



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
First Quarter Ended
30 September 2015**

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LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2015

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Revenue		571,981	779,155	571,981	779,155
Operating expenses		(610,829)	(801,450)	(610,829)	(801,450)
Other operating income		26,380	1,639	26,380	1,639
Loss from operations		(12,468)	(20,656)	(12,468)	(20,656)
Finance costs		(12,980)	(15,213)	(12,980)	(15,213)
Share in results of associated companies and joint venture		11,264	5,495	11,264	5,495
Investment income		2,582	3,678	2,582	3,678
Exceptional items	23(k)	-	(1,345)	-	(1,345)
Loss before tax	23	(11,602)	(28,041)	(11,602)	(28,041)
Tax expense	16	(3,687)	(2,808)	(3,687)	(2,808)
Loss for the period		<u>(15,289)</u>	<u>(30,849)</u>	<u>(15,289)</u>	<u>(30,849)</u>
Loss attributable to:					
- Owners of the Company		(16,476)	(32,011)	(16,476)	(32,011)
- Non-controlling interests		1,187	1,162	1,187	1,162
Loss for the period		<u>(15,289)</u>	<u>(30,849)</u>	<u>(15,289)</u>	<u>(30,849)</u>
Loss per share attributable to owners of the Company (sen):	21				
- Basic		<u>(2.31)</u>	<u>(4.47)</u>	<u>(2.31)</u>	<u>(4.47)</u>
- Diluted		<u>(2.31)</u>	<u>(4.47)</u>	<u>(2.31)</u>	<u>(4.47)</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 2015 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 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Loss for the period	(15,289)	(30,849)	(15,289)	(30,849)
<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	15,325	6,088	15,325	6,088
Net loss on fair value changes on available-for-sale financial assets and assets classified as held for sale	(107)	(13)	(107)	(13)
Other comprehensive income for the period, net of tax	15,218	6,075	15,218	6,075
Total comprehensive income/(loss) for the period	<u>(71)</u>	<u>(24,774)</u>	<u>(71)</u>	<u>(24,774)</u>
(Loss)/Profit attributable to:				
Owners of the Company	(7,821)	(27,976)	(7,821)	(27,976)
Non-controlling interests	7,750	3,202	7,750	3,202
	<u>(71)</u>	<u>(24,774)</u>	<u>(71)</u>	<u>(24,774)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2015 RM'000	AS AT 30.6.2015 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,057,930	1,079,980
Investment properties		2,097	2,165
Prepaid land lease payments		45,580	46,039
Land held for property development		33,744	33,121
Investment in associated companies		829,418	806,916
Investment in joint venture		9,575	9,575
Long-term investments		19,719	19,827
Receivables		532,019	532,019
Deferred tax assets		106,138	106,138
Goodwill		130,443	130,443
Total Non-Current Assets		<u>2,766,663</u>	<u>2,766,223</u>
Current Assets			
Property development costs		47,896	54,515
Inventories		513,973	607,529
Receivables		456,295	478,117
Amount owing by associated company		20,348	22
Amount owing by joint venture		1,673	1,579
Deposits, cash and bank balances		346,665	347,015
		<u>1,386,850</u>	<u>1,488,777</u>
Assets classified as held for sale		3,388	3,388
Total Current Assets		<u>1,390,238</u>	<u>1,492,165</u>
Total Assets		<u>4,156,901</u>	<u>4,258,388</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		717,909	717,909
Reserves		1,652,178	1,662,939
Equity attributable to owners of the Company		<u>2,370,087</u>	<u>2,380,848</u>
Non-controlling interests		297,035	286,909
Total equity		<u>2,667,122</u>	<u>2,667,757</u>
Non-Current and Deferred Liabilities			
Long-term borrowings	18	119,341	121,870
Hire-purchase and finance lease payables		66,527	30,431
Deferred tax liabilities		22,991	22,991
Total Non-Current and Deferred Liabilities		<u>208,859</u>	<u>175,292</u>
Current Liabilities			
Payables		912,428	1,006,358
Hire-purchase and finance lease payables		21,846	62,304
Short-term borrowings	18	309,760	326,066
Tax liabilities		36,886	20,611
Total Current Liabilities		<u>1,280,920</u>	<u>1,415,339</u>
Total Liabilities		<u>1,489,779</u>	<u>1,590,631</u>
Total Equity and Liabilities		<u>4,156,901</u>	<u>4,258,388</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.36</u>	<u>3.33</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 2015

(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 2015								
At 1 July 2015	717,909	532,627	(2,071)	10,342	1,122,041	2,380,848	286,909	2,667,757
Total comprehensive income/(loss) for the period	-	-	-	8,655	(16,476)	(7,821)	7,750	(71)
Effect of dilution in a subsidiary company	-	-	-	-	-	-	2,400	2,400
Acquisition of non-controlling interests	-	-	-	-	19	19	(24)	(5)
Purchase of treasury shares	-	-	(2,959)	-	-	(2,959)	-	(2,959)
At 30 September 2015	717,909	532,627	(5,030)	18,997	1,105,584	2,370,087	297,035	2,667,122
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

