



# **LION INDUSTRIES CORPORATION BERHAD**

Registration No. 192401000008 (415-D)

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(Incorporated in Malaysia)

## **Interim Financial Report for the First Quarter Ended 30 September 2020**

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|  |        |
|--|--------|
| Condensed Consolidated Statement of Profit or Loss       | 1      |
| Condensed Consolidated Statement of Comprehensive Income | 2      |
| Condensed Consolidated Statement of Financial Position   | 3      |
| Condensed Consolidated Statement of Changes in Equity    | 4      |
| Condensed Consolidated Statement of Cash Flows           | 5      |
| Notes to the Condensed Financial Statements              | 6 - 12 |

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(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2020

(The figures have not been audited)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|   | Note  | 3 MONTHS ENDED      |                     |              | YEAR-TO-DATE ENDED  |                     |              |
|---|-------|---------------------|---------------------|--------------|---------------------|---------------------|--------------|
|   |       | 30.9.2020<br>RM'000 | 30.9.2019<br>RM'000 | Changes<br>% | 30.9.2020<br>RM'000 | 30.9.2019<br>RM'000 | Changes<br>% |
| Revenue   |       | 710,494             | 656,402             | 8            | 710,494             | 656,402             | 8            |
| Operating expenses  |       | (715,749)           | (738,686)           |              | (715,749)           | (738,686)           |              |
| Other operating income                                      |       | 6,440               | 5,541               |              | 6,440               | 5,541               |              |
| Profit/(Loss) from operations                               |       | 1,185               | (76,743)            | >100         | 1,185               | (76,743)            | >100         |
| Finance costs   |       | (9,546)             | (5,066)             |              | (9,546)             | (5,066)             |              |
| Share in results of associated companies and joint venture  |       | (5,368)             | (12,452)            |              | (5,368)             | (12,452)            |              |
| Investment income   |       | 852                 | 2,427               |              | 852                 | 2,427               |              |
| Exceptional item  | 23(l) | -                   | (17,564)            |              | -                   | (17,564)            |              |
| Loss before tax   | 23    | (12,877)            | (109,398)           | 88           | (12,877)            | (109,398)           | 88           |
| Tax expense   | 16    | (21,759)            | (1,121)             |              | (21,759)            | (1,121)             |              |
| Loss for the period   |       | <u>(34,636)</u>     | <u>(110,519)</u>    | 69           | <u>(34,636)</u>     | <u>(110,519)</u>    | 69           |
| (Loss)/Profit attributable to:                              |       |                     |                     |              |                     |                     |              |
| - Owners of the Company                                     |       | (35,451)            | (110,619)           |              | (35,451)            | (110,619)           |              |
| - Non-controlling interests                                 |       | 815                 | 100                 |              | 815                 | 100                 |              |
| Loss for the period   |       | <u>(34,636)</u>     | <u>(110,519)</u>    |              | <u>(34,636)</u>     | <u>(110,519)</u>    |              |
| Loss per share attributable to owners of the Company (sen): | 21    |                     |                     |              |                     |                     |              |
| - Basic   |       | <u>(5.21)</u>       | <u>(16.25)</u>      |              | <u>(5.21)</u>       | <u>(16.25)</u>      |              |
| - Diluted   |       | <u>(5.21)</u>       | <u>(16.25)</u>      |              | <u>(5.21)</u>       | <u>(16.25)</u>      |              |

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements)

