subsidiary companies	17	**29**	17,621
Amount owing to other related companies	17	**(167)**	167
Drawdown of bank borrowings	27	**–**	3,500
Finance cost paid		**(109)**	(128)
Net Cash (Used In)/From Financing Activities		**(247)**	21,160
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,775**	(9,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		**2,787**	12,421
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	31	**8,562**	2,787

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

Lion Posim Berhad (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 is principally involved in investment holding.

The information on the name, place of incorporation, principal activities, and percentage of ownership held by the holding company in each subsidiary company is as disclosed in Note 13.

The Company's registered office is located at Level 14, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan.

The Company's principal place of business is located at Wisma Posim, Lot 72, Persiaran Jubli Perak, 40000 Shah Alam, Selangor Darul Ehsan.

The financial statements of the Group and of the Company have been authorised by the Board of Directors for issuance on 5 April 2023.

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 ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000 or '000), unless otherwise indicated.

Adoption of Amendments to MFRSs

In the current financial year, the Group and the Company adopted all the amendments to MFRSs issued by Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after 1 January 2022 and relevant to its operations, as follows:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 1, MFRS 9, MFRS 16 and MFRS 141	Annual Improvements to MFRS Standards 2018 - 2020
Amendments to MFRS 3	Reference to Conceptual Framework
Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous contracts - Costs of Fulfilling a Contract

The adoption of these amendments to MFRSs did not result in significant changes on the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company.

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

Standards and Amendments in Issue But Not Yet Effective

At the date of authorisation for issue of these financial statements, the new MFRS 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[1]
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information[1]
Amendments to MFRS 101	Disclosure of Accounting Policies[1]
Amendments to MFRS 108	Definition of Accounting Estimates[1]
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to MFRS 101	Classification of Liability as Current or Non-current[2]
Amendments to MFRS 101	Non-current Liabilities with Covenants[2]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective date deferred to a date to be determined and announced by MASB.

The Directors anticipate that the abovementioned MFRS and amendments to MFRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of MFRS and amendments to MFRSs will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost basis 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 goods and services.

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 and the Company take 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 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 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

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 the statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

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

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

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

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

Where the Group loses control of a subsidiary company, a gain or loss is recognised and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary company are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable 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 associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations

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

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

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

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

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

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

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

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

The subsequent accounting for changes in the fair value contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combinations (continued)

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

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.

The results and assets and liabilities of associated companies 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, investments in associated companies are initially recognised in the consolidated statement 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 companies, less any impairment in the value of individual investments. When the Group's share of losses of an associated company exceeds the Group's interest in that associated company (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company), 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.

An investment in an associated company is accounted for using the equity method from the date on which the investee becomes an associated company. On acquisition of the investment in an associated company, 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 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associated company. 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 the investment ceases to be an associated company, or when the investment is classified as held for sale. When the Group retains an interest in the former associated company 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 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 is included in the determination of the gain or loss on disposal of the associated company. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associated company on the same basis as would be required if that associated company 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associated Companies (continued)

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

When a group entity transacts with an associated company of the Group, profits or losses resulting from the transactions with the associated company are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associated company 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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

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

Employee Benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leaves, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

The Company and certain subsidiary companies make statutory contributions to approved provident funds and the contributions are charged to profit or loss. The approved provident funds are defined contribution plans. The Group's foreign incorporated subsidiary companies and its eligible employees also made 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.

Government Grant

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that: (i) the Group will comply with the conditions attaching to them; and (ii) the grants will be received.

Government grants (recognised as deferred income) are released to profit or loss on a systematic basis over the financial periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

A government grant that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs, are recognised in profit or loss in the financial period in which it becomes receivable.

Taxation

Tax expense for the year comprises current and deferred tax.

Current 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 are recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted 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.

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 and the Company intend to settle their current tax assets and liabilities on a net basis.

Foreign Currency Conversion

The individual financial statements of each foreign subsidiary company are presented in the currency of the primary economic environment in which such entity operates (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.

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Assets Excluding Goodwill

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

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

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

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

Property, Plant and Equipment

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

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

Freehold land and capital work-in-progress are not depreciated. Depreciation of other property, plant and equipment is computed on the straight-line method to write off the cost of the various property, plant and equipment over their estimated useful lives at the following annual rates:

Buildings	2% - 18%
Plant and machinery	10% - 20%
Office equipment	18% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	18% - 25%
Prime movers and trailers	15%
Office renovation	20%
Computer equipment	18% - 20%

The estimated useful life, residual value and depreciation method of the assets are reviewed at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate.

Assets Acquired Under Hire-Purchase Arrangements

Assets acquired under hire-purchase arrangements 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 liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalisation of Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Investment Properties

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

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

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

Freehold land and economic land concessions within investment properties are not depreciated. Leasehold land is depreciated over the lease term at an annual rate of 2%.

Buildings are depreciated on the straight-line method at an annual rate of 2%.

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. 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 the subsequent period.

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

Inventories

Trading merchandise, finished goods, work-in-progress, raw materials, fuel and lubricants, and other inventories are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost represents the original purchase price plus the incidental cost incurred in bringing the inventories to their present location and condition. The cost of finished goods and work-in-progress include cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are made when the Group or the Company have 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 or the Company will be required to settle the obligation.

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 Costs

The Group recognises incremental costs of obtaining contracts when the Group expects to recover these costs. These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the assets relate. An impairment loss is recognised in profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

The Group applies the practical expedient in paragraph 94 of MFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Contract Liabilities

Contract liabilities are 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.

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 their fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance determined in accordance with MFRS 9 *Financial Instruments*; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers*.

Contingent Liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial Instruments

Financial assets

Financial assets 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.

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 and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, financial asset 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 assets. Financial assets that are held primarily for trading purposes are presented as current assets whereas financial assets that is not held primarily for trading purposes are presented as current or non-current assets based on the settlement date.

(b) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model with the objective to hold assets to collect contractual cash flows and their contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal 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 assets are derecognised, modified or impaired.

Financial assets 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 assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets (continued)

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

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

Impairment of financial assets

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

The Group and the Company measure 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 and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, 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 reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

The Group and the Company consider 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 and the Company assess 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 and the Company determine that the debtor does have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off. When a receivable is considered uncollectible, it is written off against the allowance account.

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 and the Company become 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 and the Company consider the changes in the risk that the specified debtor will default on the contract.

Financial liabilities

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

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

Financial liabilities subsequently measured at amortised cost

The Group's and the Company's financial liabilities subsequently measured at amortised cost include trade payables, other payables (including inter-company indebtedness) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial liabilities (continued)

Financial liabilities subsequently measured at amortised cost (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Bank 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 and the Company have 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.

Leases

As a lessor

The Group and the Company enter into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group and the Company are a lessor are classified as finance or operating leases. 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.

Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117.

As a lessee

The Group, as lessee, assess at inception of the contract whether a contract is or contains a lease.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

As a lessee (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(i) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to their short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) Right-of-use assets

The Group recognises the right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use asset includes the amount of lease liabilities recognised and lease payments made on or before the commencement day. Right-of-use assets are depreciated on a straight-line basis over the shorter of lease term or useful lives. The estimated useful lives of the asset based on the lease terms are as follows:

Buildings	2 to 5 years

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 as disclosed below:

(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 31 December 2022, the Group has trade and other receivables from two (2021: two) major related parties, namely, Lion DRI Sdn Bhd ("Lion DRI") and Graimpi Sdn Bhd (In liquidation) ("Graimpi"). Both of these companies are wholly-owned subsidiaries of Lion Diversified Holdings Berhad (In liquidation), a company in which Tan Sri Cheng Heng Jem has substantial interest.

In the previous financial period, the Group has recovered RM148,389,000 from Graimpi pursuant to the secured debt settlement agreement entered with Lion Diversified Holdings Berhad (In liquidation) and RM2,071,000 due from Megasteel Sdn Bhd ("Megasteel") 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	
	2022	**2021**
	RM'000	**RM'000**
Trade receivables - Lion DRI	**52,007**	52,007
Other receivables - Graimpi	**103,730**	103,730
	155,737	155,737
Less: Accumulated impairment losses	**(155,737)**	(155,737)
Net	**–**	–

In view that Lion DRI had stopped operation since the previous financial years and the ability of Lion DRI to generate sufficient cash flows to repay its debts to the Group is in doubt and Graimpi is in liquidation, 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, leasehold land and economic land concessions ("ELC") in Cambodia of RM113,399,000 (2021: RM107,956,000). 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 valuations carried out by independent firms 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 as disclosed below:

(a) Impairment of non-current assets

Determining whether assets are impaired requires an estimation of the recoverable amounts of the assets. As at 31 December 2022, the Group and the Company recognised accumulated impairment losses in respect of the following:

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**832**	832	**–**	–
Investment in subsidiary companies	**–**	–	**411,153**	411,153
Other investments	**52,803**	52,803	**–**	–

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 recoverable amounts involves various 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 makes estimates and assumptions that require significant judgements. While the Group believes these estimates and assumptions of VIU could be reasonable and appropriate, changes on these estimates and assumptions of VIU could impact the Group's financial position and results.

(b) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits.

(c) Provision for expected credit losses ("ECL") of trade receivables

The Group and the Company use the 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 the 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 Company's past collection records, existing market conditions as well as forward looking estimates as at the end of the reporting period.

5. REVENUE

An analysis of revenue is as follows:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Revenue from contracts with customers:				
Sales of goods	**837,312**	871,064	**–**	–
Services rendered	**1,461**	744	**–**	–
	838,773	871,808	**–**	–
Revenue from other sources:				
Dividend income from subsidiary companies	**–**	–	**10,000**	13,170
	838,773	871,808	**10,000**	13,170

Timing of revenue recognition:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Revenue from contracts with customers:				
Point in time	**837,312**	871,064	**–**	–
Over time	**1,461**	744	**–**	–
	838,773	871,808	**–**	–

The Group does not have any remaining performance obligations that are more than one year.

