



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
Third Quarter Ended
31 March 2016**

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

Interim financial report for the third quarter ended 31 March 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Revenue		697,721	672,728	1,866,241	2,257,427
Operating expenses		(734,985)	(705,248)	(1,974,255)	(2,323,553)
Other operating income		893	2,556	31,040	5,544
Loss from operations		(36,371)	(29,964)	(76,974)	(60,582)
Finance costs		(12,286)	(12,476)	(36,400)	(45,041)
Share in results of associated companies and joint venture		(10,282)	5,584	(11,120)	34,667
Investment income		2,693	3,740	16,151	12,441
Exceptional items	23(k)	(68,000)	(158)	(199)	(76,137)
(Loss)/Profit before tax	23	(124,246)	(33,274)	(108,542)	(134,652)
Tax expense	16	(5,346)	(6,694)	(11,079)	(21,302)
(Loss)/Profit for the period		<u>(129,592)</u>	<u>(39,968)</u>	<u>(119,621)</u>	<u>(155,954)</u>
(Loss)/Profit attributable to:					
- Owners of the Company		(115,261)	(40,945)	(107,167)	(139,751)
- Non-controlling interests		(14,331)	977	(12,454)	(16,203)
(Loss)/Profit for the period		<u>(129,592)</u>	<u>(39,968)</u>	<u>(119,621)</u>	<u>(155,954)</u>
(Loss)/Earnings per share attributable to owners of the Company (sen):	21				
- Basic		<u>(16.45)</u>	<u>(5.72)</u>	<u>(15.23)</u>	<u>(19.52)</u>
- Diluted		<u>(16.45)</u>	<u>(5.72)</u>	<u>(15.23)</u>	<u>(19.52)</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)
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Interim financial report for the third quarter ended 31 March 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
Loss for the period	(129,592)	(39,968)	(119,621)	(155,954)
<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	(8,630)	10,330	2,844	17,730
Net loss on fair value changes on available-for-sale financial assets and assets classified as held for sale	(270)	(132)	(3,372)	(147)
Other comprehensive (loss)/income for the period, net of tax	(8,900)	10,198	(528)	17,583
Total comprehensive loss for the period	<u>(138,492)</u>	<u>(29,770)</u>	<u>(120,149)</u>	<u>(138,371)</u>
(Loss)/Profit attributable to:				
Owners of the Company	(119,195)	(36,048)	(106,634)	(129,590)
Non-controlling interests	(19,297)	6,278	(13,515)	(8,781)
	<u>(138,492)</u>	<u>(29,770)</u>	<u>(120,149)</u>	<u>(138,371)</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 third quarter ended 31 March 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.3.2016 RM'000	AS AT 30.6.2015 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		997,392	1,079,980
Investment properties		2,088	2,165
Prepaid land lease payments		44,661	46,039
Land held for property development		36,063	33,121
Investment in associated companies		800,850	806,916
Investment in joint venture		9,711	9,575
Long-term investments		16,456	19,827
Receivables		532,019	532,019
Deferred tax assets		106,138	106,138
Goodwill		130,443	130,443
Total Non-Current Assets		<u>2,675,821</u>	<u>2,766,223</u>
Current Assets			
Property development costs		36,076	54,515
Inventories		361,931	607,529
Receivables		626,405	478,117
Amount owing by associated company		1,191	22
Amount owing by joint venture		1,597	1,579
Deposits, cash and bank balances		322,415	347,015
		<u>1,349,615</u>	<u>1,488,777</u>
Assets classified as held for sale		2,557	3,388
Total Current Assets		<u>1,352,172</u>	<u>1,492,165</u>
Total Assets		<u>4,027,993</u>	<u>4,258,388</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		717,909	717,909
Reserves		1,550,857	1,662,939
Equity attributable to owners of the Company		<u>2,268,766</u>	<u>2,380,848</u>
Non-controlling interests		275,770	286,909
Total equity		<u>2,544,536</u>	<u>2,667,757</u>
Non-Current and Deferred Liabilities			
Long-term borrowings	18	119,528	121,870
Hire-purchase and finance lease payables		75,663	30,431
Deferred tax liabilities		22,951	22,991
Total Non-Current and Deferred Liabilities		<u>218,142</u>	<u>175,292</u>
Current Liabilities			
Payables		986,544	1,006,358
Hire-purchase and finance lease payables		16,411	62,304
Short-term borrowings	18	225,804	326,066
Tax liabilities		36,556	20,611
Total Current Liabilities		<u>1,265,315</u>	<u>1,415,339</u>
Total Liabilities		<u>1,483,457</u>	<u>1,590,631</u>
Total Equity and Liabilities		<u>4,027,993</u>	<u>4,258,388</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.26</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 third quarter ended 31 March 2016

