



LION INDUSTRIES CORPORATION BERHAD

Registration No. 192401000008 (415-D)

(Incorporated in Malaysia)

Interim Financial Report for the First Quarter Ended 31 March 2023

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER			YEAR-TO-DATE ENDED		
		31.3.2023 RM'000	31.3.2022 RM'000	Changes %	31.3.2023 RM'000	31.3.2022 RM'000	Changes %
Revenue		513,942	681,930	-25	513,942	681,930	-25
Operating expenses		(565,655)	(702,950)		(565,655)	(702,950)	
Other operating income		2,158	3,840		2,158	3,840	
Loss from operations		(49,555)	(17,180)	>-100	(49,555)	(17,180)	>-100
Finance costs		(1,924)	(2,917)		(1,924)	(2,917)	
Share in results of associated companies and joint venture		5,290	(2,240)		5,290	(2,240)	
Investment income		1,071	3,037		1,071	3,037	
Exceptional items	23(k)	25,315	(9,754)		25,315	(9,754)	
Loss before tax	23	(19,803)	(29,054)	32	(19,803)	(29,054)	32
Tax (expense)/credit	16	(970)	4,204		(970)	4,204	
Loss for the period		<u>(20,773)</u>	<u>(24,850)</u>	16	<u>(20,773)</u>	<u>(24,850)</u>	16
(Loss)/Profit attributable to:							
- Owners of the Company		(21,798)	(24,595)		(21,798)	(24,595)	
- Non-controlling interests		1,025	(255)		1,025	(255)	
Loss for the period		<u>(20,773)</u>	<u>(24,850)</u>		<u>(20,773)</u>	<u>(24,850)</u>	
Loss per share attributable to owners of the Company (sen):	21						
- Basic		<u>(3.20)</u>	<u>(3.61)</u>		<u>(3.20)</u>	<u>(3.61)</u>	
- Diluted		<u>(3.20)</u>	<u>(3.61)</u>		<u>(3.20)</u>	<u>(3.61)</u>	

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		YEAR-TO-DATE ENDED	
	31.3.2023 RM'000	31.3.2022 RM'000	31.3.2023 RM'000	31.3.2022 RM'000
Loss for the period	(20,773)	(24,850)	(20,773)	(24,850)
<u>Other comprehensive income/(loss)</u>				
<u>Items that may be reclassified subsequently to profit or loss</u>				
Exchange differences on translation of foreign operations	5,501	(535)	5,501	(535)
Share of other comprehensive income of associated companies	8,060	5,271	8,060	5,271
Other comprehensive income for the period, net of tax	13,561	4,736	13,561	4,736
Total comprehensive loss for the period	<u>(7,212)</u>	<u>(20,114)</u>	<u>(7,212)</u>	<u>(20,114)</u>
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(9,739)	(19,797)	(9,739)	(19,797)
- Non-controlling interests	2,527	(317)	2,527	(317)
	<u>(7,212)</u>	<u>(20,114)</u>	<u>(7,212)</u>	<u>(20,114)</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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Interim financial report for the first quarter ended 31 March 2023
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.3.2023 RM'000	AS AT 31.12.2022 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		906,249	902,550
Investment properties		114,176	113,877
Prepaid land lease payments		36,238	36,625
Right-of-use assets		13,272	22,314
Land held for property development		51,882	51,849
Investment in associated companies and joint venture		426,479	407,849
Long-term investments		599	599
Deferred tax assets		9,484	9,484
Goodwill		130,443	130,443
Total Non-Current Assets		1,688,822	1,675,590
Current Assets			
Inventories		462,751	380,330
Receivables		670,686	824,841
Investment in money market funds		2,299	2,279
Deposits, cash and bank balances		108,719	208,253
		1,244,455	1,415,703
Non-current assets classified as held for sale		-	6,685
Total Current Assets		1,244,455	1,422,388
Total Assets		2,933,277	3,097,978
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		1,250,536	1,250,536
Reserves		248,523	258,262
Equity attributable to owners of the Company		1,499,059	1,508,798
Non-controlling interests		227,745	225,218
Total Equity		1,726,804	1,734,016
Non-Current and Deferred Liabilities			
Loans and borrowings	18	799	833
Lease liabilities		9,562	16,723
Deferred payables		243,725	243,725
Deferred tax liabilities		4,277	4,277
Total Non-Current and Deferred Liabilities		258,363	265,558
Current Liabilities			
Payables		713,907	855,180
Loans and borrowings	18	148,316	155,003
Lease liabilities		4,360	6,474
Deferred payables		80,000	80,000
Tax liabilities		1,527	1,747
Total Current Liabilities		948,110	1,098,404
Total Liabilities		1,206,473	1,363,962
Total Equity and Liabilities		2,933,277	3,097,978
Net assets per share attributable to owners of the Company (RM)		2.20	2.22