6. PROFIT FROM OPERATIONS

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

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Interest income on:				
Fixed deposits with licensed banks	**1,107**	6,391	**63**	36
Others	**1,183**	1,953	**–**	–
	2,290	8,344	**63**	36
Gain on disposal of property, plant and equipment	**153**	171	**–**	10
Waiver of amount owing to subsidiary companies	**–**	–	**–**	11,070
Dividend income from:				
Investment in money market funds	**209**	257	**–**	65
Unquoted investments	**–**	189	**–**	–
Rental income from:				
Investment properties rented to:				
Subsidiary companies	**–**	–	**10**	11
Third parties	**218**	1,279	**14**	15
Others	**1,059**	2,033	**–**	–
Bad debts recovered	**108**	408	**76**	6
Government grant (Note (a))	**48**	970	**–**	–
Impairment losses on property, plant and equipment	**–**	(607)	**–**	–
Rental of premises payable to a subsidiary company	**–**	–	**–**	(8)
Auditors' remuneration:				
Statutory audit:				
Auditors of the Company:				
Current year	**(260)**	(278)	**(111)**	(120)
Over/(Under) provision in prior years	**13**	(10)	**10**	(8)
Other auditors:				
Current year	**(54)**	(56)	**–**	–
Over provision in prior years	**–**	2	**–**	–
Non-audit services	**(8)**	(8)	**(8)**	(8)
Property, plant and equipment written off	**(5)**	–	**–**	–
Reversal of/(Allowance for) slow-moving and obsolete inventories	**241**	(1,540)	**–**	–
Fair value loss on:				
Financial assets measured at amortised cost	**(5,000)**	–	**(5,000)**	–
Unquoted investments	**–**	(12)	**–**	–

6. PROFIT FROM OPERATIONS (continued)

Note (a)

During the financial year/period, the Group received government subsidies of RM47,800 (2021: RM970,439) in relation to the Wage Subsidy Programme under National Economic Recovery Plan initiated by the Government of Malaysia.

Staff costs include salaries, bonuses, contribution to defined contribution plans and all other staff related expenses. Contributions to defined contribution plans by the Group and the Company amounted to RM3,076,000 and RM18,000 (2021: RM4,004,000 and RM20,000), respectively.

Directors' remuneration charged to profit or loss for the financial year/period is as follows:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Fees				
Executive Directors	**20**	40	**20**	40
Non-executive Directors	**150**	225	**150**	225
	170	265	**170**	265
Salaries and other emoluments				
Executive Directors	**5**	134	**5**	134
Non-executive Directors	**38**	53	**38**	53
	43	187	**43**	187
	213	452	**213**	452

7. FINANCE COSTS

Finance costs represent:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Interest expense on:				
Lease liabilities	**165**	26	**–**	–
Hire-purchase payables	**4**	1	**–**	–
Bank borrowings	**284**	540	**109**	128
	453	567	**109**	128

8. TAX (EXPENSE)/CREDIT

Tax (expense)/credit consists of the following:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Estimated tax payable:				
Current	**(3,265)**	(6,477)	**(30)**	(91)
Over/(Under) provision in prior years	**333**	484	**78**	(2)
	(2,932)	(5,993)	**48**	(93)
Deferred tax (Note 16):				
Current	**495**	1,636	**–**	–
Over/(Under) provision in prior years	**357**	(49)	**–**	–
	852	1,587	**–**	–
	(2,080)	(4,406)	**48**	(93)

A numerical reconciliation of tax (expense)/credit applicable to profit before tax at the applicable statutory income tax rate to tax (expense)/credit at the effective income tax rate is as follows:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Profit before tax	**2,681**	145,601	**7,213**	19,637
Tax at applicable tax rate of 24% (2021: 24%)	**(643)**	(34,944)	**(1,731)**	(4,713)
Tax effects of:				
Non-deductible expenses	**(2,425)**	(9,043)	**(714)**	(1,134)
Non-taxable income	**391**	37,528	**2,415**	5,756
Tax effect on share of results of associated companies	**(996)**	113	**–**	–
Deferred tax assets not recognised	**(228)**	(205)	**–**	–
Utilisation of deferred tax assets not recognised previously	**1,131**	1,710	**–**	–
Over/(Under) provision in prior years:				
Income tax	**333**	484	**78**	(2)
Deferred tax	**357**	(49)	**–**	–
	(2,080)	(4,406)	**48**	(93)

8. TAX (EXPENSE)/CREDIT (continued)

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unabsorbed capital allowances which would give rise to net deferred tax assets are recognised 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. As at 31 December 2022, the estimated amount of deductible temporary differences, unused tax losses and unabsorbed capital allowances, for which the net deferred tax assets are not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	The Group	
	2022	**2021**
	RM'000	**RM'000**
Deductible temporary differences arising from:		
Trade and other receivables	**5,868**	5,295
Others	**1,519**	1,425
Unused tax losses and unabsorbed capital allowances	**254,779**	259,207
	262,166	265,927

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

In accordance with the provision of the Finance Act 2021, the time period of carrying forward unused tax losses is ten years, for which, any excess at the end of the tenth year, will be disregarded.

The expiry of the unused tax losses is as follows:

	The Group	
	2022	**2021**
	RM'000	**RM'000**
Unused tax losses:		
- Expire by 31 December 2028	**251,310**	256,438
- Expire by 31 December 2029	**487**	487
- Expire by 31 December 2030	**648**	648
- Expire by 31 December 2031	**980**	963
- Expire by 31 December 2032	**290**	–
	253,715	258,536

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share of the Group has been calculated by dividing profit for the year/period attributable to owners of the Company by the adjusted weighted average number of ordinary shares in issue (net of treasury shares) during the year/period.

	The Group	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**
Profit attributable to owners of the Company	**659**	144,021
	2022 '000	**2021 '000**
Weighted average number of ordinary shares in issue	**227,827**	227,827
	2022 sen	**2021 sen**
Basic earnings per share	**0.29**	63.22

(b) Diluted

The basic and diluted earnings per share are equal as the Company has no dilutive potential ordinary shares at the end of the reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

The Group	As at 1 July 2020 RM'000	Additions RM'000	Acquisition of subsidiary companies (Note 13) RM'000	Reclassification RM'000	Disposals RM'000	Write-offs RM'000	Currency translation RM'000	As at 31 December 2021 RM'000
	COST							
Freehold land	4,777	–	–	–	–	–	–	4,777
Freehold buildings	8,603	31	–	157	–	–	–	8,791
Plant and machinery	27,437	1,016	–	68	(1,869)	–	(226)	26,426
Office equipment	1,444	228	56	–	(96)	–	4	1,636
Furniture and fittings	1,994	80	7	–	(11)	(8)	–	2,062
Motor vehicles	2,385	225	81	–	(279)	–	(7)	2,405
Prime movers and trailers	2,294	–	–	–	–	–	–	2,294
Office renovation	694	204	–	–	–	–	–	898
Computer equipment	2,869	280	–	–	(34)	–	(1)	3,114
Capital work-in-progress	225	–	–	(225)	–	–	–	–
	52,722	2,064	144	–	(2,289)	(8)	(230)	52,403

The Group	As at 1 January 2022 RM'000	Additions RM'000	Acquisition of subsidiary companies (Note 13) RM'000	Reclassification RM'000	Disposals RM'000	Write-offs RM'000	Currency translation RM'000	As at 31 December 2022 RM'000
	COST							
Freehold land	**4,777**	**–**	**–**	**–**	**–**	**–**	**–**	**4,777**
Freehold buildings	**8,791**	**179**	**–**	**–**	**–**	**–**	**–**	**8,970**
Plant and machinery	**26,426**	**2,618**	**–**	**–**	**(1,303)**	**(6)**	**442**	**28,177**
Office equipment	**1,636**	**282**	**–**	**–**	**(9)**	**(542)**	**–**	**1,367**
Furniture and fittings	**2,062**	**99**	**–**	**–**	**–**	**(543)**	**–**	**1,618**
Motor vehicles	**2,405**	**268**	**–**	**–**	**(93)**	**–**	**25**	**2,605**
Prime movers and trailers	**2,294**	**–**	**–**	**–**	**–**	**(2,294)**	**–**	**–**
Office renovation	**898**	**9**	**–**	**–**	**–**	**(412)**	**–**	**495**
Computer equipment	**3,114**	**301**	**–**	**–**	**(6)**	**(379)**	**2**	**3,032**
Capital work-in-progress (Note 17)	**–**	**11,448**	**–**	**13,000**	**–**	**–**	**–**	**24,448**
	52,403	**15,204**	**–**	**13,000**	**(1,411)**	**(4,176)**	**469**	**75,489**

(Forward)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	ACCUMULATED DEPRECIATION					
	As at 1 July 2020 RM'000	Charge for the period RM'000	Disposals RM'000	Write-offs RM'000	Currency translation RM'000	As at 31 December 2021 RM'000
Freehold land	–	–	–	–	–	–
Freehold buildings	3,246	262	–	–	–	3,508
Plant and machinery	21,709	2,949	(1,603)	–	(157)	22,898
Office equipment	1,157	71	(41)	–	–	1,187
Furniture and fittings	1,978	58	(4)	(8)	–	2,024
Motor vehicles	2,104	160	(192)	–	(13)	2,059
Prime movers and trailers	2,294	–	–	–	–	2,294
Office renovation	694	7	–	–	–	701
Computer equipment	2,627	166	(34)	–	(1)	2,758
Capital work-in-progress	–	–	–	–	–	–
	35,809	3,673	(1,874)	(8)	(171)	37,429

