



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report **for the Fourth Quarter Ended** **30 June 2018**

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LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim financial report for the fourth quarter ended 30 June 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.6.2018 RM'000	30.6.2017 RM'000	Changes %	30.6.2018 RM'000	30.6.2017 RM'000	Changes %
Revenue		80,249	85,497	(6)	380,474	339,658	12
Operating expenses		(83,973)	(85,648)		(386,415)	(342,125)	
Other operating income		6,870	7,579		18,618	16,766	
Profit from operations		3,146	7,428	(58)	12,677	14,299	(11)
Finance costs		(26)	(244)		(496)	(907)	
Share in results of associated companies		95	18,128		1,463	17,667	
Exceptional items	23(k)	(1,152)	(13,444)		9,196	(14,343)	
Profit before tax	23	2,063	11,868	(83)	22,840	16,716	37
Income tax (expense)/credit	16	(1,115)	2,083		(3,611)	(1,957)	
Profit for the period		948	13,951	(93)	19,229	14,759	30
Profit attributable to :							
- Owners of the Company		948	13,942		19,228	14,746	
- Non-controlling interests		-	9		1	13	
Profit for the period		948	13,951		19,229	14,759	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		0.42	6.12		8.44	6.47	
- Diluted		0.42	6.12		8.44	6.47	

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the fourth quarter ended 30 June 2018
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
Profit for the period	948	13,951	19,229	14,759
<u>Other comprehensive income/(loss)</u>				
<u>Items that will not be reclassified subsequently to profit or loss</u>	-	-	-	-
<u>Items that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations and other movements	3,286	(7,710)	(10,313)	6,634
Transfer of other reserves to profit or loss upon disposal of an associated company	1,382	-	1,382	-
Net gain on available-for-sale financial assets:				
- Fair value changes	8,961	5,938	648	31
- Transfer to profit or loss upon disposal	(184)	-	(184)	-
Other comprehensive income/(loss) for the period	13,445	(1,772)	(8,467)	6,665
Total comprehensive income/(loss) for the period	<u>14,393</u>	<u>12,179</u>	<u>10,762</u>	<u>21,424</u>
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	14,393	12,170	11,519	21,411
- Non-controlling interests	-	9	(757)	13
	<u>14,393</u>	<u>12,179</u>	<u>10,762</u>	<u>21,424</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the fourth quarter ended 30 June 2018
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.6.2018 RM'000	AS AT 30.6.2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		18,877	24,553
Investment properties		103,962	578
Investment in associated companies		44,305	46,660
Other investments		34,211	33,837
Deferred tax assets		7,514	6,944
Total Non-Current Assets		208,869	112,572
Current Assets			
Inventories		18,482	16,946
Trade receivables		80,053	88,569
Other receivables and prepayments		14,792	128,505
Amount owing by immediate holding company		95,405	101,906
Amount owing by other related companies		105,819	108,839
Tax recoverable		4,177	4,347
Fixed deposits, cash and bank balances		109,092	90,006
		427,820	539,118
Asset classified as held for sale		-	5,365
Total Current Assets		427,820	544,483
Total Assets		636,689	657,055
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	920,902
Reserves		(373,086)	(384,605)
Equity attributable to owners of the Company		547,816	536,297
Non-controlling interests		-	757
Total Equity		547,816	537,054
Non-Current and Deferred Liabilities			
Hire-purchase payables	18	42	97
Deferred tax liabilities		697	697
Total Non-Current and Deferred Liabilities		739	794
Current Liabilities			
Trade payables		16,212	23,182
Other payables and accrued expenses		66,948	67,883
Provisions		3,489	3,100
Amount owing to other related companies		807	1,211
Hire-purchase payables	18	54	145
Bank borrowings	18	309	23,647
Tax liabilities		315	39
Total Current Liabilities		88,134	119,207
Total Liabilities		88,873	120,001
Total Equity and Liabilities		636,689	657,055
Net assets per share attributable to owners of the Company (RM)		2.40	2.35

