



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the Fourth Quarter Ended 30 June 2019

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(Incorporated in Malaysia)

Interim financial report for the fourth quarter ended 30 June 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.6.2019 RM'000	30.6.2018 RM'000	Changes %	30.6.2019 RM'000	30.6.2018 RM'000	Changes %
Revenue		123,909	80,249	54	476,006	380,474	25
Operating expenses		(121,390)	(83,856)		(474,483)	(386,298)	
Other operating income		3,420	6,870		13,414	18,618	
Profit from operations		5,939	3,263	82	14,937	12,794	17
Finance costs		(11)	(26)		(41)	(496)	
Share in results of associated companies		(673)	95		(1,509)	1,463	
Exceptional items	23(k)	-	(1,269)		-	9,079	
Profit before tax	23	5,255	2,063	>100	13,387	22,840	-41
Income tax expense	16	(1,488)	(1,115)		(4,312)	(3,611)	
Profit for the period/year		<u>3,767</u>	<u>948</u>	>100	<u>9,075</u>	<u>19,229</u>	-53
Profit attributable to :							
- Owners of the Company		3,767	948		9,075	19,228	
- Non-controlling interests		-	-		-	1	
Profit for the period/year		<u>3,767</u>	<u>948</u>		<u>9,075</u>	<u>19,229</u>	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		<u>1.65</u>	<u>0.42</u>		<u>3.98</u>	<u>8.44</u>	
- Diluted		<u>1.65</u>	<u>0.42</u>		<u>3.98</u>	<u>8.44</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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Interim financial report for the fourth quarter ended 30 June 2019
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Profit for the period/year	3,767	948	9,075	19,229
<u>Other comprehensive income/(loss)</u>				
<u>Items that will not be reclassified subsequently to profit or loss</u>				
Net gain/(loss) on other investments:				
- Fair value changes	280	-	(17,920)	-
<u>Items that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations and other movements	2,804	4,043	3,927	(9,556)
Transfer of other reserves to profit or loss upon disposal of an associated company	-	1,384	-	1,384
Net gain/(loss) on other investments:				
- Fair value changes	-	8,961	-	648
- Transfer to profit or loss upon disposal	-	(184)	-	(184)
Other comprehensive income/(loss) for the period/year	3,084	14,204	(13,993)	(7,708)
Total comprehensive income/(loss) for the period/year	6,851	15,152	(4,918)	11,521
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	6,851	14,393	(4,918)	11,519
- Non-controlling interests	-	759	-	2
	6,851	15,152	(4,918)	11,521

(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 fourth quarter ended 30 June 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.6.2019 RM'000	AS AT 30.6.2018 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		17,653	18,877
Investment properties		107,193	104,609
Investment in associated companies		40,590	44,305
Other investments		16,291	34,211
Deferred tax assets		7,536	7,514
Total Non-Current Assets		<u>189,263</u>	<u>209,516</u>
Current Assets			
Inventories		17,281	18,482
Trade receivables		136,461	80,053
Other receivables and prepayments		18,458	14,792
Amount owing by immediate holding company		86,661	95,405
Amount owing by other related companies		105,611	105,819
Tax recoverable		3,789	4,177
Fixed deposits, cash and bank balances		95,989	109,092
Total Current Assets		<u>464,250</u>	<u>427,820</u>
Total Assets		<u>653,513</u>	<u>637,336</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	920,902
Reserves		(369,173)	(373,086)
Equity attributable to owners of the Company		<u>551,729</u>	<u>547,816</u>
Non-Current and Deferred Liabilities			
Hire-purchase payables	18	16	42
Deferred tax liabilities		531	697
Total Non-Current and Deferred Liabilities		<u>547</u>	<u>739</u>
Current Liabilities			
Trade payables		26,290	16,212
Other payables and accrued expenses		69,712	67,595
Provisions		3,473	3,489
Amount owing to other related companies		693	807
Hire-purchase payables	18	26	54
Bank borrowings	18	818	309
Tax liabilities		225	315
Total Current Liabilities		<u>101,237</u>	<u>88,781</u>
Total Liabilities		<u>101,784</u>	<u>89,520</u>
Total Equity and Liabilities		<u>653,513</u>	<u>637,336</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.42</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>30 June 2019</u>							
At 1 July 2018	920,902	(2,277)	43,868	(414,677)	547,816	-	547,816
Effect of MFRS 9 adoption	-	-	-	8,831	8,831	-	8,831
Total comprehensive (loss)/income for the year	-	-	(13,993)	9,075	(4,918)	-	(4,918)
At 30 June 2019	920,902	(2,277)	29,875	(396,771)	551,729	-	551,729
<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 year	-	-	(7,709)	19,228	11,519	2	11,521
Dividend paid to non-controlling interest	-	-	-	-	-	(300)	(300)
Acquisition of non-controlling interest	-	-	-	-	-	(459)	(459)
At 30 June 2018	920,902	(2,277)	43,868	(414,677)	547,816	-	547,816

