



LION POSIM BERHAD

(formerly known as LION FOREST INDUSTRIES BERHAD)

Registration No. 198201002310 (82056-X)

(Incorporated in Malaysia)

Interim Financial Report

for the Third Quarter Ended

31 March 2020

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Interim financial report for the third quarter ended 31 March 2020
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<u>Note</u>	<u>3 MONTHS ENDED</u>			<u>YEAR-TO-DATE ENDED</u>		
		<u>31.3.2020</u>	<u>31.3.2019</u>	<u>Changes</u>	<u>31.3.2020</u>	<u>31.3.2019</u>	<u>Changes</u>
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue		99,966	132,159	-24	348,713	352,097	-1
Operating expenses		(100,928)	(133,438)		(349,131)	(353,093)	
Other operating income		3,061	2,916		9,431	9,994	
Profit from operations		2,099	1,637	28	9,013	8,998	0.2
Finance costs		(10)	(11)		(37)	(30)	
Share in results of associated companies		823	684		1,278	(836)	
Profit before tax	23	2,912	2,310	26	10,254	8,132	26
Income tax expense	16	(742)	(713)		(2,715)	(2,824)	
Profit for the period		<u>2,170</u>	<u>1,597</u>	36	<u>7,539</u>	<u>5,308</u>	42
Profit attributable to owners of the Company		<u>2,170</u>	<u>1,597</u>		<u>7,539</u>	<u>5,308</u>	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		<u>0.95</u>	<u>0.70</u>		<u>3.31</u>	<u>2.33</u>	
- Diluted		<u>0.95</u>	<u>0.70</u>		<u>3.31</u>	<u>2.33</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 2019 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	
	31.3.2020 RM'000	31.3.2019 RM'000	31.3.2020 RM'000	31.3.2019 RM'000
Profit for the period	2,170	1,597	7,539	5,308
<u>Other comprehensive (loss)/income</u>				
<u>Item that will not be reclassified subsequently to profit or loss</u>				
Net (loss)/gain on other investments:				
- Fair value changes	(8,120)	560	(10,360)	(18,200)
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations	7,990	(2,330)	5,258	1,123
Other comprehensive loss for the period	(130)	(1,770)	(5,102)	(17,077)
Total comprehensive profit/(loss) for the period	2,040	(173)	2,437	(11,769)
Total comprehensive profit/(loss) attributable to owners of the Company	2,040	(173)	2,437	(11,769)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019 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 31.3.2020 RM'000	AS AT 30.6.2019 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		16,852	17,653
Investment properties		111,941	107,193
Right-of-use assets		112	-
Investment in associated companies		41,648	40,590
Other investments		5,931	16,291
Amount owing by other related company		109,357	104,383
Deferred tax assets		7,580	7,536
Total Non-Current Assets		<u>293,421</u>	<u>293,646</u>
Current Assets			
Inventories		15,644	17,281
Trade receivables		127,769	135,208
Other receivables and prepayments		32,841	19,897
Amount owing by immediate holding company		83,380	86,661
Amount owing by other related companies		15,104	1,228
Tax recoverable		3,872	3,789
Investment in money market funds		17,354	16,926
Fixed deposits, cash and bank balances		59,707	79,063
Total Current Assets		<u>355,671</u>	<u>360,053</u>
Total Assets		<u>649,092</u>	<u>653,699</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	920,902
Reserves		(366,736)	(369,173)
Equity attributable to owners of the Company		<u>554,166</u>	<u>551,729</u>
Non-Current and Deferred Liabilities			
Hire-purchase payables	18	16	16
Lease liabilities		55	-
Deferred tax liabilities		547	531
Total Non-Current and Deferred Liabilities		<u>618</u>	<u>547</u>
Current Liabilities			
Trade payables		15,220	26,465
Other payables and accrued expenses		52,651	51,353
Contract liabilities		21,365	18,370
Provisions		3,473	3,473
Amount owing to other related companies		728	693
Hire-purchase payables	18	7	26
Bank borrowings	18	794	818
Lease liabilities		59	-
Tax liabilities		11	225
Total Current Liabilities		<u>94,308</u>	<u>101,423</u>
Total Liabilities		<u>94,926</u>	<u>101,970</u>
Total Equity and Liabilities		<u>649,092</u>	<u>653,699</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.43</u>	<u>2.42</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Non-distributable → reserves				Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated losses RM'000	
<u>31 March 2020</u>					
At 1 July 2019	920,902	(2,277)	29,875	(396,771)	551,729
Total comprehensive (loss)/income for the period	-	-	(5,102)	7,539	2,437
At 31 March 2020	<u>920,902</u>	<u>(2,277)</u>	<u>24,773</u>	<u>(389,232)</u>	<u>554,166</u>
<u>31 March 2019</u>					
At 1 July 2018	920,902	(2,277)	43,868	(414,677)	547,816
Total comprehensive (loss)/income for the period	-	-	(17,077)	5,308	(11,769)
At 31 March 2019	<u>920,902</u>	<u>(2,277)</u>	<u>26,791</u>	<u>(409,369)</u>	<u>536,047</u>

