



**LION INDUSTRIES CORPORATION BERHAD** (415-D)

---

(Incorporated in Malaysia)

**Interim Financial Report for the  
Third Quarter Ended  
31 March 2014**

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|--|--------|
| Condensed Consolidated Income Statement                  | 1      |
| Condensed Consolidated Statement of Comprehensive Income | 2      |
| Condensed Consolidated Statement of Financial Position   | 3      |
| Condensed Consolidated Statement of Changes in Equity    | 4      |
| Condensed Consolidated Statement of Cash Flows           | 5      |
| Notes to the Condensed Financial Statements              | 6 - 13 |

**LION INDUSTRIES CORPORATION BERHAD (415-D)**  
(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014  
(The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENT**

|   | Note  | 3 MONTHS ENDED      |                     | YEAR-TO-DATE ENDED  |                     |
|---|-------|---------------------|---------------------|---------------------|---------------------|
|   |       | 31.3.2014<br>RM'000 | 31.3.2013<br>RM'000 | 31.3.2014<br>RM'000 | 31.3.2013<br>RM'000 |
| Revenue   |       | 1,172,911           | 1,232,868           | 3,269,291           | 3,509,670           |
| Operating expenses  |       | (1,168,127)         | (1,201,318)         | (3,325,351)         | (3,529,710)         |
| Other operating income  |       | 954                 | 1,943               | 2,671               | 4,901               |
| Profit/(Loss) from operations   |       | 5,738               | 33,493              | (53,389)            | (15,139)            |
| Finance costs   |       | (18,308)            | (15,918)            | (50,707)            | (49,580)            |
| Share in results of associated<br>companies and jointly controlled entity |       | 13,940              | 35,666              | 41,930              | 82,045              |
| Investment income   |       | 11,051              | 9,251               | 29,594              | 28,339              |
| Exceptional item  | 23(k) | (2,425)             | (8,760)             | (56,458)            | (31,321)            |
| Profit/(Loss) before tax  | 23    | 9,996               | 53,732              | (89,030)            | 14,344              |
| Tax (expense)/credit  | 16    | (1,471)             | (11,540)            | 1,315               | 251                 |
| Profit/(Loss) for the period  |       | <u>8,525</u>        | <u>42,192</u>       | <u>(87,715)</u>     | <u>14,595</u>       |
| Profit/(Loss) attributable to:  |       |                     |                     |                     |                     |
| - Owners of the Company   |       | 8,681               | 40,716              | (86,826)            | 8,016               |
| - Non-controlling interests   |       | (156)               | 1,476               | (889)               | 6,579               |
| Profit/(Loss) for the period  |       | <u>8,525</u>        | <u>42,192</u>       | <u>(87,715)</u>     | <u>14,595</u>       |
| Earnings/(Loss) per share attributable<br>to owners of the Company (sen): | 21    |                     |                     |                     |                     |
| - Basic   |       | <u>1.21</u>         | <u>5.67</u>         | <u>(12.11)</u>      | <u>1.12</u>         |
| - Diluted   |       | <u>1.21</u>         | <u>5.67</u>         | <u>(12.11)</u>      | <u>1.12</u>         |

