



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
Second Quarter Ended
31 December 2015**

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LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2015

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue		596,539	805,544	1,168,520	1,584,699
Operating expenses		(628,441)	(816,856)	(1,239,270)	(1,618,306)
Other operating income		3,767	1,350	30,147	2,989
Loss from operations		(28,135)	(9,962)	(40,603)	(30,618)
Finance costs		(11,134)	(17,352)	(24,114)	(32,565)
Share in results of associated companies and joint venture		(12,102)	23,588	(838)	29,083
Investment income		10,876	5,023	13,458	8,701
Exceptional items	23(k)	67,801	(74,634)	67,801	(75,979)
Profit/(Loss) before tax	23	27,306	(73,337)	15,704	(101,378)
Tax expense	16	(2,046)	(11,800)	(5,733)	(14,608)
Profit/(Loss) for the period		<u>25,260</u>	<u>(85,137)</u>	<u>9,971</u>	<u>(115,986)</u>
Profit/(Loss) attributable to:					
- Owners of the Company		24,570	(66,795)	8,094	(98,806)
- Non-controlling interests		690	(18,342)	1,877	(17,180)
Profit/(Loss) for the period		<u>25,260</u>	<u>(85,137)</u>	<u>9,971</u>	<u>(115,986)</u>
Earnings/(Loss) per share attributable to owners of the Company (sen):	21				
- Basic		<u>3.50</u>	<u>(9.33)</u>	<u>1.14</u>	<u>(13.80)</u>
- Diluted		<u>3.50</u>	<u>(9.33)</u>	<u>1.14</u>	<u>(13.80)</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 second quarter ended 31 December 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period	25,260	(85,137)	9,971	(115,986)
<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	(3,851)	1,312	11,474	7,400
Net loss on fair value changes on available-for-sale financial assets and assets classified as held for sale	(2,995)	(2)	(3,102)	(15)
Other comprehensive (loss)/income for the period, net of tax	(6,846)	1,310	8,372	7,385
Total comprehensive profit/(loss) for the period	<u>18,414</u>	<u>(83,827)</u>	<u>18,343</u>	<u>(108,601)</u>
Profit/(Loss) attributable to:				
Owners of the Company	20,382	(65,566)	12,561	(93,542)
Non-controlling interests	(1,968)	(18,261)	5,782	(15,059)
	<u>18,414</u>	<u>(83,827)</u>	<u>18,343</u>	<u>(108,601)</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 second quarter ended 31 December 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.12.2015 RM'000	AS AT 30.6.2015 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,029,933	1,079,980
Investment properties		2,093	2,165
Prepaid land lease payments		45,121	46,039
Land held for property development		34,281	33,121
Investment in associated companies		814,825	806,916
Investment in joint venture		9,711	9,575
Long-term investments		16,725	19,827
Receivables		532,019	532,019
Deferred tax assets		106,138	106,138
Goodwill		130,443	130,443
Total Non-Current Assets		<u>2,721,289</u>	<u>2,766,223</u>
Current Assets			
Property development costs		44,879	54,515
Inventories		551,692	607,529
Receivables		545,395	478,117
Amount owing by associated company		2,283	22
Amount owing by joint venture		1,589	1,579
Deposits, cash and bank balances		272,609	347,015
		<u>1,418,447</u>	<u>1,488,777</u>
Assets classified as held for sale		3,388	3,388
Total Current Assets		<u>1,421,835</u>	<u>1,492,165</u>
Total Assets		<u>4,143,124</u>	<u>4,258,388</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		717,909	717,909
Reserves		1,670,912	1,662,939
Equity attributable to owners of the Company		<u>2,388,821</u>	<u>2,380,848</u>
Non-controlling interests		295,067	286,909
Total equity		<u>2,683,888</u>	<u>2,667,757</u>
Non-Current and Deferred Liabilities			
Long-term borrowings	18	119,434	121,870
Hire-purchase and finance lease payables		60,133	30,431
Deferred tax liabilities		22,991	22,991
Total Non-Current and Deferred Liabilities		<u>202,558</u>	<u>175,292</u>
Current Liabilities			
Payables		927,810	1,006,358
Hire-purchase and finance lease payables		23,605	62,304
Short-term borrowings	18	268,408	326,066
Tax liabilities		36,855	20,611
Total Current Liabilities		<u>1,256,678</u>	<u>1,415,339</u>
Total Liabilities		<u>1,459,236</u>	<u>1,590,631</u>
Total Equity and Liabilities		<u>4,143,124</u>	<u>4,258,388</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.42</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)

