



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
Fourth Quarter Ended
30 June 2016**

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LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim financial report for the fourth quarter ended 30 June 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Revenue		647,729	524,986	2,513,970	2,782,413
Operating expenses		(633,560)	(631,997)	(2,607,815)	(2,955,550)
Other operating income		5,111	45,924	36,151	51,468
Profit/(Loss) from operations		19,280	(61,087)	(57,694)	(121,669)
Finance costs		(5,587)	(5,713)	(41,987)	(50,754)
Share in results of associated companies and joint venture		(22,663)	(64,591)	(33,783)	(29,924)
Investment income		5,009	6,966	21,160	19,407
Exceptional items	23(k)	(745,129)	(19,776)	(745,328)	(95,913)
Loss before tax	23	(749,090)	(144,201)	(857,632)	(278,853)
Tax (expense)/credit	16	(28,279)	12,289	(39,358)	(9,013)
Loss for the period/year		<u>(777,369)</u>	<u>(131,912)</u>	<u>(896,990)</u>	<u>(287,866)</u>
Loss attributable to:					
- Owners of the Company		(681,420)	(115,070)	(788,587)	(254,821)
- Non-controlling interests		(95,949)	(16,842)	(108,403)	(33,045)
Loss for the period/year		<u>(777,369)</u>	<u>(131,912)</u>	<u>(896,990)</u>	<u>(287,866)</u>
Loss per share attributable to owners of the Company (sen):	21				
- Basic		<u>(97.35)</u>	<u>(16.08)</u>	<u>(112.39)</u>	<u>(35.61)</u>
- Diluted		<u>(97.35)</u>	<u>(16.08)</u>	<u>(112.39)</u>	<u>(35.61)</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 fourth quarter ended 30 June 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
Loss for the period/year	<u>(777,369)</u>	<u>(131,912)</u>	<u>(896,990)</u>	<u>(287,866)</u>
<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	1,348	(2,618)	4,192	15,112
Share of other comprehensive income/(loss) of associated companies	9,003	(35,019)	9,003	(35,019)
Net (loss)/gain on fair value changes on available-for-sale financial assets and assets classified as held for sale	(5,209)	18,220	(8,581)	18,073
Other comprehensive income/(loss) for the period, net of tax	<u>5,142</u>	<u>(19,417)</u>	<u>4,614</u>	<u>(1,834)</u>
Total comprehensive loss for the period/year	<u><u>(772,227)</u></u>	<u><u>(151,329)</u></u>	<u><u>(892,376)</u></u>	<u><u>(289,700)</u></u>
Loss attributable to:				
Owners of the Company	(678,922)	(134,658)	(785,556)	(264,248)
Non-controlling interests	(93,305)	(16,671)	(106,820)	(25,452)
	<u><u>(772,227)</u></u>	<u><u>(151,329)</u></u>	<u><u>(892,376)</u></u>	<u><u>(289,700)</u></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 fourth quarter ended 30 June 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.6.2016 RM'000	AS AT 30.6.2015 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		754,040	1,079,980
Investment properties		1,880	2,165
Prepaid land lease payments		44,202	46,039
Land held for property development		36,783	33,121
Investment in associated companies		786,670	806,916
Investment in joint venture		10,401	9,575
Long-term investments		11,246	19,827
Receivables		-	532,019
Deferred tax assets		55,150	106,138
Goodwill		130,443	130,443
Total Non-Current Assets		1,830,815	2,766,223
Current Assets			
Property development costs		30,968	54,515
Inventories		345,004	607,529
Receivables		493,683	478,117
Amount owing by associated company		1,550	22
Amount owing by joint venture		1,528	1,579
Deposits, cash and bank balances		301,207	347,015
		1,173,940	1,488,777
Assets classified as held for sale		-	3,388
Total Current Assets		1,173,940	1,492,165
Total Assets		3,004,755	4,258,388
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		717,909	717,909
Reserves		881,372	1,662,939
Equity attributable to owners of the Company		1,599,281	2,380,848
Non-controlling interests		156,575	286,909
Total equity		1,755,856	2,667,757
Non-Current and Deferred Liabilities			
Long-term borrowings	18	59,622	121,870
Hire-purchase and finance lease payables		70,498	30,431
Deferred tax liabilities		23,543	22,991
Total Non-Current and Deferred Liabilities		153,663	175,292
Current Liabilities			
Payables		853,389	1,006,358
Hire-purchase and finance lease payables		22,081	62,304
Short-term borrowings	18	213,729	326,066
Tax liabilities		6,037	20,611
Total Current Liabilities		1,095,236	1,415,339
Total Liabilities		1,248,899	1,590,631
Total Equity and Liabilities		3,004,755	4,258,388
Net assets per share attributable to owners of the Company (RM)		2.30	3.33