*(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)*

**LION INDUSTRIES CORPORATION BERHAD (415-D)**  
(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|  | <b>3 MONTHS ENDED</b> |                  | <b>YEAR-TO-DATE ENDED</b> |                  |
|--|-----------------------|------------------|---------------------------|------------------|
|  | <b>31.3.2014</b>      | <b>31.3.2013</b> | <b>31.3.2014</b>          | <b>31.3.2013</b> |
|  | RM'000                | RM'000           | RM'000                    | RM'000           |
| Profit/(Loss) for the period   | 8,525                 | 42,192           | (87,715)                  | 14,595           |
| <u>Other comprehensive income/(loss)</u>   |                       |                  |                           |                  |
| <u>Items that will not be reclassified</u><br><u>subsequently to profit or loss</u>                                | -                     | -                | -                         | -                |
| <u>Items that may be reclassified</u><br><u>subsequently to profit or loss</u>                                     |                       |                  |                           |                  |
| Exchange differences on translation<br>of foreign operations   | (767)                 | 313              | 1,860                     | (6,033)          |
| Net gain on fair value changes<br>on available-for-sale financial assets<br>and assets classified as held for sale | 1,247                 | 1,019            | 4,575                     | 1,742            |
| Change in fair value on disposal of<br>assets classified as held for sale  | -                     | -                | -                         | (1,220)          |
| Other comprehensive income/(loss)<br>for the period, net of tax  | 480                   | 1,332            | 6,435                     | (5,511)          |
| Total comprehensive income/(loss)<br>for the period  | 9,005                 | 43,524           | (81,280)                  | 9,084            |
| Profit/(Loss) attributable to:   |                       |                  |                           |                  |
| Owners of the Company  | 9,687                 | 41,175           | (81,660)                  | 4,410            |
| Non-controlling interests  | (682)                 | 2,349            | 380                       | 4,674            |
|  | 9,005                 | 43,524           | (81,280)                  | 9,084            |

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)*

**LION INDUSTRIES CORPORATION BERHAD (415-D)**  
(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

|   | <u>Note</u> | <b>AS AT<br/>31.3.2014<br/>RM'000</b> | <b>AS AT<br/>30.6.2013<br/>RM'000</b> |
|---|-------------|---------------------------------------|---------------------------------------|
| <b>ASSETS</b>   |             |                                       |                                       |
| <b>Non-Current Assets</b>                                       |             |                                       |                                       |
| Property, plant and equipment                                   |             | 1,205,010                             | 1,252,613                             |
| Investment properties   |             | 3,999                                 | 4,012                                 |
| Prepaid land lease payments                                     |             | 48,336                                | 49,713                                |
| Land held for property development                              |             | 35,576                                | 34,223                                |
| Investment in associated companies                              |             | 877,733                               | 840,919                               |
| Investment in jointly controlled entity                         |             | 87,475                                | 88,238                                |
| Long-term investments   |             | 18,959                                | 86,691                                |
| Deferred tax assets   |             | 96,687                                | 70,520                                |
| Goodwill  |             | 130,443                               | 130,443                               |
| Total Non-Current Assets  |             | <u>2,504,218</u>                      | <u>2,557,372</u>                      |
| <b>Current Assets</b>   |             |                                       |                                       |
| Property development costs                                      |             | 61,747                                | 59,893                                |
| Inventories   |             | 825,497                               | 1,043,575                             |
| Short-term investments  |             | 21,613                                | 20,887                                |
| Trade receivables   |             | 922,742                               | 905,230                               |
| Other receivables, deposits and prepayments                     |             | 634,747                               | 494,691                               |
| Amount owing by jointly controlled entity                       |             | 1,514                                 | 1,551                                 |
| Amount owing by associated company                              |             | 4,500                                 | 5,398                                 |
| Deposits, cash and bank balances                                |             | 581,025                               | 573,011                               |
|   |             | <u>3,053,385</u>                      | <u>3,104,236</u>                      |
| Assets classified as held for sale                              |             | -                                     | 470                                   |
| Total Current Assets  |             | <u>3,053,385</u>                      | <u>3,104,706</u>                      |
| <b>Total Assets</b>   |             | <b><u>5,557,603</u></b>               | <b><u>5,662,078</u></b>               |
| <b>EQUITY AND LIABILITIES</b>                                   |             |                                       |                                       |
| <b>Capital and Reserves</b>                                     |             |                                       |                                       |
| Share capital   |             | 717,909                               | 717,909                               |
| Reserves  |             | 2,345,745                             | 2,435,299                             |
| Equity attributable to owners of the Company                    |             | <u>3,063,654</u>                      | <u>3,153,208</u>                      |
| Non-controlling interests                                       |             | 387,747                               | 388,309                               |
| Total equity  |             | <u>3,451,401</u>                      | <u>3,541,517</u>                      |
| <b>Non-Current and Deferred Liabilities</b>                     |             |                                       |                                       |
| Long-term borrowings  | 18          | 246,523                               | 248,228                               |
| Hire-purchase and finance lease payables                        |             | 96,290                                | 109,167                               |
| Deferred tax liabilities  |             | 23,450                                | 22,232                                |
| Total Non-Current and Deferred Liabilities                      |             | <u>366,263</u>                        | <u>379,627</u>                        |
| <b>Current Liabilities</b>                                      |             |                                       |                                       |
| Trade payables  |             | 518,962                               | 576,766                               |
| Other payables, deposit and accrued expenses                    |             | 707,008                               | 643,319                               |
| Provisions  |             | 15,000                                | 15,000                                |
| Hire-purchase and finance lease payables                        |             | 17,075                                | 16,483                                |
| Short-term borrowings   | 18          | 453,605                               | 469,117                               |
| Tax liabilities   |             | 28,289                                | 20,249                                |
| Total Current Liabilities                                       |             | <u>1,739,939</u>                      | <u>1,740,934</u>                      |
| <b>Total Liabilities</b>  |             | <u>2,106,202</u>                      | <u>2,120,561</u>                      |
| <b>Total Equity and Liabilities</b>                             |             | <b><u>5,557,603</u></b>               | <b><u>5,662,078</u></b>               |
| Net assets per share attributable to owners of the Company (RM) |             | <u>4.28</u>                           | <u>4.39</u>                           |

