



LION INDUSTRIES CORPORATION BERHAD

Registration No. 192401000008 (415-D)

(Incorporated in Malaysia)

Interim Financial Report for the First Quarter Ended 31 March 2024

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Interim financial report for the first quarter ended 31 March 2024
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER			YEAR-TO-DATE ENDED		
		31.3.2024 RM'000	31.3.2023 RM'000	Changes %	31.3.2024 RM'000	31.3.2023 RM'000	Changes %
Revenue		413,842	513,942	-19	413,842	513,942	-19
Operating expenses		(455,467)	(565,655)		(455,467)	(565,655)	
Other operating income		1,049	2,158		1,049	2,158	
Loss from operations		(40,576)	(49,555)	18	(40,576)	(49,555)	18
Finance costs		(4,012)	(1,924)		(4,012)	(1,924)	
Share of results of associated companies and joint venture		6,663	5,290		6,663	5,290	
Investment income		853	1,071		853	1,071	
Gain on disposal of non-current assets classified as held for sale		-	25,315		-	25,315	
Loss before tax	23	(37,072)	(19,803)	-87	(37,072)	(19,803)	-87
Tax expense	16	(1,144)	(970)		(1,144)	(970)	
Loss for the period		(38,216)	(20,773)	-84	(38,216)	(20,773)	-84
(Loss)/Profit attributable to:							
- Owners of the Company		(38,618)	(21,798)		(38,618)	(21,798)	
- Non-controlling interests		402	1,025		402	1,025	
Loss for the period		(38,216)	(20,773)		(38,216)	(20,773)	
Loss per share attributable to owners of the Company (sen):	21						
- Basic		(5.67)	(3.20)		(5.67)	(3.20)	
- Diluted		(5.67)	(3.20)		(5.67)	(3.20)	

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2023 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	
	31.3.2024 RM'000	31.3.2023 RM'000	31.3.2024 RM'000	31.3.2023 RM'000
Loss for the period	(38,216)	(20,773)	(38,216)	(20,773)
<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	2,674	5,501	2,674	5,501
Share of other comprehensive income of associated companies	3,265	8,060	3,265	8,060
Other comprehensive income for the period, net of tax	5,939	13,561	5,939	13,561
Total comprehensive loss for the period	(32,277)	(7,212)	(32,277)	(7,212)
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(33,408)	(9,739)	(33,408)	(9,739)
- Non-controlling interests	1,131	2,527	1,131	2,527
	(32,277)	(7,212)	(32,277)	(7,212)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2023 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 2024

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.3.2024 RM'000	AS AT 31.12.2023 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		843,346	850,746
Investment properties		121,682	118,564
Prepaid land lease payments		18,144	36,945
Right-of-use assets		24,848	29,382
Land held for property development		51,760	51,626
Investment in associated companies and joint venture		407,945	398,437
Long-term investments		599	599
Deferred tax assets		9,937	9,937
Total Non-Current Assets		1,478,261	1,496,236
Current Assets			
Property development costs		4,746	4,736
Inventories		325,733	308,134
Receivables		644,164	652,638
Current tax assets		8,052	9,738
Investment in money market funds		2,384	2,362
Deposits, cash and bank balances		105,636	114,558
		1,090,715	1,092,166
Non-current assets classified as held for sale		29,510	12,725
Total Current Assets		1,120,225	1,104,891
Total Assets		2,598,486	2,601,127
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		1,250,536	1,250,536
Reserves		(183,132)	(149,724)
Equity attributable to owners of the Company		1,067,404	1,100,812
Non-controlling interests		223,788	222,657
Total Equity		1,291,192	1,323,469
Non-Current and Deferred Liabilities			
Loans and borrowings	18	565	22,200
Lease liabilities		13,075	14,618
Deferred payables		120,622	120,622
Deferred tax liabilities		68,535	68,535
Total Non-Current and Deferred Liabilities		202,797	225,975
Current Liabilities			
Payables		785,850	780,602
Loans and borrowings	18	185,608	138,039
Lease liabilities		9,312	9,461
Deferred payables		123,103	123,103
Current tax liabilities		624	478
Total Current Liabilities		1,104,497	1,051,683
Total Liabilities		1,307,294	1,277,658
Total Equity and Liabilities		2,598,486	2,601,127
Net assets per share attributable to owners of the Company (RM)		1.57	1.62

