



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
First Quarter Ended
30 September 2014**

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LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Revenue		779,155	1,050,587	779,155	1,050,587
Operating expenses		(801,450)	(1,106,819)	(801,450)	(1,106,819)
Other operating income		1,639	908	1,639	908
Loss from operations		(20,656)	(55,324)	(20,656)	(55,324)
Finance costs		(15,213)	(14,690)	(15,213)	(14,690)
Share in results of associated companies and joint venture		5,495	14,731	5,495	14,731
Investment income		3,678	8,941	3,678	8,941
Exceptional items	23(k)	(1,345)	(10,107)	(1,345)	(10,107)
Loss before tax	23	(28,041)	(56,449)	(28,041)	(56,449)
Tax (expense)/credit	16	(2,808)	1,834	(2,808)	1,834
Loss for the period		<u>(30,849)</u>	<u>(54,615)</u>	<u>(30,849)</u>	<u>(54,615)</u>
(Loss)/Profit attributable to:					
- Owners of the Company		(32,011)	(54,330)	(32,011)	(54,330)
- Non-controlling interests		1,162	(285)	1,162	(285)
Loss for the period		<u>(30,849)</u>	<u>(54,615)</u>	<u>(30,849)</u>	<u>(54,615)</u>
Loss per share attributable to owners of the Company (sen):	21				
- Basic		<u>(4.47)</u>	<u>(7.57)</u>	<u>(4.47)</u>	<u>(7.57)</u>
- Diluted		<u>(4.47)</u>	<u>(7.57)</u>	<u>(4.47)</u>	<u>(7.57)</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 2014 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 first quarter ended 30 September 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
Loss for the period	(30,849)	(54,615)	(30,849)	(54,615)
<u>Other comprehensive income/(loss)</u>				
<u>Items that may be reclassified</u> <u>subsequently to profit or loss</u>				
Exchange differences on translation of foreign operations	6,088	2,730	6,088	2,730
Net (loss)/gain on fair value changes on available-for-sale financial assets and assets classified as held for sale	(13)	227	(13)	227
Other comprehensive income for the period, net of tax	6,075	2,957	6,075	2,957
Total comprehensive loss for the period	<u>(24,774)</u>	<u>(51,658)</u>	<u>(24,774)</u>	<u>(51,658)</u>
(Loss)/Profit attributable to:				
Owners of the Company	(27,976)	(53,711)	(27,976)	(53,711)
Non-controlling interests	3,202	2,053	3,202	2,053
	<u>(24,774)</u>	<u>(51,658)</u>	<u>(24,774)</u>	<u>(51,658)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 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 first quarter ended 30 September 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2014 RM'000	AS AT 30.6.2014 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,149,540	1,169,134
Investment properties		4,240	4,244
Prepaid land lease payments		47,418	47,875
Land held for property development		34,646	34,306
Investment in associated companies		878,640	874,085
Investment in joint venture		58,610	56,974
Long-term investments		19,606	20,996
Receivables		532,834	532,834
Deferred tax assets		107,933	105,986
Goodwill		130,443	130,443
Total Non-Current Assets		<u>2,963,910</u>	<u>2,976,877</u>
Current Assets			
Property development costs		57,557	58,893
Inventories		840,448	817,855
Short-term investments		3,795	3,795
Receivables		526,342	591,413
Amount owing by associated company		9,049	10,751
Amount owing by joint venture		1,497	1,485
Deposits, cash and bank balances		428,199	462,374
Total Current Assets		<u>1,866,887</u>	<u>1,946,566</u>
Total Assets		<u>4,830,797</u>	<u>4,923,443</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		717,909	717,909
Reserves		1,898,457	1,926,759
Equity attributable to owners of the Company		<u>2,616,366</u>	<u>2,644,668</u>
Non-controlling interests		318,467	315,265
Total equity		<u>2,934,833</u>	<u>2,959,933</u>
Non-Current and Deferred Liabilities			
Long-term borrowings	18	178,966	183,275
Hire-purchase and finance lease payables		88,393	92,606
Deferred tax liabilities		25,634	25,127
Total Non-Current and Deferred Liabilities		<u>292,993</u>	<u>301,008</u>
Current Liabilities			
Payables		1,214,588	1,208,676
Provisions		15,000	15,000
Hire-purchase and finance lease payables		17,799	17,452
Short-term borrowings	18	323,528	389,161
Tax liabilities		32,056	32,213
Total Current Liabilities		<u>1,602,971</u>	<u>1,662,502</u>
Total Liabilities		<u>1,895,964</u>	<u>1,963,510</u>
Total Equity and Liabilities		<u>4,830,797</u>	<u>4,923,443</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.65</u>	<u>3.69</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 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 first quarter ended 30 September 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →					Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000			
30 September 2014								
At 1 July 2014	717,909	532,627	(1,221)	19,474	1,375,879	2,644,668	315,265	2,959,933
Total comprehensive income/(loss) for the period	-	-	-	4,035	(32,011)	(27,976)	3,202	(24,774)
Purchase of treasury shares	-	-	(326)	-	-	(326)	-	(326)
At 30 September 2014	717,909	532,627	(1,547)	23,509	1,343,868	2,616,366	318,467	2,934,833
30 September 2013								
At 1 July 2013	717,909	532,627	(494)	14,188	1,888,978	3,153,208	388,309	3,541,517
Total comprehensive income/(loss) for the period	-	-	-	619	(54,330)	(53,711)	2,053	(51,658)
Purchase of treasury shares	-	-	(273)	-	-	(273)	-	(273)
At 30 September 2013	717,909	532,627	(767)	14,807	1,834,648	3,099,224	390,362	3,489,586