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)*

**LION INDUSTRIES CORPORATION BERHAD (415-D)**

(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|  | ← Attributable to owners of the Company → |                            |                              |                             |                                | Total<br>RM'000  | Non-<br>controlling<br>interests<br>RM'000 | Total<br>equity<br>RM'000 |
|--|---|----------------------------|------------------------------|-----------------------------|--------------------------------|------------------|--|---------------------------|
|  | Share<br>capital<br>RM'000                | Share<br>premium<br>RM'000 | Treasury<br>shares<br>RM'000 | Other<br>reserves<br>RM'000 | Retained<br>earnings<br>RM'000 |                  |  |                           |
| <b>31 March 2014</b>                                   |   |                            |                              |                             |                                |                  |  |                           |
| <b>At 1 July 2013</b>                                  | 717,909                                   | 532,627                    | (494)                        | 14,188                      | 1,888,978                      | 3,153,208        | 388,309                                    | 3,541,517                 |
| Total comprehensive income/(loss)<br>for the period    | -   | -                          | -                            | 5,166                       | (86,826)                       | (81,660)         | 380  | (81,280)                  |
| Dividends for the financial<br>year ended 30 June 2013 | -   | -                          | -                            | -                           | (7,167)                        | (7,167)          | (942)                                      | (8,109)                   |
| Purchase of treasury shares                            | -   | -                          | (727)                        | -                           | -                              | (727)            | -  | (727)                     |
| <b>At 31 March 2014</b>                                | <b>717,909</b>                            | <b>532,627</b>             | <b>(1,221)</b>               | <b>19,354</b>               | <b>1,794,985</b>               | <b>3,063,654</b> | <b>387,747</b>                             | <b>3,451,401</b>          |
| <b>31 March 2013</b>                                   |   |                            |                              |                             |                                |                  |  |                           |
| <b>At 1 July 2012</b>                                  | 717,909                                   | 532,627                    | (342)                        | 17,323                      | 1,930,903                      | 3,198,420        | 386,828                                    | 3,585,248                 |
| Total comprehensive income/(loss)<br>for the period    | -   | -                          | -                            | (3,606)                     | 8,016                          | 4,410            | 4,674                                      | 9,084                     |
| Dividends for the financial<br>year ended 30 June 2012 | -   | -                          | -                            | -                           | (7,177)                        | (7,177)          | (1,256)                                    | (8,433)                   |
| Purchase of treasury shares                            | -   | -                          | (152)                        | -                           | -                              | (152)            | -  | (152)                     |
| Acquisition of non-controlling interests               | -   | -                          | -                            | -                           | 22                             | 22               | (27)                                       | (5)                       |
| <b>At 31 March 2013</b>                                | <b>717,909</b>                            | <b>532,627</b>             | <b>(494)</b>                 | <b>13,717</b>               | <b>1,931,764</b>               | <b>3,195,523</b> | <b>390,219</b>                             | <b>3,585,742</b>          |