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000			
31 March 2023							
At 1 January 2023	1,250,536	(13,193)	3,291	268,164	1,508,798	225,218	1,734,016
Total comprehensive income/(loss) for the period	-	-	12,059	(21,798)	(9,739)	2,527	(7,212)
At 31 March 2023	1,250,536	(13,193)	15,350	246,366	1,499,059	227,745	1,726,804
31 March 2022							
At 1 January 2022	1,250,536	(13,193)	(3,548)	579,763	1,813,558	225,147	2,038,705
Total comprehensive income/(loss) for the period	-	-	4,798	(24,595)	(19,797)	(317)	(20,114)
At 31 March 2022	1,250,536	(13,193)	1,250	555,168	1,793,761	224,830	2,018,591

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2022 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	
	31.3.2023	31.3.2022
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(19,803)	(29,054)
Adjustments for:		
Non-cash items	(12,506)	14,781
Non-operating items	(3,467)	11,874
Operating loss before changes in working capital	(35,776)	(2,399)
Changes in working capital:		
Net changes in current assets	84,358	81,088
Net changes in current liabilities	(134,110)	(221,006)
	(85,528)	(142,317)
INVESTING ACTIVITIES		
Interest received	1,071	3,037
Proceeds from disposal of property, plant and equipment	286	186
Purchase of property, plant and equipment	(15,523)	(32,867)
Partial proceeds from disposal of assets held for sale	8,400	-
Decrease in investment in money market funds	(20)	(1)
Dividend received	-	918
Increase in land held for property development	(33)	(150)
	(5,819)	(28,877)
FINANCING ACTIVITIES		
Borrowings and interest paid	(8,645)	(21,282)
(Increase)/Decrease in cash and cash equivalents - restricted	(395)	760
	(9,040)	(20,522)
Net changes in cash and cash equivalents	(100,387)	(191,716)
Effect of exchange differences	458	383
Cash and cash equivalents at beginning of the period	176,519	693,319
Cash and cash equivalents at end of the period	76,590	501,986

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED 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 31 December 2022. 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 31 December 2022.

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 31 December 2022 except for the adoption of the following MFRS and Amendments to MFRSs effective for the financial period beginning 1 January 2023:

MFRS 7	Insurance Contracts
Amendments to:	
MFRS 17	Initial Application of MFRS 9 and MFRS 17 - Comparative Information
MFRS 101	Disclosure of Accounting Policies
MFRS 108	Definition of Accounting Estimates
MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the abovementioned MFRS and 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 results for the current quarter and financial year-to-date.

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 31 March 2023, the number of treasury shares held were 37,105,300 shares.

6. Dividends paid

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

7. Segmental information

The Group's segmental report for the period ended 31 March 2023 was as follows:

	Steel RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	324,964	160,436	28,542	-	513,942
Inter-segment revenue	60,080	14,550	6,511	(81,141)	-
Total revenue	<u>385,044</u>	<u>174,986</u>	<u>35,053</u>	<u>(81,141)</u>	<u>513,942</u>
Results					
Segment results	(50,853)	153	1,145	-	(49,555)
Finance costs	(1,372)	(190)	(362)	-	(1,924)
Share in results of associated companies and joint venture	248	-	5,042	-	5,290
Investment income	285	430	356	-	1,071
Exceptional item	25,315	-	-	-	25,315
Loss before tax					(19,803)
Tax expense					(970)
Loss for the period					<u>(20,773)</u>
Assets					
Segment assets	1,735,134	384,542	365,071	-	2,484,747
Investment in associated companies and joint venture	8,029	-	418,450	-	426,479
Unallocated corporate assets					22,051
Consolidated total assets					<u>2,933,277</u>

8. Subsequent events

There were no material events subsequent to the end of the current quarter and financial year-to-date.