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)

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Interim financial report for the first quarter ended 30 September 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2014 RM'000	30.9.2013 RM'000
<u>OPERATING ACTIVITIES</u>		
Loss before tax	(28,041)	(56,449)
Adjustments for:		
Non-cash items	30,302	41,692
Non-operating items	6,040	(10,816)
Operating profit/(loss) before changes in working capital	8,301	(25,573)
Changes in working capital:		
Net changes in current assets	45,543	(73,235)
Net changes in current liabilities	5,325	76,988
	<u>59,169</u>	<u>(21,820)</u>
<u>INVESTING ACTIVITIES</u>		
Dividends received	1,289	16,596
Interest received	3,678	8,941
Proceeds from disposal/redemption of investments	32	2,615
Proceeds from disposal of assets held for sale	-	470
Proceeds from disposal of property, plant and equipment	63	405
Purchase of property, plant and equipment	(9,489)	(13,305)
Others	(340)	(893)
	<u>(4,767)</u>	<u>14,829</u>
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(89,078)	(91,418)
Increase in cash and cash equivalents - restricted	(1,811)	(1,092)
Purchase of treasury shares	(326)	(273)
	<u>(91,215)</u>	<u>(92,783)</u>
Net changes in cash and cash equivalents	(36,813)	(99,774)
Effects of changes in exchange rate	827	364
Cash and cash equivalents at beginning of the period	269,481	385,620
Cash and cash equivalents at end of the period	<u>233,495</u>	<u>286,210</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)
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(The figures have not been audited)

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 2014. 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 2014.

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 2014 except for the adoption of the following FRSs effective for the financial period beginning 1 July 2014:

IC Interpretation 21	Levies
Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities
Amendments to FRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)
Amendments to FRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)
Amendments to FRS 136	Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)
Amendments to FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)
Annual Improvements to FRSs 2010 - 2012 cycle	
Annual Improvements to FRSs 2011 - 2013 cycle	

The adoption of the above mentioned FRSs did not have material impact on the financial statements of the Group on 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 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 500,000 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.65 per share. The total consideration paid for the repurchase including transaction costs amounting to RM325,520 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 30 September 2014, the number of treasury shares held were 1,814,000 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

There was no dividend paid during the quarter and financial year-to-date.