*(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)*

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(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014

(The figures have not been audited)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|  | YEAR-TO-DATE ENDED  |                     |
|--|---------------------|---------------------|
|  | 31.3.2014<br>RM'000 | 31.3.2013<br>RM'000 |
| <u>OPERATING ACTIVITIES</u>                                    |                     |                     |
| (Loss)/Profit before tax                                       | (89,030)            | 14,344              |
| Adjustments for:   |                     |                     |
| Non-cash items   | 153,731             | 114,858             |
| Non-operating items  | (22,132)            | (67,471)            |
| Operating profit before changes in working capital             | 42,569              | 61,731              |
| Changes in working capital:                                    |                     |                     |
| Net changes in current assets                                  | 60,907              | 238,700             |
| Net changes in current liabilities                             | (15,386)            | (113,818)           |
|  | 88,090              | 186,613             |
| <u>INVESTING ACTIVITIES</u>                                    |                     |                     |
| Dividends received   | 18,748              | 24,075              |
| Interest received  | 29,594              | 18,350              |
| Proceeds from disposal/redemption of investments               | 3,983               | 22,470              |
| Proceeds from disposal of assets held for sale                 | 470                 | 404                 |
| Proceeds from disposal of property, plant and equipment        | 1,147               | 363                 |
| Purchase of property, plant and equipment                      | (42,832)            | (65,427)            |
| Acquisition of non-controlling interests                       | -                   | (5)                 |
| Others   | (1,353)             | (3,391)             |
|  | 9,757               | (3,161)             |
| <u>FINANCING ACTIVITIES</u>                                    |                     |                     |
| Borrowings and interest paid                                   | (111,783)           | (84,119)            |
| (Increase)/Decrease in cash and cash equivalents - restricted  | (20,616)            | 2,817               |
| Purchase of treasury shares                                    | (727)               | (152)               |
| Redemption of RCCPS by a subsidiary company                    | -                   | (8,611)             |
| Dividend paid to shareholders of the Company                   | (7,167)             | (7,177)             |
| Dividend paid to minority shareholders of subsidiary companies | (942)               | (2,042)             |
|  | (141,235)           | (99,284)            |
| Net changes in cash and cash equivalents                       | (43,388)            | 84,168              |
| Effects of changes in exchange rate                            | 248                 | 39                  |
| Cash and cash equivalents at beginning of the period           | 385,620             | 317,741             |
| Cash and cash equivalents at end of the period                 | 342,480             | 401,948             |

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)*

**LION INDUSTRIES CORPORATION BERHAD** (415-D)  
(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014  
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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**1. Accounting policies and methods of computation**

The interim financial statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("FRS") 134: "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2013. 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 2013.

The significant accounting policies adopted in the interim financial statements are consistent with those of the audited financial statements for the financial year ended 30 June 2013 except for the adoption of the following FRSs effective for the financial period beginning 1 July 2013:

|                         |  |
|-------------------------|--|
| FRS 1                   | First-time Adoption of Financial Reporting Standards (Amendments)  |
| FRS 7                   | Financial Instruments: Disclosures (Amendments)  |
| FRS 10                  | Consolidated Financial Statements  |
| FRS 11                  | Joint Arrangements   |
| FRS 12                  | Disclosures of Interest In Other Entities  |
| FRS 10, FRS 11 & FRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance (Amendment to FRS 10, FRS 11 and FRS 12) |
| FRS 13                  | Fair Value Measurement   |
| FRS 101                 | Presentation of Financial Statements (Amendments)  |
| FRS 116                 | Property, Plant and Equipment (Amendments)   |
| FRS 119                 | Employee Benefits (2011)   |
| FRS 127                 | Separate Financial Statements  |
| FRS 128                 | Investment in Associates and Joint Ventures (2011)   |
| FRS 132                 | Financial Instruments: Presentation (Amendments)   |
| FRS 134                 | Interim Financial Reporting (Amendments)   |
| IC Int. 20              | Stripping Costs in the Production Phase of a Surface Mine  |

The adoption of the above mentioned FRSs did not have material impact on the financial statements of the Group on initial application.

**Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standard Board ("MASB") has issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (MFRS Framework), a fully-International Financial Reporting Standards Framework ("IFRS") compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities ("TEs").

TEs, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including its parents, significant investors and venturers were given a transitional period of two years, within which the MFRS Framework is mandatory to be adopted by the TEs. Following the announcement by the MASB on 7 August 2013, the transitional period for TEs has been extended for an additional year. Therefore, the mandatory adoption date of the MFRS Framework for TEs has been extended from annual periods beginning on or after 1 January 2014 to annual periods beginning on or after 1 January 2015.

The Group being TEs have availed themselves of this transitional arrangement and will continue to apply FRSs in the preparation of their financial statements. Accordingly, the Group will be required to apply MFRS 1 First-time adoption of Malaysian Financial Reporting Standards in their financial statements for the financial year ending 30 June 2016, being the first set of financial statements prepared in accordance with new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

**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 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

**5. Debt and equity securities**

During the financial year-to-date, the Company repurchased a total of 944,100 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.77 per share. The total consideration paid for the repurchase including transaction costs amounting to RM727,364 was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 31 March 2014, the number of treasury shares held were 1,314,000 shares.

Other than as disclosed above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial year-to-date.

**6. Dividends paid**

A first and final single-tier dividend of 1.0 sen per share, amounting to RM7.2 million in respect of the previous financial year ended 30 June 2013 was paid by the Company on 16 January 2014.



**7. Segmental information**

The Group's segmental report for the financial year-to-date was as follows:

|  | Steel<br>RM'000  | Building<br>materials<br>RM'000 | Property<br>development<br>RM'000 | Others<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|--|------------------|---------------------------------|-----------------------------------|------------------|------------------------|------------------------|
| <b>Revenue</b>   |                  |                                 |                                   |                  |                        |                        |
| External revenue   | 2,914,355        | 265,378                         | 14,242                            | 75,316           | -                      | 3,269,291              |
| Inter-segment revenue  | 71,094           | 230,360                         | -                                 | -                | (301,454)              | -                      |
| Total revenue  | <u>2,985,449</u> | <u>495,738</u>                  | <u>14,242</u>                     | <u>75,316</u>    | <u>(301,454)</u>       | <u>3,269,291</u>       |
| <b>Results</b>   |                  |                                 |                                   |                  |                        |                        |
| Segment results  | (53,541)         | 7,361                           | (2,499)                           | 567              | -                      | (48,112)               |
| Unallocated costs  |                  |                                 |                                   |                  |                        | (5,277)                |
| Finance costs  |                  |                                 |                                   |                  |                        | (50,707)               |
| Share in results of<br>associated companies<br>and jointly controlled entity | 5,975            | -                               | 15,833                            | 20,122           | -                      | 41,930                 |
| Investment income  | 8,546            | 8,515                           | 1,541                             | 10,992           | -                      | 29,594                 |
| Exceptional item   | (50,918)         | (1,073)                         | (148)                             | (4,319)          | -                      | (56,458)               |
| Loss before tax  |                  |                                 |                                   |                  |                        | (89,030)               |
| Tax credit   |                  |                                 |                                   |                  |                        | 1,315                  |
| Loss for the period  |                  |                                 |                                   |                  |                        | <u>(87,715)</u>        |
| <b>Assets</b>  |                  |                                 |                                   |                  |                        |                        |
| Segment assets   | 3,192,801        | 616,657                         | 235,528                           | 177,970          | -                      | 4,222,956              |
| Investment in<br>associated<br>companies and<br>jointly controlled<br>entity | 81,905           | -                               | 87,475                            | 795,828          | -                      | 965,208                |
| Unallocated<br>corporate assets  |                  |                                 |                                   |                  |                        | 369,439                |
| Consolidated total assets  |                  |                                 |                                   |                  |                        | <u>5,557,603</u>       |

**8. Subsequent events**

Other than as disclosed in Note 17, 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 financial year-to-date.

