



LION POSIM BERHAD

(formerly known as LION FOREST INDUSTRIES BERHAD)
Registration No. 198201002310 (82056-X)

(Incorporated in Malaysia)

Interim Financial Report

for the Fourth Quarter Ended

30 June 2020

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.6.2020 RM'000	30.6.2019 RM'000	Change %	30.6.2020 RM'000	30.6.2019 RM'000	Change %
Revenue		62,792	123,909	-49	411,505	476,006	-14
Operating expenses		(61,366)	(121,410)		(410,497)	(474,503)	
Other operating income		25,221	3,440		34,652	13,434	
Profit from operations		26,647	5,939	>100	35,660	14,937	>100
Finance costs		(1)	(11)		(38)	(41)	
Share in results of associated companies		(662)	(673)		616	(1,509)	
Profit before tax	23	25,984	5,255	>100	36,238	13,387	>100
Income tax expense	16	(984)	(1,488)		(3,699)	(4,312)	
Profit for the period/year		<u>25,000</u>	<u>3,767</u>	>100	<u>32,539</u>	<u>9,075</u>	>100
Profit attributable to owners of the Company		<u>25,000</u>	<u>3,767</u>		<u>32,539</u>	<u>9,075</u>	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		<u>10.97</u>	<u>1.65</u>		<u>14.28</u>	<u>3.98</u>	
- Diluted		<u>10.97</u>	<u>1.65</u>		<u>14.28</u>	<u>3.98</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	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Profit for the period/year	25,000	3,767	32,539	9,075
<u>Other comprehensive (loss)/income</u>				
<u>Item that will not be reclassified subsequently to profit or loss</u>				
Net gain/(loss) on quoted investments:				
- Fair value changes	840	280	(9,520)	(17,920)
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations	(1,239)	2,804	4,019	3,927
Other comprehensive (loss)/profit for the period/year	(399)	3,084	(5,501)	(13,993)
Total comprehensive profit/(loss) for the period/year	24,601	6,851	27,038	(4,918)
Total comprehensive profit/(loss) attributable to owners of the Company	24,601	6,851	27,038	(4,918)

(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 30.6.2020 RM'000	AS AT 30.6.2019 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		16,463	17,653
Right-of-use assets		121	-
Investment properties		110,780	107,193
Investment in associated companies		36,452	40,590
Other investments		6,338	16,291
Amount owing by other related company		111,051	104,383
Deferred tax assets		7,580	7,536
Total Non-Current Assets		<u>288,785</u>	<u>293,646</u>
Current Assets			
Inventories		13,207	17,281
Trade receivables		113,273	135,208
Other receivables and prepayments		38,784	19,897
Amount owing by immediate holding company		82,909	86,661
Amount owing by other related companies		9,332	1,228
Tax recoverable		4,183	3,789
Investment in money market funds		17,469	16,926
Fixed deposits, cash and bank balances		111,783	79,063
Total Current Assets		<u>390,940</u>	<u>360,053</u>
Total Assets		<u>679,725</u>	<u>653,699</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	920,902
Reserves		(342,135)	(369,173)
Total Equity		<u>578,767</u>	<u>551,729</u>
Non-Current and Deferred Liabilities			
Lease liabilities		58	-
Hire-purchase payables	18	-	16
Deferred tax liabilities		547	531
Total Non-Current and Deferred Liabilities		<u>605</u>	<u>547</u>
Current Liabilities			
Trade payables		27,174	26,465
Other payables and accrued expenses		50,399	51,353
Contract liabilities		18,509	18,370
Provisions		3,473	3,473
Amount owing to other related companies		718	693
Lease liabilities		64	-
Hire-purchase payables	18	16	26
Bank borrowings	18	-	818
Tax liabilities		-	225
Total Current Liabilities		<u>100,353</u>	<u>101,423</u>
Total Liabilities		<u>100,958</u>	<u>101,970</u>
Total Equity and Liabilities		<u>679,725</u>	<u>653,699</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.54</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>30 June 2020</u>					
At 1 July 2019	920,902	(2,277)	29,875	(396,771)	551,729
Total comprehensive (loss)/income for the year	-	-	(5,501)	32,539	27,038
At 30 June 2020	<u>920,902</u>	<u>(2,277)</u>	<u>24,374</u>	<u>(364,232)</u>	<u>578,767</u>
<u>30 June 2019</u>					
At 1 July 2018, as previously reported	920,902	(2,277)	43,868	(414,677)	547,816
Effect of adoption of MFRS 9	-	-	-	8,831	8,831
At 1 July 2018, adjusted	<u>920,902</u>	<u>(2,277)</u>	<u>43,868</u>	<u>(405,846)</u>	<u>556,647</u>
Total comprehensive (loss)/income for the year	-	-	(13,993)	9,075	(4,918)
At 30 June 2019	<u>920,902</u>	<u>(2,277)</u>	<u>29,875</u>	<u>(396,771)</u>	<u>551,729</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	
	30.6.2020	30.6.2019
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before tax	36,238	13,387
Adjustments for:		
Non-cash items	(16,399)	6,849
Non-operating items	(8,923)	(8,689)
Operating profit before changes in working capital	<u>10,916</u>	<u>11,547</u>
Changes in working capital:		
Net changes in current assets	32,052	(38,306)
Net changes in current liabilities	(235)	12,494
Others	(3,741)	(3,265)
	<u>38,992</u>	<u>(17,530)</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(1,457)	(1,483)
Proceeds from disposal of property, plant and equipment	324	322
Dividend income received from an associated company	455	3,146
Increase in amount owing by other related companies	(6,487)	(6,500)
Increase in investment in money market funds	(543)	(596)
Interest received	1,688	7,793
Others	547	849
	<u>(5,473)</u>	<u>3,531</u>
<u>FINANCING ACTIVITIES</u>		
(Decrease)/Increase in bank borrowings	(818)	509
Decrease in amount owing to other related companies	25	(114)
Increase in cash at banks held under fixed deposits pledged	(50)	(34)
Others	(159)	(95)
	<u>(1,002)</u>	<u>266</u>
Net changes in cash and cash equivalents	32,517	(13,733)
Effect of exchange differences	153	-
Cash and cash equivalents at beginning of the year	78,131	91,864
Cash and cash equivalents at end of the year	<u>110,801</u>	<u>78,131</u>