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 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			
31 December 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 (loss)/income for the period	-	-	-	4,467	8,094	12,561	5,782	18,343
Effect of dilution in a subsidiary company	-	-	-	-	-	-	2,400	2,400
Acquisition of non-controlling interests	-	-	-	-	19	19	(24)	(5)
Purchase of treasury shares	-	-	(4,607)	-	-	(4,607)	-	(4,607)
At 31 December 2015	717,909	532,627	(6,678)	14,809	1,130,154	2,388,821	295,067	2,683,888
31 December 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	-	-	-	5,264	(98,806)	(93,542)	(15,059)	(108,601)
Share-based payments	-	-	-	276	-	276	-	276
Purchase of treasury shares	-	-	(754)	-	-	(754)	-	(754)
At 31 December 2014	717,909	532,627	(1,975)	25,014	1,277,073	2,550,648	300,206	2,850,854

(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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.12.2015	31.12.2014
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit/(Loss) before tax	15,704	(101,378)
Adjustments for:		
Non-cash items	(37,653)	119,527
Non-operating items	17,227	9,389
Operating (loss)/profit before changes in working capital	(4,722)	27,538
Changes in working capital:		
Net changes in current assets	23,264	(6,531)
Net changes in current liabilities	(66,870)	(52,114)
	(48,328)	(31,107)
<u>INVESTING ACTIVITIES</u>		
Dividends received	1,026	1,289
Interest received	13,458	8,701
Proceeds from disposal/redemption of investments	63	593
Proceeds from disposal of property, plant and equipment	44	3,749
Purchase of property, plant and equipment	(6,185)	(17,490)
Proceeds from disposal of an associated company	67,801	-
Others	(4,700)	(131)
	71,507	(3,289)
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(93,392)	(41,917)
Decrease/(Increase) in cash and cash equivalents - restricted	1,483	(2,505)
Purchase of treasury shares	(4,607)	(754)
	(96,516)	(45,176)
Net changes in cash and cash equivalents	(73,337)	(79,572)
Effects of changes in exchange rate	412	561
Cash and cash equivalents at beginning of the period	293,615	269,481
Cash and cash equivalents at end of the period	220,690	190,470

(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)

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 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 15,815,600 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.29 per share. The total consideration paid for the repurchase including transaction costs amounting to RM4,606,527 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 December 2015, the number of treasury shares held were 18,702,000 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	855,184	215,005	45,680	52,651	-	1,168,520
Inter-segment revenue	48,084	-	-	-	(48,084)	-
Total revenue	<u>903,268</u>	<u>215,005</u>	<u>45,680</u>	<u>52,651</u>	<u>(48,084)</u>	<u>1,168,520</u>
Results						
Segment results	(74,726)	1,860	7,955	24,308	-	(40,603)
Finance costs						(24,114)
Share in results of associated companies and joint venture	(8,494)	-	136	7,520	-	(838)
Investment income						13,458
Exceptional items						67,801
Profit before tax						<u>15,704</u>
Tax expense						(5,733)
Profit for the period						<u>9,971</u>
Assets						
Segment assets	2,145,409	440,606	250,063	368,092	-	3,204,170
Investment in associated companies and joint venture	64,598	-	9,711	750,227	-	824,536
Unallocated corporate assets						114,418
Consolidated total assets						<u>4,143,124</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	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue				
Steel	431,101	701,685	903,268	1,387,687
Building materials	135,371	134,579	215,005	274,354
Property development	27,852	20,928	45,680	31,350
Others	26,152	25,444	52,651	54,769
Eliminations	(23,937)	(77,092)	(48,084)	(163,461)
	<u>596,539</u>	<u>805,544</u>	<u>1,168,520</u>	<u>1,584,699</u>
Segment Results				
Steel	(41,508)	(15,931)	(74,726)	(43,889)
Building materials	2,137	2,467	1,860	4,768
Property development	4,028	5,934	7,955	11,606
Others	7,208	(1,112)	24,308	(286)
Unallocated costs	-	(1,320)	-	(2,817)
Loss from operations	(28,135)	(9,962)	(40,603)	(30,618)
Finance costs	(11,134)	(17,352)	(24,114)	(32,565)
Share in results of associated companies and joint venture	(12,102)	23,588	(838)	29,083
Investment income	10,876	5,023	13,458	8,701
Exceptional items	67,801	(74,634)	67,801	(75,979)
Profit/(Loss) before tax	<u>27,306</u>	<u>(73,337)</u>	<u>15,704</u>	<u>(101,378)</u>

For the first six months of the financial year under review, the Group posted a 26% lower revenue of RM1,169 million compared to RM1,585 million recorded in the same period last year. This was mainly due to the lower sales registered by our steel and building materials divisions. Accordingly, the Group registered a higher operating loss of RM40.6 million. The Group shared a loss of RM0.8 million from the associated companies and a joint venture against a profit of RM29.1 million in the last year. After accounting for the exceptional items of RM67.8 million comprising a gain on disposal of an associated company, the Group recorded a profit before tax of RM15.7 million against a loss of RM101.4 million in the same period last year.

Steel

Steel division recorded a lower revenue of RM903 million compared to RM1,388 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 RM74.7 million compared with RM43.9 million in the same period last year.