**10. Changes in contingent liabilities and contingent assets**

There were no material changes in contingent liabilities or contingent assets since 30 June 2013.

**11. Performance review**

|   | 3 MONTHS ENDED      |                     | YEAR-TO-DATE ENDED  |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.3.2014<br>RM'000 | 31.3.2013<br>RM'000 | 31.3.2014<br>RM'000 | 31.3.2013<br>RM'000 |
| <b>Revenue</b>  |                     |                     |                     |                     |
| Steel   | 1,073,482           | 1,076,149           | 2,985,449           | 3,081,529           |
| Building materials  | 157,469             | 165,987             | 495,738             | 671,033             |
| Property development  | 3,942               | 3,986               | 14,242              | 11,870              |
| Others  | 23,338              | 24,927              | 75,316              | 73,007              |
| Eliminations  | (85,320)            | (38,181)            | (301,454)           | (327,769)           |
|   | <u>1,172,911</u>    | <u>1,232,868</u>    | <u>3,269,291</u>    | <u>3,509,670</u>    |
| <b>Segment Results</b>  |                     |                     |                     |                     |
| Steel   | 7,972               | 29,948              | (53,541)            | (26,607)            |
| Building materials  | 2,100               | 2,746               | 7,361               | 11,807              |
| Property development  | (2,166)             | 223                 | (2,499)             | (2,928)             |
| Others  | (117)               | 3,254               | 567                 | 8,089               |
| Unallocated costs   | (2,051)             | (2,678)             | (5,277)             | (5,500)             |
| Profit/(Loss) from operations   | <u>5,738</u>        | <u>33,493</u>       | <u>(53,389)</u>     | <u>(15,139)</u>     |
| Finance costs   | (18,308)            | (15,918)            | (50,707)            | (49,580)            |
| Share in results of associated companies<br>and jointly controlled entity | 13,940              | 35,666              | 41,930              | 82,045              |
| Investment income   | 11,051              | 9,251               | 29,594              | 28,339              |
| Exceptional item  | (2,425)             | (8,760)             | (56,458)            | (31,321)            |
| Profit/(Loss) before tax  | <u>9,996</u>        | <u>53,732</u>       | <u>(89,030)</u>     | <u>14,344</u>       |

For the nine months of the financial year under review, the Group posted a 7% lower revenue of RM3,269 million compared to RM3,509 million recorded in the same period last year. This was mainly due to the lower sales registered by our steel and building materials divisions. The Group registered a higher operating loss of RM53.4 million largely due to the higher loss recorded by the steel division and lower profit from the building materials division. The associated companies and a jointly controlled entity contributed a lower profit of RM41.9 million to the Group compared to RM82.0 million last year. After accounting for a higher loss on exceptional item of RM56.5 million, the Group recorded a higher loss before tax of RM89.0 million against a profit of RM14.3 million in the same period last year.

**Steel**

Steel division recorded a 3% lower revenue of RM2,985 million compared to RM3,082 million in the same period last year. The lower revenue was mainly due to lower selling prices and sales tonnage. As a result, the division recorded a higher loss of RM53.5 million mainly due to lower profit margin. In addition, our plant in Labuan producing hot briquetted iron was temporarily shut down for two months due to the damage to the shiploader system caused by a capesize vessel during its berthing at our jetty. The Group is seeking compensation for damages from the insurer and other relevant parties. The Labuan plant has resumed its operations in October 2013.

**Building materials**

Building materials division recorded a 26% lower revenue of RM495.7 million compared to RM671.0 million recorded in the same period last year. Accordingly, the division's profit was lower at RM7.4 million from RM11.8 million recorded a year ago.

**Property development**

Property development division registered a higher revenue of RM14.2 million and a lower loss from operations of RM2.5 million as compared to those of the same period last year.