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2023 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	(Accumulated losses)/ Retained earnings RM'000			
<u>31 March 2024</u>							
At 1 January 2024	1,250,536	(13,193)	8,035	(144,566)	1,100,812	222,657	1,323,469
Total comprehensive income/(loss) for the period	-	-	5,210	(38,618)	(33,408)	1,131	(32,277)
At 31 March 2024	1,250,536	(13,193)	13,245	(183,184)	1,067,404	223,788	1,291,192
<u>31 March 2023</u>							
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

The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2023 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	
	31.3.2024	31.3.2023
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(37,072)	(19,803)
Adjustments for:		
Non-cash items	15,824	(12,506)
Non-operating items	(2,360)	(3,467)
Operating loss before changes in working capital	(23,608)	(35,776)
Changes in working capital:		
Net changes in current assets	(14,170)	84,358
Net changes in current liabilities	8,898	(134,110)
Others (mainly interest received)	853	1,071
	(28,027)	(84,457)
INVESTING ACTIVITIES		
Capital repayment from joint venture	90	-
Proceeds from disposal of property, plant and equipment	104	286
Purchase of property, plant and equipment	(1,534)	(15,523)
Partial proceeds from disposal of assets held for sale	-	8,400
Increase in investment in money market funds	(22)	(20)
Increase in land held for property development	(144)	(33)
	(1,506)	(6,890)
FINANCING ACTIVITIES		
Borrowings and interest paid	(3,585)	(8,645)
Increase in cash and cash equivalents - restricted	-	(395)
	(3,585)	(9,040)
Net changes in cash and cash equivalents	(33,118)	(100,387)
Effect of exchange differences	380	458
Cash and cash equivalents at beginning of the period	70,686	176,519
Cash and cash equivalents at end of the period	37,948	76,590

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2023 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 2023. 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 2023.

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 2023 except for the adoption of the following Amendments to MFRSs effective for the financial period beginning 1 January 2024:

Amendments to:

MFRS 16	Lease Liability in a Sale and Leaseback
MFRS 101	Classification of Liability as Current or Non-current
MFRS 101	Non-current Liabilities with Covenants
MFRS 107 and MFRS 7	Supplier Finance Arrangements

The adoption of the above amendments to MFRSs has no significant effect on the financial performance or position of the Group.

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 2024, 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 2024 was as follows:

	Steel RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue					
External revenue	226,795	157,113	29,934	-	413,842
Inter-segment revenue	56,440	-	5,983	(62,423)	-
Total revenue	<u>283,235</u>	<u>157,113</u>	<u>35,917</u>	<u>(62,423)</u>	<u>413,842</u>
Results					
Segment results	(42,103)	841	686	-	(40,576)
Finance costs	(3,190)	(365)	(457)	-	(4,012)
Share of results of associated companies and joint venture	18	-	6,645	-	6,663
Investment income	30	488	335	-	853
Loss before tax					(37,072)
Tax expense					(1,144)
Loss for the period					<u>(38,216)</u>
Assets					
Segment assets	1,366,614	370,767	435,171	-	2,172,552
Investment in associated companies and joint venture	8,688	-	399,257	-	407,945
Unallocated corporate assets					17,989
Total assets					<u>2,598,486</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 2023.

