



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
First Quarter Ended
30 September 2016**

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LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue		514,170	571,981	514,170	571,981
Operating expenses		(497,367)	(610,829)	(497,367)	(610,829)
Other operating income		524	26,380	524	26,380
Profit/(Loss) from operations		17,327	(12,468)	17,327	(12,468)
Finance costs		(5,686)	(12,980)	(5,686)	(12,980)
Share in results of associated companies and joint venture		(12,786)	11,264	(12,786)	11,264
Investment income		1,411	2,582	1,411	2,582
Exceptional item	23(k)	(46)	-	(46)	-
Profit/(Loss) before tax	23	220	(11,602)	220	(11,602)
Tax expense	16	(2,714)	(3,687)	(2,714)	(3,687)
Loss for the period		<u>(2,494)</u>	<u>(15,289)</u>	<u>(2,494)</u>	<u>(15,289)</u>
Profit/(Loss) attributable to:					
- Owners of the Company		(2,520)	(16,476)	(2,520)	(16,476)
- Non-controlling interests		26	1,187	26	1,187
Loss for the period		<u>(2,494)</u>	<u>(15,289)</u>	<u>(2,494)</u>	<u>(15,289)</u>
Loss per share attributable to owners of the Company (sen):	21				
- Basic		<u>(0.36)</u>	<u>(2.31)</u>	<u>(0.36)</u>	<u>(2.31)</u>
- Diluted		<u>(0.36)</u>	<u>(2.31)</u>	<u>(0.36)</u>	<u>(2.31)</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 2016 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 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2016</u>	<u>30.9.2015</u>	<u>30.9.2016</u>	<u>30.9.2015</u>
	RM'000	RM'000	RM'000	RM'000
Loss for the period	(2,494)	(15,289)	(2,494)	(15,289)
<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	4,485	15,325	4,485	15,325
Net loss on fair value changes on available-for-sale financial assets and assets classified as held for sale	-	(107)	-	(107)
Other comprehensive income for the period, net of tax	4,485	15,218	4,485	15,218
Total comprehensive income/(loss) for the period	<u>1,991</u>	<u>(71)</u>	<u>1,991</u>	<u>(71)</u>
Profit/(Loss) attributable to:				
Owners of the Company	791	(7,821)	791	(7,821)
Non-controlling interests	1,200	7,750	1,200	7,750
	<u>1,991</u>	<u>(71)</u>	<u>1,991</u>	<u>(71)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 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 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2016 RM'000	AS AT 30.6.2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		723,434	747,392
Investment properties		1,875	1,880
Prepaid land lease payments		61,458	61,987
Land held for property development		32,522	32,504
Investment in associated companies		776,084	789,972
Investment in joint venture		10,482	10,401
Long-term investments		11,200	11,246
Deferred tax assets		55,150	55,150
Goodwill		130,443	130,443
Total Non-Current Assets		<u>1,802,648</u>	<u>1,840,975</u>
Current Assets			
Property development costs		30,649	35,246
Inventories		395,852	330,260
Receivables		615,768	453,769
Amount owing by associated company		17	17
Amount owing by joint venture		1,528	1,528
Deposits, cash and bank balances		296,381	318,071
Total Current Assets		<u>1,340,195</u>	<u>1,138,891</u>
Total Assets		<u>3,142,843</u>	<u>2,979,866</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		717,909	717,909
Reserves		877,649	878,142
Equity attributable to owners of the Company		1,595,558	1,596,051
Non-controlling interests		156,450	155,649
Total equity		<u>1,752,008</u>	<u>1,751,700</u>
Non-Current and Deferred Liabilities			
Long-term borrowings	18	60,312	59,622
Hire-purchase and finance lease payables		28,972	29,116
Deferred tax liabilities		25,908	24,113
Total Non-Current and Deferred Liabilities		<u>115,192</u>	<u>112,851</u>
Current Liabilities			
Payables		1,014,158	850,396
Hire-purchase and finance lease payables		56,346	56,396
Short-term borrowings	18	203,561	206,534
Tax liabilities		1,578	1,989
Total Current Liabilities		<u>1,275,643</u>	<u>1,115,315</u>
Total Liabilities		<u>1,390,835</u>	<u>1,228,166</u>
Total Equity and Liabilities		<u>3,142,843</u>	<u>2,979,866</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.31</u>	<u>2.30</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 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			
30 September 2016								
At 1 July 2016	717,909	532,627	(8,086)	18,033	335,568	1,596,051	155,649	1,751,700
Total comprehensive income/(loss) for the period	-	-	-	3,311	(2,520)	791	1,200	1,991
Purchase of treasury shares	-	-	(1,284)	-	-	(1,284)	(399)	(1,683)
At 30 September 2016	717,909	532,627	(9,370)	21,344	333,048	1,595,558	156,450	1,752,008
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

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2016	30.9.2015
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit/(Loss) before tax	220	(11,602)
Adjustments for:		
Non-cash items	26,801	36,704
Non-operating items	16,861	(1,144)
Operating profit before changes in working capital	43,882	23,958
Changes in working capital:		
Net changes in current assets	(223,982)	153,356
Net changes in current liabilities	165,949	(105,681)
	(14,151)	71,633
<u>INVESTING ACTIVITIES</u>		
Dividends received	2,209	574
Interest received	1,411	2,582
Proceeds from disposal/redemption of investments	-	63
Proceeds from disposal of property, plant and equipment	207	3
Purchase of property, plant and equipment	(2,195)	(4,966)
Others	(18)	(3,811)
	1,614	(5,555)
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(16,977)	(64,114)
Increase in cash and cash equivalents - restricted	(2,072)	(3,692)
Purchase of treasury shares	(1,683)	(2,959)
	(20,732)	(70,765)
Net changes in cash and cash equivalents	(33,269)	(4,687)
Effects of changes in exchange rate	694	645
Cash and cash equivalents at beginning of the period	271,942	293,615
Cash and cash equivalents at end of the period	239,367	289,573

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements)

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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 2016. 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 2016.

