



LION POSIM BERHAD

Registration No. 198201002310 (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the Second Quarter Ended 31 December 2020

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.12.2020 RM'000	31.12.2019 RM'000	Change %	31.12.2020 RM'000	31.12.2019 RM'000	Change %
Revenue		141,005	111,636	26	296,878	248,747	19
Operating expenses		(140,069)	(110,842)		(293,413)	(248,203)	
Other operating income		1,923	2,817		3,258	6,370	
Profit from operations		2,859	3,611	-21	6,723	6,914	-3
Gain on settlement of secured debts	9	135,320	-		135,320	-	
Finance costs		(88)	(12)		(91)	(27)	
Share in results of associated companies		75	675		524	455	
Profit before tax	23	138,166	4,274	>100	142,476	7,342	>100
Income tax expense	16	(855)	(1,005)		(1,880)	(1,973)	
Profit for the period		<u>137,311</u>	<u>3,269</u>	>100	<u>140,596</u>	<u>5,369</u>	>100
Profit attributable to owners of the Company		<u>137,311</u>	<u>3,269</u>		<u>140,596</u>	<u>5,369</u>	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		<u>60.27</u>	<u>1.43</u>		<u>61.71</u>	<u>2.36</u>	
- Diluted		<u>60.27</u>	<u>1.43</u>		<u>61.71</u>	<u>2.36</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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Profit for the period	137,311	3,269	140,596	5,369
<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	5,320	280	6,160	(2,240)
<u>Item that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations	(3,291)	(2,247)	(6,500)	(2,732)
Other comprehensive income/(loss) for the period	2,029	(1,967)	(340)	(4,972)
Total comprehensive income for the period	139,340	1,302	140,256	397
Total comprehensive income attributable to owners of the Company	139,340	1,302	140,256	397

(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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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.12.2020	AS AT 30.6.2020
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		15,825	16,688
Right-of-use assets		140	165
Investment properties		103,925	111,392
Investment in associated companies		37,084	36,452
Other investments		12,498	6,338
Amount owing by other related company		111,051	111,051
Deferred tax assets		6,998	6,998
Total Non-Current Assets		<u>287,521</u>	<u>289,084</u>
Current Assets			
Inventories		46,097	13,207
Trade receivables		160,508	113,294
Other receivables and prepayments		57,657	38,342
Amount owing by immediate holding company		82,916	82,909
Amount owing by other related companies		17,353	9,332
Tax recoverable		3,708	3,759
Investment in money market funds		17,645	17,469
Fixed deposits, cash and bank balances		243,112	111,783
Total Current Assets		<u>628,996</u>	<u>390,095</u>
Total Assets		<u>916,517</u>	<u>679,179</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	920,902
Reserves		(202,651)	(342,907)
Equity attributable to owners of the Company		<u>718,251</u>	<u>577,995</u>
Non-controlling interests		58,670	-
Total Equity		<u>776,921</u>	<u>577,995</u>
Non-Current and Deferred Liabilities			
Lease liabilities		81	70
Deferred tax liabilities		202	202
Total Non-Current and Deferred Liabilities		<u>283</u>	<u>272</u>
Current Liabilities			
Trade payables		33,193	27,186
Other payables and accrued expenses		60,488	50,172
Contract liabilities		21,141	18,509
Provisions		-	3,473
Amount owing to other related companies		860	718
Lease liabilities		63	98
Hire-purchase payables	18	2	16
Bank borrowings	18	17,233	-
Tax liabilities		6,333	740
Total Current Liabilities		<u>139,313</u>	<u>100,912</u>
Total Liabilities		<u>139,596</u>	<u>101,184</u>
Total Equity and Liabilities		<u>916,517</u>	<u>679,179</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.15</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 December 2020</u>							
At 1 July 2020	920,902	(2,277)	24,396	(365,026)	577,995	-	577,995
Total comprehensive (loss)/income for the period	-	-	(340)	140,596	140,256	-	140,256
Acquisition of subsidiary companies	-	-	-	-	-	58,670	58,670
At 31 December 2020	920,902	(2,277)	24,056	(224,430)	718,251	58,670	776,921
<u>31 December 2019</u>							
At 1 July 2019	920,902	(2,277)	29,875	(396,771)	551,729	-	551,729
Total comprehensive (loss)/income for the period	-	-	(4,972)	5,369	397	-	397
At 31 December 2019	920,902	(2,277)	24,903	(391,402)	552,126	-	552,126