7. Segmental information

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

	Steel RM'000	Building materials RM'000	Property development RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	658,815	80,914	10,422	29,004	-	779,155
Inter-segment revenue	27,187	58,861	-	321	(86,369)	-
Total revenue	<u>686,002</u>	<u>139,775</u>	<u>10,422</u>	<u>29,325</u>	<u>(86,369)</u>	<u>779,155</u>
Results						
Segment results	(27,958)	2,301	5,672	826	-	(19,159)
Unallocated costs						(1,497)
Finance costs						(15,213)
Share in results of associated companies and joint venture	(659)	-	1,636	4,518	-	5,495
Investment income					-	3,678
Exceptional items	(1,095)	(37)	(41)	(172)	-	(1,345)
Loss before tax						(28,041)
Tax expense						(2,808)
Loss for the period						<u>(30,849)</u>
Assets						
Segment assets	2,739,512	397,418	257,303	121,849	-	3,516,082
Investment in associated companies and joint venture	73,502	-	58,610	805,138	-	937,250
Unallocated corporate assets						377,465
Consolidated total assets						<u>4,830,797</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 2014.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Revenue				
Steel	686,002	965,303	686,002	965,303
Building materials	139,775	150,444	139,775	150,444
Property development	10,422	6,329	10,422	6,329
Others	29,325	26,497	29,325	26,497
Eliminations	(86,369)	(97,986)	(86,369)	(97,986)
	<u>779,155</u>	<u>1,050,587</u>	<u>779,155</u>	<u>1,050,587</u>
Segment Results				
Steel	(27,958)	(55,657)	(27,958)	(55,657)
Building materials	2,301	4,639	2,301	4,639
Property development	5,672	(1,396)	5,672	(1,396)
Others	826	(1,432)	826	(1,432)
Unallocated costs	(1,497)	(1,478)	(1,497)	(1,478)
Loss from operations	(20,656)	(55,324)	(20,656)	(55,324)
Finance costs	(15,213)	(14,690)	(15,213)	(14,690)
Share in results of associated companies and joint venture	5,495	14,731	5,495	14,731
Investment income	3,678	8,941	3,678	8,941
Exceptional items	(1,345)	(10,107)	(1,345)	(10,107)
Loss before tax	<u>(28,041)</u>	<u>(56,449)</u>	<u>(28,041)</u>	<u>(56,449)</u>

For the first three months of the financial year under review, the Group posted a 26% lower revenue of RM779 million compared to RM1,051 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 lower operating loss of RM20.7 million largely due to the lower loss recorded by the steel division and the higher profit from the property division. The associated companies and a joint venture contributed a lower profit of RM5.5 million to the Group compared to RM14.7 million last year. After accounting for a loss on exceptional items of RM1.3 million, the Group recorded a lower loss before tax of RM28.0 million as compared with RM56.4 million in the same period last year.

Steel

Steel division recorded a lower revenue of RM686.0 million compared to RM965.3 million in the same period last year. The lower revenue was mainly due to lower selling prices and sales tonnage. The division recorded a lower loss of RM28.0 million. The higher loss in the previous year was mainly attributable to the temporary shut down of our plant at Labuan due to an incident where a capesize vessel collided with our jetty during berthing which damaged our shiploader system.

Building materials

Building materials division recorded a 7% lower revenue of RM139.8 million compared to RM150.4 million recorded in the same period last year. As such, the division posted a lower profit from operations of RM2.3 million as compared to RM4.6 million recorded a year ago.

Property development

Property development division registered a higher revenue of RM10.4 million compared to RM6.3 million registered in the same period last year. The division posted a profit from operations of RM5.7 million against a loss of RM1.4 million recorded a year ago.

Others

The revenue of RM29.3 million was mainly from petroleum, lubricants, automotive products and transportation businesses. The division recorded a profit of RM0.8 million for the financial year under review.

Associated companies and joint venture

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

Exceptional items

Exceptional items comprised impairment losses of RM1.3 million on quoted investments due to the decline in share prices.

12. Comment on material change in profit

	Current Year Quarter 30.9.2014	Immediate Preceding Quarter 30.6.2014
	RM'000	RM'000
Revenue	779,155	1,278,684
(Loss)/Profit from operations	(20,656)	6,579
Loss before tax	(28,041)	(483,042)

Revenue of the Group for the quarter under review was lower at RM779.2 million compared with RM1,278.7 million in the immediate preceding quarter. This was mainly attributable to the lower sales recorded by the steel and building materials divisions. The Group registered a loss from operations of RM20.7 million against a profit of RM6.6 million in the immediate preceding quarter mainly due to the losses recorded by the steel division.