The Group	ACCUMULATED DEPRECIATION					
	As at 1 January 2022 RM'000	Charge for the year RM'000	Disposals RM'000	Write-offs RM'000	Currency translation RM'000	As at 31 December 2022 RM'000
Freehold land	–	–	–	–	–	–
Freehold buildings	**3,508**	**176**	–	–	–	**3,684**
Plant and machinery	**22,898**	**2,027**	**(1,167)**	**(6)**	**370**	**24,122**
Office equipment	**1,187**	**105**	**(8)**	**(538)**	–	**746**
Furniture and fittings	**2,024**	**56**	–	**(542)**	–	**1,538**
Motor vehicles	**2,059**	**126**	**(93)**	–	**25**	**2,117**
Prime movers and trailers	**2,294**	–	–	**(2,294)**	–	–
Office renovation	**701**	**43**	–	**(412)**	–	**332**
Computer equipment	**2,758**	**155**	**(6)**	**(379)**	**2**	**2,530**
Capital work-in-progress	–	–	–	–	–	–
	37,429	**2,688**	**(1,274)**	**(4,171)**	**397**	**35,069**

(Forward)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	ACCUMULATED IMPAIRMENT LOSSES			CARRYING AMOUNT	
The Group	**As at 1 July 2020 RM'000**	**Charge for the period RM'000**	**As at 31 December 2021/ 1 January 2022/ 31 December 2022 RM'000**	**As at 31 December 2022 RM'000**	**As at 31 December 2021 RM'000**
Freehold land	–	–	**–**	**4,777**	4,777
Freehold buildings	–	–	**–**	**5,286**	5,283
Plant and machinery	225	579	**804**	**3,251**	2,724
Office equipment	–	–	**–**	**621**	449
Furniture and fittings	–	–	**–**	**80**	38
Motor vehicles	–	–	**–**	**488**	346
Prime movers and trailers	–	–	**–**	**–**	–
Office renovation	–	–	**–**	**163**	197
Computer equipment	–	28	**28**	**474**	328
Capital work-in-progress	–	–	**–**	**24,448**	–
	225	607	**832**	**39,588**	14,142

As at 31 December 2022, the carrying amount of property, plant and equipment acquired under hire-purchase is RM82,000 (2021: RM104,000).

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use, with a cost of approximately RM18,478,000 (2021: RM18,966,000).

(Forward)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	COST			
The Company	**As at 1 July 2020 RM'000**	**Addition RM'000**	**Disposals RM'000**	**As at 31 December 2021 RM'000**
Freehold land	4,777	–	–	4,777
Office equipment	224	–	–	224
Furniture and fittings	393	–	–	393
Motor vehicles	81	–	(81)	–
Office renovation	256	87	–	343
Computer equipment	204	–	(5)	199
	5,935	87	(86)	5,936

	As at 1 January 2022 RM'000	**Write-offs RM'000**	**As at 31 December 2022 RM'000**
Freehold land	**4,777**	**–**	**4,777**
Office equipment	**224**	**(224)**	**–**
Furniture and fittings	**393**	**(392)**	**1**
Motor vehicles	**–**	**–**	**–**
Office renovation	**343**	**(256)**	**87**
Computer equipment	**199**	**(181)**	**18**
	5,936	**(1,053)**	**4,883**

(Forward)

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	ACCUMULATED DEPRECIATION							CARRYING AMOUNT	
The Company	**As at 1 July 2020 RM'000**	**Charge for the period RM'000**	**Disposals RM'000**	**As at 31 December 2021/ 1 January 2022 RM'000**	**Charge for the year RM'000**	**Write-offs RM'000**	**As at 31 December 2022 RM'000**	**As at 31 December 2022 RM'000**	**As at 31 December 2021 RM'000**
Freehold land	–	–	–	**–**	**–**	**–**	**–**	**4,777**	4,777
Office equipment	223	1	–	**224**	**–**	**(224)**	**–**	**–**	–
Furniture and fittings	393	–	–	**393**	**–**	**(392)**	**1**	**–**	–
Motor vehicles	81	–	(81)	**–**	**–**	**–**	**–**	**–**	–
Office renovation	256	6	–	**262**	**18**	**(256)**	**24**	**63**	81
Computer equipment	198	2	(5)	**195**	**2**	**(181)**	**16**	**2**	4
	1,151	9	(86)	**1,074**	**20**	**(1,053)**	**41**	**4,842**	4,862

Included in property, plant and equipment of the Company are fully depreciated property, plant and equipment which are still in use, with a cost of approximately RM9,700 (2021: RM1,065,000).

11. RIGHT-OF-USE ASSETS

	The Group Buildings	
	2022 RM'000	**2021 RM'000**
Cost:		
At 1 January 2022/1 July 2020	**2,483**	268
Addition	**2,249**	2,336
Expiry and termination of lease	**(254)**	(121)
At 31 December 2022/31 December 2021	**4,478**	2,483
Accumulated depreciation:		
At 1 January 2022/1 July 2020	**290**	103
Charge for the year/period	**1,251**	308
Expiry and termination of lease	**(236)**	(121)
At 31 December 2022/31 December 2021	**1,305**	290
Carrying Amount:		
At 31 December 2022/31 December 2021	**3,173**	2,193

The Group leases several buildings. The lease term ranges from 2 to 5 years (2021: 2 to 5 years).

During the year/period, amounts recognised in profit or loss are as follows:

	The Group	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**
Depreciation of right-of-use assets	**1,251**	308
Interest expense on lease liabilities	**165**	26
Expense relating to lease of short-term leases	**389**	388
Gain on termination of lease	**(3)**	–

12. 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 2020	50,914	462	444	59,955	111,775
Currency translation	(1,338)	–	–	(1,575)	(2,913)
Reclassification	–	–	20,650	(20,650)	–
As at 31 December 2021/ 1 January 2022	**49,576**	**462**	**21,094**	**37,730**	**108,862**
Currency translation	**2,700**	**–**	**1,124**	**2,055**	**5,879**
As at 31 December 2022	**52,276**	**462**	**22,218**	**39,785**	**114,741**
Accumulated depreciation:					
As at 1 July 2020	–	198	185	–	383
Charge for the period	–	14	13	–	27
As at 31 December 2021/1 January 2022	**–**	**212**	**198**	**–**	**410**
Charge for the year	**–**	**9**	**445**	**–**	**454**
As at 31 December 2022	**–**	**221**	**643**	**–**	**864**
Carrying amount:					
As at 31 December 2021	49,576	250	20,896	37,730	108,452
As at 31 December 2022	**52,276**	**241**	**21,575**	**39,785**	**113,877**
Fair value	**74,284**	**410**	**36,342**	**Note a**	

12. INVESTMENT PROPERTIES (continued)

The Company	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Total RM'000
Cost:			
As at 1 July 2020/31 December 2021/ 1 January 2022/31 December 2022	462	444	906
Accumulated depreciation:			
As at 1 July 2020	198	185	383
Charge for the period	14	13	27
As at 31 December 2021/1 January 2022	**212**	**198**	**410**
Charge for the year	**9**	**9**	**18**
As at 31 December 2022	**221**	**207**	**428**
Carrying amount:			
As at 31 December 2021	250	246	496
As at 31 December 2022	**241**	**237**	**478**
Fair value	**410**	**760**	**1,170**

The income earned by the Company from the rental of investment properties to subsidiary companies and third parties amounted to RM9,600 and RM14,400, respectively (2021: RM10,800 and RM14,700, respectively).

The income earned by the Group from the rental of investment properties to third parties amounted to RM218,000 (2021: RM1,279,000).

Direct operating expenses pertaining to the investment properties of the Group and of the Company that generated rental income during the year/period amounted to RM4,886 (2021: RM9,107). Direct operating expenses incurred by the Group and the Company for investment properties that did not generate any rental income during the financial year/period amounted to RM6,235 (2021: RM4,668).

The fair value of investment properties were determined based on the valuations performed by accredited independent firm of professional valuers. The valuation conforms to International Valuation Standards. The fair value measurement for all the investment properties has been categorised as Level 3 fair value based on the market comparable approach that reflects recent transaction prices for similar properties. The key inputs under this approach are the price per square metre from the most recent sales of comparable properties in the area (location and size). In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

Note a

Work-in-progress comprises mainly economic land concessions ("ELC") in Cambodia. The lease agreements for the ELC which determine the lease period of the land, which management is pursuing, have yet to be obtained. The fair values 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 February 2023, the Directors have concluded there is no impairment for the ELC.

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2022	**2021**
	RM'000	**RM'000**
Unquoted shares - at cost	**400,842**	400,842
Capital contribution	**355,000**	355,000
Less: Accumulated impairment losses	**(411,153)**	(411,153)
Net	**344,689**	344,689

Movement in the accumulated impairment losses

	The Company	
	2022	**2021**
	RM'000	**RM'000**
At beginning of year/period	**411,153**	411,953
Dissolution of a subsidiary company	**–**	(800)
At end of year/period	**411,153**	411,153

(a) Amount owing by subsidiary companies

Amount owing by subsidiary companies which arose mainly from expenses paid on behalf and unsecured advances is interest-free and repayable on demand. The amount owing by subsidiary companies is denominated in Ringgit Malaysia.

(b) Amount owing to subsidiary companies

Amount owing to subsidiary companies which arose mainly from expenses paid on behalf and unsecured advances is interest-free and repayable on demand.

In the previous financial period, amounts owing to certain subsidiary companies totalling RM11,070,000 was waived by the subsidiary companies.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Non-controlling interests ("NCI") in a subsidiary company

The NCI of the Group represents 29.5% equity interest in Well Morning Limited not acquired by the Group pursuant to the secured debts settlement agreement in the previous financial period.

