



# **LION FOREST INDUSTRIES BERHAD** (82056-X)

---

(Incorporated in Malaysia)

## **Interim Financial Report for the Second Quarter Ended 31 December 2018**

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**LION FOREST INDUSTRIES BERHAD (82056-X)**

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2018

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.12.2018	31.12.2017	Changes	31.12.2018	31.12.2017	Changes
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue		115,810	111,738	4	219,938	212,534	3
Operating expenses		(117,234)	(112,594)		(219,655)	(213,457)	
Other operating income		3,837	6,016		7,078	9,022	
Profit from operations		2,413	5,160	(53)	7,361	8,099	(9)
Finance costs		(11)	(223)		(19)	(460)	
Share in results of associated companies		(680)	483		(1,520)	787	
Exceptional item	23(k)	-	-		-	10,348	
Profit before tax	23	1,722	5,420	(68)	5,822	18,774	(69)
Income tax expense	16	(781)	(856)		(2,111)	(1,669)	
Profit for the period		941	4,564	(79)	3,711	17,105	(78)
Profit attributable to :							
- Owners of the Company		941	4,564		3,711	17,106	
- Non-controlling interests		-	-		-	(1)	
Profit for the period		941	4,564		3,711	17,105	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		0.41	2.00		1.63	7.51	
- Diluted		0.41	2.00		1.63	7.51	

*(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements)*

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(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2018  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Profit for the period	941	4,564	3,711	17,105
<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	(93)	(5,442)	3,453	(5,686)
Net loss on quoted shares at fair value through other comprehensive income:				
- Fair value changes	(8,120)	(6,723)	(18,760)	(3,068)
Other comprehensive loss for the period	(8,213)	(12,165)	(15,307)	(8,754)
Total comprehensive (loss)/income for the period	<u>(7,272)</u>	<u>(7,601)</u>	<u>(11,596)</u>	<u>8,351</u>
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(7,272)	(7,601)	(11,596)	8,352
- Non-controlling interests	-	-	-	(1)
	<u>(7,272)</u>	<u>(7,601)</u>	<u>(11,596)</u>	<u>8,351</u>

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2018 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 second quarter ended 31 December 2018

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT 31.12.2018 RM'000</b>	<b>AS AT 30.6.2018 RM'000</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		18,368	18,877
Investment properties		107,207	104,609
Investment in associated companies		43,211	44,305
Other investments		15,451	34,211
Deferred tax assets		7,514	7,514
Total Non-Current Assets		<u>191,751</u>	<u>209,516</u>
<b>Current Assets</b>			
Inventories		17,266	18,482
Trade receivables		109,513	80,053
Other receivables and prepayments		13,188	14,792
Amount owing by immediate holding company		92,987	95,405
Amount owing by other related companies		111,301	105,819
Tax recoverable		4,301	4,177
Fixed deposits, cash and bank balances		94,492	109,092
Total Current Assets		<u>443,048</u>	<u>427,820</u>
<b>Total Assets</b>		<b><u>634,799</u></b>	<b><u>637,336</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		920,902	920,902
Reserves		(384,682)	(373,086)
Equity attributable to owners of the Company		<u>536,220</u>	<u>547,816</u>
<b>Non-Current and Deferred Liabilities</b>			
Hire-purchase payables	18	30	42
Deferred tax liabilities		697	697
Total Non-Current and Deferred Liabilities		<u>727</u>	<u>739</u>
<b>Current Liabilities</b>			
Trade payables		23,054	16,212
Other payables and accrued expenses		69,419	67,595
Provisions		3,473	3,489
Amount owing to other related companies		860	807
Hire-purchase payables	18	25	54
Bank borrowings	18	929	309
Tax liabilities		92	315
Total Current Liabilities		<u>97,852</u>	<u>88,781</u>
<b>Total Liabilities</b>		<b><u>98,579</u></b>	<b><u>89,520</u></b>
<b>Total Equity and Liabilities</b>		<b><u>634,799</u></b>	<b><u>637,336</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>2.35</u>	<u>2.40</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2018 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 RM'000			
<b><u>31 December 2018</u></b>							
At 1 July 2018	920,902	(2,277)	43,868	(414,677)	547,816	-	547,816
Total comprehensive (loss)/income for the period	-	-	(15,307)	3,711	(11,596)	-	(11,596)
At 31 December 2018	920,902	(2,277)	28,561	(410,966)	536,220	-	536,220
<b><u>31 December 2017</u></b>							
At 1 July 2017	920,902	(2,277)	51,577	(433,905)	536,297	757	537,054
Total comprehensive (loss)/income for the period	-	-	(8,754)	17,106	8,352	(1)	8,351
At 31 December 2017	920,902	(2,277)	42,823	(416,799)	544,649	756	545,405

