



LION POSIM BERHAD

Registration No. 198201002310 (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the Third Quarter Ended 31 March 2021

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Interim financial report for the third quarter ended 31 March 2021
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.3.2021 RM'000	31.3.2020 RM'000	Change %	31.3.2021 RM'000	31.3.2020 RM'000	Change %
Revenue		155,472	99,966	56	452,350	348,713	30
Operating expenses		(157,720)	(100,928)		(451,133)	(349,131)	
Other operating income		2,386	3,061		5,644	9,431	
Profit from operations		138	2,099	-93	6,861	9,013	-24
Gain on settlement of secured debts	9	-	-		135,320	-	
Finance costs		(114)	(10)		(205)	(37)	
Share in results of associated companies		271	823		795	1,278	
Profit before tax	23	295	2,912	-90	142,771	10,254	>100
Income tax expense	16	(1,104)	(742)		(2,984)	(2,715)	
(Loss)/Profit for the period		<u>(809)</u>	<u>2,170</u>	>-100	<u>139,787</u>	<u>7,539</u>	>100
(Loss)/Profit attributable to:							
- Owners of the Company		(180)	2,170		140,416	7,539	
- Non-controlling interests		(629)	-		(629)	-	
(Loss)/Profit for the period		<u>(809)</u>	<u>2,170</u>		<u>139,787</u>	<u>7,539</u>	
(Loss)/Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		<u>(0.08)</u>	<u>0.95</u>		<u>61.63</u>	<u>3.31</u>	
- Diluted		<u>(0.08)</u>	<u>0.95</u>		<u>61.63</u>	<u>3.31</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 2020 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>31.3.2021</u> RM'000	<u>31.3.2020</u> RM'000	<u>31.3.2021</u> RM'000	<u>31.3.2020</u> RM'000
(Loss)/Profit for the period	(809)	2,170	139,787	7,539
<u>Other comprehensive income/(loss)</u>				
<u>Item that will not be reclassified subsequently to profit or loss</u>				
Net gain/(loss) on quoted investments:				
- Fair value changes	560	(8,120)	6,720	(10,360)
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations	11,237	7,990	4,737	5,258
Other comprehensive income/(loss) for the period	11,797	(130)	11,457	(5,102)
Total comprehensive income for the period	10,988	2,040	151,244	2,437
Total comprehensive income attributable to:				
- Owners of the Company	9,949	2,040	150,205	2,437
- Non-controlling interests	1,039	-	1,039	-
	10,988	2,040	151,244	2,437

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 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 2021

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.3.2021 RM'000	AS AT 30.6.2020 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		15,385	16,688
Right-of-use assets		237	165
Investment properties		107,780	111,392
Investment in associated companies		38,718	36,452
Other investments		13,058	6,338
Amount owing by other related company		111,051	111,051
Deferred tax assets		6,998	6,998
Total Non-Current Assets		<u>293,227</u>	<u>289,084</u>
Current Assets			
Inventories		29,358	13,207
Trade receivables		174,397	113,294
Other receivables and prepayments		59,501	38,342
Amount owing by immediate holding company		82,726	82,909
Amount owing by other related companies		24,970	9,332
Tax recoverable		3,950	3,759
Investment in money market funds		2,385	17,469
Fixed deposits, cash and bank balances		247,441	111,783
Total Current Assets		<u>624,728</u>	<u>390,095</u>
Total Assets		<u>917,955</u>	<u>679,179</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	920,902
Reserves		(192,702)	(342,907)
Equity attributable to owners of the Company		<u>728,200</u>	<u>577,995</u>
Non-controlling interests		59,709	-
Total Equity		<u>787,909</u>	<u>577,995</u>
Non-Current and Deferred Liabilities			
Lease liabilities		73	70
Deferred tax liabilities		202	202
Total Non-Current and Deferred Liabilities		<u>275</u>	<u>272</u>
Current Liabilities			
Trade payables		31,778	27,186
Other payables and accrued expenses		55,969	50,172
Contract liabilities		22,467	18,509
Provisions		-	3,473
Amount owing to other related companies		865	718
Lease liabilities		170	98
Hire-purchase payables	18	2	16
Bank borrowings	18	18,000	-
Tax liabilities		520	740
Total Current Liabilities		<u>129,771</u>	<u>100,912</u>
Total Liabilities		<u>130,046</u>	<u>101,184</u>
Total Equity and Liabilities		<u>917,955</u>	<u>679,179</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.20</u>	<u>2.54</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 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 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 2021</u>							
At 1 July 2020	920,902	(2,277)	24,396	(365,026)	577,995	-	577,995
Total comprehensive income for the period	-	-	9,789	140,416	150,205	1,039	151,244
Transfer to reserve	-	-	227	(227)	-	-	-
Acquisition of subsidiary companies	-	-	-	-	-	58,670	58,670
At 31 March 2021	920,902	(2,277)	34,412	(224,837)	728,200	59,709	787,909
<u>31 March 2020</u>							
At 1 July 2019	920,902	(2,277)	29,875	(396,771)	551,729	-	551,729
Total comprehensive (loss)/income for the period	-	-	(5,102)	7,539	2,437	-	2,437
At 31 March 2020	920,902	(2,277)	24,773	(389,232)	554,166	-	554,166