**Others**

The revenue of RM75.3 million was mainly from petroleum, lubricants, automotive products and transportation businesses. The division recorded a lower profit of RM0.6 million as compared to RM8.1 million in the same period last year. The lower profit was mainly due to losses in agriculture project.

**Associated companies and jointly controlled entity**

The lower share in profit of the associated companies and a jointly controlled entity was largely attributable to the lower profit from their retail, property and steel businesses.

**Exceptional item**

Exceptional item comprised impairment losses of RM56.5 million on quoted investments due to the decline in share prices.

**12. Comment on material change in profit**

|                               | <b>Current<br/>Year<br/>Quarter<br/>31.3.2014</b> | <b>Immediate<br/>Preceding<br/>Quarter<br/>31.12.2013</b> |
|-------------------------------|---|---|
|                               | RM'000  | RM'000  |
| Revenue                       | 1,172,911   | 1,045,793   |
| Profit/(Loss) from operations | 5,738   | (3,803)   |
| Profit/(Loss) before tax      | 9,996   | (42,577)  |

Revenue of the Group for the quarter under review was higher at RM1,173 million compared with RM1,046 million in the immediate preceding quarter. This was mainly attributable to the higher sales recorded by the steel division. The Group recorded a profit from operations of RM5.7 million against a loss of RM3.8 million in the immediate preceding quarter mainly attributable to the profit from the steel division.

After accounting for a higher profit from associated companies and a jointly controlled entity of RM13.9 million and the loss on exceptional item of RM2.4 million, the Group posted a profit before tax of RM10.0 million against a loss of RM42.6 million in the immediate preceding quarter.

**13. a) Prospects**

The operating environment for the steel industry is expected to remain challenging as overcapacity in the industry and uncertainties in the global economic environment persist.

On the domestic front, the steel industry should grow in line with the prevailing robust construction activities but the continuing rampant dumping of steel products from foreign steel producers had resulted in the deterioration of demand and price for local steel products.

Under such circumstances, the Group's performance would remain challenging in the next quarter.

**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. Tax expense/(credit)**

|                       | 3 MONTHS ENDED      |                     | YEAR-TO-DATE ENDED  |                     |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
|                       | 31.3.2014<br>RM'000 | 31.3.2013<br>RM'000 | 31.3.2014<br>RM'000 | 31.3.2013<br>RM'000 |
| Estimated tax payable |                     |                     |                     |                     |
| Current provision     | 4,849               | 6,830               | 12,542              | 19,172              |
| Deferred taxation     |                     |                     |                     |                     |
| Current provision     | (3,378)             | 4,710               | (13,857)            | (19,423)            |
|                       | <u>1,471</u>        | <u>11,540</u>       | <u>(1,315)</u>      | <u>(251)</u>        |

Excluding the share in results of the associated companies and the jointly controlled entity, the effective tax rate of the Group for the current quarter is higher than the statutory tax rate principally due to certain expenses not deductible for tax purpose.

**17. Corporate proposals**

The status of the corporate proposals of Lion Forest Industries Berhad ("LFIB"), a subsidiary company of the Company, is reported in the Interim Financial Report of LFIB.

Other than the aforementioned, there were no corporate proposals pending completion at the date of this report.

**18. Borrowings and debt securities**

The Group's borrowings as at end of the reporting period were as follows :

|                 | Short-Term<br>RM'000 | Long-Term<br>RM'000 | Total<br>RM'000 |
|-----------------|----------------------|---------------------|-----------------|
| Bank borrowings |                      |                     |                 |
| Secured         | 372,324              | 8,120               | 380,444         |
| Unsecured       | 21,281               | -                   | 21,281          |
|                 | <u>393,605</u>       | <u>8,120</u>        | <u>401,725</u>  |
| Sukuk           |                      |                     |                 |
| Secured         | 60,000               | 238,403             | 298,403         |
|                 | <u>453,605</u>       | <u>246,523</u>      | <u>700,128</u>  |

|   | Foreign<br>Currency |                |
|---|---------------------|----------------|
|   | '000                | RM'000         |
| The Group's borrowings were denominated in the following currencies |                     |                |
| - Ringgit Malaysia  | -                   | 510,830        |
| - US Dollar   | 57,607              | 189,298        |
|   |                     | <u>700,128</u> |

**19. Changes in material litigation**

There was no material litigation since 30 June 2013.