*(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2018 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 second quarter ended 31 December 2018

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>
	RM'000	RM'000
<b><u>OPERATING ACTIVITIES</u></b>		
Profit before tax	5,822	18,774
Adjustments for:		
Non-cash items	4,189	(10,032)
Non-operating items	(4,956)	(4,436)
Operating profit before changes in working capital	5,055	4,306
Changes in working capital:		
Net changes in current assets	(34,699)	(3,843)
Net changes in current liabilities	15,532	(2,795)
Others	(2,057)	(752)
	<u>(16,169)</u>	<u>(3,084)</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property, plant and equipment	(796)	(1,666)
Proceeds from disposal of asset classified as held for sale - an associated company	-	17,173
Proceeds from disposal of property, plant and equipment	170	4,520
Dividend income received from an associated company	453	448
Increase in amount owing by other related companies	(3,090)	(2,816)
(Increase)/Decrease in cash at banks held under fixed deposits pledged	(35)	1,849
Interest received	4,576	4,206
Others	231	286
	<u>1,509</u>	<u>24,000</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Increase in bank borrowings	620	1,149
Increase in amount owing to other related companies	53	51
Others	(62)	(556)
	<u>611</u>	<u>644</u>
Net changes in cash and cash equivalents	(14,049)	21,560
Effect of exchange differences	(586)	(507)
Cash and cash equivalents at beginning of the period	108,194	61,678
Cash and cash equivalents at end of the period	<u>93,559</u>	<u>82,731</u>

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements)*

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**NOTES TO THE INTERIM FINANCIAL REPORT**

**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 2018. 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 2018.

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 2018 except for the adoption of the following MFRSs and Amendments to MFRSs effective for the financial period beginning 1 July 2018:

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
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 current quarter and financial year-to-date.

**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 are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As at 31 December 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 :

	<b>Building materials and steel products</b>	<b>Lubricants, petroleum and automotive products</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External customers	167,779	51,461	698	-	219,938
Inter-segment sales	-	5	2	(7)	-
Total revenue	<u>167,779</u>	<u>51,466</u>	<u>700</u>	<u>(7)</u>	<u>219,938</u>
<b>Results</b>					
Segment results	691	6,534	136	-	7,361
Finance costs	(2)	(17)	-	-	(19)
Share in results of associated companies	-	-	(1,520)	-	(1,520)
Profit before tax					5,822
Income tax expense					(2,111)
Profit for the period					<u>3,711</u>
<b>Assets</b>					
Segment assets	220,852	88,051	167,855	-	476,758
Investment in associated companies	-	-	43,211	-	43,211
Unallocated corporate assets					114,830
					<u>634,799</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 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 2018.



**11. Performance review**

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.12.2018	31.12.2017	Changes	31.12.2018	31.12.2017	Changes
		RM'000	RM'000	%	RM'000	RM'000	%
<b>Revenue</b>							
Building materials and steel products		94,075	89,088	6	167,779	167,766	0.01
Lubricants, petroleum and automotive products		21,349	21,828	(2)	51,461	42,147	22
Others		386	822	(53)	698	2,621	(73)
		<u>115,810</u>	<u>111,738</u>	4	<u>219,938</u>	<u>212,534</u>	3
<b>Segment results</b>							
Building materials and steel products		615	923	(33)	691	1,106	(38)
Lubricants, petroleum and automotive products		1,867	2,708	(31)	6,534	5,273	24
Others		(69)	1,529	(>100)	136	1,720	(92)
Profit from operations		<u>2,413</u>	<u>5,160</u>	(53)	<u>7,361</u>	<u>8,099</u>	(9)
Finance costs		(11)	(223)		(19)	(460)	
Share in results of associated companies		(680)	483		(1,520)	787	
Exceptional item	23(k)	-	-		-	10,348	
Profit before tax	23	<u>1,722</u>	<u>5,420</u>	(68)	<u>5,822</u>	<u>18,774</u>	(69)
Income tax expense	16	(781)	(856)		(2,111)	(1,669)	
Profit for the period		<u>941</u>	<u>4,564</u>	(79)	<u>3,711</u>	<u>17,105</u>	(78)

For the first half of financial year 2019, the Group registered a 3% growth in revenue to RM219.9 million as compared to that recorded in the preceding year corresponding period largely due to the higher sales of lubricants and automotive products.

