



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the Third Quarter Ended 31 March 2019

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(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.3.2019 RM'000	31.3.2018 RM'000	Changes %	31.3.2019 RM'000	31.3.2018 RM'000	Changes %
Revenue		132,159	87,691	51	352,097	300,225	17
Operating expenses		(133,438)	(88,985)		(353,093)	(302,442)	
Other operating income		2,916	2,726		9,994	11,748	
Profit from operations		1,637	1,432	14	8,998	9,531	(6)
Finance costs		(11)	(10)		(30)	(470)	
Share in results of associated companies		684	581		(836)	1,368	
Exceptional item	23(k)	-	-		-	10,348	
Profit before tax	23	2,310	2,003	15	8,132	20,777	(61)
Income tax expense	16	(713)	(827)		(2,824)	(2,496)	
Profit for the period		<u>1,597</u>	<u>1,176</u>	36	<u>5,308</u>	<u>18,281</u>	(71)
Profit attributable to :							
- Owners of the Company		1,597	1,174		5,308	18,280	
- Non-controlling interests		-	2		-	1	
Profit for the period		<u>1,597</u>	<u>1,176</u>		<u>5,308</u>	<u>18,281</u>	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		<u>0.70</u>	<u>0.52</u>		<u>2.33</u>	<u>8.02</u>	
- Diluted		<u>0.70</u>	<u>0.52</u>		<u>2.33</u>	<u>8.02</u>	

(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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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000
Profit for the period	1,597	1,176	5,308	18,281
<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	(2,330)	(7,913)	1,123	(13,599)
Net gain/(loss) on quoted shares at fair value through other comprehensive income:				
- Fair value changes	560	(5,245)	(18,200)	(8,313)
Other comprehensive loss for the period	(1,770)	(13,158)	(17,077)	(21,912)
Total comprehensive loss for the period	<u>(173)</u>	<u>(11,982)</u>	<u>(11,769)</u>	<u>(3,631)</u>
Total comprehensive loss attributable to:				
- Owners of the Company	(173)	(11,226)	(11,769)	(2,874)
- Non-controlling interests	-	(756)	-	(757)
	<u>(173)</u>	<u>(11,982)</u>	<u>(11,769)</u>	<u>(3,631)</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)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.3.2019 RM'000	AS AT 30.6.2018 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		17,834	18,877
Investment properties		105,530	104,609
Investment in associated companies		40,884	44,305
Other investments		16,011	34,211
Deferred tax assets		7,580	7,514
Total Non-Current Assets		<u>187,839</u>	<u>209,516</u>
Current Assets			
Inventories		16,931	18,482
Trade receivables		127,382	80,053
Other receivables and prepayments		28,145	14,792
Amount owing by immediate holding company		89,903	95,405
Amount owing by other related companies		106,314	105,819
Tax recoverable		4,802	4,177
Fixed deposits, cash and bank balances		76,041	109,092
Total Current Assets		<u>449,518</u>	<u>427,820</u>
Total Assets		<u>637,357</u>	<u>637,336</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	920,902
Reserves		(384,855)	(373,086)
Equity attributable to owners of the Company		<u>536,047</u>	<u>547,816</u>
Non-Current and Deferred Liabilities			
Hire-purchase payables	18	24	42
Deferred tax liabilities		531	697
Total Non-Current and Deferred Liabilities		<u>555</u>	<u>739</u>
Current Liabilities			
Trade payables		26,741	16,212
Other payables and accrued expenses		69,166	67,595
Provisions		3,473	3,489
Amount owing to other related companies		693	807
Hire-purchase payables	18	25	54
Bank borrowings	18	657	309
Tax liabilities		-	315
Total Current Liabilities		<u>100,755</u>	<u>88,781</u>
Total Liabilities		<u>101,310</u>	<u>89,520</u>
Total Equity and Liabilities		<u>637,357</u>	<u>637,336</u>
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			
<u>31 March 2019</u>							
At 1 July 2018	920,902	(2,277)	43,868	(414,677)	547,816	-	547,816
Total comprehensive (loss)/income for the period	-	-	(17,077)	5,308	(11,769)	-	(11,769)
At 31 March 2019	920,902	(2,277)	26,791	(409,369)	536,047	-	536,047
<u>31 March 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	-	-	(21,154)	18,280	(2,874)	(757)	(3,631)
At 31 March 2018	920,902	(2,277)	30,423	(415,625)	533,423	-	533,423