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 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	
	31.3.2021	31.3.2020
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before tax	142,771	10,254
Adjustments for:		
Non-cash items	(135,597)	3,563
Non-operating items	(2,716)	(7,017)
	<hr/>	<hr/>
Operating profit before changes in working capital	4,458	6,800
Changes in working capital:		
Net changes in current assets	(93,247)	(17,656)
Net changes in current liabilities	6,775	(7,043)
Others	(2,441)	(2,477)
	<hr/>	<hr/>
	(84,455)	(20,376)
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(681)	(1,100)
Proceeds from disposal of property, plant and equipment	338	189
Dividend income received from an associated company	-	455
Decrease/(Increase) in amount owing by other related companies	76	(4,720)
Cash inflow from acquisition of subsidiary companies	180,050	(428)
Decrease in investment in money market funds	15,084	-
Interest received	1,967	6,518
Others	914	-
	<hr/>	<hr/>
	197,748	914
<u>FINANCING ACTIVITIES</u>		
Increase/(Decrease) in bank borrowings	18,000	(25)
Increase in amount owing to other related companies	147	-
Increase in cash at banks held under fixed deposits pledged	(27,136)	(60)
Others	(341)	(132)
	<hr/>	<hr/>
	(9,330)	(217)
Net changes in cash and cash equivalents	103,963	(19,679)
Effect of exchange differences	4,560	262
Cash and cash equivalents at beginning of the period	110,801	78,131
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	219,324	58,714
	<hr/>	<hr/>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020 and the accompanying explanatory notes attached to the interim financial statements)

Interim financial report for the third quarter ended 31 March 2021
(The figures have not been audited)

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 2020. 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 2020.

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 2020 except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretations effective for the financial period beginning 1 July 2020:

Amendments to:

MFRS 3	Definition of a Business
MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
MFRS 16	Covid-19-Related Rent Concessions
MFRS 101 and MFRS 108	Definition of Material

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the abovementioned 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.

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 2021, 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	380,589	69,483	2,278	-	452,350
Inter-segment sales	-	1	-	(1)	-
Total revenue	<u>380,589</u>	<u>69,484</u>	<u>2,278</u>	<u>(1)</u>	<u>452,350</u>
Results					
Segment results	2,388	11,161	(6,688)	-	6,861
Gain on settlement of secured debts	135,320	-	-	-	135,320
Finance costs	(150)	(6)	(49)	-	(205)
Share in results of associated companies	-	-	795	-	795
Profit before tax					<u>142,771</u>
Income tax expense					<u>(2,984)</u>
Profit for the year					<u>139,787</u>
Assets					
Segment assets	327,866	63,671	363,920	-	755,457
Investment in associated companies	-	-	38,718	-	38,718
Unallocated corporate assets					<u>123,780</u>
					<u>917,955</u>

8. Subsequent events

There were no material events subsequent to the end of the current quarter.