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated losses RM'000			
<u>30 June 2018</u>								
At 1 July 2017	920,902	-	(2,277)	51,577	(433,905)	536,297	757	537,054
Total comprehensive (loss)/income for the period	-	-	-	(7,709)	19,228	11,519	(757)	10,762
At 30 June 2018	920,902	-	(2,277)	43,868	(414,677)	547,816	-	547,816
<u>30 June 2017</u>								
At 1 July 2016	231,572	689,330	(1,857)	45,574	(449,313)	515,306	744	516,050
Total comprehensive income for the period	-	-	-	6,665	14,746	21,411	13	21,424
Purchase of treasury shares	-	-	(420)	-	-	(420)	-	(420)
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016 *	689,330	(689,330)	-	-	-	-	-	-
Transfer to accumulated losses	-	-	-	(662)	662	-	-	-
At 30 June 2017	920,902	-	(2,277)	51,577	(433,905)	536,297	757	537,054

* The amount standing to the credit of the share premium account of RM689.3 million became part of the Company's share capital pursuant to the Companies Act 2016 which came into operation on 31 January 2017. This change did not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements)

LION FOREST INDUSTRIES BERHAD (82056-X)

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Interim financial report for the fourth quarter ended 30 June 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.6.2018 RM'000	30.6.2017 RM'000
OPERATING ACTIVITIES		
Profit before tax	22,840	16,716
Adjustments for:		
Non-cash items	(7,197)	2,099
Non-operating items	(8,712)	(9,924)
Operating profit before changes in working capital	6,931	8,891
Changes in working capital:		
Net changes in current assets	23,916	13,708
Net changes in current liabilities	(10,135)	(10,413)
Others	(2,433)	(2,393)
	18,279	9,793
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,833)	(1,224)
Proceeds from disposal of asset classified as held for sale - an associated company	17,054	-
Proceeds from disposal of property, plant and equipment	6,988	2,338
Dividend income received from an associated company	448	465
(Increase)/Decrease in amount owing by other related companies	(5,786)	19,890
Investment in quoted shares	-	(42,064)
Decrease/(Increase) in cash at banks held under Escrow Account and fixed deposits pledged	27,430	(2,656)
Interest received	7,905	2,242
Others	(599)	68
	50,607	(20,941)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(21,023)	(182)
Decrease in amount owing to other related companies	(404)	(3,671)
Purchase of treasury shares	-	(420)
Others	(943)	(1,159)
	(22,370)	(5,432)
Net changes in cash and cash equivalents	46,516	(16,580)
Cash and cash equivalents at beginning of the period	61,678	78,258
Cash and cash equivalents at end of the period	108,194	61,678

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. **Accounting policies and methods of computation**

The interim 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 interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2017. 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 2017.

The significant accounting policies adopted in the interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2017 except for the adoption of the following MFRSs and Amendments to MFRSs effective for the financial period beginning 1 July 2017:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 - 2016 Cycle	

The adoption of the abovementioned MFRSs and Amendments to MFRSs did not have material impact on the financial statements 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 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 financial year-to-date.

The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As at 30 June 2018, the number of treasury shares held were 3,745,000 shares.

6. **Dividend paid**

There were no dividends paid during the current quarter and financial year-to-date.

7. Segmental information

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

	Building materials and steel products	Lubricants, petroleum and automotive products	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External customers	292,640	84,541	3,293	-	380,474
Inter-segment sales	-	13	33	(46)	-
Total revenue	<u>292,640</u>	<u>84,554</u>	<u>3,326</u>	<u>(46)</u>	<u>380,474</u>
Results					
Segment results	1,314	9,719	1,644	-	12,677
Finance costs	(6)	(43)	(447)	-	(496)
Share in results of associated companies	-	-	1,463	-	1,463
Exceptional item	-	-	9,196	-	9,196
Profit before tax					22,840
Income tax expense					(3,611)
Profit for the period					<u>19,229</u>
Assets					
Segment assets	215,796	81,136	183,843	-	480,775
Investment in associated companies	-	-	44,305	-	44,305
Unallocated corporate assets					111,609
					<u>636,689</u>

8. Subsequent events

There were no material events subsequent to the end of the current quarter.