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Registration No. 192401000008 (415-D)  
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Interim financial report for the first quarter ended 30 September 2020  
(The figures have not been audited)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | 3 MONTHS ENDED  |                  | YEAR-TO-DATE ENDED |                  |
|--|-----------------|------------------|--------------------|------------------|
|  | 30.9.2020       | 30.9.2019        | 30.9.2020          | 30.9.2019        |
|  | RM'000          | RM'000           | RM'000             | RM'000           |
| Loss for the period  | (34,636)        | (110,519)        | (34,636)           | (110,519)        |
| <u>Other comprehensive income/(loss)</u>                                       |                 |                  |                    |                  |
| <u>Items that may be reclassified</u><br><u>subsequently to profit or loss</u> |                 |                  |                    |                  |
| Exchange differences on translation<br>of foreign operations                   | (1,518)         | 847              | (1,518)            | 847              |
| Share of other comprehensive income/(loss)<br>of associated companies          | 45              | (18,912)         | 45                 | (18,912)         |
| Other comprehensive loss<br>for the period, net of tax                         | (1,473)         | (18,065)         | (1,473)            | (18,065)         |
| Total comprehensive loss<br>for the period                                     | <u>(36,109)</u> | <u>(128,584)</u> | <u>(36,109)</u>    | <u>(128,584)</u> |
| Loss attributable to:  |                 |                  |                    |                  |
| Owners of the Company  | (36,092)        | (128,558)        | (36,092)           | (128,558)        |
| Non-controlling interests  | (17)            | (26)             | (17)               | (26)             |
|  | <u>(36,109)</u> | <u>(128,584)</u> | <u>(36,109)</u>    | <u>(128,584)</u> |

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements)*

# LION INDUSTRIES CORPORATION BERHAD

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Interim financial report for the first quarter ended 30 September 2020  
(The figures have not been audited)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | <u>Note</u> | <b>AS AT<br/>30.9.2020<br/>RM'000</b> | <b>AS AT<br/>30.6.2020<br/>RM'000</b> |
|---|-------------|---------------------------------------|---------------------------------------|
| <b>ASSETS</b>   |             |                                       |                                       |
| <b>Non-Current Assets</b>                                       |             |                                       |                                       |
| Property, plant and equipment                                   |             | 895,586                               | 399,243                               |
| Investment properties   |             | 109,618                               | 113,001                               |
| Prepaid land lease payments                                     |             | 40,099                                | 40,485                                |
| Right-of-use assets   |             | 54,974                                | 50,027                                |
| Land held for property development                              |             | 50,889                                | 50,885                                |
| Investment in associated companies and joint venture            |             | 469,965                               | 475,396                               |
| Long-term investments   |             | 9,111                                 | 611                                   |
| Deferred tax assets   |             | 26,775                                | 48,133                                |
| Goodwill  |             | 130,443                               | 130,443                               |
| Total Non-Current Assets  |             | <u>1,787,460</u>                      | <u>1,308,224</u>                      |
| <b>Current Assets</b>   |             |                                       |                                       |
| Property development costs                                      |             | 12,022                                | 12,022                                |
| Inventories   |             | 388,058                               | 375,498                               |
| Receivables   |             | 414,949                               | 469,239                               |
| Investment in money market funds                                |             | 17,560                                | 17,469                                |
| Deposits, cash and bank balances                                |             | 219,742                               | 333,517                               |
|   |             | <u>1,052,331</u>                      | <u>1,207,745</u>                      |
| <b>Total Assets</b>   |             | <b><u>2,839,791</u></b>               | <b><u>2,515,969</u></b>               |
| <b>EQUITY AND LIABILITIES</b>                                   |             |                                       |                                       |
| <b>Capital and Reserves</b>                                     |             |                                       |                                       |
| Share capital   |             | 1,250,536                             | 1,250,536                             |
| Reserves  |             | (35,043)                              | 1,049                                 |
| Equity attributable to owners of the Company                    |             | <u>1,215,493</u>                      | <u>1,251,585</u>                      |
| Non-controlling interests                                       |             | 175,218                               | 175,235                               |
| Total equity  |             | <u>1,390,711</u>                      | <u>1,426,820</u>                      |
| <b>Non-Current and Deferred Liabilities</b>                     |             |                                       |                                       |
| Loans and borrowings  | 18          | 47,944                                | 48,001                                |
| Lease liabilities   |             | 36,599                                | 20,123                                |
| Deferred payables   |             | 450,978                               | -                                     |
| Deferred tax liabilities  |             | 3,985                                 | 3,919                                 |
| Total Non-Current and Deferred Liabilities                      |             | <u>539,506</u>                        | <u>72,043</u>                         |
| <b>Current Liabilities</b>                                      |             |                                       |                                       |
| Payables  |             | 740,250                               | 864,509                               |
| Contract liabilities  |             | 20,058                                | 18,509                                |
| Loans and borrowings  | 18          | 139,772                               | 115,604                               |
| Lease liabilities   |             | 4,429                                 | 13,996                                |
| Tax liabilities   |             | 5,065                                 | 4,488                                 |
| Total Current Liabilities                                       |             | <u>909,574</u>                        | <u>1,017,106</u>                      |
| <b>Total Liabilities</b>  |             | <u>1,449,080</u>                      | <u>1,089,149</u>                      |
| <b>Total Equity and Liabilities</b>                             |             | <b><u>2,839,791</u></b>               | <b><u>2,515,969</u></b>               |
| Net assets per share attributable to owners of the Company (RM) |             | <u>1.79</u>                           | <u>1.84</u>                           |