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 material changes in contingent liabilities or contingent assets since 31 December 2022.

11. Performance review

	INDIVIDUAL QUARTER			YEAR-TO-DATE ENDED		
	31.3.2023 RM'000	31.3.2022 RM'000	Changes %	31.3.2023 RM'000	31.3.2022 RM'000	Changes %
Revenue						
Steel	385,044	552,491	-30	385,044	552,491	-30
Building materials	174,986	173,483	1	174,986	173,483	1
Others	35,053	30,803	14	35,053	30,803	14
Eliminations	(81,141)	(74,847)		(81,141)	(74,847)	
	<u>513,942</u>	<u>681,930</u>	-25	<u>513,942</u>	<u>681,930</u>	-25
Segment Results						
Steel	(50,853)	(13,654)	>-100	(50,853)	(13,654)	>-100
Building materials	153	623	-75	153	623	-75
Others	1,145	(4,149)	>100	1,145	(4,149)	>100
Loss from operations	(49,555)	(17,180)	>-100	(49,555)	(17,180)	>-100
Finance costs	(1,924)	(2,917)		(1,924)	(2,917)	
Share in results of associated companies and joint venture	5,290	(2,240)		5,290	(2,240)	
Investment income	1,071	3,037		1,071	3,037	
Exceptional items	25,315	(9,754)		25,315	(9,754)	
Loss before tax	<u>(19,803)</u>	<u>(29,054)</u>	32	<u>(19,803)</u>	<u>(29,054)</u>	32

For the first quarter ended 31 March 2023, the Group registered a revenue of RM513.9 million with the Steel and Building Materials Divisions being the two main contributors to the Group's revenue. The Group however reported an operating loss of RM49.6 million mainly due to the higher loss from the Steel Division.

The Group recorded a loss before tax of RM19.8 million for the period under review. The Group's net assets per share as at 31 March 2023 stood at RM2.20.

Steel

The Division's revenue was 30% lower at RM385.0 million compared with RM552.5 million recorded in the same quarter last year mainly due to lower sales tonnage. The Division recorded a higher loss of RM50.9 million compared with RM13.7 million in the same quarter last year mainly due to higher production costs.

Building materials

For the quarter under review, the Division recorded a revenue of RM175.0 million, a marginal increase of 1% from that of the same quarter last year due to the higher sales of building materials. With higher cost of sales, the Division posted a lower profit of RM0.2 million compared with RM0.6 million in last year's same quarter.

Others

Revenue under Others Division was mainly from the sale of lubricants, automotive products and petroleum products, as well as the provision of management services and property development projects. These activities collectively contributed a higher revenue of RM35.1 million for the current quarter compared with RM30.8 million recorded in the same quarter last year. The Division recorded a profit of RM1.1 million mainly due to the higher profit of RM3.8 million from the sale of lubricant, petroleum products and automotive products compared with RM0.5 million recorded in the same quarter in the previous year. The results for last year were affected by higher production costs which arose from the disruption in the production of lubricants caused by the flood in December 2021.

Associated companies and joint venture

The better results of the associated companies and a jointly controlled entity were largely attributable to the improved performance from their retail businesses. The retail businesses turned profitable due to higher sales during the Chinese New Year festivities and the improved shopper traffic following the full lifting of COVID-19 related prevention and control measures in China.

Exceptional items

Exceptional item for the current period represents the gain on disposal of assets held for sale (barges and tug boats).