11. Performance review

	INDIVIDUAL QUARTER			YEAR-TO-DATE ENDED		
	31.3.2024 RM'000	31.3.2023 RM'000	Changes %	31.3.2024 RM'000	31.3.2023 RM'000	Changes %
Revenue						
Steel	283,235	385,044	-26	283,235	385,044	-26
Building materials	157,113	174,986	-10	157,113	174,986	-10
Others	35,917	35,053	2	35,917	35,053	2
Eliminations	(62,423)	(81,141)		(62,423)	(81,141)	
	413,842	513,942	-19	413,842	513,942	-19
Segment Results						
Steel	(42,103)	(50,853)	17	(42,103)	(50,853)	17
Building materials	841	153	>100	841	153	>100
Others	686	1,145	-40	686	1,145	-40
Loss from operations	(40,576)	(49,555)	18	(40,576)	(49,555)	18
Finance costs	(4,012)	(1,924)		(4,012)	(1,924)	
Share of results of associated companies and joint venture	6,663	5,290		6,663	5,290	
Investment income	853	1,071		853	1,071	
Gain on disposal of non-current assets classified as held for sale	-	25,315		-	25,315	
Loss before tax	(37,072)	(19,803)	-87	(37,072)	(19,803)	-87

For the 3 months ended 31 March 2024, the Group posted a revenue of RM413.8 million with the Steel and Building Materials Divisions being the two main contributors. The Group reported a lower operating loss of RM40.6 million mainly due to the lower loss from the Steel Division compared with the same quarter last year.

The Group registered a loss before tax of RM37.1 million for the period under review. The Group's net assets per share as at 31 March 2024 was RM1.57.

Steel

The Division's revenue was 26% lower at RM283.2 million compared with RM385.0 million recorded in same quarter last year mainly due to the lower selling prices and sales volume. However, the Division recorded a lower loss of RM42.1 million compared with RM50.9 million in the same quarter last year mainly due to lower operating expenses.

Building materials

For the quarter under review, the Division recorded a revenue of RM157.1 million, a decrease of 10% from that of the same quarter last year, mainly due to the lower sales of steel products and building materials. However, through continuous efforts to optimise operating efficiencies, the Division posted a higher profit of RM0.8 million.

Others

Revenue of 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 2% higher revenue of RM35.9 million compared with RM35.1 million recorded in the last year's same quarter. The Division recorded a profit of RM0.7 million compared with RM1.1 million in the same quarter last year.

Associated companies and joint venture

The higher profit contributed by the associated companies and a jointly controlled entity was largely attributable to the improved performance from the retail businesses.

12. Comment on material change in profit

	Current Year Quarter 31.3.2024	Immediate Preceding Quarter 31.12.2023	Changes
	RM'000	RM'000	%
Revenue	413,842	435,368	-5
Loss from operations	(40,576)	(57,462)	29
Loss before tax	(37,072)	(201,658)	>100

Revenue of the Group for the quarter under review was 5% lower at RM413.8 million compared with RM435.4 million in the immediate preceding quarter mainly due to the lower sales of steel products. However, with lower operating costs, the Group's loss from operations was reduced to RM40.6 million from RM57.5 million in the immediate preceding quarter.

After accounting for the share of profit of associated companies and a joint venture of RM6.7 million against a loss of RM14.3 million in the immediate preceding quarter, the Group posted a loss before tax of RM37.1 million for the quarter under review. Higher loss before tax recorded in the immediate preceding quarter was mainly attributable to the impairment loss on goodwill of RM130.4 million.

13. a) Prospects

The headwinds stemming from the volatile global economy, ongoing inflationary pressures, and geopolitical uncertainties are anticipated to continue to pose challenges to the local economy in the coming quarter.

Accordingly, the Group will maintain a vigilant stance and respond proactively to prevailing market conditions. The Group will also focus on optimising operational efficiencies, containing costs and intensifying efforts to expand its product range.

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

	INDIVIDUAL QUARTER		YEAR-TO-DATE ENDED	
	31.3.2024	31.3.2023	31.3.2024	31.3.2023
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	(1,144)	(969)	(1,144)	(969)
- Under provision in prior years	-	(1)	-	(1)
	(1,144)	(970)	(1,144)	(970)

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

Save for the below proposals undertaken by the Company, there are no other corporate proposals as at the date of this report.