The subsidiary companies are as follows:

Name of companies	Principal place of business and place of incorporation	Percentage ownership 2022 %	2021 %	Principal activities
Gama Harta Sdn Bhd	Malaysia	**100**	100	Investment holding
Intra Inspirasi Sdn Bhd	Malaysia	**100**	100	Investment holding
Lion AMB Resources Sdn Bhd #	Malaysia	**100**	100	Investment holding
LFIB Agriculture (Cambodia) Sdn Bhd	Malaysia	**100**	100	Investment holding
Lion Petroleum Products Sdn Bhd	Malaysia	**100**	100	Manufacturing of petroleum products
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, distribution and e-commerce of petroleum and automotive products
Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd)#	Malaysia	**100**	100	Property development
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

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Principal place of business and place of incorporation	Percentage ownership 2022 %	Percentage ownership 2021 %	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
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

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Principal place of business and place of incorporation	Percentage ownership 2022 %	Percentage ownership 2021 %	Principal activities
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., Ltd ^	Cambodia	**100**	100	Wholesale of petroleum products and related products
Eminent Elite (Cambodia) Co., Ltd ^	Cambodia	**100**	100	Investment and development in agriculture
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 (Dissolved on 18 October 2022)	Malaysia	**–**	100	Treasury business
AMB Venture Sdn Bhd #	Malaysia	**100**	100	Investment holding
CeDR Corporate Consulting Sdn Bhd #	Malaysia	**100**	100	Provision of training services

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

The subsidiary companies are as follows: (continued)

Name of companies	Principal place of business and place of incorporation	Percentage ownership 2022 %	Percentage ownership 2021 %	Principal activities
Subsidiary company of Posim Marketing Sdn Bhd				
Well Morning Limited #	Hong Kong SAR	**70.5**	70.5	Investment holding
Subsidiary companies of AMB Venture Sdn Bhd				
Chrome Marketing Sdn Bhd #	Malaysia	**100**	100	Investment holding
Lion Tyre Venture Sdn Bhd #	Malaysia	**100**	100	Ceased operations
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
Subsidiary company of Well Morning Limited				
Changshu Lion Enterprise Co Ltd # (Dissolved on 15 July 2022)	People's Republic of China	**–**	100	Property development

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

^ These subsidiary companies are inactive presently and no statutory requirement for the financial statements to be audited at the end of the financial year.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Acquisition of subsidiary companies in the previous financial period

The Group completed the acquisition of 70.5% equity interest in Well Morning Limited ("Well Morning") on 30 December 2020 pursuant to the secured debts settlement agreement entered with Lion Diversified Holdings Berhad (In liquidation). Thereafter, Well Morning and its only wholly-owned subsidiary company, Changshu Lion Enterprise Co Ltd ("Changshu Lion"), became subsidiary companies of the Group.

Well Morning is an investment holding company incorporated in Hong Kong SAR and Changshu Lion was a company incorporated in the People's Republic of China ("PRC") which was principally involved in property development in Changshu, PRC.

The fair value of the assets acquired and liabilities assumed from the acquisition of the subsidiary companies are as follows:

	The Group 2021 RM'000
Property, plant and equipment (Note 10)	144
Inventories	30,061
Other receivables	352
Cash and bank balances	180,050
Trade and other payables	(5,722)
Tax liabilities	(6,006)
Total identified assets acquired and liabilities assumed	198,879
Goodwill arising on acquisition	8,180
Non-controlling interests at fair value	(58,670)
Total consideration	148,389
Satisfied by:	
Secured debts - fair value	148,389
Net cash flows from acquisition:	
Total consideration	148,389
Less: Non-cash consideration - Secured debts	(148,389)
	–
Cash and cash equivalent balances acquired	180,050
Expenses incurred on acquisition	(3,671)
Net cash inflows from acquisition	176,379
Gain on settlement of secured debts derived from the following:	
Reversal of impairment losses on amount due by Graimpi	148,389
Goodwill on acquisition impaired (Note)	(8,180)
Expenses incurred on acquisition	(3,671)
	136,538

Note

The acquisition of Well Morning resulted in a goodwill of RM8,180,000. Subsequently, the goodwill was fully impaired as a result of voluntary liquidation of Changshu Lion.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Composition of the Group

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

Principal activities	Principal place of business and place of incorporation	Number of wholly-owned subsidiary companies 2022	2021
Building materials and steel products	Malaysia	**1**	1
Lubricants, petroleum products and automotive products	Malaysia	**2**	2
	Cambodia	**1**	1
Investment holding and others	Malaysia	**11**	12
Investment holding	British Virgin Islands	**8**	8
Investment and development in agriculture and others	Cambodia	**6**	6
Provision of management services	People's Republic of China	**1**	1
		30	31

Principal activities	Principal place of business and place of incorporation	Number of non wholly-owned subsidiary companies 2022	2021
Investment holding	Hong Kong SAR	**1**	1
Property development	People's Republic of China	**–**	1
		1	2

14. INVESTMENT IN ASSOCIATED COMPANIES

	The Group 2022 RM'000	2021 RM'000
At cost:		
Quoted investment outside Malaysia	**83,486**	83,486
Unquoted investment	**3,212**	3,212
	86,698	86,698
Share of post-acquisition results and reserves less dividends received	**(61,000)**	(46,629)
	25,698	40,069
Market value of quoted investment outside Malaysia	**31,226**	35,318

14. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The associated companies are as follows:

Name of companies	Financial year-end	Principal place of business and place of incorporation	Percentage ownership 2022 %	Percentage ownership 2021 %	Principal activities
Lion Asiapac Limited #	30 June	Singapore	**36.68**	36.68	Investment holding
Renor Pte Ltd # (In liquidation)	30 June	Singapore	**20.00**	20.00	Investment holding

The financial statements of all the associated companies are audited by auditors other than the auditors of the Company.

Summarised financial information in respect of the Group's material associated company, Lion Asiapac Limited and reconciliation of the information to the carrying amount of the Group's interest in the associated company, are set out below:

	2022 RM'000	2021 RM'000
Assets and liabilities		
Non-current assets	**9,433**	13,620
Current assets	**199,077**	236,933
Non-current liabilities	**(4,133)**	(4,221)
Current liabilities	**(11,090)**	(13,870)
Net assets	**193,287**	232,462

	1.1.2022 to 31.12.2022 RM'000	1.7.2020 to 31.12.2021 RM'000
Results		
Revenue	**97,478**	104,571
(Loss)/Profit for the year/period	**(11,313)**	1,280
Group's share of (loss)/profit of associated company	**(4,148)**	469
Foreign currency translation differences and Group's share of other comprehensive income of associated company	**(484)**	4,065
Dividend received/receivable from associated company	**9,739**	917

	2022 RM'000	2021 RM'000
Reconciliation of net assets to carrying amount		
Group's share of net assets	**70,898**	85,269
Other adjustments on equity	**(45,200)**	(45,200)
Carrying amount in the Group's statement of financial position	**25,698**	40,069

The Group's share of results of an associated company, Renor Pte Ltd which is under liquidation has been recognised to the extent of the carrying amount of the investments. The cumulative unrecognised share of losses is as follows:

	The Group 2022 RM'000	The Group 2021 RM'000
At beginning and end of year/period	**26,739**	26,739

15. OTHER INVESTMENTS

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Fair value through other comprehensive income				
Investments in Malaysia:				
Quoted shares	**7,560**	10,640	**7,560**	10,640
Unquoted shares	**906**	906	**3**	3
Unquoted investments	**380**	380	**–**	–
	8,846	11,926	**7,563**	10,643
Amortised cost				
Unquoted bonds (at cost, adjusted for accretion of interest)	**52,803**	52,803	**–**	–
Less: Accumulated impairment losses	**(52,803)**	(52,803)	**–**	–
	–	–	**–**	–
Total	**8,846**	11,926	**7,563**	10,643
Market value of quoted investments in Malaysia	**7,560**	10,640	**7,560**	10,640

Investment in unquoted bonds of the Group bears yield-to-maturity at 4.75% (2021: 4.75%) per annum.

16. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group	
	2022 RM'000	**2021 RM'000**
At beginning of year/period	**8,383**	6,796
Transfer from/(to) profit or loss (Note 8):		
Property, plant and equipment	**(281)**	172
Inventories	**(410)**	346
Other payables and accrued expenses	**1,535**	1,125
Others	**8**	(56)
	852	1,587
At end of year/period	**9,235**	8,383

16. 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 offset) for statements of financial position purposes:

	The Group	
	2022	**2021**
	RM'000	**RM'000**
Deferred tax assets	**9,411**	8,435
Deferred tax liabilities	**(176)**	(52)
	9,235	8,383

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

	The Group	
	2022	**2021**
	RM'000	**RM'000**
Deferred tax assets		
Temporary differences arising from:		
Property, plant and equipment	**254**	458
Inventories	**257**	667
Other payables and accrued expenses	**9,204**	7,669
Others	**87**	5
	9,802	8,799
Offsetting	**(391)**	(364)
Deferred tax assets (after offsetting)	**9,411**	8,435
Deferred tax liabilities		
Temporary differences arising from:		
Property, plant and equipment	**485**	408
Others	**82**	8
	567	416
Offsetting	**(391)**	(364)
Deferred tax liabilities (after offsetting)	**176**	52

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary company of Amsteel Mills Sdn Bhd, a private limited liability company incorporated in Malaysia. The Directors regard Lion Industries Corporation Berhad, a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

(a) Amount owing by immediate holding company arose mainly from trade transactions which have a credit period of 60 days (2021: 60 days) with normal trade terms.