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements)*

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(The figures have not been audited)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | ← Attributable to owners of the Company → |                              |                             |                                | Total<br>RM'000  | Non-<br>controlling<br>interests<br>RM'000 | Total<br>equity<br>RM'000 |
|--|---|------------------------------|-----------------------------|--------------------------------|------------------|--|---------------------------|
|  | Share<br>capital<br>RM'000                | Treasury<br>shares<br>RM'000 | Other<br>reserves<br>RM'000 | Retained<br>earnings<br>RM'000 |                  |  |                           |
| <b>30 September 2020</b>   |   |                              |                             |                                |                  |  |                           |
| <b>At 1 July 2020</b>  | 1,250,536                                 | (13,193)                     | (81,749)                    | 95,991                         | 1,251,585        | 175,235                                    | 1,426,820                 |
| Total comprehensive loss<br>for the period                           | -   | -                            | (641)                       | (35,451)                       | (36,092)         | (17)                                       | (36,109)                  |
| <b>At 30 September 2020</b>  | <u>1,250,536</u>                          | <u>(13,193)</u>              | <u>(82,390)</u>             | <u>60,540</u>                  | <u>1,215,493</u> | <u>175,218</u>                             | <u>1,390,711</u>          |
| <b>30 September 2019</b>   |   |                              |                             |                                |                  |  |                           |
| <b>At 1 July 2019</b>  | 1,250,536                                 | (13,193)                     | (49,966)                    | 486,524                        | 1,673,901        | 171,738                                    | 1,845,639                 |
| Total comprehensive loss<br>for the period                           | -   | -                            | (17,939)                    | (110,619)                      | (128,558)        | (26)                                       | (128,584)                 |
| Dividend paid to non-controlling interest<br>of a subsidiary company | -   | -                            | -                           | -                              | -                | (2,700)                                    | (2,700)                   |
| <b>At 30 September 2019</b>  | <u>1,250,536</u>                          | <u>(13,193)</u>              | <u>(67,905)</u>             | <u>375,905</u>                 | <u>1,545,343</u> | <u>169,012</u>                             | <u>1,714,355</u>          |

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements)

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|  | YEAR-TO-DATE ENDED  |                     |
|--|---------------------|---------------------|
|  | 30.9.2020<br>RM'000 | 30.9.2019<br>RM'000 |
| <b>OPERATING ACTIVITIES</b>  |                     |                     |
| Loss before tax  | (12,877)            | (109,398)           |
| Adjustments for:   |                     |                     |
| Non-cash items   | 25,844              | 52,201              |
| Non-operating items  | 14,457              | 4,802               |
| Operating profit/(loss) before changes in working capital          | 27,424              | (52,395)            |
| Changes in working capital:  |                     |                     |
| Net changes in current assets                                      | 41,635              | 11,669              |
| Net changes in current liabilities                                 | (121,321)           | (19,583)            |
|  | (52,262)            | (60,309)            |
| <b>INVESTING ACTIVITIES</b>  |                     |                     |
| Interest received  | 852                 | 1,923               |
| Proceeds from disposal of property, plant and equipment            | 172                 | 118                 |
| Purchase of long term investment                                   | (8,500)             | -                   |
| Purchase of property, plant and equipment                          | (68,850)            | (8,438)             |
| Increase in investment in money market funds                       | (91)                | (146)               |
| Others   | (4)                 | (29)                |
|  | (76,421)            | (6,572)             |
| <b>FINANCING ACTIVITIES</b>  |                     |                     |
| Borrowings and interest paid                                       | (3,284)             | (13,880)            |
| Proceeds from borrowings   | 18,000              | -                   |
| Decrease/(Increase) in cash and cash equivalents - restricted      | 95,062              | (92,528)            |
| Dividend paid to non-controlling interests of a subsidiary company | -                   | (2,700)             |
|  | 109,778             | (109,108)           |
| Net changes in cash and cash equivalents                           | (18,905)            | (175,989)           |
| Effect of exchange differences                                     | 193                 | -                   |
| Cash and cash equivalents at beginning of the period               | 219,228             | 361,403             |
| Cash and cash equivalents at end of the period                     | 200,516             | 185,414             |