(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)

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Interim financial report for the third quarter ended 31 March 2019

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2019	31.3.2018
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before tax	8,132	20,777
Adjustments for:		
Non-cash items	5,240	(8,638)
Non-operating items	(7,168)	(6,602)
Operating profit before changes in working capital	6,204	5,537
Changes in working capital:		
Net changes in current assets	(58,662)	21,353
Net changes in current liabilities	18,461	(15,523)
Others	(3,031)	(1,863)
	<u>(37,028)</u>	<u>9,504</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(1,032)	(2,387)
Proceeds from disposal of an associated company	-	17,173
Proceeds from disposal of property, plant and equipment	287	4,564
Dividend income received from an associated company	3,146	448
Increase in amount owing by other related companies	(4,902)	(4,267)
(Increase)/Decrease in cash at banks held under fixed deposits pledged	(20)	27,466
Interest received	6,465	6,075
Others	231	286
	<u>4,175</u>	<u>49,358</u>
<u>FINANCING ACTIVITIES</u>		
Increase/(Decrease) in bank borrowings	348	(20,760)
Decrease in amount owing to other related companies	(114)	(295)
Others	(79)	(592)
	<u>155</u>	<u>(21,647)</u>
Net changes in cash and cash equivalents	(32,698)	37,215
Effect of exchange differences	(374)	(818)
Cash and cash equivalents at beginning of the period	108,194	61,678
Cash and cash equivalents at end of the period	<u>75,122</u>	<u>98,075</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)

LION FOREST INDUSTRIES BERHAD (82056-X)
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Interim financial report for the third quarter ended 31 March 2019
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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 March 2019, 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	276,683	74,484	930	-	352,097
Inter-segment sales	-	5	3	(8)	-
Total revenue	<u>276,683</u>	<u>74,489</u>	<u>933</u>	<u>(8)</u>	<u>352,097</u>
Results					
Segment results	901	8,633	(536)	-	8,998
Finance costs	(3)	(27)	-	-	(30)
Share in results of associated companies	-	-	(836)	-	(836)
Profit before tax					8,132
Income tax expense					(2,824)
Profit for the period					<u>5,308</u>
Assets					
Segment assets	239,567	78,201	161,495	-	479,263
Investment in associated companies	-	-	40,884	-	40,884
Unallocated corporate assets					117,210
					<u>637,357</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		
		31.3.2019	31.3.2018	Changes	31.3.2019	31.3.2018	Changes
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue							
Building materials and steel products		108,904	65,942	65	276,683	233,708	18
Lubricants, petroleum and automotive products		23,023	21,439	7	74,484	63,586	17
Others		232	310	(25)	930	2,931	(68)
		<u>132,159</u>	<u>87,691</u>	51	<u>352,097</u>	<u>300,225</u>	17
Segment results							
Building materials and steel products		210	(338)	>100	901	768	17
Lubricants, petroleum and automotive products		2,099	1,985	6	8,633	7,258	19
Others		(672)	(215)	(>100)	(536)	1,505	(>100)
Profit from operations		<u>1,637</u>	<u>1,432</u>	14	<u>8,998</u>	<u>9,531</u>	(6)
Finance costs		(11)	(10)		(30)	(470)	
Share in results of associated companies		684	581		(836)	1,368	
Exceptional item	23(k)	-	-		-	10,348	
Profit before tax	23	<u>2,310</u>	<u>2,003</u>	15	<u>8,132</u>	<u>20,777</u>	(61)
Income tax expense	16	(713)	(827)		(2,824)	(2,496)	
Profit for the period		<u>1,597</u>	<u>1,176</u>	36	<u>5,308</u>	<u>18,281</u>	(71)

For the 9 months ended 31 March 2019, the Group registered a 17% growth in revenue to RM352.1 million as compared to that recorded in the preceding year corresponding period largely due to the higher sales of building materials and lubricants. The Group's profit from operations however contracted by RM0.5 million to RM8.9 million. Included in the preceding year's profit was a gain on disposal of property, plant and equipment of RM2.4 million recorded by the transportation business.