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019 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	
	31.3.2020	31.3.2019
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before tax	10,254	8,132
Adjustments for:		
Non-cash items	3,563	5,240
Non-operating items	(7,017)	(7,168)
Operating profit before changes in working capital	6,800	6,204
Changes in working capital:		
Net changes in current assets	(17,656)	(58,662)
Net changes in current liabilities	(7,043)	18,461
Others	(2,477)	(3,031)
	(20,376)	(37,028)
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(1,100)	(1,032)
Proceeds from disposal of property, plant and equipment	189	287
Dividend income received from an associated company	455	3,146
Increase in amount owing by other related companies	(4,720)	(4,902)
Increase in investment in money market funds	(428)	-
Interest received	6,518	6,465
Others	-	231
	914	4,195
<u>FINANCING ACTIVITIES</u>		
(Decrease)/Increase in bank borrowings	(25)	348
Decrease in amount owing to other related companies	-	(114)
Increase in cash at banks held under fixed deposits pledged	(60)	(20)
Others	(132)	(79)
	(217)	135
Net changes in cash and cash equivalents	(19,679)	(32,698)
Effect of exchange differences	262	(374)
Cash and cash equivalents at beginning of the period	78,131	108,194
Cash and cash equivalents at end of the period	58,714	75,122

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2019 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 2019. 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 2019.

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 2019 except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretations effective for the financial period beginning 1 July 2019:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015 - 2017 Cycle	

The adoption of the abovementioned MFRSs, Amendments to MFRSs and IC Interpretations 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 16, supersedes MFRS 117 Leases and the related interpretations, introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset as a low value.

MFRS 16 determines whether a contract contains a lease on the basis the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has applied MFRS 16 on 1 July 2019 using the modified retrospective method, under which the comparative information was not restated. There was no contract that met the definitions of MFRS 117 and rental expenses were recognised previously.

The Group, in applying MFRS16 as a lessee:

- (a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the lease payments payable over the lease term;
- (b) recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- (c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

The adoption of MFRS 16 has no significant effect on the financial position and/or financial performance 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.

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 2020, 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	281,942	65,941	830	-	348,713
Inter-segment sales	-	-	5	(5)	-
Total revenue	<u>281,942</u>	<u>65,941</u>	<u>835</u>	<u>(5)</u>	<u>348,713</u>
Results					
Segment results	874	8,418	(279)	-	9,013
Finance costs	(5)	(28)	(4)	-	(37)
Share in results of associated companies	-	-	1,278	-	1,278
Profit before tax					<u>10,254</u>
Income tax expense					(2,715)
Profit for the period					<u><u>7,539</u></u>
Assets					
Segment assets	256,557	73,546	154,743	-	484,846
Investment in associated companies	-	-	41,648	-	41,648
Unallocated corporate assets					122,598
					<u><u>649,092</u></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 2019.

11. Performance review

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.3.2020	31.3.2019	Changes	31.3.2020	31.3.2019	Changes
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue							
Building materials and steel products		79,689	108,904	-27	281,942	276,683	2
Lubricants, petroleum and automotive products		20,148	23,023	-12	65,941	74,484	-11
Others		129	232	-44	830	930	-11
		<u>99,966</u>	<u>132,159</u>	-24	<u>348,713</u>	<u>352,097</u>	-1
Segment results							
Building materials and steel products		(510)	210	>-100	874	901	-3
Lubricants, petroleum and automotive products		3,043	2,099	45	8,418	8,633	-2
Others		(434)	(672)	35	(279)	(536)	48
Profit from operations		<u>2,099</u>	<u>1,637</u>	28	<u>9,013</u>	<u>8,998</u>	0.2
Finance costs		(10)	(11)		(37)	(30)	
Share in results of associated companies		823	684		1,278	(836)	
Profit before tax	23	<u>2,912</u>	<u>2,310</u>	26	<u>10,254</u>	<u>8,132</u>	26
Income tax expense	16	(742)	(713)		(2,715)	(2,824)	
Profit for the period		<u>2,170</u>	<u>1,597</u>	36	<u>7,539</u>	<u>5,308</u>	42