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements)

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2015 RM'000	30.9.2014 RM'000
<u>OPERATING ACTIVITIES</u>		
Loss before tax	(11,602)	(28,041)
Adjustments for:		
Non-cash items	36,704	30,302
Non-operating items	(1,144)	6,040
Operating profit before changes in working capital	23,958	8,301
Changes in working capital:		
Net changes in current assets	153,356	45,543
Net changes in current liabilities	(105,681)	5,325
	71,633	59,169
<u>INVESTING ACTIVITIES</u>		
Dividends received	574	1,289
Interest received	2,582	3,678
Proceeds from disposal/redemption of investments	63	32
Proceeds from disposal of property, plant and equipment	3	63
Purchase of property, plant and equipment	(4,966)	(9,489)
Others	(3,811)	(340)
	(5,555)	(4,767)
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(64,114)	(89,078)
Increase in cash and cash equivalents - restricted	(3,692)	(1,811)
Purchase of treasury shares	(2,959)	(326)
	(70,765)	(91,215)
Net changes in cash and cash equivalents	(4,687)	(36,813)
Effects of changes in exchange rate	645	827
Cash and cash equivalents at beginning of the period	293,615	269,481
Cash and cash equivalents at end of the period	289,573	233,495

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements)

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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 2015. 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 2015.

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 2015.

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, except as disclosed in the Interim Financial Report.

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 10,435,200 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.28 per share. The total consideration paid for the repurchase including transaction costs amounting to RM2,958,635 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 2015, the number of treasury shares held were 13,321,600 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	448,020	79,634	17,828	26,499	-	571,981
Inter-segment revenue	24,147	-	-	-	(24,147)	-
Total revenue	<u>472,167</u>	<u>79,634</u>	<u>17,828</u>	<u>26,499</u>	<u>(24,147)</u>	<u>571,981</u>
Results						
Segment results	(33,218)	(277)	3,927	17,100	-	(12,468)
Finance costs						(12,980)
Share in results of associated companies and joint venture	(3,945)	-	-	15,209	-	11,264
Investment income						2,582
Loss before tax						(11,602)
Tax expense						(3,687)
Loss for the period						<u>(15,289)</u>
Assets						
Segment assets	2,173,643	440,606	244,316	344,887	-	3,203,452
Investment in associated companies and joint venture	69,147	-	9,575	760,271	-	838,993
Unallocated corporate assets						114,456
Consolidated total assets						<u>4,156,901</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 changes in contingent liabilities or contingent assets since 30 June 2015.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Revenue				
Steel	472,167	686,002	472,167	686,002
Building materials	79,634	139,775	79,634	139,775
Property development	17,828	10,422	17,828	10,422
Others	26,499	29,325	26,499	29,325
Eliminations	(24,147)	(86,369)	(24,147)	(86,369)
	<u>571,981</u>	<u>779,155</u>	<u>571,981</u>	<u>779,155</u>
Segment Results				
Steel	(33,218)	(27,958)	(33,218)	(27,958)
Building materials	(277)	2,301	(277)	2,301
Property development	3,927	5,672	3,927	5,672
Others	17,100	826	17,100	826
Unallocated costs	-	(1,497)	-	(1,497)
Loss from operations	(12,468)	(20,656)	(12,468)	(20,656)
Finance costs	(12,980)	(15,213)	(12,980)	(15,213)
Share in results of associated companies and joint venture	11,264	5,495	11,264	5,495
Investment income	2,582	3,678	2,582	3,678
Exceptional items	-	(1,345)	-	(1,345)
Loss before tax	<u>(11,602)</u>	<u>(28,041)</u>	<u>(11,602)</u>	<u>(28,041)</u>

For the first three months of the financial year under review, the Group posted a 27% lower revenue of RM572 million compared to RM779 million recorded in the same period last year. This was mainly due to the lower sales registered by our steel and building materials divisions. Despite this, the Group registered a lower operating loss of RM12.5 million. The associated companies and a joint venture contributed a higher profit of RM11.3 million to the Group compared to RM5.5 million last year. Hence, the Group recorded a lower loss before tax of RM11.6 million as compared with RM28.0 million in the same period last year.

Steel

Steel division recorded a lower revenue of RM472 million compared to RM686 million in the same period last year. The lower revenue was mainly due to the lower selling prices and sales tonnage. Accordingly, the division recorded a higher loss of RM33.2 million compared with RM28.0 million in the same period last year.

Building materials

Building materials division recorded a 43% lower revenue of RM79.6 million compared to RM139.8 million recorded in the same period last year. Accordingly, the division registered a loss from operations of RM0.3 million against a profit of RM2.3 million recorded a year ago.

Property development

Property development division registered a higher revenue of RM17.8 million compared to RM10.4 million registered in the same period last year. The division posted a profit from operations of RM3.9 million as compared to RM5.7 million recorded a year ago. The results were mainly contributed by the development project in Penang.