9. Changes in composition of the Group

As announced to Bursa Malaysia Securities Berhad, the Group had completed the transfer of 70.5% equity interest in Well Morning Limited ("Well Morning") on 30 December 2020 pursuant to the secured debts settlement agreement. Thereafter, Well Morning and its only wholly-owned subsidiary company, Changshu Lion Enterprise Co Ltd ("Changshu Lion"), became subsidiary companies of the Group.

Well Morning is an investment holding company incorporated in Hong Kong SAR and Changshu Lion is a company incorporated in the People's Republic of China ("PRC") which is principally involved in property development in Changshu, PRC.

The identifiable assets acquired and liabilities assumed in relation to the above transfer are as follows:-

	RM'000
Assets	
Non-current assets	144
Current assets	210,463
Liability	
Current Liabilities	(11,728)
Total identifiable assets acquired and liabilities assumed	<u>198,879</u>
Non-controlling interest in 29.5%	(58,670)
Expenses accrued	(4,889)
Total consideration - gain on settlement of secured debts	<u><u>135,320</u></u>
	Sen
Effects on earnings per share and net assets per share of the Group	<u><u>59.40</u></u>

There were no material changes in the composition of the Group during the current quarter and financial year-to-date other than as disclosed above.

10. Changes in contingent liabilities and contingent assets

As part of the terms for the disposal of Sabah Forest Industries Sdn Bhd ("SFI") ("Disposal"), a former subsidiary company, the Company agreed to indemnify SFI and the purchaser of SFI in full for all losses, damages, liabilities, claims, costs and expenses which SFI and the purchaser may incur or sustain as a result of or arising from the litigation claims where the cause of action arose prior to the completion of the Disposal.

Indemnity for back pay labour claims from SFI's employees

The Company had on 21 August 2020 paid an amount of RM3.5 million to SFI for its onward payment to SFI's employees. The payment was for the full and final settlement of the Company's obligations in relation to the claim by SFI's ex-employees for alleged arrears of wages. Subsequent to the settlement, the Company was released and discharged from all obligations in connection with the said claims howsoever arising and from its obligation under the letter of indemnity.

11. Performance review

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.3.2021	31.3.2020	Change	31.3.2021	31.3.2020	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue							
Building materials and steel products		128,816	79,689	62	380,589	281,942	35
Lubricants, petroleum and automotive products		24,735	20,148	23	69,483	65,941	5
Others		1,921	129	>100	2,278	830	>100
		<u>155,472</u>	<u>99,966</u>	56	<u>452,350</u>	<u>348,713</u>	30
Segment results							
Building materials and steel products		(6)	(510)	99	2,388	874	>100
Lubricants, petroleum and automotive products		3,903	3,043	28	11,161	8,418	33
Others		(3,759)	(434)	>-100	(6,688)	(279)	>-100
Profit from operations		<u>138</u>	<u>2,099</u>	-93	<u>6,861</u>	<u>9,013</u>	-24
Gain on settlement of secured debts	9	-	-		135,320	-	
Finance costs		(114)	(10)		(205)	(37)	
Share in results of associated companies		271	823		795	1,278	
Profit before tax	23	<u>295</u>	<u>2,912</u>	-90	<u>142,771</u>	<u>10,254</u>	>100
Income tax expense	16	(1,104)	(742)		(2,984)	(2,715)	
(Loss)/Profit for the period		<u>(809)</u>	<u>2,170</u>	>-100	<u>139,787</u>	<u>7,539</u>	>100

For the 9 months ended 31 March 2021, the Group registered a higher revenue of RM452.4 million, a growth of 30% as compared with RM348.7 million recorded in the preceding year corresponding period. The preceding year corresponding period was a period which the first Movement Control Order ("MCO") was implemented on 18 March 2020 due to the Covid-19 pandemic and the Group's businesses were temporarily closed. The Group's profit from operations however decreased by 24% to RM6.9 million mainly due to lower interest income and the loss recorded by the property development activities in Changshu, China.

The Group recorded a RM135.3 million gain on settlement of secured debts pursuant to the debts settlement arrangement as disclosed in Note 9.

Coupled with a share of profit in associated companies of RM0.8 million, the Group recorded a higher profit before tax of RM142.8 million for the period under review. The Group's net assets per share as at 31 March 2021 was RM3.20, an increase of RM0.66 from the end of the last financial year.