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements)*

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## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Accounting policies and methods of computation

The condensed consolidated financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2020. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2020.

The significant accounting policies adopted in the condensed consolidated financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2020 except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretations effective for the financial period beginning 1 July 2020:

Amendments to:

|                             |                                   |
|-----------------------------|-----------------------------------|
| MFRS 3                      | Definition of a Business          |
| MFRS 9, MFRS 139 and MFRS 7 | Interest Rate Benchmark Reform    |
| MFRS 16                     | COVID-19-Related Rent Concessions |
| MFRS 101 and MFRS 108       | Definition of Material            |

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the abovementioned Amendments to MFRSs does not have material impact on the financial position and/or financial performance of the Group in the period of initial application.

### 2. Comments about seasonal or cyclical factors

The Group's performance is not affected by any material seasonal or cyclical factors.

### 3. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date, except as disclosed in the Interim Financial Report.

### 4. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

### 5. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date.

The shares repurchased to date are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As at 30 September 2020, the number of treasury shares held were 37,105,300 shares.

### 6. Dividends paid

There was no dividend paid during the quarter and financial year-to-date.

**7. Segmental information**

The Group's segmental report for the financial year-to-date was as follows:

|  | Steel<br>RM'000 | Building<br>materials<br>RM'000 | Others<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|--|-----------------|---------------------------------|------------------|------------------------|------------------------|
| <b>Revenue</b>   |                 |                                 |                  |                        |                        |
| External revenue   | 550,631         | 131,951                         | 27,912           | -                      | 710,494                |
| Inter-segment revenue  | 57,101          | -                               | 5,547            | (62,648)               | -                      |
| Total revenue  | <u>607,732</u>  | <u>131,951</u>                  | <u>33,459</u>    | <u>(62,648)</u>        | <u>710,494</u>         |
| <b>Results</b>   |                 |                                 |                  |                        |                        |
| Segment results  | (1,601)         | 1,470                           | 1,316            | -                      | 1,185                  |
| Finance costs  |                 |                                 |                  |                        | (9,546)                |
| Share in results of<br>associated companies<br>and joint venture | 28              | -                               | (5,396)          | -                      | (5,368)                |
| Investment income  |                 |                                 |                  |                        | 852                    |
| Loss before tax  |                 |                                 |                  |                        | (12,877)               |
| Tax expenses   |                 |                                 |                  |                        | (21,759)               |
| Loss for the period  |                 |                                 |                  |                        | <u>(34,636)</u>        |
| <b>Assets</b>  |                 |                                 |                  |                        |                        |
| Segment assets   | 1,184,933       | 197,548                         | 940,447          | -                      | 2,322,928              |
| Investment in<br>associated<br>companies and<br>joint venture    | 21,600          | -                               | 448,365          | -                      | 469,965                |
| Unallocated<br>corporate assets                                  |                 |                                 |                  |                        | 46,898                 |
| Consolidated total assets  |                 |                                 |                  |                        | <u>2,839,791</u>       |

**8. Subsequent events**

There were no material events subsequent to the end of the current quarter other than as mentioned in Note 17.

**9. Changes in composition of the Group**

There were no material changes in the composition of the Group during the current quarter and financial year-to-date.