(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 30 June 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	331,734	78,902	869	-	411,505
Inter-segment sales	-	1	5	(6)	-
Total revenue	<u>331,734</u>	<u>78,903</u>	<u>874</u>	<u>(6)</u>	<u>411,505</u>
Results					
Segment results	22,211	13,845	(396)	-	35,660
Finance costs	(4)	(30)	(4)	-	(38)
Share in results of associated companies	-	-	616	-	616
Profit before tax					<u>36,238</u>
Income tax expense					<u>(3,699)</u>
Profit for the year					<u>32,539</u>
Assets					
Segment assets	287,199	73,103	158,301	-	518,603
Investment in associated companies	-	-	36,452	-	36,452
Unallocated corporate assets					<u>124,670</u>
					<u>679,725</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

	<u>Note</u>	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.6.2020	30.6.2019	Change	30.6.2020	30.6.2019	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue							
Building materials and steel products		49,792	104,997	-53	331,734	381,680	-13
Lubricants, petroleum and automotive products		12,961	18,626	-30	78,902	93,110	-15
Others		39	286	-86	869	1,216	-29
		<u>62,792</u>	<u>123,909</u>	-49	<u>411,505</u>	<u>476,006</u>	-14
Segment results							
Building materials and steel products		21,337	1,488	>100	22,211	2,389	>100
Lubricants, petroleum and automotive products		5,427	5,153	5	13,845	13,786	0.4
Others		(117)	(702)	83	(396)	(1,238)	68
Profit from operations		<u>26,647</u>	<u>5,939</u>	>100	<u>35,660</u>	<u>14,937</u>	>100
Finance costs		(1)	(11)		(38)	(41)	
Share in results of associated companies		(662)	(673)		616	(1,509)	
Profit before tax	23	<u>25,984</u>	<u>5,255</u>	>100	<u>36,238</u>	<u>13,387</u>	>100
Income tax expense	16	(984)	(1,488)		(3,699)	(4,312)	
Profit for the period/year		<u>25,000</u>	<u>3,767</u>	>100	<u>32,539</u>	<u>9,075</u>	>100

For the financial year 2020, the Group recorded a 14% decrease in revenue to RM411.5 million as compared with RM476.0 million recorded in the preceding year corresponding period largely due to the lower sales across all business segments. The Group's businesses were temporarily closed during Movement Control Order ("MCO") period which commenced on 18 March 2020 due to the Covid-19 pandemic. The Group resumed full operations on 4 May 2020. The Group's profit from operations increased by RM20.7 million was mainly due to a reversal of impairment loss no longer required for trade and other receivables of RM22.0 million as a result of debt recovery.