(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 fourth quarter ended 30 June 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			
<u>30 June 2016</u>								
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	-	-	-	3,031	(788,587)	(785,556)	(106,820)	(892,376)
Effect of dilution in a subsidiary company	-	-	-	-	-	-	2,400	2,400
Acquisition of non-controlling interests	-	-	-	-	10,004	10,004	(24,106)	(14,102)
Purchase of treasury shares	-	-	(6,015)	-	-	(6,015)	(1,808)	(7,823)
At 30 June 2016	717,909	532,627	(8,086)	13,373	343,458	1,599,281	156,575	1,755,856
<u>30 June 2015</u>								
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 loss for the period	-	-	-	(9,427)	(254,821)	(264,248)	(25,452)	(289,700)
Transfer of reserve	-	-	-	21	(21)	-	-	-
Share-based payments	-	-	-	274	-	274	-	274
Acquisition of non-controlling interests	-	-	-	-	1,004	1,004	(2,904)	(1,900)
Purchase of treasury shares	-	-	(850)	-	-	(850)	-	(850)
At 30 June 2015	717,909	532,627	(2,071)	10,342	1,122,041	2,380,848	286,909	2,667,757

(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)

LION INDUSTRIES CORPORATION BERHAD (415-D)

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Interim financial report for the fourth quarter ended 30 June 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.6.2016	30.6.2015
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Loss before tax	(857,632)	(278,853)
Adjustments for:		
Non-cash items	839,615	300,477
Non-operating items	54,610	60,768
Operating profit before changes in working capital	36,593	82,392
Changes in working capital:		
Net changes in current assets	234,175	267,442
Net changes in current liabilities	(250,400)	(227,574)
	20,368	122,260
<u>INVESTING ACTIVITIES</u>		
Dividends received	1,435	59,374
Interest received	21,160	14,928
Proceeds from disposal/redemption of investments	6,845	3,043
Proceeds from disposal of property, plant and equipment	1,763	5,583
Purchase of property, plant and equipment	(11,574)	(28,840)
Proceeds from disposal of an associated company	67,801	-
Acquisition of non-controlling interests	(14,102)	(1,900)
Others	(3,277)	(1,317)
	70,051	50,871
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(124,585)	(204,076)
Increase in cash and cash equivalents - restricted	1,490	140,400
Settlement arising from litigation claim against a former subsidiary company	-	(85,000)
Purchase of treasury shares	(7,823)	(850)
	(130,918)	(149,526)
Net changes in cash and cash equivalents	(40,499)	23,605
Effects of changes in exchange rate	-	529
Cash and cash equivalents at beginning of the year	293,615	269,481
Cash and cash equivalents at end of the year	253,116	293,615