(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

	<u>YEAR-TO-DATE ENDED</u>	
	<u>31.12.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before tax	142,476	7,342
Adjustments for:		
Non-cash items	(137,104)	2,925
Non-operating items	(1,080)	(4,535)
	<u>4,292</u>	<u>5,732</u>
Operating profit before changes in working capital		
Changes in working capital:		
Net changes in current assets	(79,600)	(14,447)
Net changes in current liabilities	10,363	3,684
Others	(1,717)	(1,005)
	<u>(66,662)</u>	<u>(6,036)</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(557)	(649)
Proceeds from disposal of property, plant and equipment	258	154
Dividend income received from an associated company	-	455
Decrease/(Increase) in amount owing by other related companies	76	(3,304)
Cash inflow from acquisition of subsidiary companies	180,050	-
Increase in investment in money market funds	(176)	(288)
Interest received	646	4,208
Others	169	-
	<u>180,466</u>	<u>576</u>
<u>FINANCING ACTIVITIES</u>		
Increase/(Decrease) in bank borrowings	17,233	(31)
Increase in amount owing to other related companies	142	-
Increase/(Decrease) in cash at banks held under fixed deposits pledged	37	(28)
Others	(185)	(92)
	<u>17,227</u>	<u>(151)</u>
Net changes in cash and cash equivalents	131,031	(5,611)
Effect of exchange differences	335	(626)
Cash and cash equivalents at beginning of the period	110,801	78,131
Cash and cash equivalents at end of the period	<u><u>242,167</u></u>	<u><u>71,894</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 2020 and the accompanying explanatory notes attached to the interim financial statements)

Interim financial report for the second quarter ended 31 December 2020
(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 December 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	251,773	44,748	357	-	296,878
Inter-segment sales	-	1	-	(1)	-
Total revenue	<u>251,773</u>	<u>44,749</u>	<u>357</u>	<u>(1)</u>	<u>296,878</u>
Results					
Segment results	2,394	7,258	(2,929)	-	6,723
Gain on settlement of secured debts	135,320	-	-	-	135,320
Finance costs	(67)	(4)	(20)	-	(91)
Share in results of associated companies	-	-	524	-	524
Profit before tax					<u>142,476</u>
Income tax expense					(1,880)
Profit for the year					<u>140,596</u>
Assets					
Segment assets	309,207	82,994	363,673	-	755,874
Investment in associated companies	-	-	37,084	-	37,084
Unallocated corporate assets					123,559
					<u>916,517</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 acquisition of 70.5% equity interest in Well Morning Limited ("Well Morning") on 30 December 2020 by way of the transfer of the entire issued capital of Well Morning comprising 1 ordinary share 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 Changsu 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 acquisition 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		
		31.12.2020	31.12.2019	Change	31.12.2020	31.12.2019	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue							
Building materials and steel products		119,822	87,518	37	251,773	202,253	24
Lubricants, petroleum and automotive products		21,035	23,687	-11	44,748	45,793	-2
Others		148	431	-66	357	701	-49
		<u>141,005</u>	<u>111,636</u>	26	<u>296,878</u>	<u>248,747</u>	19
Segment results							
Building materials and steel products		925	381	>100	2,394	1,384	73
Lubricants, petroleum and automotive products		3,473	3,341	4	7,258	5,375	35
Others		(1,539)	(111)	>-100	(2,929)	155	>-100
Profit from operations		<u>2,859</u>	<u>3,611</u>	-21	<u>6,723</u>	<u>6,914</u>	-3
Gain on settlement of secured debts	9	135,320	-		135,320	-	
Finance costs		(88)	(12)		(91)	(27)	
Share in results of associated companies		75	675		524	455	
Profit before tax	23	<u>138,166</u>	<u>4,274</u>	>100	<u>142,476</u>	<u>7,342</u>	>100
Income tax expense	16	(855)	(1,005)		(1,880)	(1,973)	
Profit for the period		<u>137,311</u>	<u>3,269</u>	>100	<u>140,596</u>	<u>5,369</u>	>100