(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 fourth quarter ended 30 June 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.6.2019	30.6.2018
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before tax	13,387	22,840
Adjustments for:		
Non-cash items	7,446	(7,341)
Non-operating items	(9,285)	(8,711)
Operating profit before changes in working capital	<u>11,548</u>	<u>6,788</u>
Changes in working capital:		
Net changes in current assets	(53,338)	24,056
Net changes in current liabilities	27,527	(10,134)
Others	(3,266)	(2,433)
	<u>(17,529)</u>	<u>18,277</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(1,483)	(2,833)
Proceeds from disposal of an associated company	-	17,054
Proceeds from disposal of property, plant and equipment	322	6,989
Dividend income received from an associated company	3,146	734
Increase in amount owing by other related companies	(6,500)	(5,786)
(Increase)/Decrease in cash at banks held under fixed deposits pledged	(35)	27,430
Interest received	8,389	7,905
Others	253	(884)
	<u>4,092</u>	<u>50,609</u>
<u>FINANCING ACTIVITIES</u>		
Increase/(Decrease) in bank borrowings	509	(21,024)
Decrease in amount owing to other related companies	(114)	(404)
Others	(95)	(942)
	<u>300</u>	<u>(22,370)</u>
Net changes in cash and cash equivalents	(13,137)	46,516
Cash and cash equivalents at beginning of the year	108,194	61,678
Cash and cash equivalents at end of the year	<u><u>95,057</u></u>	<u><u>108,194</u></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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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 does not have material impact on the financial position and/or financial performance of the Group in the period of initial application except as further discussed below.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the cash flow characteristics and business model in which financial assets are managed.

With regard to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss ("ECL") model requires an entity to account for expected credit losses and changes in those expected credit losses at end of each reporting period to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group and the Company apply the simplified approach to measure ECL and record lifetime expected losses on all trade receivables. This has resulted in a reduction in the impairment loss by RM8.8 million on the adoption of MFRS 9 as the credit quality has improved.

Other investments of the Group are classified and measured at fair value through other comprehensive income with all subsequent changes in the fair value being recognised in other comprehensive income ("OCI"). On derecognition, the cumulative gain/loss previously recognised in OCI is transferred with equity but not reclassified to profit or loss.

As permitted by the transitional provisions of MFRS 9, the Group has elected not to restate comparative figures and the adjustment in impairment loss is recognised in the opening retained earnings of the current period.

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 30 June 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	381,680	93,110	1,216	-	476,006
Inter-segment sales	-	5	7	(12)	-
Total revenue	<u>381,680</u>	<u>93,115</u>	<u>1,223</u>	<u>(12)</u>	<u>476,006</u>
Results					
Segment results	2,389	13,786	(1,238)	-	14,937
Finance costs	(4)	(37)	-	-	(41)
Share in results of associated companies	-	-	(1,509)	-	(1,509)
Profit before tax					13,387
Income tax expense					(4,312)
Profit for the year					<u>9,075</u>
Assets					
Segment assets	248,643	83,749	162,781	-	495,173
Investment in associated companies	-	-	40,590	-	40,590
Unallocated corporate assets					117,750
					<u>653,513</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		
		30.6.2019 RM'000	30.6.2018 RM'000	Changes %	30.6.2019 RM'000	30.6.2018 RM'000	Changes %
Revenue							
Building materials and steel products		104,997	58,932	78	381,680	292,640	30
Lubricants, petroleum and automotive products		18,626	20,955	-11	93,110	84,541	10
Others		286	362	-21	1,216	3,293	-63
		<u>123,909</u>	<u>80,249</u>	54	<u>476,006</u>	<u>380,474</u>	25
Segment results							
Building materials and steel products		1,488	546	>100	2,389	1,314	82
Lubricants, petroleum and automotive products		5,153	2,461	>100	13,786	9,719	42
Others		(702)	256	>-100	(1,238)	1,761	>-100
Profit from operations		<u>5,939</u>	<u>3,263</u>	82	<u>14,937</u>	<u>12,794</u>	17
Finance costs		(11)	(26)		(41)	(496)	
Share in results of associated companies		(673)	95		(1,509)	1,463	
Exceptional items	23(k)	-	(1,269)		-	9,079	
Profit before tax	23	<u>5,255</u>	<u>2,063</u>	>100	<u>13,387</u>	<u>22,840</u>	-41
Income tax expense	16	<u>(1,488)</u>	<u>(1,115)</u>		<u>(4,312)</u>	<u>(3,611)</u>	
Profit for the period/year		<u>3,767</u>	<u>948</u>	>100	<u>9,075</u>	<u>19,229</u>	-53