**20. Dividend proposed**

The Board does not recommend any interim dividend for the financial quarter ended 31 March 2014.

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

Basic EPS is calculated by dividing the profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial period.

|  | <u>3 MONTHS ENDED</u> |                  | <u>YEAR-TO-DATE ENDED</u> |                  |
|--|-----------------------|------------------|---------------------------|------------------|
|  | <u>31.3.2014</u>      | <u>31.3.2013</u> | <u>31.3.2014</u>          | <u>31.3.2013</u> |
| Profit/(Loss) attributable to owners of the Company (RM'000) | 8,681                 | 40,716           | (86,826)                  | 8,016            |
| Weighted average number of ordinary shares in issue ('000)   | 717,352               | 717,653          | 717,248                   | 717,651          |
| Basic EPS (sen)  | 1.21                  | 5.67             | (12.11)                   | 1.12             |

The basic EPS and the diluted EPS are the same for the period 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 2013 was not qualified.

**23. Profit/(Loss) before tax**

Profit/(Loss) before tax is arrived at after crediting/(charging) the following income/(expenses):

|   | <u>3 MONTHS ENDED</u> |                  | <u>YEAR-TO-DATE ENDED</u> |                  |
|---|-----------------------|------------------|---------------------------|------------------|
|   | <u>31.3.2014</u>      | <u>31.3.2013</u> | <u>31.3.2014</u>          | <u>31.3.2013</u> |
|   | RM'000                | RM'000           | RM'000                    | RM'000           |
| (a) Interest income   | 11,051                | 9,251            | 29,594                    | 28,339           |
| (b) Other income including investment income                                | 954                   | 1,943            | 2,671                     | 4,901            |
| (c) Interest expense  | (18,308)              | (15,918)         | (50,707)                  | (49,580)         |
| (d) Depreciation and amortisation   | (29,635)              | (30,492)         | (88,514)                  | (90,247)         |
| (e) Provision for and write off of receivables                              | (917)                 | -                | (2,594)                   | (879)            |
| (f) Provision for and write off of inventories                              | -                     | -                | -                         | -                |
| (g) Gain/(Loss) on disposal of quoted or unquoted investments or properties | (88)                  | 120              | (2,096)                   | 323              |
| (h) Impairment of assets (refer to item (k))                                | -                     | -                | -                         | -                |
| (i) Foreign exchange gain/(loss)  | 2,192                 | 8,532            | 2,883                     | 22,724           |
| (j) Gain/(Loss) on derivatives  | -                     | -                | -                         | -                |
| (k) Exceptional item  | (2,425)               | (8,760)          | (56,458)                  | (31,321)         |
| - impairment loss on quoted investments                                     | (2,425)               | -                | (56,458)                  | (22,561)         |
| - Loss on redemption of unquoted investments                                | -                     | (8,760)          | -                         | (8,760)          |

**24. Realised and Unrealised Profits/Losses Disclosure**

|  | <b>AS AT<br/>31.03.2014<br/>RM'000</b> | <b>AS AT<br/>30.6.2013<br/>RM'000</b> |
|--|--|---------------------------------------|
| Total retained earnings of the Company and subsidiary companies                            |  |                                       |
| - Realised   | 1,225,610                              | 1,391,808                             |
| - Unrealised   | 41,742                                 | 15,606                                |
|  | <u>1,267,352</u>                       | <u>1,407,414</u>                      |
| Total share of retained earnings from associated companies and a jointly controlled entity |  |                                       |
| - Realised   | 523,227                                | 478,815                               |
| - Unrealised   | 91                                     | (1,566)                               |
| Consolidated adjustments   | 4,315                                  | 4,315                                 |
| Total retained earnings  | <u><u>1,794,985</u></u>                | <u><u>1,888,978</u></u>               |