For the first half of financial year 2021, the Group registered a higher revenue of RM296.9 million, a growth of 19% as compared with RM248.7 million recorded in the preceding year corresponding period amidst the COVID-19 pandemic. The Group's profit from operations however decreased by 3% to RM6.7 million mainly due to lower interest income.

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 RM0.5 million, the Group recorded a higher profit before tax of RM142.5 million for the period under review. The Group's net assets per share as at 31 December 2020 was RM3.15, an increase of RM0.61 from end of the last financial year.

Building Materials and Steel Products

The revenue of the Division increased by 24% to RM251.8 million as compared to RM202.3 million a year ago mainly due to the higher sales particularly non-steel building materials. 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 was 2% lower at RM44.7 million mainly due to the highly cautious consumer spending. However, with higher profit margin and lower operating expenses, the Division recorded a higher profit before tax of RM7.3 million for the period under review.

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 RM0.4 million and recorded a loss of RM2.9 million due to 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	
	31.12.2020	30.9.2020	Change
	RM'000	RM'000	%
Revenue	141,005	155,873	-10
Profit from operations	2,859	3,864	-26
Profit before tax	<u>138,166</u>	<u>4,310</u>	>100

For the second quarter ended 31 December 2020, the Group posted a revenue of RM141.0 million, a decline of 10% from that of last quarter mainly due to the lower sales of building materials and lubricants. Accordingly, the Group recorded a lower profit from operations of RM2.9 million.

During the quarter under review, the Group recorded a gain on settlement of secured debts of RM135.3 million pursuant to the debts settlement arrangement as disclosed in Note 9.

With a lower share of profit in associated companies of RM0.08 million (Last quarter: RM0.4 million), the Group recorded a profit before tax of RM138.2 million for the quarter under review.

13. a) Prospects

The operating environment for the Group businesses is expected to remain challenging in the next quarter following the imposition of Movement Control Order 2.0 by the Malaysian Government due to the constantly evolving COVID-19 situation.

While there are challenges ahead, 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	<u>(855)</u>	<u>(1,005)</u>	<u>(1,880)</u>	<u>(1,973)</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
	31.12.2020	31.12.2019
	RM'000	RM'000
Non-current		
Hire-purchase payables - secured	-	16
Current		
Hire-purchase payables - secured	2	13
Revolving credit - secured	4,000	-
Bankers acceptances - unsecured	13,233	788
	<u>17,235</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. 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>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
Profit attributable to owners of the Company (RM'000)	<u>137,311</u>	<u>3,269</u>	<u>140,596</u>	<u>5,369</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>60.27</u>	<u>1.43</u>	<u>61.71</u>	<u>2.36</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>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2020</u>	<u>31.12.2019</u>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	743	2,195	1,171	4,562
b) Other income including investment income	1,180	622	2,087	1,808
c) Interest expense	(88)	(12)	(91)	(27)
d) Depreciation and amortisation	(656)	(678)	(1,320)	(1,374)
e) Provision for and write off of receivables	(1,229)	(891)	(2,511)	(2,066)
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)	14	44	45	123
j) Gain or (loss) on derivatives	-	-	-	-