After accounting for a share of profit in associated companies of RM0.6 million, the Group registered a higher profit before tax of RM36.2 million for the financial year under review. The Group's net assets per share as at 30 June 2020 was higher at RM2.54 and cash and cash equivalents increased by 42% to RM110.8 million from the end of the last financial year.

Building Materials and Steel Products

The revenue of the Division decreased by 13% to RM331.7 million as compared to RM381.7 million a year ago, mainly due to the disruption of supply of building materials to the construction and property development sectors during the MCO period. The Division's profit however was higher at RM22.2 million as compared to a year ago mainly due to the recovery of trade and other receivables previously impaired of RM22.0 million.

Lubricants, Petroleum and Automotive Products

The revenue of the Division decreased by 15% to RM78.9 million compared to that recorded in a year ago, mainly due to the highly cautious consumer spending and the negative economic impact caused by the Covid-19 pandemic. Higher profit of RM13.8 million was recorded as operating expenses were lower due to the lower business activities caused by the Covid-19 pandemic.

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 as they were affected by the Covid-19 pandemic.

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

	Current Year Quarter	Immediate Preceding Quarter	
	30.6.2020	31.3.2020	Change
	RM'000	RM'000	%
Revenue	62,792	99,966	-37
Profit from operations	26,647	2,099	>100
Profit before tax	25,984	2,912	>100

For the fourth quarter ended 30 June 2020, the Group registered a revenue of RM62.8 million, a decrease of 37% from that of the last quarter as the Group's businesses were temporarily closed during the MCO period which commenced on 18 March 2020 due to the Covid-19 pandemic. The Group resumed full operations on 4 May 2020.

The Group recorded a higher profit from operations of RM26.6 million during the quarter under review. The increase was mainly due to the recovery of trade and other receivables totalling RM22.0 million which was fully impaired in the previous financial years. This resulted in a reversal of impairment loss no longer required for the same amount during the quarter.

After accounting for a share of loss of associated companies of RM0.7 million, the Group recorded a higher profit before tax of RM26.0 million for the quarter under review compared with RM2.9 million in the immediate preceding quarter.

13. a) **Prospects**

The unprecedented outbreak of Covid-19 and the Movement Control Order ("MCO") which was then extended to Conditional MCO and Recovery MCO by the Government to curb the spread of the pandemic since 18 March 2020 have caused economic activities to be significantly affected. The severity of the economic impact and the duration of the outbreak are highly unpredictable in the absence of a safe and effective vaccine against the virus.

While the challenges ahead are highly uncertain, the Group has implemented strict cost control measures to contain operating costs and remains vigilant and responsive to market changes.

Nonetheless, the stimulus packages and the short-term economic recovery plan implemented by the Government have softened the impact of the Covid-19 pandemic and paved the way towards economic recovery. The Group's businesses are hopeful of improving in the recovering business environment.

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	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	(942)	(2,699)	(3,655)	(5,578)
- (Under)/Overprovision in prior years	(70)	1,023	(72)	1,078
Deferred tax				
- Current provision	28	(44)	28	(44)
- Overprovision in prior years	-	232	-	232
	<u>(984)</u>	<u>(1,488)</u>	<u>(3,699)</u>	<u>(4,312)</u>

After excluding the results of associated companies, the effective tax rate of the Group for the current quarter and year-to-date were 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	AS AT
	30.6.2020	30.6.2019
	RM'000	RM'000
Non-current		
Hire-purchase payables - secured	-	16
Current		
Hire-purchase payables - secured	16	26
Bankers acceptances - unsecured	-	818
	<u>16</u>	<u>860</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/year by the weighted average number of ordinary shares of the Company in issue during the financial period/year as follows:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
Profit attributable to owners of the Company (RM'000)	<u>25,000</u>	<u>3,767</u>	<u>32,539</u>	<u>9,075</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>10.97</u>	<u>1.65</u>	<u>14.28</u>	<u>3.98</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:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,073	1,532	9,127	8,730
b) Other income including investment income	1,099	1,908	3,476	4,704
c) Interest expense	(1)	(11)	(38)	(41)
d) Depreciation and amortisation	(626)	(706)	(2,705)	(2,741)
e) Provision for and write off of receivables	(684)	(2,287)	(3,597)	(5,100)
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)	24	(141)	262	54
j) Gain or (loss) on derivatives	-	-	-	-
k) Reversal of impairment loss on trade and other receivables	<u>22,049</u>	<u>1,678</u>	<u>22,049</u>	<u>1,678</u>