(b) Amount owing by other related companies, which arose mainly from trade transactions, expenses paid on behalf and unsecured advances, are repayable on demand except for trade amounts which have a credit period of 60 days (2021: 60 days) with normal trade terms. The amount owing by other related companies of the Group and of the Company are interest-free. An amount of RM105,051,000 (2021: RM111,051,000) is repayable on demand and interest free (2021: interest-free), but not expected to be paid within 12 months.

As at 31 December 2022, the Group and the Company have significant concentration of credit risk in respect of amount owing by other related companies. Of the amount owing by other related companies of the Group and of the Company, RM105,051,000 (2021: RM111,051,000) is due from a related company, LLB Steel Industries Sdn Bhd ("LLB Steel") (2021: LLB Harta (M) Sdn Bhd ("LLB Harta")), which constitutes approximately 54% (2021: 65%) of the Group's and 100% (2021: 100%) of the Company's total amount owing by other related companies. During the financial year, LLB Harta novated its debts to LLB Steel. Fair value loss on financial assets measured at amortised cost amounted to RM5,000,000 (2021: RM Nil) is recognised in profit or loss.

(c) Amounts owing to other related companies, which arose mainly from trade transactions and expenses paid on behalf, are interest-free and repayable on demand, except for trade amounts which have a credit period of 60 days (2021: 60 days) with normal trade terms.

The Company has the following transactions with subsidiary companies during the reporting period.

		The Company	
		1.1.2022 to 31.12.2022	**1.7.2020 to 31.12.2021**
Name of companies	**Nature**	**RM'000**	**RM'000**
Posim Marketing Sdn Bhd	Rental income	**5**	6
Posim Petroleum Marketing Sdn Bhd	Rental income	**5**	5
Lion Petroleum Products Sdn Bhd	Rental expenses	**–**	8
Lion AMB Resources Sdn Bhd	Waiver of debts	**–**	9,681
Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd)	Waiver of debts	**–**	1,000
Posim EMS Sdn Bhd (Dissolved on 12 October 2021)	Waiver of debts	**–**	389

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Other than those related party transactions and outstanding balances disclosed elsewhere in the financial statements, the Group and the Company have the following trade transactions with immediate holding company, other related companies and related parties during the reporting period, which were determined on terms not more favourable to the related parties than to third parties:

		The Group		The Company	
Name of companies	**Nature**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
With immediate holding company:					
Amsteel Mills Sdn Bhd	Trade sales	**140,372**	22,539	**–**	–
With other related companies:					
Amsteel Mills Marketing Sdn Bhd	Trade purchases	**270,081**	373,565	**–**	–
Cendana Aset Sdn Bhd	Trade sales	**5,504**	2,833	**–**	–
Lion Group Management Services Sdn Bhd	Management fee expenses	**2,724**	4,086	**2,004**	3,006
Lion Steel Sdn Bhd	Trade sales	**1,395**	–	**–**	–
With related parties:					
Parkson Corporation Sdn Bhd	Trade sales	**589**	1,067	**–**	–
Lion Mining Sdn Bhd	Trade sales	**47,663**	12,772	**–**	–
	Trade purchases	**9,035**	312	**–**	–

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Other than those related party transactions and outstanding balances disclosed elsewhere in the financial statements, the Group and the Company have the following non-trade transactions with subsidiary companies, immediate holding company and other related companies during the reporting period:

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
With subsidiary companies:				
Advances to	**–**	–	**(2,360)**	(40,918)
Advances from	**–**	–	**29**	17,621
With immediate holding company:				
Repayment of advances from/ (Advances to)	**128**	(134)	**–**	–
With other related companies:				
Repayment of advances from	**1,006**	70	**1,000**	75
(Repayment of advances to)/ Advances from	**(185)**	167	**(167)**	167

Other related companies refer to subsidiary companies of Lion Industries Corporation Berhad, the ultimate holding company.

Related parties refer to entities in which a Director and/or substantial shareholders of the Company or the ultimate holding company or of its subsidiary companies have interests.

The outstanding balances before impairment arising from the transactions with related parties are as follows:

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receivables:				
Included in trade receivables	**102,155**	61,540	**–**	–
Included in other receivables	**107,956**	107,567	**–**	–
Payables:				
Included in trade payables	**409**	409	**–**	–

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. In the previous financial period, the key management personnel includes a former Director of the Company.

The remuneration of key management personnel during the reporting period are as follows:

	The Group		The Company	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Salaries and other remuneration	**1,330**	1,852	**127**	292
Defined contribution plans	**160**	207	**15**	20
Benefits-in-kind	**18**	19	**–**	–
	1,508	2,078	**142**	312

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows have been, or future cash flows will be, classified in the Group's and Company's statements of cash flows as cash flows from/(used in) financing activities.

	As at 1 January 2022 RM'000	**Financing cash flows RM'000**	**As at 31 December 2022 RM'000**
The Group			
Amount owing to other related companies	**885**	**(185)**	**700**
The Company			
Amount owing to other related companies	**167**	**(167)**	**–**
Amount owing to subsidiary companies	**20,775**	**29**	**20,804**

17. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Reconciliation of liabilities arising from financing activities (continued)

	As at 1 July 2020 RM'000	Financing cash flows RM'000	Non-cash amount waived RM'000	As at 31 December 2021 RM'000
The Group				
Amount owing to other related companies	718	167	–	885
The Company				
Amount owing to other related companies	–	167	–	167
Amount owing to subsidiary companies	14,224	17,621	(11,070)	20,775

Acquisition of land by Posim Marketing Sdn Bhd ("Posim Marketing")

On 25 November 2021, Posim Marketing, a wholly-owned subsidiary company of the Company, had entered into a conditional sale and purchase agreement ("SPA") with Bonus Essential Sdn Bhd ("Bonus Essential") for the acquisition of 10.879 acres of vacant freehold industrial land located at Banting Industrial City, Kuala Langat, Selangor from Bonus Essential for a cash consideration of RM26 million ("Purchase Consideration") ("Acquisition of Land").

Bonus Essential is a company in which Tan Sri Cheng Heng Jem ("TSWC") is a director and has substantial interest.

The Purchase Consideration was arrived at on a willing buyer-willing seller basis after taking into consideration the market valuation as certified by Henry Butcher Malaysia Sdn Bhd.

Posim Marketing has lodged a private caveat and lien holder's caveat on the said land. Bonus Essential has procured a personal guarantee by TSWC, its ultimate shareholder, in favour of Posim Marketing with a guaranteed sum of RM26 million to secure the repayment by Bonus Essential in the event Bonus Essential failed to complete the Acquisition of Land.

During the current financial year, Posim Marketing paid cash consideration of RM10.4 million (2021: RM13 million, classified as "other receivable" under non-current assets) to Bonus Essential and incurred ancillary costs of RM1 million (2021: RM Nil) in relation to the Acquisition of Land. The Acquisition of Land became unconditional on 24 June 2022. As a result, the total consideration of RM24.4 million (including RM13 million paid in previous year) was classified as "capital work-in-progress" under property, plant and equipment in Note 10 as at reporting date.

18. INVENTORIES

	The Group	
	2022	**2021**
	RM'000	**RM'000**
Finished goods	**131**	218
Raw materials	**8,006**	6,406
Trading merchandise	**16,064**	8,493
Others	**1,416**	620
	25,617	15,737
Less: Allowance for slow-moving and obsolete inventories	**(1,136)**	(2,685)
Net	**24,481**	13,052

Movement in the allowance for slow-moving and obsolescence of inventories are as follows:

	The Group	
	2022	**2021**
	RM'000	**RM'000**
At beginning of year/period	**2,685**	1,515
(Reversal)/Addition	**(241)**	1,540
Written off	**(1,308)**	(370)
At end of year/period	**1,136**	2,685

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

(a) Trade receivables

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade receivables	**298,137**	254,657	**4,345**	4,345
Less: Accumulated impairment losses	**(74,218)**	(71,197)	**(4,345)**	(4,345)
Net	**223,919**	183,460	**–**	–

Trade receivables of the Group and the Company comprise amounts receivable for the sale of goods. The credit period granted to customers ranges from 30 to 90 days (2021: 30 to 90 days).

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

The 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.

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (continued)

(a) Trade receivables (continued)

	The Group			
	2022		2021	
	Gross trade receivables RM'000	Lifetime ECL RM'000	Gross trade receivables RM'000	Lifetime ECL RM'000
Not past due	**142,795**	**1,665**	140,041	1,554
Past due:				
1 to 30 days	**32,616**	**415**	25,388	300
31 to 60 days	**18,711**	**341**	4,775	79
More than 60 days	**104,015**	**71,797**	84,453	69,264
	298,137	**74,218**	254,657	71,197

	The Company			
	2022		2021	
	Gross trade receivables RM'000	Lifetime ECL RM'000	Gross trade receivables RM'000	Lifetime ECL RM'000
Past due:				
More than 60 days	**4,345**	**4,345**	4,345	4,345

Movement in the accumulated impairment losses

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At beginning of year/period	**71,197**	71,846	**4,345**	4,345
Addition	**6,063**	3,936	**–**	–
No longer required	**(1,820)**	(3,773)	**–**	–
Written off	**(1,222)**	(812)	**–**	–
At end of year/period	**74,218**	71,197	**4,345**	4,345

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 at 31 December 2022, the Group has trade receivables due from a major related party, Lion DRI as follows:

	The Group	
	2022 RM'000	2021 RM'000
Trade receivables	**52,007**	52,007
Less: Accumulated impairment losses	**(52,007)**	(52,007)
Net	**–**	–

The Group recognised an impairment loss on trade receivables due from Lion DRI a major related party, based on the assessment as disclosed in Note 4(i)(a).

As at 31 December 2022, the trade receivables of a subsidiary company of RM4,608,000 (2021: RM Nil) has been charged as collateral to a financial institution for the bank borrowings granted to the Group (Note 27).

19. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES (continued)

(b) Other receivables, deposits and prepaid expenses

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Other receivables	**178,175**	169,488	**92**	72
Less: Accumulated impairment losses	**(108,912)**	(108,912)	**–**	–
	69,263	60,576	**92**	72
Dividend receivable from an associated company	**–**	917	**–**	–
Deposits	**5,943**	2,424	**42**	57
Prepaid expenses	**2,075**	1,619	**46**	72
	77,281	65,536	**180**	201

Movement in the accumulated impairment losses

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
At beginning of year/period	**108,912**	257,370	**–**	–
No longer required	**–**	(148,458)	**–**	–
At end of year/period	**108,912**	108,912	**–**	–

Included in the accumulated impairment losses at the beginning of the previous financial period is RM252,119,000 due from Graimpi. Of the amount due, RM148,389,000 recovered pursuant to the secured debt settlement agreement entered with Lion Diversified Holdings Berhad (In liquidation) (Note 13), and the same amount was reversed as impairment losses no longer required in previous financial period. An impairment loss has been recognised on the remaining balance of RM103,730,000 based on the assessment disclosed in Note 4(i)(a).

The currency exposure profile of other receivables and deposits is as follows:

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Ringgit Malaysia	**74,438**	62,218	**134**	129
United States Dollar	**686**	1,690	**–**	–
Chinese Renminbi	**82**	9	**–**	–
	75,206	63,917	**134**	129

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

(a) Investment in money market funds

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fair value through profit or loss				
Investment in money market funds	**2,279**	2,417	**–**	86

Investment in money market funds of the Group (2021: the Group and the Company), denominated in Ringgit Malaysia, are managed by a licensed fund management company of which amounts deposited can be withdrawn at the discretion of the Group (2021: of the Group and of the Company) given a two days notice period.

(b) Fixed deposits, cash and bank balances

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed deposits with licensed banks:				
Restricted	**24,757**	24,148	**–**	–
Unrestricted	**19,877**	66,016	**6,129**	1,511
	44,634	90,164	**6,129**	1,511
Cash and bank balances:				
Unrestricted	**36,347**	60,432	**2,433**	1,276
Total fixed deposits, cash and bank balances	**80,981**	150,596	**8,562**	2,787

The above restricted fixed deposits with licensed banks of the Group are held for repayment of bank borrowings and payment of interest, commission, fees and other charges to banks as disclosed in Note 27.

Fixed deposits with licensed banks of the Group and of the Company earn interest at rates ranging from 1.05% to 2.40% and 1.05% to 1.50% (2021: 1.05% to 1.80% and 1.05% to 1.70%) per annum and have maturity periods ranging from 1 to 98 days and 1 to 31 days (2021: 1 to 365 days and 1 to 32 days), respectively.

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

(b) Fixed deposits, cash and bank balances (continued)

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	**51,665**	118,689	**8,547**	2,772
Chinese Renminbi	**27,549**	29,874	**–**	–
United States Dollar	**1,673**	1,997	**15**	15
Singapore Dollar	**94**	36	**–**	–
	80,981	150,596	**8,562**	2,787

Fixed deposits, cash and bank balances denominated in Chinese Renminbi of a subsidiary company (2021: subsidiary companies) in the People's Republic of China ("PRC") are subject to the exchange control restrictions of the PRC. The said fixed deposits, cash and bank balances are available for use by the subsidiary company (2021: subsidiary companies) in the PRC and the exchange control restrictions are applicable only if the monies are remitted to countries outside the PRC.

21. SHARE CAPITAL

	The Group and The Company			
	2022		2021	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued share capital:				
Ordinary shares:				
At beginning/end of year/period	**231,572**	**920,902**	231,572	920,902

22. RESERVES

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-distributable reserves:				
Treasury shares	**(2,277)**	(2,277)	**(2,277)**	(2,277)
Translation adjustment reserve	**66,979**	61,537	**–**	–
Fair value reserve	**(24,360)**	(21,280)	**(24,360)**	(21,280)
Surplus reserve	**–**	1,455	**–**	–
Accumulated losses	**(220,582)**	(221,241)	**(445,476)**	(452,737)
	(180,240)	(181,806)	**(472,113)**	(476,294)

22. RESERVES (continued)

Treasury shares

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

As at 31 December 2022, the Company held 3,745,000 (2021: 3,745,000) treasury shares at a carrying amount of RM2,276,747 (2021: RM2,276,747).

Translation adjustment reserve

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

Fair value reserve

Fair value reserve comprises fair value changes on revaluation of quoted and unquoted investments designated at fair value through other comprehensive income.

Surplus reserve

The surplus reserve represents the reserves maintained in People's Republic of China in accordance with the regulations and are not available for payment of dividend.

23. LEASE LIABILITIES

	The Group	
	2022	**2021**
	RM'000	**RM'000**
At 1 January 2022/1 July 2020	**2,243**	168
Addition	**2,249**	2,336
Expiry and termination of lease	**(21)**	–
Lease interest	**165**	26
Payment of lease rental	**(1,272)**	(287)
At 31 December 2022/31 December 2021	**3,364**	2,243
Breakdown:		
Non-current	**2,094**	1,726
Current	**1,270**	517
	3,364	2,243

23. LEASE LIABILITIES (continued)

The minimum lease payments for the lease liabilities are payable as follows:

The Group	Future minimum lease payments RM'000	Lease interest RM'000	Present value of minimum lease payments RM'000
2022			
Less than one year	**1,380**	**(110)**	**1,270**
Between one to two years	**1,299**	**(50)**	**1,249**
Between two to five years	**864**	**(19)**	**845**
	3,543	**(179)**	**3,364**
2021			
Less than one year	568	(51)	517
Between one to two years	946	(65)	881
Between two to five years	864	(19)	845
	2,378	(135)	2,243

Total cash outflows for leases during the current financial year/period (including fixed, variable and short-term lease payments) of the Group amounted to RM1,661,000 (2021: RM675,000).

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows have been, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from/(used in) financing activities.

	As at 1 January 2022 RM'000	Non-cash items RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2022 RM'000
The Group						
Lease liabilities	**2,243**	**2,228**	**(1,107)**	**(165)**	**165**	**3,364**

	As at 1 July 2020 RM'000	Non-cash items RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2021 RM'000
The Group						
Lease liabilities	168	2,336	(261)	(26)	26	2,243

24. HIRE-PURCHASE PAYABLES

	The Group	
	2022	**2021**
	RM'000	**RM'000**
Total outstanding	**85**	103
Less: Interest-in-suspense	**(8)**	(12)
Principal portion	**77**	91
Payable as follows:		
Within the next 12 months (shown under current liabilities)	**15**	14
After the next 12 months	**62**	77
	77	91

The interest rate implicit in these hire-purchase obligations is 4.28% (2021: 4.28%) per annum.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows have been, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from/(used in) financing activities.

	As at 1 January 2022 RM'000	**Non-cash addition RM'000**	**Financing cash flows RM'000**	**Interest paid RM'000**	**Interest expense RM'000**	**As at 31 December 2022 RM'000**
The Group						
Hire-purchase payables	**91**	**-**	**(14)**	**(4)**	**4**	**77**

	As at 1 July 2020 RM'000	**Non-cash addition RM'000**	**Financing cash flows RM'000**	**Interest paid RM'000**	**Interest expense RM'000**	**As at 31 December 2021 RM'000**
The Group						
Hire-purchase payables	16	94	(19)	(1)	1	91

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES AND CONTRACT LIABILITIES

(a) Trade payables

Trade payables comprise amounts outstanding for trade purchases. The credit period ranges from 30 to 90 days (2021: 30 to 90 days).

The currency exposure profile of trade payables of the Group is as follows:

	The Group	
	2022	**2021**
	RM'000	**RM'000**
Ringgit Malaysia	**39,768**	32,582
United States Dollar	**1,329**	2,063
	41,097	34,645

(b) Other payables and accrued expenses

Other payables and accrued expenses consist of:

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	**28,463**	30,354	**5,108**	10,114
Accrued expenses	**20,190**	19,312	**4,922**	4,983
	48,653	49,666	**10,030**	15,097

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

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**43,296**	44,055	**10,030**	15,097
Chinese Renminbi	**4,227**	4,647	**–**	–
United States Dollar	**1,130**	964	**–**	–
	48,653	49,666	**10,030**	15,097

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

(c) Contract liabilities

	The Group	
	2022	**2021**
	RM'000	**RM'000**
Customer loyalty programs	**28,794**	24,405

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

A subsidiary company of the Group, 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 the significant changes to contract liabilities during the year/period.

	The Group	
	2022	**2021**
	RM'000	**RM'000**
At beginning of year/period	**24,405**	18,509
Provision during the year/period	**12,227**	13,744
Utilised during the year/period	**(7,838)**	(7,848)
At end of year/period	**28,794**	24,405

26. PROVISION

	The Group and The Company	
	2022	**2021**
	RM'000	**RM'000**
Provision for indemnity for back pay labour claims from Sabah Forest Industries Sdn Bhd ("SFI") employees:		
At beginning of year/period	**–**	3,473
Payment during the year/period	**–**	(3,473)
At end of year/period	**–**	–

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, in 2007 ("Disposal"), the Company 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.

In the previous financial period, the Company paid an amount of RM3,473,000 to SFI for its onward payment to SFI's employees. The payment was for the full and final settlement of the Company's obligations in relation to SFI's employees claim for alleged arrears of wages due in respect of the annual increments from 1997 to 2006. Subsequent to the settlement, the Company was released and discharged from all obligations in connection with the said claims howsoever arising and from its obligation under the letter of indemnity.