The Group shared a loss of RM1.5 million from the associated companies against a profit of RM0.8 million in the previous year. Overall, the Group registered a profit before tax of RM5.8 million for the financial period under review, whilst profit of RM18.8 million in the same period last year included a gain of RM10.3 million on disposal of Suzuki Motorcycle Malaysia Sdn Bhd, a 20% owned associated company. The Group's net assets per share as at 31 December 2018 decreased by 5 sen to RM2.35 and cash and cash equivalents decreased by 14% to RM93.6 million from the end of the last financial year.

**Building Materials and Steel Products**

The revenue of the Division remain at RM167.8 million whilst profit contracted by 38% as compared to a year ago, mainly due to the different sales mix of building materials.

**Lubricants, Petroleum and Automotive Products**

The revenue and profit of the Division grew by 22% and 24% to RM51.5 million and RM6.5 million respectively compared to a year ago, mainly driven by comprehensive marketing programs.

**Others**

Others include mainly the provision of training services, distribution and retailing of consumer products and investment holding. These activities collectively contributed a lower revenue of RM0.7 million compared with RM2.6 million recorded a year ago, following the cessation of the transportation business in the last financial year. Preceding year's profit included a gain on disposal of property, plant and equipment of RM2.4 million recorded by the transportation business.

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

	<b>Current Year Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes</b>
	<b>31.12.2018</b>	<b>30.9.2018</b>	
	RM'000	RM'000	%
Revenue	115,810	104,128	11
Profit from operations	2,413	4,948	(51)
Profit before tax	<u>1,722</u>	<u>4,100</u>	(58)

For the second quarter under review, the Group recorded a revenue of RM115.8 million, a growth of 11% from that of the last quarter mainly due to the higher sales contributed by the Building Materials and Steel Products Division.

The Lubricants, Petroleum and Automotive Products Division however contributed a lower revenue and profit for the quarter. Hence, the Group recorded a lower profit from operations for the quarter under review.

After accounting for losses of associated companies of RM0.7 million, the Group recorded a lower profit before tax of RM1.7 million for the quarter under review.

13. a) **Prospects**

The operating environment is anticipated to be challenging in the next quarter. Nonetheless, the Group will remain vigilant and take proactive steps to meet these challenges and continue with its efforts 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**

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	(781)	(856)	(2,127)	(1,669)
- Overprovision in prior years	-	-	16	-
	<u>(781)</u>	<u>(856)</u>	<u>(2,111)</u>	<u>(1,669)</u>

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

**17. Corporate proposals**Status 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 :

	<b>AS AT 31.12.2018</b>		<b>AS AT 31.12.2017</b>	
	USD'000	RM'000	USD'000	RM'000
<b>Non-current</b>				
<u>Unsecured</u>				
Hire-purchase payables	-	30	-	42
<b>Current</b>				
<u>Secured</u>				
Revolving credit	-	-	5,389	21,881
<u>Unsecured</u>				
Hire-purchase payables	-	25	-	104
Bankers acceptances	-	929	-	1,665
	<u>-</u>	<u>984</u>	<u>5,389</u>	<u>23,692</u>

The closing rate used on 31.12.2017 in translating USD into RM was USD1.00 : RM4.06.

**19. Changes in material litigation**

There was no material litigation since 30 June 2018.

**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:

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Profit attributable to owners of the Company (RM'000)	941	4,564	3,711	17,106
Weighted average number of shares in issue ('000)	227,827	227,827	227,827	227,827
Basic EPS (sen)	0.41	2.00	1.63	7.51

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 2018 was not qualified.

**23. Profit before tax**

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

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,798	2,833	4,976	4,897
b) Other income including investment income	1,039	3,183	2,102	4,125
c) Interest expense	(11)	(223)	(19)	(460)
d) Depreciation and amortisation	(675)	(961)	(1,368)	(2,137)
e) Provision for and write off of receivables	(908)	(980)	(1,690)	(1,788)
f) Provision for and write off of inventories	-	-	-	-
g) Gain or (loss) on disposal of - quoted or unquoted investments or properties	-	-	-	-
h) Impairment of assets	-	-	-	-
i) Foreign exchange gain or (loss)	62	4	117	71
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional item	-	-	-	10,348
- gain on disposal of asset classified as held for sale - an associated company	-	-	-	10,348