9. Changes in composition of the Group

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

10. Changes in contingent liabilities and contingent assets

As at 21 August 2018, the Group's contingent liabilities on indemnity for:

- a) back pay labour claims from employees of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, has been reduced from RM18.9 million to RM13.6 million after a cash settlement of RM0.8 million with certain SFI's employees in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006. An additional provision for indemnity loss of RM1.2 million was made during the quarter; and
- b) litigation claim in respect of wrongful encroachment and trespass of a piece of land has been disregarded following a settlement agreement entered into by SFI and the Plaintiff to settle at RM0.2 million as full and final settlement of the damages claimed.

11. Performance review

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.6.2018 RM'000	30.6.2017 RM'000	Changes %	30.6.2018 RM'000	30.6.2017 RM'000	Changes %
Revenue							
Building materials and steel products		58,932	65,239	(10)	292,640	251,428	16
Lubricants, petroleum and automotive products		20,955	18,916	11	84,541	81,389	4
Others		362	1,342	(73)	3,293	6,841	(52)
		<u>80,249</u>	<u>85,497</u>	(6)	<u>380,474</u>	<u>339,658</u>	12
Segment results							
Building materials and steel products		546	1,660	(67)	1,314	2,390	(45)
Lubricants, petroleum and automotive products		2,461	3,690	(33)	9,719	11,348	(14)
Others		139	2,078	(93)	1,644	561	>100
Profit from operations		<u>3,146</u>	<u>7,428</u>	(58)	<u>12,677</u>	<u>14,299</u>	(11)
Finance costs		(26)	(244)		(496)	(907)	
Share in results of associated companies		95	18,128		1,463	17,667	
Exceptional items	23(k)	(1,152)	(13,444)		9,196	(14,343)	
Profit before tax	23	<u>2,063</u>	<u>11,868</u>	(83)	<u>22,840</u>	<u>16,716</u>	37
Income tax (expense)/ credit	16	(1,115)	2,083		(3,611)	(1,957)	
Profit for the period		<u>948</u>	<u>13,951</u>	(93)	<u>19,229</u>	<u>14,759</u>	30

For the financial year 2018, revenue of the Group rose by 12% to RM380.5 million compared with that registered in the preceding year corresponding period, largely due to the higher sales of building materials and lubricants. Associated companies contributed a profit of RM1.5 million as their sales improved.

On 14 September 2017, the Group completed the disposal of its entire 20% equity interest in Suzuki Motorcycle Malaysia Sdn Bhd, an associated company, with a gain of RM10.3 million as disclosed in Note 23(k).

The Group registered a higher profit before tax of RM22.8 million compared with RM16.7 million in the same period last year. The Group's net assets per share as at 30 June 2018 increased by 5 sen to RM2.40 and cash and cash equivalents increased by 75% to RM108.2 million from the end of the last financial year.

Building Materials and Steel Products

The Division recorded a 16% higher revenue of RM292.6 million mainly arising from the higher sales of building materials, particularly steel bars, to the property sector. The Division, however, posted a lower profit as compared to a year ago mainly due to different sales mix.

Lubricants, Petroleum and Automotive Products

The Division's revenue increased 4% to RM84.5 million mainly driven by higher sales of lubricants backed by comprehensive marketing programs. However, the Division recorded a lower profit of RM9.7 million mainly due to different sales mix and higher operating expenses.

Others

Others include mainly the transportation business, investment holding and agriculture. These activities collectively contributed a lower revenue of RM3.3 million following the cessation of transportation business during the financial year, compared with RM6.8 million recorded in the same period a year ago. The Division, however, recorded a higher profit of RM1.6 million mainly due to the gain on disposal of property, plant and equipment recorded by the transportation business.

12. Material changes in the results for the current quarter compared with the immediate preceding quarter

	Current Year Quarter	Immediate Preceding Quarter	Changes
	30.6.2018	31.3.2018	
	RM'000	RM'000	%
Revenue	80,249	87,691	(8)
Profit from operations	3,146	1,432	>100
Profit before tax	<u>2,063</u>	<u>2,003</u>	3

For the quarter under review, the Group recorded a revenue of RM80.2 million, a decline of 8% from that of the last quarter mainly due to the lower sales of building materials.