27. BANK BORROWINGS

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Secured				
Revolving credits	**3,500**	3,500	**3,500**	3,500
Banker's acceptance, trust receipts and bills payable	**10,000**	13,000	**–**	–
Receivables financing	**4,608**	–	**–**	–
	18,108	16,500	**3,500**	3,500
Unsecured				
Banker's acceptance, trust receipts and bills payable	**526**	269	**–**	–
	18,634	16,769	**3,500**	3,500

The secured revolving credit, banker's acceptance, trust receipts and bills payable of the Group and of the Company are secured by a charge on cash and bank balances of a subsidiary company.

The receivables financing of the Group is secured by trade receivables of a subsidiary company and the corporate guarantee by the Company.

The Company has given corporate guarantee of RM526,000 (2021: RM269,000) to a financial institution for the granting of the above unsecured credit facility to a subsidiary company. The credit facilities of the Group and of the Company bore interest at rates ranging from 2.52% to 4.43% (2021: 2.36% to 3.82%) and 2.69% to 4.43% (2021: 2.61% to 2.69%) per annum, respectively.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows have been, or future cash flows will be, classified in the statements of cash flows as cash flows from/(used in) financing activities.

	As at 1 January 2022 RM'000	**Financing cash flows RM'000**	**Interest paid RM'000**	**Interest expense RM'000**	**As at 31 December 2022 RM'000**
The Group					
Bank borrowings	**16,769**	**1,865**	**(284)**	**284**	**18,634**

	As at 1 July 2020 RM'000	**Financing cash flows RM'000**	**Interest paid RM'000**	**Interest expense RM'000**	**As at 31 December 2021 RM'000**
The Group					
Bank borrowings	–	16,769	(540)	540	16,769

27. BANK BORROWINGS (continued)

Reconciliation of liabilities arising from financing activities (continued)

	As at 1 January 2022 RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2022 RM'000
The Company					
Bank borrowings	**3,500**	**–**	**(109)**	**109**	**3,500**

	As at 1 July 2020 RM'000	Financing cash flows RM'000	Interest paid RM'000	Interest expense RM'000	As at 31 December 2021 RM'000
The Company					
Bank borrowings	–	3,500	(128)	128	3,500

28. 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 2021.

The capital structure of the Group and of the Company consists of debts and equity of the Group and of the Company (comprising share capital and reserves).

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

Gearing Ratio

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

	The Group		The Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Debt (i)	**18,711**	16,860	**3,500**	3,500
Equity (ii)	**740,705**	739,569	**448,789**	444,608
Debt to equity ratio	**2.5%**	2.3%	**0.8%**	0.8%

(i) Debt is defined as hire-purchase payables and bank borrowings as disclosed in Notes 24 and 27 respectively.

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

28. 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 instruments are disclosed in Note 3.

Categories of Financial Instruments

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Financial assets				
Fair value through profit or loss:				
Investment in money market funds	**2,279**	2,417	**–**	86
Fair value through other comprehensive income:				
Quoted shares	**7,560**	10,640	**7,560**	10,640
Unquoted shares	**906**	906	**3**	3
Unquoted investments	**380**	380	**–**	–
Amortised cost:				
Trade receivables	**223,919**	183,460	**–**	–
Other receivables and refundable deposits	**75,206**	63,917	**134**	129
Amount owing by subsidiary companies	**–**	–	**11,620**	9,260
Amount owing by immediate holding company	**72,486**	81,448	**–**	–
Amount owing by other related companies	**195,945**	171,605	**105,051**	111,051
Fixed deposits, cash and bank balances	**80,981**	150,596	**8,562**	2,787
Financial liabilities at amortised cost				
Trade payables	**41,097**	34,645	**–**	–
Other payables and accrued expenses	**48,653**	49,666	**10,030**	15,097
Amount owing to other related companies	**700**	885	**–**	167
Amount owing to subsidiary companies	**–**	–	**20,804**	20,775
Lease liabilities	**3,364**	2,243	**–**	–
Hire-purchase payables	**77**	91	**–**	–
Bank borrowings	**18,634**	16,769	**3,500**	3,500

28. FINANCIAL INSTRUMENTS (continued)

Financial Risk Management Objectives and Policies

The operations of the Group and of the Company are subject to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk, cash flow 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 formulated and approved by the Board of Directors for observation in the day-to-day operations for controlling and managing the risks associated with financial instruments.

Foreign exchange risk

The Group undertakes 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 disclosed in the respective notes.

Foreign currency sensitivity analysis

The Group is mainly exposed to the foreign currency of 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 currency. 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 rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates a gain in the other equity 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 the other equity, the balances below would be negative.

	The Group		The Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other equity				
Chinese Renminbi	**(2,340)**	(2,524)	**–**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the financial year/period.

The management has performed sensitivity analysis on foreign currencies denominated monetary items and concluded the financial impact to the Group's and the Company's profit before tax is insignificant.

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 27. The interest rates of hire-purchase payables, which are fixed at the inception of the financing arrangements, are disclosed in Note 24.

Interest rate sensitivity analysis

The sensitivity analysis of the Group and of the Company have been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period.

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 financial year ended 31 December 2022 would decrease or increase by RM93,500 and RM17,500 respectively (2021: RM84,000 and RM17,500 respectively).

28. 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.

Trade and other receivables and corporate guarantees

The Group is exposed to credit risk 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 Group and the Company are also exposed to credit risk from the amount owing by subsidiary companies, immediate holding company and other related companies. The Company is exposed to credit risk from corporate guarantee given to financial institution for the granting of credit facilities to the subsidiary companies. The Company's maximum exposure to credit risk resulting from the guarantee given to subsidiary companies, are disclosed in Note 32. The Group and the Company monitor on an ongoing basis the results of the subsidiary companies, immediate holding company and other related companies, and their repayments. As at the reporting date, there was no indication that these companies would default on repayment.

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 at 31 December 2022, is the carrying amount of these receivables as disclosed in the statements of financial position. The concentration of credit risk is limited due to the fact that the customer base is large and did not exceed 10% of gross monetary assets at any time during the reporting period.

The Board of Directors of the Company reviews regularly the significant amounts owing by immediate holding company and related parties which arose from sales transactions that have exceeded the credit period granted and actions have been carried out to recover the long outstanding amounts owing by immediate holding company and related parties.

Fixed deposits, cash and bank balances

Exposure to credit risk arising from fixed deposits, cash and bank balances is managed by depositing or investing the Group's and the Company's funds with licensed financial institutions. The fixed deposits, cash and bank balances that denominated in Chinese Renminbi which are held with bank and financial institution in the People's Republic of China are rated A2 and Baa2 respectively based on Moody's Investors Service ratings.

Fixed deposits, cash and bank balances have been assessed on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that its fixed deposits, cash and bank balances have low credit risk based on their external credit ratings.

Cash flow risk

The Group and the Company review their cash flow position regularly to manage their exposure to fluctuations in future cash flows associated with their monetary financial instruments.

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 practice 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.

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The tables below summarises 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 2022	**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	**41,097**	**–**	**–**	**–**	**41,097**	**–**
Other payables and accrued expenses	**48,653**	**–**	**–**	**–**	**48,653**	**–**
Amount owing to other related companies	**700**	**–**	**–**	**–**	**700**	**–**
	90,450	**–**	**–**	**–**	**90,450**	
Interest bearing:						
Lease liabilities	**1,373**	**1,800**	**370**	**–**	**3,543**	**2.50 - 4.62**
Hire-purchase payables	**18**	**18**	**49**	**–**	**85**	**4.28**
Bank borrowings	**18,917**	**–**	**–**	**–**	**18,917**	**2.52 - 4.43**
	20,308	**1,818**	**419**	**–**	**22,545**	
	110,758	**1,818**	**419**	**–**	**112,995**	
2021						
Financial liabilities						
Non-interest bearing:						
Trade payables	34,645	–	–	–	34,645	–
Other payables and accrued expenses	49,666	–	–	–	49,666	–
Amount owing to other related companies	885	–	–	–	885	–
	85,196	–	–	–	85,196	
Interest bearing:						
Lease liabilities	568	946	864	–	2,378	2.50 - 5.68
Hire-purchase payables	18	18	54	13	103	4.28
Bank borrowings	16,909	–	–	–	16,909	2.36 - 3.82
	17,495	964	918	13	19,390	
	102,691	964	918	13	104,586	

28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

The Company 2022	**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:						
Other payables and accrued expenses	**10,030**	**–**	**–**	**–**	**10,030**	**–**
Amount owing to subsidiary companies	**20,804**	**–**	**–**	**–**	**20,804**	**–**
Financial guarantee contracts	**5,134**	**–**	**–**	**–**	**5,134**	**–**
	35,968	**–**	**–**	**–**	**35,968**	
Interest bearing:						
Bank borrowings	**3,535**	**–**	**–**	**–**	**3,535**	**2.69 - 4.43**
	39,503	**–**	**–**	**–**	**39,503**	

2021						
Financial liabilities						
Non-interest bearing:						
Other payables and accrued expenses	15,097	–	–	–	15,097	–
Amount owing to other related companies	167	–	–	–	167	–
Amount owing to subsidiary companies	20,775	–	–	–	20,775	–
Financial guarantee contracts	269	–	–	–	269	–
	36,308	–	–	–	36,308	
Interest bearing:						
Bank borrowings	3,524	–	–	–	3,524	2.61 - 2.69
	39,832	–	–	–	39,832	

28. FINANCIAL INSTRUMENTS (continued)

Fair Values of Financial Instruments

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

	The Group		The Company	
	Carrying amount RM'000	**Fair value RM'000**	**Carrying amount RM'000**	**Fair value RM'000**
2022				
Financial assets				
Quoted investments	**7,560**	**7,560 #**	**7,560**	**7,560 #**
Unquoted shares	**906**	**906 @**	**3**	**3 @**
Unquoted investments	**380**	**380 &**	**–**	**–**
Investment in money market funds	**2,279**	**2,279 #**	**–**	**–**
2021				
Financial assets				
Quoted investments	10,640	10,640 #	10,640	10,640 #
Unquoted shares	906	906 @	3	3 @
Unquoted investments	380	380 &	–	–
Investment in money market funds	2,417	2,417 #	86	86 #

\# 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.