**10. Changes in contingent liabilities and contingent assets**

There were no changes in contingent liabilities or contingent assets since 30 June 2020 except for the following:

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("SFI") ("Disposal"), a former subsidiary company of Lion Posim Berhad ("LPB"), LPB agreed to indemnify SFI and the purchaser of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchaser may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the Disposal.

**Indemnity for back pay labour claims from SFI's employees**

The Group had on 21 August 2020 paid an amount of RM3.5 million to SFI for its onward payment to SFI's employees. The payment was for the full and final settlement of the Group's obligations in relation to the claim by SFI's ex-employees for alleged arrears of wages. Subsequent to the settlement, the Group was released and discharged from all obligations in connection with the said claims howsoever arising and from its obligation under the letter of indemnity.



**11. Performance review**

|  | Note  | 3 MONTHS ENDED      |                     |              | YEAR-TO-DATE ENDED  |                     |              |
|--|-------|---------------------|---------------------|--------------|---------------------|---------------------|--------------|
|  |       | 30.9.2020<br>RM'000 | 30.9.2019<br>RM'000 | Changes<br>% | 30.9.2020<br>RM'000 | 30.9.2019<br>RM'000 | Changes<br>% |
| <b>Revenue</b>   |       |                     |                     |              |                     |                     |              |
| Steel  |       | 607,732             | 580,114             | 5            | 607,732             | 580,114             | 5            |
| Building materials   |       | 131,951             | 114,735             | 15           | 131,951             | 114,735             | 15           |
| Others   |       | 33,459              | 30,979              | 8            | 33,459              | 30,979              | 8            |
| Eliminations   |       | (62,648)            | (69,426)            |              | (62,648)            | (69,426)            |              |
|  |       | <u>710,494</u>      | <u>656,402</u>      | 8            | <u>710,494</u>      | <u>656,402</u>      | 8            |
| <b>Segment Results</b>                                     |       |                     |                     |              |                     |                     |              |
| Steel  |       | (1,601)             | (76,617)            | 98           | (1,601)             | (76,617)            | 98           |
| Building materials   |       | 1,470               | 1,004               | 46           | 1,470               | 1,004               | 46           |
| Others   |       | 1,316               | (1,130)             | >100         | 1,316               | (1,130)             | >100         |
| Profit/(Loss) from operations                              |       | 1,185               | (76,743)            | >100         | 1,185               | (76,743)            | >100         |
| Finance costs  |       | (9,546)             | (5,066)             |              | (9,546)             | (5,066)             |              |
| Share in results of associated companies and joint venture |       | (5,368)             | (12,452)            |              | (5,368)             | (12,452)            |              |
| Investment income  |       | 852                 | 2,427               |              | 852                 | 2,427               |              |
| Exceptional item   | 23(k) | -                   | (17,564)            |              | -                   | (17,564)            |              |
| Loss before tax  |       | <u>(12,877)</u>     | <u>(109,398)</u>    | 88           | <u>(12,877)</u>     | <u>(109,398)</u>    | 88           |

For the first three months of the financial year under review, the Group posted an 8% higher revenue of RM710 million compared to RM656 million recorded last year. This was mainly due to the higher revenue registered by our steel and building materials divisions. The Group reported an operating profits of RM1.2 million against losses of RM76.7 million a year ago mainly due to the lower loss from the steel division. The Group shared a lower loss of RM5.4 million from associated companies and a joint venture compared with RM12.5 million in the previous year. Accordingly, the Group posted a substantially lower loss before tax of RM12.9 million compared with RM109.4 million in last financial period. The Group's net assets per share as at 30 September 2020 was RM1.79, a decrease of 5 sen from that of the last financial year.

**Steel**

Steel division recorded a higher revenue of RM608 million compared to RM580 million in the same period last year. The higher revenue was mainly due to the higher sales volume. Accordingly, the division reported a significantly lower loss from operations of RM1.6 million compared with RM76.6 million last year.

**Building materials**

Revenue increased by 15% to RM132.0 million as compared to RM114.7 million a year ago, mainly from the higher sales of non-steel building materials. The Division accordingly posted a higher profit of RM1.5 million as compared to a year ago.