(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 March 2016								
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	-	-	-	533	(107,167)	(106,634)	(13,515)	(120,149)
Effect of dilution in a subsidiary company	-	-	-	-	-	-	2,400	2,400
Acquisition of non-controlling interests	-	-	-	-	19	19	(24)	(5)
Purchase of treasury shares	-	-	(5,467)	-	-	(5,467)	-	(5,467)
At 31 March 2016	717,909	532,627	(7,538)	10,875	1,014,893	2,268,766	275,770	2,544,536
31 March 2015								
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	-	-	-	10,161	(139,751)	(129,590)	(8,781)	(138,371)
Share-based payments	-	-	-	276	-	276	-	276
Acquisition of non-controlling interests	-	-	-	-	1,600	1,600	(3,192)	(1,592)
Purchase of treasury shares	-	-	(850)	-	-	(850)	-	(850)
At 31 March 2015	717,909	532,627	(2,071)	29,911	1,237,728	2,516,104	303,292	2,819,396

(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	
	31.3.2016 RM'000	31.3.2015 RM'000
<u>OPERATING ACTIVITIES</u>		
Loss before tax	(108,542)	(134,652)
Adjustments for:		
Non-cash items	54,527	150,101
Non-operating items	39,518	11,940
Operating (loss)/profit before changes in working capital	(14,497)	27,389
Changes in working capital:		
Net changes in current assets	72,120	61,217
Net changes in current liabilities	(17,927)	(110,940)
	<u>39,696</u>	<u>(22,334)</u>
<u>INVESTING ACTIVITIES</u>		
Dividends received	1,435	1,671
Interest received	16,151	12,441
Proceeds from disposal/redemption of investments	63	118
Proceeds from disposal of property, plant and equipment	1,807	3,938
Purchase of property, plant and equipment	(5,254)	(29,925)
Proceeds from disposal of an associated company	67,801	-
Others	(3,869)	1,333
	<u>78,134</u>	<u>(10,424)</u>
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(128,104)	(60,027)
Increase in cash and cash equivalents - restricted	1,512	134,266
Purchase of treasury shares	(5,467)	(850)
	<u>(132,059)</u>	<u>73,389</u>
Net changes in cash and cash equivalents	(14,229)	40,631
Effects of changes in exchange rate	51	975
Cash and cash equivalents at beginning of the period	293,615	269,481
Cash and cash equivalents at end of the period	<u>279,437</u>	<u>311,087</u>

(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 19,097,900 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 RM5,467,264 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 2016, the number of treasury shares held were 21,984,300 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	1,302,567	403,614	82,961	77,099	-	1,866,241
Inter-segment revenue	60,302	-	-	-	(60,302)	-
Total revenue	<u>1,362,869</u>	<u>403,614</u>	<u>82,961</u>	<u>77,099</u>	<u>(60,302)</u>	<u>1,866,241</u>
Results						
Segment results	(127,031)	5,445	19,699	24,913	-	(76,974)
Finance costs						(36,400)
Share in results of associated companies and joint venture	(11,981)	-	136	725	-	(11,120)
Investment income						16,151
Exceptional items						(199)
Loss before tax						(108,542)
Tax expense						(11,079)
Loss for the period						<u>(119,621)</u>
Assets						
Segment assets	2,096,099	447,310	262,450	294,770	-	3,100,629
Investment in associated companies and joint venture	61,111	-	9,711	739,739	-	810,561
Unallocated corporate assets						116,803
Consolidated total assets						<u>4,027,993</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	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Revenue				
Steel	459,601	555,871	1,362,869	1,943,558
Building materials	188,609	176,837	403,614	451,191
Property development	37,281	16,600	82,961	47,950
Others	24,448	27,872	77,099	82,641
Eliminations	(12,218)	(104,452)	(60,302)	(267,913)
	<u>697,721</u>	<u>672,728</u>	<u>1,866,241</u>	<u>2,257,427</u>
Segment Results				
Steel	(52,305)	(25,431)	(127,031)	(69,320)
Building materials	3,585	3,240	5,445	8,008
Property development	11,744	(30)	19,699	11,577
Others	605	(5,837)	24,913	(6,124)
Unallocated costs	-	(1,906)	-	(4,723)
Loss from operations	(36,371)	(29,964)	(76,974)	(60,582)
Finance costs	(12,286)	(12,476)	(36,400)	(45,041)
Share in results of associated companies and joint venture	(10,282)	5,584	(11,120)	34,667
Investment income	2,693	3,740	16,151	12,441
Exceptional items	(68,000)	(158)	(199)	(76,137)
Loss before tax	<u>(124,246)</u>	<u>(33,274)</u>	<u>(108,542)</u>	<u>(134,652)</u>

For the first nine months of the financial year under review, the Group posted a 17% lower revenue of RM1,866 million compared to RM2,257 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 RM77.0 million. The Group shared a loss of RM11.1 million from the associated companies and a joint venture against a profit of RM34.7 million in the previous year. After accounting for the loss on exceptional items of RM0.2 million comprising a gain on disposal of an associated company and impairment loss on receivables, the Group recorded a lower loss before tax of RM108.5 million compared to RM134.7 million in the same period last year.