@ The fair value of unquoted shares is measured using generally acceptable valuation techniques.

& The fair values of unquoted investments are based on price quotes for similar instruments based on market observable inputs (Level 2) as quoted prices of identical instruments from an active market (Level 1) are not available.

28. FINANCIAL INSTRUMENTS (continued)

Fair Values of Financial Instruments (continued)

Fair value of financial instruments that are measured at fair value in the statements of financial position at the end of the reporting period are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group				
2022				
Financial assets				
Quoted investments	**7,560**	**–**	**–**	**7,560**
Unquoted shares	**–**	**–**	**906**	**906**
Unquoted investments	**–**	**380**	**–**	**380**
Investment in money market funds	**2,279**	**–**	**–**	**2,279**
2021				
Financial assets				
Quoted investments	10,640	–	–	10,640
Unquoted shares	–	–	906	906
Unquoted investments	–	380	–	380
Investment in money market funds	2,417	–	–	2,417
The Company				
2022				
Financial assets				
Quoted investments	**7,560**	**–**	**–**	**7,560**
Unquoted shares	**–**	**–**	**3**	**3**
2021				
Financial assets				
Quoted investments	10,640	–	–	10,640
Unquoted shares	–	–	3	3
Investment in money market funds	86	–	–	86

There were no transfer between Levels 1, 2 and 3 during the financial year/period.

29. CAPITAL COMMITMENTS

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

	The Group	
	2022 RM'000	**2021 RM'000**
Approved and contracted for:		
Purchase of land	**2,600**	13,000
Approved but not contracted for:		
Land registration fee	**3,058**	2,900
	5,658	15,900

30. SEGMENT INFORMATION

Business Segments

The Group's activities are classified into three (3) major business segments:

- trading and distribution of building materials and steel products
- manufacture of lubricants, trading and distribution of petroleum products and automotive products
- others

Others include mainly investment holding, provision of training services, distributing and retailing of consumer products, none of which is of sufficient size to be reported separately.

The inter-segment transactions are conducted at arm's length basis under terms, conditions, and prices not materially different from transactions with non-related parties.

The Group 1.1.2022 to 31.12.2022	**Building materials and steel products RM'000**	**Lubricants, petroleum products and automotive products RM'000**	**Others RM'000**	**Elimination RM'000**	**Total RM'000**
Revenue					
External customers	**725,087**	**111,635**	**2,051**	**–**	**838,773**
Inter-segment sales	**–**	**–**	**13**	**(13)**	**–**
Total revenue	**725,087**	**111,635**	**2,064**	**(13)**	**838,773**
Results					
Segment profit/(loss)	**5,793**	**8,880**	**(7,391)**	**–**	**7,282**
Finance costs	**(183)**	**(158)**	**(112)**	**–**	**(453)**
Share of results of associated companies					**(4,148)**
Profit before tax					**2,681**
Tax expense					**(2,080)**
Profit for the year					**601**

30. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2022	Building materials and steel products RM'000	Lubricants, petroleum products and automotive products RM'000	Others RM'000	Elimination RM'000	Total RM'000
Consolidated Statement of Financial Position					
Segment assets	**484,585**	**81,156**	**170,284**	**–**	**736,025**
Investment in associated companies					**25,698**
Unallocated corporate assets					**121,725**
Consolidated Total Assets					**883,448**
Segment liabilities	**56,120**	**48,128**	**36,371**	**–**	**140,619**
Unallocated corporate liabilities					**2,124**
Consolidated Total Liabilities					**142,743**
1.1.2022 to 31.12.2022					
Other Information					
Capital expenditure	**11,504**	**3,695**	**5**	**–**	**15,204**
Depreciation	**558**	**2,407**	**1,428**	**–**	**4,393**
Interest income	**1,795**	**67**	**428**	**–**	**2,290**
Other non-cash expenses/(income)	**4,098**	**(158)**	**4,968**	**–**	**8,908**

30. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 1.7.2020 to 31.12.2021	Building materials and steel products RM'000	Lubricants, petroleum products and automotive products RM'000	Others RM'000	Elimination RM'000	Total RM'000
Revenue					
External customers	739,917	119,822	12,069	–	871,808
Inter-segment sales	–	1	13	(14)	–
Total revenue	739,917	119,823	12,082	(14)	871,808
Results					
Segment profit/(loss)	9,012	17,560	(17,411)	–	9,161
Gain on settlement of secured debts	136,538	–	–	–	136,538
Finance costs	(424)	(9)	(134)	–	(567)
Share of results of associated companies					469
Profit before tax					145,601
Tax expense					(4,406)
Profit for the period					141,195

30. SEGMENT INFORMATION (continued)

Business Segments (continued)

The Group 2021	Building materials and steel products RM'000	Lubricants, petroleum products and automotive products RM'000	Others RM'000	Elimination RM'000	Total RM'000
Consolidated Statement of Financial Position					
Segment assets	470,913	69,675	164,401	–	704,989
Investment in associated companies					40,069
Unallocated corporate assets					125,584
Consolidated Total Assets					870,642
Segment liabilities	47,759	40,894	39,166	–	127,819
Unallocated corporate liabilities					3,254
Consolidated Total Liabilities					131,073
1.7.2020 to 31.12.2021					
Other Information					
Capital expenditure	519	1,453	92	–	2,064
Depreciation	186	2,392	1,430	–	4,008
Interest income	2,063	297	5,984	–	8,344
Other non-cash expenses/(income)	8,824	2,057	(489)	–	10,392

30. SEGMENT INFORMATION (continued)

Geographical Segments

The Group's operations are mainly in Malaysia for the current financial year/period:

(i) Malaysia - trading and distribution of building materials and steel products, manufacture of lubricants, trading and distribution of petroleum products and automotive products, provision of training services, distributing and retailing of consumer product and investment holding

(ii) Other countries - countries which are not sizable to be reported separately

The following is an analysis of the Group's revenue, carrying amount of total assets and capital expenditures by geographical areas:

	Revenue	
	1.1.2022 to 31.12.2022 RM'000	**1.7.2020 to 31.12.2021 RM'000**
Malaysia	**838,677**	860,622
Other countries	**96**	11,186
	838,773	871,808

	Total assets		Capital expenditures	
	2022 RM'000	**2021 RM'000**	**1.1.2022 to 31.12.2022 RM'000**	**1.7.2020 to 31.12.2021 RM'000**
Malaysia	**715,456**	690,539	**15,199**	2,060
Other countries	**167,992**	180,103	**5**	4
	883,448	870,642	**15,204**	2,064

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

31. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Fixed deposits with licensed banks (unrestricted) (Note 20)	**19,877**	66,016	**6,129**	1,511
Cash and bank balances (unrestricted) (Note 20)	**36,347**	60,432	**2,433**	1,276
	56,224	126,448	**8,562**	2,787

32. FINANCIAL GUARANTEE CONTRACTS

	The Company	
	2022 RM'000	**2021 RM'000**
Corporate guarantees given to financial institutions for the granting of credit facilities to certain subsidiary companies (Note 27)	**5,134**	269

The corporate guarantees issued were not recognised in the financial statements as the Directors regard the value of the credit enhancement provided by these guarantees is minimal and the probability of default, based on historical track records of the parties receiving the guarantees are remote.

33. SIGNIFICANT EVENTS

Lion Waterfront Sdn Bhd (formerly known as Singa Logistics Sdn Bhd), a wholly-owned subsidiary of the Company, had on 18 May 2022 entered into a conditional development agreement with Landasan Lumayan Sdn Bhd ("Landasan Lumayan"), a wholly-owned subsidiary of Menteri Besar Selangor (Pemerbadanan), to form an unincorporated joint venture to undertake a mixed residential and commercial development on a parcel of land to be alienated by the Selangor State Government to Landasan Lumayan measuring approximately 26.29 acres in Section 24, Shah Alam, Selangor ("Proposed Unincorporated Joint Venture").

In conjunction with the Proposed Unincorporated Joint Venture, the Company proposed to diversify the existing businesses of the Company and its subsidiary companies to include property development ("Proposed Diversification").

The Proposed Unincorporated Joint Venture and the Proposed Diversification shall collectively be referred to as the "Proposals".

The Shareholders of the Company had on 2 December 2022 approved the Proposals.

The Proposals are pending the approvals to be obtained from relevant regulatory authorities.

34. COMPARATIVE FIGURES

The comparative figures of the Group and of the Company are for the 18-months period from 1 July 2020 to 31 December 2021.

STATEMENT BY DIRECTORS

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

We, Tan Sri Cheng Heng Jem and Cheng Hui Ya, Serena, being two of the Directors of Lion Posim Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of the financial performance and of the cash flows of the Group and of the Company for the financial year then ended.

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

TAN SRI CHENG HENG JEM

CHENG HUI YA, SERENA

5 April 2023

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

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

I, Ooi Kim Lai (MIA Membership number: 9454), the officer primarily responsible for the financial management of Lion Posim Berhad, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

OOI KIM LAI

Subscribed and solemnly declared by the
abovenamed **OOI KIM LAI** at **KUALA LUMPUR** in the **FEDERAL TERRITORY**
on this 5th day of April, 2023.

Before me,

W729
MARDHIYYAH ABDUL WAHAB
COMMISSIONER FOR OATHS