With lower operating expenses, the Group's operating profit grew by RM1.7 million to RM3.1 million for the quarter under review.

During the quarter, an additional indemnity loss of RM1.2 million was provided for damages arising from back pay labour claims from employees of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, against SFI.

Overall, the Group recorded a higher profit before tax of RM2.1 million for the current quarter.

13. a) Prospects

In the near term, the operating environment is anticipated to remain challenging in view of the prevailing market conditions. Our building materials business continues to face challenges from the property market whilst our lubricants and automotive products businesses continue to contribute positive results to the Group in the next financial year with a broader market and products.

The Group will remain vigilant and take proactive steps to meet these challenges. The Group will continue with its efforts to widen its marketing networks and services to meet customer needs as well as contain operating costs to improve its operating performance.

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. Income tax expense/(credit)

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	1,615	3,611	4,111	6,150
- Under/(Over)provision in prior years	70	(3,323)	70	(1,822)
Deferred tax				
- Current provision	(570)	(1,245)	(570)	(1,245)
- Overprovision in prior years	-	(1,126)	-	(1,126)
	<u>1,115</u>	<u>(2,083)</u>	<u>3,611</u>	<u>1,957</u>

After excluding the results of associated companies, the effective tax rate of the Group for the current quarter was higher than the statutory tax rate mainly due to certain expenses not being deductible for tax purposes and the effective tax rate of the Group for year-to-date was lower than the statutory tax rate mainly due to certain income not being taxable for tax purposes.

17. Corporate proposalsStatus of corporate proposals

There were no corporate proposals for the current quarter and financial year-to-date.

18. Borrowings

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

	AS AT 30.6.2018		AS AT 30.6.2017	
	USD'000	RM'000	USD'000	RM'000
Non-current				
<u>Unsecured</u>				
Hire-purchase payables	-	42	-	97
Current				
<u>Secured</u>				
Revolving credit	-	-	5,388	23,129
<u>Unsecured</u>				
Hire-purchase payables	-	54	-	145
Bankers acceptances	-	309	-	518
	<u>-</u>	<u>405</u>	<u>5,388</u>	<u>23,889</u>

The closing rate used on 30.6.2017 in translating USD into RM was USD1.00 : RM4.29.

19. Changes in material litigation

There was no material litigation since 30 June 2017.

20. Dividend proposed

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

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

Basic EPS is calculated by dividing the Group's profit attributable to owners of the Company for the period by the weighted average number of ordinary shares of the Company in issue during the financial period as follows:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Profit attributable to owners of the Company (RM'000)	948	13,942	19,228	14,746
Weighted average number of shares in issue ('000)	227,827	227,827	227,827	227,945
Basic EPS (sen)	0.42	6.12	8.44	6.47

The basic EPS and the diluted EPS are equal 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 2017 was not qualified.

23. Profit before tax

Profit before tax is arrived at after crediting/(charging) the following:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
a) Interest income	2,135	3,649	9,207	10,831
b) Other income including investment income	4,551	3,930	9,227	5,935
c) Interest expense	(26)	(244)	(496)	(907)
d) Depreciation and amortisation	(806)	(1,192)	(3,753)	(5,163)
e) Provision for and write off of receivables	(2,462)	(2,716)	(5,018)	(4,947)
f) Provision for and write off of inventories	-	-	-	-
g) Gain or (loss) on disposal of - quoted or unquoted investments or properties	184	-	184	-
h) Impairment of assets	(803)	-	(803)	-
i) Foreign exchange gain or (loss)	259	1,952	5	2,312
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional item	(1,152)	(13,444)	9,196	(14,343)
- gain on disposal of asset classified as held for sale - an associated company	-	-	10,348	-
- impairment loss on investments	-	(10,144)	-	(11,043)
- indemnity for damages arising from back pay labour claims and damages paid	(1,152)	(3,300)	(1,152)	(3,300)