Others

The revenue of RM26.5 million was mainly from petroleum, lubricants, automotive products and transportation businesses. The profit of RM17.1 million recorded for the financial period under review arose mainly from a reversal of doubtful debts.

Associated companies and joint venture

The share in profit of the associated companies and a joint venture was largely attributable to the profit from their retail business.

Exceptional items

Exceptional items in the previous year comprised impairment losses of RM1.3 million on quoted investments due to the decline in share price for the period under review.

12. Comment on material change in profit

	Current Year Quarter 30.9.2015	Immediate Preceding Quarter 30.6.2015
	RM'000	RM'000
Revenue	571,981	594,971
Loss from operations	(12,468)	(60,108)
Loss before tax	(11,602)	(127,010)

Revenue of the Group for the quarter under review was lower at RM572.0 million compared with RM595.0 million in the immediate preceding quarter. This was mainly attributable to the lower sales recorded by the building materials division. However, the Group registered a lower loss from operations of RM12.5 million compared with RM60.1 million in the immediate preceding quarter mainly due to the lower loss recorded by the steel division.

After accounting for profit contributed by associated companies and a joint venture of RM11.3 million, the Group recorded a lower loss before tax of RM11.6 million for the quarter under review.

13. a) Prospects

The outlook for the local steel industry in the next quarter is expected to be tough due to the prevailing uncertainties in the operating environment. The global over-capacity and over-supply will continue to weigh on the steel market with the on-going rampant dumping of imported steel products in the local market. The dumping activities will continue to severely affect the profitability of the local steel producers 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	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Estimated tax payable				
Current provision	3,708	4,755	3,708	4,755
Overprovision in prior years	(21)	-	(21)	-
Deferred taxation				
Current provision	-	(1,947)	-	(1,947)
	<u>3,687</u>	<u>2,808</u>	<u>3,687</u>	<u>2,808</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 and financial year-to-date is lower 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	250,136	-	250,136
Unsecured	-	-	-
	<u>250,136</u>	<u>-</u>	<u>250,136</u>
<u>Sukuk</u>			
Secured	59,624	119,341	178,965
	<u>309,760</u>	<u>119,341</u>	<u>429,101</u>

The Group's borrowings were denominated in the following currencies

	Foreign Currency	
	'000	RM'000
- Ringgit Malaysia	-	359,981
- US Dollar	15,568	69,120
		<u>429,101</u>

19. Changes in material litigation

There was no material litigation since 30 June 2015.

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)/earnings 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>30.9.2015</u>	<u>30.9.2014</u>	<u>30.9.2015</u>	<u>30.9.2014</u>
Loss attributable to owners of the Company (RM'000)	<u>(16,476)</u>	<u>(32,011)</u>	<u>(16,476)</u>	<u>(32,011)</u>
Weighted average number of ordinary shares in issue ('000)	<u>712,495</u>	<u>716,416</u>	<u>712,495</u>	<u>716,416</u>
Basic EPS (sen)	<u>(2.31)</u>	<u>(4.47)</u>	<u>(2.31)</u>	<u>(4.47)</u>

Diluted

For the purpose of calculating diluted (loss)/earnings per share, the (loss)/profit attributable to owners of the Company for the period and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. shares granted under the Executive Share Option Scheme.

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2015</u>	<u>30.9.2014</u>	<u>30.9.2015</u>	<u>30.9.2014</u>
Loss attributable to owners of the Company (RM'000)	<u>(16,476)</u>	<u>(32,011)</u>	<u>(16,476)</u>	<u>(32,011)</u>
Weighted average number of ordinary shares in issue ('000)	<u>712,495</u>	<u>716,416</u>	<u>712,495</u>	<u>716,416</u>
Effect of dilution ('000)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>712,495</u>	<u>716,416</u>	<u>712,495</u>	<u>716,416</u>
Diluted EPS (sen)	<u>(2.31)</u>	<u>(4.47)</u>	<u>(2.31)</u>	<u>(4.47)</u>

22. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2015 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	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	2,582	3,678	2,582	3,678
(b) Other income including investment income	26,380	1,639	26,380	1,639
(c) Interest expense	(12,980)	(15,213)	(12,980)	(15,213)
(d) Depreciation and amortisation	(29,209)	(28,901)	(29,209)	(28,901)
(e) Provision for and write off of receivables	(1,002)	(2,594)	(1,002)	(2,594)
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	3	(367)	3	(367)
(h) Impairment of assets (refer to item (k))	-	-	-	-
(i) Foreign exchange gain/(loss)	(2,192)	(1,265)	(2,192)	(1,265)
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	-	(1,345)	-	(1,345)
- impairment loss on quoted and unquoted investments	-	(1,345)	-	(1,345)

24. Realised and Unrealised Profits/Losses Disclosure

	AS AT 30.9.2015 RM'000	AS AT 30.6.2015 RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	538,191	568,731
- Unrealised	59,650	57,109
	597,841	625,840
Total share of retained earnings from associated companies and a joint venture		
- Realised	493,805	483,357
- Unrealised	9,623	8,529
Consolidated adjustments	4,315	4,315
Total retained earnings	1,105,584	1,122,041