12. Comment on material change in profit

	Current Year Quarter 31.3.2023	Immediate Preceding Quarter 31.12.2022	Changes
	RM'000	RM'000	%
Revenue	513,942	681,771	-25
Loss from operations	(49,555)	(67,459)	27
Loss before tax	(19,803)	(91,929)	78

Revenue of the Group for the quarter under review was 25% lower at RM513.9 million compared with RM681.8 million in the immediate preceding quarter mainly due to the lower sales of steel products. However, the Group recorded a lower loss from operations of RM49.6 million compared with RM67.5 million in the immediate preceding quarter.

After accounting for exceptional gain on disposal of RM25.3 million and profit from the associated companies of RM5.3 million (Immediate preceding quarter: share of losses of RM11.1 million), the Group posted a lower loss for the current quarter.

13. a) Prospects

Surrounded by economic uncertainties, the operating environment for the Group's businesses is expected to remain challenging in the next quarter. The domestic steel market continues to face volatile steel prices, low demand from the property and construction sector and high production costs due to the hike in energy cost.

Nonetheless, the Group will remain vigilant and readily responsive to market changes. The Group will continue to focus on optimising operational efficiencies and to contain operating costs.

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)/credit

	INDIVIDUAL QUARTER		YEAR-TO-DATE ENDED	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	(969)	(762)	(969)	(762)
- Under provision in prior years	(1)	-	(1)	-
Deferred taxation				
- Current provision	-	4,966	-	4,966
	<u>(970)</u>	<u>4,204</u>	<u>(970)</u>	<u>4,204</u>

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

17. Corporate proposals**Status of corporate proposals**

There are no corporate proposals as at the date of this report.

The status of corporate proposals of Lion Posim Berhad ("LPB"), a listed subsidiary company, is reported in the Interim Financial Report of LPB.

18. Borrowings and debt securities

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

	As at 31.3.2023 RM'000	As at 31.3.2022 RM'000
Non-current		
<u>Secured</u>		
Hire-purchase and finance lease payables	58	47,327
<u>Unsecured</u>		
Hire-purchase and finance lease payables	741	444
	<u>799</u>	<u>47,771</u>
Current		
<u>Secured</u>		
Term loan	49,910	32,070
Hire-purchase and finance lease payables	15	8,630
Bankers acceptance and revolving credit	72,900	69,500
Receivables financing facility	21,596	-
Bank overdrafts	3,586	17,436
<u>Unsecured</u>		
Hire-purchase and finance lease payables	309	184
Bankers acceptance and revolving credit	-	890
	<u>148,316</u>	<u>128,710</u>
	<u>149,115</u>	<u>176,481</u>

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

19. Changes in material litigation

There was no material litigation since 31 December 2022.

20. Dividend proposed

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

21. Loss per share ("EPS")

Basic EPS is calculated by dividing the loss for the quarter/year attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the current quarter and financial year-to-date.

	INDIVIDUAL QUARTER		YEAR-TO-DATE ENDED	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
Loss attributable to owners of the Company (RM'000)	(21,798)	(24,595)	(21,798)	(24,595)
Weighted average number of ordinary shares in issue ('000)	680,804	680,804	680,804	680,804
Basic EPS (sen)	(3.20)	(3.61)	(3.20)	(3.61)

The basic EPS and the diluted EPS are equal as the unexercised warrants were anti-dilutive due to the average market share price of the Company was below the exercise price of the warrants.

22. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 31 December 2022 was not qualified.

23. Loss before tax

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

	INDIVIDUAL QUARTER		YEAR-TO-DATE ENDED	
	31.3.2023	31.3.2022	31.3.2023	31.3.2022
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	1,071	3,037	1,071	3,037
(b) Other operating income	2,158	3,840	2,158	3,840
(c) Interest expense	(1,924)	(2,917)	(1,924)	(2,917)
(d) Depreciation and amortisation	(13,786)	(13,392)	(13,786)	(13,392)
(e) Provision for and write off of receivables	(1,437)	(1,413)	(1,437)	(1,413)
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties (Note k)	-	-	-	-
(h) Impairment of assets	-	-	-	-
(i) Foreign exchange gain/(loss)	1,277	1,017	1,277	1,017
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	25,315	(9,754)	25,315	(9,754)
- gain on disposal of assets held for sale	25,315	-	25,315	-
- dilution of interest in an associated company	-	(9,754)	-	(9,754)