**Others**

Revenue of RM33.5 million was mainly from the sales of lubricants, automotive and petroleum products, as well as the provision of management services and property development projects. The higher revenue was mainly due to the higher sales of lubricants and automotive products. Accordingly, the division recorded a profit of RM1.3 million for the period under review.

**Associated companies and joint venture**

The share in the loss of associated companies and a joint venture was largely attributable to the loss from the retail business.

**Exceptional item**

During previous financial period, the exceptional item comprised a write down of inventories to their net realisable value of RM17.6 million.

**12. Comment on material change in profit**

|                               | <b>Current<br/>Year<br/>Quarter<br/>30.9.2020</b> | <b>Immediate<br/>Preceding<br/>Quarter<br/>30.6.2020</b> | <b>Changes</b> |
|-------------------------------|---|--|----------------|
|                               | RM'000  | RM'000   | %              |
| Revenue                       | 710,494   | 465,146  | 53             |
| Profit/(Loss) from operations | 1,185   | (44,251)   | >100           |
| Loss before tax               | (12,877)  | (129,304)  | 90             |

Revenue of the Group for the quarter under review was 53% higher at RM710 million compared with RM465 million in the immediate preceding quarter mainly due to the higher sales volume of steel products and building materials after the relaxation of MCO. Accordingly, the Group recorded a profit from operations of RM1.2 million for the quarter under review.

After accounting for a lower share of loss of associated companies and a joint venture of RM5.4 million, the Group posted a lower loss before tax of RM12.9 million for the quarter under review compared with RM129 million in the immediate preceding quarter.

**13. a) Prospects**

The operating environment for the Group businesses is expected to continue to be challenging in the next quarter as the COVID-19 situation is constantly evolving.

Whilst there are challenges ahead, the Group remains vigilant and responsive to market changes and takes the necessary steps to contain operating costs and at the same time sustain its business growth.

**b) Forecast or target previously announced**

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

**14. Statement of the Board of Directors' opinion on achievement of forecast or target**

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

**15. Profit forecast or profit guarantee**

No profit forecast or profit guarantee was published.

**16. Tax expense**

|                       | <b>3 MONTHS ENDED</b> |                  | <b>YEAR-TO-DATE ENDED</b> |                  |
|-----------------------|-----------------------|------------------|---------------------------|------------------|
|                       | <b>30.9.2020</b>      | <b>30.9.2019</b> | <b>30.9.2020</b>          | <b>30.9.2019</b> |
|                       | RM'000                | RM'000           | RM'000                    | RM'000           |
| Estimated tax payable |                       |                  |                           |                  |
| Current provision     | 1,323                 | 1,121            | 1,323                     | 1,121            |
| Deferred taxation     |                       |                  |                           |                  |
| Current provision     | 20,436                | -                | 20,436                    | -                |
|                       | <u>21,759</u>         | <u>1,121</u>     | <u>21,759</u>             | <u>1,121</u>     |

Excluding the share in results of associated companies and the joint venture, the effective tax rate of the Group for the current quarter and financial year-to-date is higher than the statutory tax rate principally due to certain expenses not being deductible for tax purposes.

**17. Corporate proposals**

Save for the below proposals to be undertaken by Lion Industries Corporation Berhad ("LICB"), there are no other corporate proposals as at the date of this report.