For the financial year 2019, revenue of the Group rose by 25% to RM476.0 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 increased to RM14.9 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 RM1.5 million, the Group registered a profit before tax of RM13.4 million for the financial year under review, whilst profit of RM22.8 million in the last financial year included a gain of RM10.2 million on the disposal of Suzuki Motorcycle Malaysia Sdn Bhd, a 20% owned associated company. The Group's net assets per share as at 30 June 2019 increased by 2 sen to RM2.42 and cash and cash equivalents decreased by 12% to RM95.1 million from the end of the last financial year.

Building Materials and Steel Products

The Division registered a growth of 30% in revenue of RM381.7 million as compared to a year ago, mainly due to higher sales of steel bars. The Division accordingly posted a higher profit of RM2.4 million as compared to RM1.3 million a year ago.

Lubricants, Petroleum and Automotive Products

The revenue and profit of the Division improved by 10% and 42% to RM93.1 million and RM13.8 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 RM1.2 million compared with that 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
	30.6.2019	31.3.2019	
	RM'000	RM'000	%
Revenue	123,909	132,159	-6
Profit from operations	5,939	1,637	>100
Profit before tax	<u>5,255</u>	<u>2,310</u>	>100

For the quarter under review, the Group recorded a revenue of RM123.9 million, a decrease of 6% from that of the last quarter largely due to the lower sales of building materials, steel products and lubricants.

Profit from operations however improved by RM4.3 million mainly due to the lower operating expenses.

After accounting for a share in loss of associated companies of RM0.7 million, the Group recorded a profit before tax of RM5.3 million for the quarter under review.

13. a) Prospects

The uncertain global economic conditions are anticipated to impact the operating environment of our businesses in the near and medium term. Market sentiments will continue to remain soft with cautious spending as uncertainties escalate and competition in the businesses intensify.

The Group will stay vigilant and take proactive steps to meet these challenges. The Group will continue with its efforts to improve its operating performance and identify key growth segments in its businesses.

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	(2,699)	(1,115)	(5,578)	(3,611)
- Overprovision in prior years	1,023	-	1,078	-
Deferred tax				
- Current provision	(44)	-	(44)	-
- Overprovision in prior years	232	-	232	-
	<u>(1,488)</u>	<u>(1,115)</u>	<u>(4,312)</u>	<u>(3,611)</u>

After excluding the results of associated companies, the effective tax rate of the Group for the current quarter and year-to-date was 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 :

	AS AT	AS AT
	30.6.2019	30.6.2018
	RM'000	RM'000
Non-current		
<u>Secured</u>		
Hire-purchase payables	16	42
Current		
<u>Secured</u>		
Hire-purchase payables	26	54
<u>Unsecured</u>		
Bankers acceptances	818	309
	<u>860</u>	<u>405</u>

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

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	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Profit attributable to owners of the Company (RM'000)	<u>3,767</u>	<u>948</u>	<u>9,075</u>	<u>19,228</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>1.65</u>	<u>0.42</u>	<u>3.98</u>	<u>8.44</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	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,128	2,135	9,326	9,207
b) Other income including investment income	1,292	4,735	4,088	9,411
c) Interest expense	(11)	(26)	(41)	(496)
d) Depreciation and amortisation	(667)	(805)	(2,741)	(3,752)
e) Provision for and write off of receivables	(2,287)	(2,462)	(5,100)	(5,018)
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)	(141)	259	54	5
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional items	-	(1,269)	-	9,079
- gain on disposal of an associated company	-	(117)	-	10,231
- indemnity for damages arising from back pay labour claims and damages paid	-	(1,152)	-	(1,152)