Building materials

Building materials division recorded a 22% lower revenue of RM215.0 million compared to RM274.4 million in the same period last year. Accordingly, the division recorded a lower profit from operations of RM1.9 million compared with RM4.8 million a year ago.

Property development

Property development division registered a higher revenue of RM45.7 million compared to RM31.4 million in the same period last year. The division posted a profit from operations of RM8.0 million as compared to RM11.6 million a year ago. The results were mainly contributed by the development project in Penang.

Others

The revenue of RM52.7 million was mainly from petroleum, lubricants, automotive products and transportation businesses. The profit of RM24.3 million recorded for the financial period under review arose mainly from a reversal of doubtful debts.

Associated companies and joint venture

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

Exceptional items

Exceptional items comprised gain on disposal of an associated company for the period under review.

12. Comment on material change in profit

	Current Year Quarter 31.12.2015	Immediate Preceding Quarter 30.9.2015
	RM'000	RM'000
Revenue	596,539	571,981
Loss from operations	(28,135)	(12,468)
Profit/(Loss) before tax	27,306	(11,602)

Revenue of the Group for the quarter under review was higher at RM596.5 million compared with RM572.0 million in the immediate preceding quarter. This was mainly attributable to the higher sales recorded by the building materials division. However, the Group registered a higher loss from operations of RM28.1 million compared with RM12.5 million in the immediate preceding quarter mainly due to the higher loss recorded by the steel division.

After accounting for the share of losses of associated companies and a joint venture of RM12.1 million, and a gain on disposal of an associated company of RM67.8 million, the Group posted a profit before tax of RM27.3 million for the quarter under review.

13. a) Prospects

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 sales and subsequently profitability of the local steel producers until there are more committed and determined measures introduced and are strictly enforced by the Government to curb the severe dumping activities.

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Estimated tax payable				
Current provision	1,988	6,567	5,696	11,322
Overprovision in prior years	21	-	-	-
Deferred taxation				
Current provision	37	5,233	37	3,286
	<u>2,046</u>	<u>11,800</u>	<u>5,733</u>	<u>14,608</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 was lower than the statutory tax rate mainly due to the gain from disposal of an associated company not subject to tax and the effective tax rate of the Group for financial year-to-date was higher than the statutory tax rate mainly 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	208,049	-	208,049
Unsecured	735	-	735
	<u>208,784</u>	<u>-</u>	<u>208,784</u>
<u>Sukuk</u>			
Secured	59,624	119,434	179,058
	<u>268,408</u>	<u>119,434</u>	<u>387,842</u>

The Group's borrowings were denominated in the following currencies

	Foreign Currency	'000	RM'000
- Ringgit Malaysia		-	329,995
- US Dollar		13,475	57,847
			<u>387,842</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. Earnings/(Loss) per share ("EPS")**Basic**

Basic EPS is calculated by dividing the earnings/(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.

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Profit/(Loss) attributable to owners of the Company (RM'000)	24,570	(66,795)	8,094	(98,806)
Weighted average number of ordinary shares in issue ('000)	702,268	716,226	707,079	716,161
Basic EPS (sen)	3.50	(9.33)	1.14	(13.80)

Diluted

For the purpose of calculating diluted earnings/(loss) per share, the profit/(loss) 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.

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Profit/(Loss) attributable to owners of the Company (RM'000)	24,570	(66,795)	8,094	(98,806)
Weighted average number of ordinary shares in issue ('000)	702,268	716,226	707,079	716,161
Effect of dilution ('000)	-	-	-	-
	702,268	716,226	707,079	716,161
Diluted EPS (sen)	3.50	(9.33)	1.14	(13.80)

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. Profit/(Loss) before tax

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	10,876	5,023	13,458	8,701
(b) Other income including investment income	734	1,350	2,649	2,989
(c) Interest expense	(11,134)	(17,352)	(24,114)	(32,565)
(d) Depreciation and amortisation	(29,398)	(29,099)	(58,607)	(58,000)
(e) Provision for/Reversal of and write off of receivables	4,035	-	27,498	(2,594)
(f) Provision for and write off of inventories	-	(16,000)	-	(16,000)
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	364	3	(3)
(h) Impairment of assets (refer to item (k))	-	-	-	-
(i) Foreign exchange gain/(loss)	(2,895)	6,499	(5,087)	5,234
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	67,801	(74,634)	67,801	(75,979)
- gain on disposal of an associated company	67,801	-	67,801	-
- settlement arising from litigation claim against a former subsidiary company	-	(70,000)	-	(70,000)
- impairment loss on quoted and unquoted investments	-	(4,634)	-	(5,979)

24. Realised and Unrealised Profits/Losses Disclosure

	AS AT 31.12.2015 RM'000	AS AT 30.6.2015 RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	574,883	568,731
- Unrealised	60,433	57,109
	635,316	625,840
Total share of retained earnings from associated companies and a joint venture		
- Realised	477,839	483,357
- Unrealised	12,684	8,529
Consolidated adjustments	4,315	4,315
Total retained earnings	1,130,154	1,122,041