| No | Date of Announcements  | Subjects   | Status  |
|----|--|--|---|
| 1. | 3.7.2018<br>30.8.2018<br>13.9.2018<br>20.9.2018<br>1.11.2018<br>12.3.2019<br>11.6.2019<br>11.7.2019<br>9.8.2019<br>10.9.2019<br>20.11.2019<br>29.11.2019<br>12.12.2019<br>27.7.2020<br>30.7.2020<br>3.8.2020 | <p>Proposed Expansion into Flat Steel Business involving the following corporate proposals:</p> <p>(a) proposed acquisition by Cendana Aset Sdn Bhd ("Cendana Aset"), a wholly-owned subsidiary of Cendana Domain Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, of the encumbered assets and the assignment of the Secomex Debt for a total purchase consideration of approximately RM537.73 million, which is payable by Cendana Aset to the secured lenders of Megasteel Sdn Bhd ("Megasteel") ("Megasteel Secured Lenders")("Proposed Acquisition of Encumbered Assets");</p> <p>(b) proposed acquisition by Gelora Berkat Sdn Bhd ("Gelora Berkat"), a wholly-owned subsidiary of Tahap Berkat Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, of the MS Promissory Note to be issued by Megasteel to the Megasteel Secured Lenders' appointed trustee in relation to the under-secured portion debts settlement for a cash consideration of RM8.50 million, which is payable by Gelora Berkat to the Megasteel Secured Lenders (Proposed Acquisition of MS Promissory Note");</p> <p>(c) proposed acquisition by Gelora Berkat of all the unencumbered assets of Megasteel for a cash consideration of approximately RM21.59 million, which is payable by Gelora Berkat to Megasteel ("Proposed Acquisition of Unencumbered Assets"); and</p> <p>(d) proposed supply of electricity by Tenaga Nasional Berhad ("TNB") to LICB and its subsidiaries ("LICB Group") for their steel mill operations located in Banting including the flat steel assets for a cash consideration of RM35.80 million.</p> | <p>(a) the approval of the shareholders of Megasteel was obtained on 11 June 2019;</p> <p>(b) the approval from the Megasteel Secured Lenders at the Court-Convened Meeting in relation to the scheme of arrangement and compromise to be undertaken between Megasteel and the Megasteel Secured Lenders under the Companies Act 2016 ("Act") ("Megasteel Secured Scheme") was obtained on 10 July 2019;</p> <p>(c) the approval from the Megasteel Unsecured Creditors at the Court-Convened Meeting in relation to the scheme of arrangement and compromise to be undertaken between Megasteel and the Megasteel Unsecured Creditors under the Act ("Megasteel Unsecured Scheme") was obtained on 10 July 2019;</p> <p>(d) the sanction of the Megasteel Secured Scheme by the High Court of Malaya ("Court") under the Act was obtained on 7 August 2019;</p> <p>(e) the sanction of the Megasteel Unsecured Scheme by the Court under the Act was obtained on 10 September 2019;</p> <p>(f) the approval of the non-interested shareholders of the Company in relation to the proposals was obtained on 29 November 2019;</p> <p>(g) the Megasteel Secured Scheme had become unconditional on 29 November 2019 and completed on 30 July 2020.</p> <p>(h) the Proposed Acquisition of Encumbered Assets and the Proposed Acquisition of MS Promissory Note under the Megasteel Secured Scheme has been completed on 30 July 2020; and</p> <p>(i) the Proposed Acquisition of Unencumbered Assets under the Megasteel Unsecured Scheme is pending completion.</p> |

**17. Corporate proposals**

Save for the below proposals to be undertaken by Lion Industries Corporation Berhad ("LICB"), there are no other corporate proposals as at the date of this report.

| No | Date of Announcements  | Subjects  | Status  |
|----|--|---|---|
| 2. | 9.6.2020<br>(Initial Announcement)<br><br>24.7.2020<br>24.8.2020<br>17.9.2020<br>28.9.2020<br>16.10.2020<br>30.10.2020<br>13.11.2020 | Proposed disposal by Amsteel Mills Sdn Bhd ("AMSB"), a 99% owned subsidiary of the Company, of the hot-briquetted iron ("HBI") plant and business in Labuan by disposing of its entire 100% equity interest in Antara Steel Mills Sdn Bhd ("Antara") to Esteel Enterprise Pte Ltd ("Buyer") for a cash consideration of USD128.00 million (equivalent to RM546.56 million) ("Proposed Disposal").<br><br>Note: Defined words used herein carry the same meaning as explained in the announcements | The Proposed Disposal is subject to the following approvals being obtained:<br><br>(a) The Shareholders of the Company;<br><br>(b) all relevant approvals, consents and/or waivers of governmental and regulatory authorities and contracting third parties of Antara, AMSB, the Company and/or their respective affiliates, as set out under item 2.5. |