Building Materials and Steel Products

The revenue of the Division increased by 35% to RM380.6 million as compared to RM281.9 million a year ago. The business was temporarily closed during the MCO in last year. The Division accordingly posted a higher profit of RM2.4 million as compared to a year ago.

Lubricants, Petroleum and Automotive Products

The Division's revenue grew 5% to RM69.5 million compared to RM65.9 million a year ago which was affected by the MCO. Accordingly, the Division posted a higher profit of RM11.2 million as compared to RM8.4 million a year ago.

Others

Results of Others Division were mainly derived from the provision of training services, distribution and retailing of consumer products, property development and investment holding. These activities collectively contributed a higher revenue of RM2.3 million and recorded a higher loss of RM6.7 million mainly attributable to the sale of slow-moving inventories at discounted prices by the property development activities in China and lower interest income.

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

	Current Year Quarter	Immediate Preceding Quarter	
	31.3.2021	31.12.2020	Change
	RM'000	RM'000	%
Revenue	155,472	141,005	10
Profit from operations	138	2,859	-95
Profit before tax	295	138,166	-99

For the third quarter ended 31 March 2021, the Group posted a revenue of RM155.5 million, an increase of 10% from that of the last quarter mainly due to the higher sales of steel products and lubricants. The Group however recorded a lower profit from operations of RM0.1 million mainly due to the loss on sale of the slow-moving inventories at discounted prices recorded by the property development activities in Changshu, China.

After accounting for a share of profit in associated companies of RM0.3 million (Last quarter: RM0.08 million), the Group recorded a lower profit before tax of RM0.3 million for the quarter under review. Profit of RM138.2 million in the last quarter included a gain on settlement of secured debts of RM135.3 million pursuant to the debts settlement arrangement as disclosed in Note 9.

13. a) Prospects

The prolonged Covid-19 pandemic is expected to continue to post challenges to the operating environment of the Group businesses in the next quarter.

The Group remains vigilant and responsive to market changes and takes the necessary steps to contain operating costs and at the same time sustain its business growth.

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	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	(1,097)	(740)	(2,977)	(2,713)
- Underprovision in prior years	(7)	(2)	(7)	(2)
	<u>(1,104)</u>	<u>(742)</u>	<u>(2,984)</u>	<u>(2,715)</u>

After excluding the results of associated companies, the effective tax rate of the Group for the current quarter was higher than the statutory tax rate mainly due to certain expenses not being deductible for tax purposes and the effective tax rate of the Group for year-to-date was 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
	31.3.2021	31.3.2020
	RM'000	RM'000
Non-current		
Hire-purchase payables - secured	-	16
Current		
Hire-purchase payables - secured	2	7
Revolving credit - secured	4,000	-
Bankers acceptances - secured	14,000	-
Bankers acceptances - unsecured	-	794
	<u>18,002</u>	<u>817</u>

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

19. Changes in material litigation

There was no material litigation since 30 June 2020.

20. Dividend proposed

The Board of Directors does not recommend any dividend for the current quarter and financial year-to-date.

21. (Loss)/Earnings per share ("EPS")**Basic**

Basic EPS is calculated by dividing the Group's (loss)/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>31.3.2021</u>	<u>31.3.2020</u>	<u>31.3.2021</u>	<u>31.3.2020</u>
(Loss)/Profit attributable to owners of the Company (RM'000)	<u>(180)</u>	<u>2,170</u>	<u>140,416</u>	<u>7,539</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>(0.08)</u>	<u>0.95</u>	<u>61.63</u>	<u>3.31</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 2020 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>31.3.2021</u>	<u>31.3.2020</u>	<u>31.3.2021</u>	<u>31.3.2020</u>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	1,750	2,492	2,921	7,054
b) Other income including investment income	636	569	2,723	2,377
c) Interest expense	(114)	(10)	(205)	(37)
d) Depreciation and amortisation	(668)	(705)	(1,988)	(2,079)
e) Provision for and write off of receivables	(1,198)	(847)	(3,709)	(2,913)
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)	126	115	171	238
j) Gain or (loss) on derivatives	-	-	-	-