For the 9 months ended 31 March 2020, the Group recorded a 1% decline in revenue to RM348.7 million as compared with RM352.1 million recorded in the preceding year corresponding period largely due to the lower sales of lubricants. The Group's businesses, being non-essential businesses, were temporarily closed during the Movement Control Order ("MCO") period which commenced on 18 March 2020 due to the Covid-19 pandemic. However, the Group's profit from operations improved marginally to RM9.0 million mainly due to the lower operating expenses incurred for investment activities.

After accounting for a share of profit in associated companies of RM1.3 million, the Group registered a higher profit before tax of RM10.3 million for the financial period under review. The Group's net assets per share as at 31 March 2020 stood at RM2.43, an increase of RM0.01 and cash and cash equivalents decreased by 25% to RM58.7 million from the end of the last financial year.

Building Materials and Steel Products

The revenue of the Division improved by 2% to RM281.9 million as compared to a year ago, mainly due to the higher sales of steel products prior to the MCO. The Division's profit however contracted by 3% to RM0.9 million as compared to a year ago due to different sales mix. The supply of building materials to the construction and property development sectors was disrupted during the MCO period.

Lubricants, Petroleum and Automotive Products

The revenue and profit of the Division decreased by 11% and 2% to RM65.9 million and RM8.4 million respectively compared to that recorded in the same period a year ago, mainly due to the already cautious consumer spending and the negative economic impact caused by the Covid-19 outbreak.

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 RM0.8 million.

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

	Current Year Quarter	Immediate Preceding Quarter	Changes
	31.3.2020	31.12.2019	%
	RM'000	RM'000	
Revenue	99,966	111,636	-10
Profit from operations	2,099	3,611	-42
Profit before tax	2,912	4,274	-32

For the third quarter ended 31 March 2020, the Group registered a revenue of RM99.97 million, a decline of 10% from that of the last quarter. The Group's businesses, being non-essential businesses, were temporarily closed during the MCO period which commenced on 18 March 2020.

Accordingly, profit from operations dropped by 42% to RM2.1 million from RM3.6 million recorded in the immediate preceding quarter.

After accounting for a share of profit of associated companies of RM0.8 million, the Group recorded a lower profit before tax of RM2.9 million for the quarter under review.

13. a) Prospects

The unprecedented outbreak of Covid-19 has caused economic activities to be affected significantly. The severity of the economic impact and the duration of the outbreak are highly unpredictable in the absence of a safe and effective vaccine to combat the virus.

Our Group businesses are not spared from this crisis. While the challenges ahead are highly uncertain, the Group has implemented strict cost control measures to contain operating costs. The Group businesses will continue with their business plans to expand market coverage and product lines and at the same time, remain vigilant and responsive to market changes.

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	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	(740)	(752)	(2,713)	(2,879)
- (Under)/Overprovision in prior years	(2)	39	(2)	55
	<u>(742)</u>	<u>(713)</u>	<u>(2,715)</u>	<u>(2,824)</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 :

	AS AT	AS AT
	31.3.2020	31.3.2019
	RM'000	RM'000
Non-current		
<u>Secured</u>		
Hire-purchase payables	16	24
Current		
<u>Secured</u>		
Hire-purchase payables	7	25
<u>Unsecured</u>		
Bankers acceptances	794	657
	<u>817</u>	<u>706</u>

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

19. Changes in material litigation

There was no material litigation since 30 June 2019.

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>31.3.2020</u>	<u>31.3.2019</u>	<u>31.3.2020</u>	<u>31.3.2019</u>
Profit attributable to owners of the Company (RM'000)	<u>2,170</u>	<u>1,597</u>	<u>7,539</u>	<u>5,308</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>0.95</u>	<u>0.70</u>	<u>3.31</u>	<u>2.33</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 2019 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>31.3.2020</u>	<u>31.3.2019</u>	<u>31.3.2020</u>	<u>31.3.2019</u>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,492	2,222	7,054	7,198
b) Other income including investment income	569	694	2,377	2,796
c) Interest expense	(10)	(11)	(37)	(30)
d) Depreciation and amortisation	(705)	(706)	(2,079)	(2,074)
e) Provision for and write off of receivables	(847)	(1,123)	(2,913)	(2,813)
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)	115	78	238	195
j) Gain or (loss) on derivatives	-	-	-	-