(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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Interim financial report for the fourth quarter ended 30 June 2016
(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 21,050,600 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 RM6,015,362 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 June 2016, the number of treasury shares held were 23,937,000 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	1,779,652	476,880	156,706	100,732	-	2,513,970
Inter-segment revenue	60,302	999	-	18,768	(80,069)	-
Total revenue	<u>1,839,954</u>	<u>477,879</u>	<u>156,706</u>	<u>119,500</u>	<u>(80,069)</u>	<u>2,513,970</u>
Results						
Segment results	(125,808)	6,277	32,817	29,020	-	(57,694)
Finance costs						(41,987)
Share in results of associated companies and joint venture	(8,476)	-	826	(26,133)	-	(33,783)
Investment income						21,160
Exceptional items	(415,066)	(355,832)	67,801	(42,231)		(745,328)
Loss before tax						(857,632)
Tax expense						(39,358)
Loss for the year						<u>(896,990)</u>
Assets						
Segment assets	1,506,766	136,999	253,029	244,530	-	2,141,324
Investment in associated companies and joint venture	64,616	-	10,401	722,054	-	797,071
Unallocated corporate assets						66,360
Consolidated total assets						<u>3,004,755</u>

8. Subsequent events

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	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Revenue				
Steel	477,086	402,119	1,839,954	2,345,678
Building materials	74,265	166,402	477,879	617,593
Property development	73,745	9,678	156,706	57,628
Others	42,401	21,214	119,500	103,855
Eliminations	(19,768)	(74,427)	(80,069)	(342,341)
	<u>647,729</u>	<u>524,986</u>	<u>2,513,970</u>	<u>2,782,413</u>
Segment Results				
Steel	1,223	(57,478)	(125,808)	(126,798)
Building materials	832	7,662	6,277	15,670
Property development	13,118	(1,713)	32,817	9,864
Others	4,107	(7,659)	29,020	(13,783)
Unallocated costs	-	(1,899)	-	(6,622)
Profit/(Loss) from operations	19,280	(61,087)	(57,694)	(121,669)
Finance costs	(5,587)	(5,713)	(41,987)	(50,754)
Share in results of associated companies and joint venture	(22,663)	(64,591)	(33,783)	(29,924)
Investment income	5,009	6,966	21,160	19,407
Exceptional items	(745,129)	(19,776)	(745,328)	(95,913)
Loss before tax	<u>(749,090)</u>	<u>(144,201)</u>	<u>(857,632)</u>	<u>(278,853)</u>

For the financial year under review, the Group posted a 10% lower revenue of RM2,514 million compared to RM2,782 million recorded in the same period last year. This was mainly due to the lower sales registered by our steel and building materials divisions. However, the Group recorded a lower operating loss of RM57.7 million. The Group shared a higher loss of RM33.8 million from the associated companies and a joint venture compared to RM29.9 million in the previous year. After accounting for the loss on exceptional items of RM745.3 million comprising mainly impairment losses on receivables, and property, plant and equipment, the Group recorded a higher loss before tax of RM857.6 million compared to RM278.9 million in the same period last year. With the major impairment losses being absorbed in this financial year, the Group's operating results for the next financial year will be less impacted by similar impairment losses.

Steel

Steel division recorded a lower revenue of RM1,840 million compared to RM2,346 million in the same period last year. The lower revenue was mainly due to the lower average selling prices and sales tonnage. However, the division recorded a lower loss of RM125.8 million compared with RM126.8 million in the same period last year due to better profit margin.

Building materials

Building materials division recorded a 23% lower revenue of RM477.9 million compared to RM617.6 million in the same period last year due to lower demand. Accordingly, the division recorded a lower profit from operations of RM6.3 million compared with RM15.7 million a year ago.

Property development

Property development division registered a higher revenue of RM156.7 million compared to RM57.6 million in the same period last year. The division posted a higher profit from operations of RM32.8 million as compared to RM9.9 million a year ago. The results were mainly contributed by Promenade, Prima Tanjung and St Mary Residences projects.

Others

The revenue of RM119.5 million was mainly from petroleum, lubricants, automotive products and transportation businesses. The profit of RM29.0 million recorded for the financial period under review arose mainly from a reversal of doubtful debts no longer required of RM28.5 million.

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, and property, plant and equipment for the period under review.