**18. Borrowings and debt securities**

The Group's borrowings as at end of the reporting period were as follows :

|  | <b>YEAR-TO-DATE ENDED</b> |                  |
|--|---------------------------|------------------|
|  | <b>30.9.2020</b>          | <b>30.9.2019</b> |
|  | RM'000                    | RM'000           |
| <b>Non-current</b>                       |                           |                  |
| <u>Secured</u>                           |                           |                  |
| Hire-purchase and finance lease payables | 47,250                    | 38,812           |
| <u>Unsecured</u>                         |                           |                  |
| Hire-purchase and finance lease payables | 694                       | 726              |
|  | <u>47,944</u>             | <u>39,538</u>    |
| <b>Current</b>                           |                           |                  |
| <u>Secured</u>                           |                           |                  |
| Term loan                                | 24,671                    | 11,962           |
| Hire-purchase and finance lease payables | 19,409                    | 24,717           |
| Bankers acceptance and revolving credit  | 68,952                    | 67,389           |
| Bank overdraft                           | 26,344                    | 41,172           |
| <u>Unsecured</u>                         |                           |                  |
| Hire-purchase and finance lease payables | 318                       | 311              |
| Bankers acceptance and revolving credit  | 78                        | 955              |
|  | <u>139,772</u>            | <u>146,506</u>   |
|  | <u>187,716</u>            | <u>186,044</u>   |

All the Group's borrowings are denominated in Ringgit Malaysia.

**19. Changes in material litigation**

There was no material litigation since 30 June 2020.

**20. Dividend proposed**

The Board does not recommend any interim dividend for the current quarter and financial year-to-date.

**21. (Loss)/Earnings per share ("EPS")****Basic**

Basic EPS is calculated by dividing the loss for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial period.

|  | <b>3 MONTHS ENDED</b> |                  | <b>YEAR-TO-DATE ENDED</b> |                  |
|--|-----------------------|------------------|---------------------------|------------------|
|  | <b>30.9.2020</b>      | <b>30.9.2019</b> | <b>30.9.2020</b>          | <b>30.9.2019</b> |
| Loss attributable to owners of the Company (RM'000)        | <u>(35,451)</u>       | <u>(110,619)</u> | <u>(35,451)</u>           | <u>(110,619)</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>680,804</u>        | <u>680,804</u>   | <u>680,804</u>            | <u>680,804</u>   |
| Basic EPS (sen)  | <u>(5.21)</u>         | <u>(16.25)</u>   | <u>(5.21)</u>             | <u>(16.25)</u>   |

The basic EPS and the diluted EPS are the same for the period as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

**22. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 30 June 2020 was not qualified.

**23. Loss before tax**

Loss before tax is arrived at after crediting/(charging) the following income/(expenses):

|   | <b>3 MONTHS ENDED</b> |                  | <b>YEAR-TO-DATE ENDED</b> |                  |
|---|-----------------------|------------------|---------------------------|------------------|
|   | <b>30.9.2020</b>      | <b>30.9.2019</b> | <b>30.9.2020</b>          | <b>30.9.2019</b> |
|   | RM'000                | RM'000           | RM'000                    | RM'000           |
| (a) Interest income   | 852                   | 2,427            | 852                       | 2,427            |
| (b) Other income including investment income                                | 6,440                 | 5,541            | 6,440                     | 5,541            |
| (c) Interest expense  | (9,546)               | (5,066)          | (9,546)                   | (5,066)          |
| (d) Depreciation and amortisation   | (24,834)              | (26,111)         | (24,834)                  | (26,111)         |
| (e) Provision for and write off of receivables                              | (1,282)               | (1,175)          | (1,282)                   | (1,175)          |
| (f) Provision for and write off of inventories                              | -                     | -                | -                         | -                |
| (g) Gain/(Loss) on disposal of quoted or unquoted investments or properties | -                     | -                | -                         | -                |
| (h) Impairment of assets  | -                     | -                | -                         | -                |
| (i) Foreign exchange gain/(loss)  | 1,302                 | 2,926            | 1,302                     | 2,926            |
| (j) Gain/(Loss) on derivatives  | -                     | -                | -                         | -                |
| (k) Reversal of impairment loss on trade and other receivables              | -                     | -                | -                         | -                |
| (l) Exceptional item  |                       |                  |                           |                  |
| - inventories written down  | -                     | (17,564)         | -                         | (17,564)         |