After accounting for a share of loss in associated companies of RM0.8 million, the Group registered a profit before tax of RM8.1 million for the financial period under review, whilst profit of RM20.8 million in the same period last year included a gain of RM10.3 million on the disposal of Suzuki Motorcycle Malaysia Sdn Bhd, a 20% owned associated company. The Group's net assets per share as at 31 March 2019 decreased by 5 sen to RM2.35 and cash and cash equivalents decreased by 31% to RM75.1 million from the end of the last financial year.

Building Materials and Steel Products

The Division registered a growth of 18% in revenue of RM276.7 million as compared to a year ago, mainly due to higher sales of steel related products and building materials. Accordingly, the Division posted a higher profit as compared to a year ago.

Lubricants, Petroleum and Automotive Products

The revenue and profit of the Division grew by 17% and 19% to RM74.5 million and RM8.6 million respectively compared to a year ago due to the increase in sales of lubricants driven by comprehensive marketing programs.

Others

Results of Others Division were mainly derived from the provision of training services, distribution and retailing of consumer products and investment holding. These activities collectively contributed a lower revenue of RM0.9 million compared with RM2.9 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

	Current Year Quarter	Immediate Preceding Quarter	Changes
	31.3.2019	31.12.2018	
	RM'000	RM'000	%
Revenue	132,159	115,810	14
Profit from operations	1,637	2,413	(32)
Profit before tax	<u>2,310</u>	<u>1,722</u>	34

Revenue of the Group for the quarter under review was 14% higher at RM132.2 million compared with that of the immediate preceding quarter mainly driven by higher sales from the Building Materials and Steel Products Division and the Lubricants, Petroleum and Automotive Products Division.

The Building Materials and Steel Products Division however contributed a lower profit mainly due to the increase in operating expenses. Coupled with lower interest income, the Group's profit from operations dropped by 32% to RM1.6 million from RM2.4 million in the last quarter.

After accounting for a share of profit in associated companies of RM0.7 million, the Group recorded a higher profit before tax of RM2.3 million for the quarter under review.

13. a) Prospects

The operating environment is anticipated to remain 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

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>31.3.2019</u>	<u>31.3.2018</u>	<u>31.3.2019</u>	<u>31.3.2018</u>
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	(752)	(827)	(2,879)	(2,496)
- Overprovision in prior years	39	-	55	-
	<u>(713)</u>	<u>(827)</u>	<u>(2,824)</u>	<u>(2,496)</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 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 :

	<u>AS AT 31.3.2019</u>		<u>AS AT 31.3.2018</u>	
	USD'000	RM'000	USD'000	RM'000
Non-current				
<u>Secured</u>				
Hire-purchase payables	-	24	-	30
Current				
<u>Secured</u>				
Hire-purchase payables	-	25	-	90
<u>Unsecured</u>				
Bankers acceptances	-	657	-	572
	<u>-</u>	<u>706</u>	<u>-</u>	<u>692</u>

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:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
Profit attributable to owners of the Company (RM'000)	<u>1,597</u>	<u>1,174</u>	<u>5,308</u>	<u>18,280</u>
Weighted average number of shares in issue ('000)	<u>227,827</u>	<u>227,827</u>	<u>227,827</u>	<u>227,827</u>
Basic EPS (sen)	<u>0.70</u>	<u>0.52</u>	<u>2.33</u>	<u>8.02</u>

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:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,222	2,175	7,198	7,072
b) Other income including investment income	694	551	2,796	4,676
c) Interest expense	(11)	(10)	(30)	(470)
d) Depreciation and amortisation	(706)	(810)	(2,074)	(2,947)
e) Provision for and write off of receivables	(1,123)	(768)	(2,813)	(2,556)
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)	78	(325)	195	(254)
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional item	-	-	-	10,348
- gain on disposal of an associated company	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,348</u>