12. Comment on material change in profit

	Current Year Quarter 30.6.2016	Immediate Preceding Quarter 31.3.2016
	RM'000	RM'000
Revenue	647,729	697,721
Profit/(Loss) from operations	19,280	(36,371)
Loss before tax	(749,090)	(124,246)

Revenue of the Group for the quarter under review was lower at RM647.7 million compared with RM697.7 million in the immediate preceding quarter. This was mainly attributable to the lower sales recorded by the building materials division. However, the Group recorded a profit from operations of RM19.3 million against a loss of RM36.4 million in the immediate preceding quarter mainly due to the higher contributions from the steel and property development divisions.

After accounting for the share of losses of associated companies and a joint venture of RM22.7 million and the impairment losses on receivables, and property, plant and equipment of RM745.1 million, the Group posted a loss before tax of RM749.1 million for the quarter under review.

13. a) Prospects

The outlook for the next financial year will continue to be challenging 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 performance of our steel operations will only improve if more effective measures are introduced and strictly enforced by the Government to curb the dumping activities.

With the major impairment losses being absorbed in this financial year, the Group's operating results for the next financial year will be less impacted by similar impairment losses.

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	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Estimated tax payable				
Current provision	7,548	6,231	18,630	21,367
Overprovision in prior years	(30,813)	(10,066)	(30,813)	(10,066)
Deferred taxation				
Current provision	51,544	(7,962)	51,541	(1,796)
Overprovision in prior years	-	(492)	-	(492)
	<u>28,279</u>	<u>(12,289)</u>	<u>39,358</u>	<u>9,013</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

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	153,904	-	153,904
Unsecured	203	-	203
	<u>154,107</u>	<u>-</u>	<u>154,107</u>
<u>Sukuk</u>			
Secured	59,622	59,622	119,244
	<u>213,729</u>	<u>59,622</u>	<u>273,351</u>

The Group's borrowings were denominated in the following currencies

	Foreign Currency	
		'000 RM'000
- Ringgit Malaysia	-	237,490
- US Dollar	8,924	35,861
		<u>273,351</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/year attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial period/year.

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>30.6.2016</u>	<u>30.6.2015</u>
Loss attributable to owners of the Company (RM'000)	<u>(681,420)</u>	<u>(115,070)</u>	<u>(788,587)</u>	<u>(254,821)</u>
Weighted average number of ordinary shares in issue ('000)	<u>700,004</u>	<u>715,479</u>	<u>701,627</u>	<u>715,627</u>
Basic EPS (sen)	<u><u>(97.35)</u></u>	<u><u>(16.08)</u></u>	<u><u>(112.39)</u></u>	<u><u>(35.61)</u></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	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	5,009	6,966	21,160	19,407
(b) Other income including investment income	5,428	2,956	10,679	8,500
(c) Interest expense	(5,587)	(5,713)	(41,987)	(50,754)
(d) Depreciation and amortisation	(28,949)	(27,178)	(116,812)	(114,351)
(e) Provision for/Reversal of and write off of receivables	(317)	7,998	25,472	5,005
(f) Provision for and write off of inventories	-	(50,655)	-	(75,371)
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	(828)	3	(813)
(h) Impairment of assets (refer to item (k))	-	-	-	-
(i) Foreign exchange gain/(loss)	(929)	(11,549)	(6,677)	(7,656)
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	(745,129)	(19,776)	(745,328)	(95,913)
- Impairment loss on property, plant and equipment	(221,417)	-	(221,417)	-
- gain on disposal of an associated company	-	-	67,801	-
- impairment loss on receivables	(523,712)	(5,260)	(591,712)	(5,260)
- settlement arising from litigation claim against a former subsidiary company	-	-	-	(70,000)
- impairment loss on associated company	-	(12,655)	-	(12,655)
- impairment loss on quoted and unquoted investments	-	(1,861)	-	(7,998)

24. Realised and Unrealised Profits/Losses Disclosure

	AS AT	AS AT
	30.6.2016	30.6.2015
	RM'000	RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	(111,322)	568,731
- Unrealised	(8,997)	57,109
	(120,319)	625,840
Total share of retained earnings from associated companies and a joint venture		
- Realised	444,823	483,357
- Unrealised	14,639	8,529
Consolidated adjustments	4,315	4,315
Total retained earnings	343,458	1,122,041