Steel

Steel division recorded a lower revenue of RM1,363 million compared to RM1,944 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 RM127.0 million compared with RM69.3 million in the same period last year.

Building materials

Building materials division recorded an 11% lower revenue of RM403.6 million compared to RM451.2 million in the same period last year. Accordingly, the division recorded a lower profit from operations of RM5.4 million compared with RM8.0 million a year ago.

Property development

Property development division registered a higher revenue of RM83.0 million compared to RM48.0 million in the same period last year. The division posted a profit from operations of RM19.7 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 RM77.1 million was mainly from lubricants, petroleum and automotive products, and transportation businesses. The profit of RM24.9 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

The exceptional items comprised gain on disposal of an associated company and impairment loss on receivables for the period under review.

12. Comment on material change in profit

	Current Year Quarter 31.3.2016	Immediate Preceding Quarter 31.12.2015
	RM'000	RM'000
Revenue	697,721	596,539
Loss from operations	(36,371)	(28,135)
(Loss)/Profit before tax	(124,246)	27,306

Revenue of the Group for the quarter under review was higher at RM697.7 million compared with RM596.5 million in the immediate preceding quarter. This was mainly attributable to the higher sales tonnage recorded by the steel and building materials divisions. However, the Group recorded a higher loss from operations of RM36.4 million compared with RM28.1 million in the immediate preceding quarter mainly due to lower profit margins from the steel division.

After accounting for the share of losses of associated companies and a joint venture of RM10.3 million and the impairment loss on receivables of RM68.0 million, the Group posted a loss before tax of RM124.2 million for the quarter under review.

Included in the profit before tax of the immediate preceding quarter was a gain on disposal of an associated company of RM67.8 million.

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 the profitability of the local steel producers until there are more effective measures introduced and are strictly enforced by the Government to curb the dumping activities.

Although prices for steel have risen recently, the performance of the steel operations will only improve when the underlying market conditions improve fundamentally further over a sustained period of time.

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	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Estimated tax payable				
Current provision	5,386	3,814	11,082	15,136
Overprovision in prior years	-	-	-	-
Deferred taxation				
Current provision	(40)	2,880	(3)	6,166
	<u>5,346</u>	<u>6,694</u>	<u>11,079</u>	<u>21,302</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	165,632	-	165,632
Unsecured	548	-	548
	<u>166,180</u>	<u>-</u>	<u>166,180</u>
<u>Sukuk</u>			
Secured	59,624	119,528	179,152
	<u>225,804</u>	<u>119,528</u>	<u>345,332</u>

The Group's borrowings were denominated in the following currencies

	Foreign Currency	'000	RM'000
- Ringgit Malaysia		-	300,342
- US Dollar		11,448	44,990
			<u>345,332</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 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>31.3.2016</u>	<u>31.3.2015</u>	<u>31.3.2016</u>	<u>31.3.2015</u>
Loss attributable to owners of the Company (RM'000)	<u>(115,261)</u>	<u>(40,945)</u>	<u>(107,167)</u>	<u>(139,751)</u>
Weighted average number of ordinary shares in issue ('000)	<u>700,561</u>	<u>715,479</u>	<u>703,699</u>	<u>715,832</u>
Basic EPS (sen)	<u>(16.45)</u>	<u>(5.72)</u>	<u>(15.23)</u>	<u>(19.52)</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 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	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	2,693	3,740	16,151	12,441
(b) Other income including investment income	2,602	2,556	5,251	5,544
(c) Interest expense	(12,286)	(12,476)	(36,400)	(45,041)
(d) Depreciation and amortisation	(29,257)	(29,173)	(87,864)	(87,173)
(e) Provision for/Reversal of and write off of receivables	(1,709)	(399)	25,789	(2,993)
(f) Provision for and write off of inventories	-	(8,716)	-	(24,716)
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	18	3	15
(h) Impairment of assets (refer to item (k))	-	-	-	-
(i) Foreign exchange gain/(loss)	(661)	(1,342)	(5,748)	3,893
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	(68,000)	(158)	(199)	(76,137)
- gain on disposal of an associated company	-	-	67,801	-
- impairment loss on receivables	(68,000)	-	(68,000)	-
- settlement arising from litigation claim against a former subsidiary company	-	-	-	(70,000)
- impairment loss on quoted and unquoted investments	-	(158)	-	(6,137)

24. Realised and Unrealised Profits/Losses Disclosure

	AS AT 31.3.2016 RM'000	AS AT 30.6.2015 RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	472,254	568,731
- Unrealised	61,535	57,109
	533,789	625,840
Total share of retained earnings from associated companies and a joint venture		
- Realised	462,471	483,357
- Unrealised	14,318	8,529
Consolidated adjustments	4,315	4,315
Total retained earnings	1,014,893	1,122,041