After accounting for a lower profit from associated companies and a joint venture of RM5.5 million and the loss on exceptional items of RM1.3 million, the Group posted a lower loss before tax of RM28.0 million compared with RM483.0 million in the immediate preceding quarter. The results for the immediate preceding quarter included an impairment loss on trade and other receivables owing by related parties of RM429.8 million, an impairment loss on quoted and unquoted investments of RM13.5 million, an impairment loss on property, plant and equipment of RM32.0 million and an inventories write-down of RM10.3 million.

13. a) Prospects

The operating environment for the steel industry is expected to remain challenging as global overcapacity and oversupply will continue to weigh on the steel market and lead to the rampant dumping activities of steel products in the local market by foreign steel producers.

On the domestic front, the demand for steel products will increase on the back of the growth momentum of the construction sector which is anticipated to continue. However, the local steel producers will not benefit from the increase in demand until and unless effective measures by the Government to curb the dumping activities are introduced and strictly enforced.

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	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Estimated tax payable				
Current provision	4,755	4,366	4,755	4,366
Deferred taxation				
Current provision	(1,947)	(6,200)	(1,947)	(6,200)
	<u>2,808</u>	<u>(1,834)</u>	<u>2,808</u>	<u>(1,834)</u>

Excluding the share in results of the associated companies and the joint venture, 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 RM'000	Long-Term RM'000	Total RM'000
<u>Bank borrowings</u>			
Secured	242,096	-	242,096
Unsecured	21,808	-	21,808
	<u>263,904</u>	<u>-</u>	<u>263,904</u>
<u>Sukuk</u>			
Secured	59,624	178,966	238,590
	<u>323,528</u>	<u>178,966</u>	<u>502,494</u>
		Foreign Currency	
The Group's borrowings were denominated in the following currencies		'000	RM'000
- Ringgit Malaysia		-	417,717
- US Dollar		26,419	84,777
			<u>502,494</u>

19. Changes in material litigation

There was no material litigation since 30 June 2014.

20. Dividend proposed

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

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

Basic EPS is calculated by dividing the 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/year.

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Loss attributable to owners of the Company (RM'000)	<u>(32,011)</u>	<u>(54,330)</u>	<u>(32,011)</u>	<u>(54,330)</u>
Weighted average number of ordinary shares in issue ('000)	<u>716,416</u>	<u>717,514</u>	<u>716,416</u>	<u>717,514</u>
Basic EPS (sen)	<u>(4.47)</u>	<u>(7.57)</u>	<u>(4.47)</u>	<u>(7.57)</u>

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 2014 was not qualified.

23. Loss before tax

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	3,678	8,941	3,678	8,941
(b) Other income including investment income	1,639	908	1,639	908
(c) Interest expense	(15,213)	(14,690)	(15,213)	(14,690)
(d) Depreciation and amortisation	(28,901)	(29,148)	(28,901)	(29,148)
(e) Provision for and write off of receivables	(2,594)	(848)	(2,594)	(848)
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	(367)	148	(367)	148
(h) Impairment of assets (refer to item (k))	-	-	-	-
(i) Foreign exchange gain/(loss)	(1,265)	941	(1,265)	941
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	(1,345)	(10,107)	(1,345)	(10,107)
- impairment loss on quoted and unquoted investments	<u>(1,345)</u>	<u>(10,107)</u>	<u>(1,345)</u>	<u>(10,107)</u>

24. Realised and Unrealised Profits/Losses Disclosure

	AS AT 30.9.2014 RM'000	AS AT 30.6.2014 RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	758,779	797,014
- Unrealised	53,469	52,740
	<u>812,248</u>	<u>849,754</u>
Total share of retained earnings from associated companies and a joint venture		
- Realised	524,981	519,833
- Unrealised	2,324	1,977
Consolidated adjustments	4,315	4,315
Total retained earnings	<u><u>1,343,868</u></u>	<u><u>1,375,879</u></u>