Date of Announcements	Subjects	Status
3.9.2023 5.9.2023	Proposed disposals of part of two pieces of freehold land measuring 19.781 acres and 7.006 acres for a cash consideration of RM67.96 million and RM24.07 million respectively by Amsteel Mills Sdn Bhd ("Amsteel Mills"), a 99% owned subsidiary of the Company and Gelora Berkat Sdn Bhd, a wholly-owned subsidiary of the Company, respectively to Unichamp Mineral Sdn Bhd ("Proposed Disposals to Unichamp").	The Proposed Disposals to Unichamp are pending fulfilment of conditions precedent.
22.4.2024	<p>Amsteel Mills had entered into the following conditional sale and purchase agreements ("SPAs") with RHB Trustees Berhad ("RHB Trustees"), the trustee of Axis Real Estate Investment Trust ("Axis-REIT") ("Trustee" or "Purchaser"), for the followings:</p> <p>(i) disposal of 2 pieces of leasehold industrial land held under HS(D) 17795, PT 3494 (now known as Lot No. 25170) with the buildings erected thereon together with the fixtures and fittings attached thereto and HS(D) 31354, PT 17631 (now known as Lot No. 26953), both located in Mukim of Kapar, District of Klang, State of Selangor for a total disposal consideration of RM313.00 million to be satisfied entirely in cash and the subsequent leaseback by Amsteel Mills; and</p> <p>(ii) disposal of a piece of leasehold industrial land held under HS(D) 119721, PT 59358 (now known as Lot 62610), located in Mukim of Kapar, District of Klang, State of Selangor for a disposal consideration of RM38.80 million to be satisfied entirely in cash.</p> <p>(Collectively known as the "Proposed Disposals to Axis-REIT")</p> <p>Prior to the Proposed Disposals to Axis-REIT, on 23 February 2024, Amsteel Mills had entered into a SPA with RHB Trustees, the trustee for Axis-REIT for the disposal of a piece of leasehold land held under H.S(D) 24277, PT 3501 in Mukim of Kapar, District of Klang, State of Selangor measuring approximately 3.23 hectares together with the buildings erected thereon, for a disposal consideration of RM49.00 million. The disposal is pending completion.</p>	The Proposed Disposals to Axis-REIT are pending the approvals of the shareholders and relevant authorities.

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

18. Loans and borrowings

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

	As at 31.3.2024 RM'000	As at 31.3.2023 RM'000
Non-current		
<u>Secured</u>		
Hire-purchase arrangements	-	58
<u>Unsecured</u>		
Hire-purchase arrangements	565	741
	565	799
Current		
<u>Secured</u>		
Term loans	44,740	49,910
Hire-purchase arrangements	-	15
Bankers acceptance and revolving credit	78,000	72,900
Receivables financing facility	23,731	21,596
Bank overdrafts	37,863	3,586
<u>Unsecured</u>		
Hire-purchase arrangements	209	309
Bankers acceptance and revolving credit	1,065	-
	185,608	148,316
	186,173	149,115

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

19. Changes in material litigation

There was no material litigation since 31 December 2023.

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-to-date 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	
	31.3.2024	31.3.2023	31.3.2024	31.3.2023
Loss attributable to owners of the Company (RM'000)	(38,618)	(21,798)	(38,618)	(21,798)
Weighted average number of ordinary shares in issue ('000)	680,804	680,804	680,804	680,804
Basic EPS (sen)	(5.67)	(3.20)	(5.67)	(3.20)

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 2023 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	
	31.3.2024	31.3.2023	31.3.2024	31.3.2023
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	853	1,071	853	1,071
(b) Other operating income	1,049	2,158	1,049	2,158
(c) Interest expense	(4,012)	(1,924)	(4,012)	(1,924)
(d) Depreciation and amortisation	(15,602)	(13,786)	(15,602)	(13,786)
(e) Provision for and write off of receivables	(1,606)	(1,437)	(1,606)	(1,437)
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Impairment of plant and equipment	-	-	-	-
(i) Foreign exchange (loss)/gain	(125)	1,277	(125)	1,277
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Gain on disposal of non-current assets classified as held for sale	-	25,315	-	25,315