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 2016 except for the adoption of the following FRSs and Amendments to FRSs effective for the financial period beginning 1 July 2016.

FRS 14	Regulatory Deferral Accounts
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 116 and FRS 138	Classification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity method in Separate Financial Statements
Amendments to FRSs	Annual Improvements to FRSs 2012 - 2014 Cycle

The adoption of the abovementioned FRSs and Amendments to FRSs did not have a material impact on the financial statements of the Group in the period of 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, 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 results.

5. Debt and equity securities

During the financial year-to-date, the Company repurchased a total of 4,049,500 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.32 per share. The total consideration paid for the repurchase including transaction costs amounting to RM1,284,008 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 2016, the number of treasury shares held were 27,986,500 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	414,324	56,104	20,180	23,562	-	514,170
Inter-segment revenue	16,912	-	-	4,680	(21,592)	-
Total revenue	<u>431,236</u>	<u>56,104</u>	<u>20,180</u>	<u>28,242</u>	<u>(21,592)</u>	<u>514,170</u>
Results						
Segment results	11,552	544	4,988	243	-	17,327
Finance costs						(5,686)
Share in results of associated companies and joint venture	1,172	-	81	(14,039)	-	(12,786)
Investment income						1,411
Exceptional item						(46)
Profit before tax						<u>220</u>
Tax expense						(2,714)
Loss for the period						<u>(2,494)</u>
Assets						
Segment assets	1,655,687	127,307	248,733	255,725	-	2,287,452
Investment in associated companies and joint venture	74,264	-	10,482	701,820	-	786,566
Unallocated corporate assets						68,825
Consolidated total assets						<u>3,142,843</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 2016.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue				
Steel	431,236	472,167	431,236	472,167
Building materials	56,104	79,634	56,104	79,634
Property development	20,180	17,828	20,180	17,828
Others	28,242	26,499	28,242	26,499
Eliminations	(21,592)	(24,147)	(21,592)	(24,147)
	<u>514,170</u>	<u>571,981</u>	<u>514,170</u>	<u>571,981</u>
Segment Results				
Steel	11,552	(33,218)	11,552	(33,218)
Building materials	544	(277)	544	(277)
Property development	4,988	3,927	4,988	3,927
Others	243	17,100	243	17,100
Profit/(Loss) from operations	17,327	(12,468)	17,327	(12,468)
Finance costs	(5,686)	(12,980)	(5,686)	(12,980)
Share in results of associated companies and joint venture	(12,786)	11,264	(12,786)	11,264
Investment income	1,411	2,582	1,411	2,582
Exceptional item	(46)	-	(46)	-
Profit/(Loss) before tax	<u>220</u>	<u>(11,602)</u>	<u>220</u>	<u>(11,602)</u>

For the first three months of the financial year under review, the Group posted a 10% lower revenue of RM514 million compared to RM572 million recorded in the same period last year. This was mainly due to the lower revenue registered by our steel and building materials divisions. However, the Group recorded an operating profit of RM17.3 million against a loss of RM12.5 million a year ago. The Group shared a loss of RM12.8 million from the associated companies and a joint venture against a profit of RM11.3 million in the previous year. Overall, the Group posted a profit before tax of RM0.2 million against a loss of RM11.6 million in the same period last year.

Steel

Steel division recorded a lower revenue of RM431 million compared to RM472 million in the same period last year. The lower revenue was mainly due to the lower average selling prices. However, the division reported a profit of RM11.6 million against a loss of RM33.2 million in the same period last year due to better profit margin.

Building materials

Building materials division recorded a 30% lower revenue of RM56.1 million compared to RM79.6 million in the same period last year due to lower demand. However, the division reported a profit from operations of RM0.5 million against a loss of RM0.2 million a year ago mainly due to lower operating expenses.

Property development

Property development division registered a higher revenue of RM20.2 million compared to RM17.8 million in the same period last year. The division posted a higher profit from operations of RM5.0 million as compared to RM3.9 million a year ago. The results were mainly contributed by Promenade Project for the financial period under review.

Others

The revenue of RM28.2 million was mainly from the petroleum, lubricants, automotive products and transportation businesses. The division recorded a profit of RM0.2 million for the financial period under review. Last year's profit included a reversal of doubtful debts of RM24.5 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 the retail business.

Exceptional item

The exceptional item comprised impairment loss 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 30.9.2016	Immediate Preceding Quarter 30.6.2016
	RM'000	RM'000
Revenue	514,170	647,729
Profit from operations	17,327	19,280
Profit/(Loss) before tax	220	(749,090)

Revenue of the Group for the quarter under review was lower at RM514.2 million compared with RM647.7 million in the immediate preceding quarter. This was mainly attributable to the lower revenue recorded by the steel and building materials divisions. Hence, the Group recorded a lower profit from operations of RM17.3 million compared with RM19.3 million in the immediate preceding quarter.

After accounting for the share of loss of associated companies and a joint venture of RM12.8 million, the Group posted a profit before tax of RM0.2 million for the quarter under review. The results of the immediate preceding quarter included impairment losses on receivables and property, plant and equipment of RM745.1 million.

13. a) Prospects

Moving forward, the global over-capacity and over supply will continue to weigh on the steel market. Domestically the government had in September 2016 imposed provisional safeguard measures on long steel products imported into the country. The provisional safeguard duties of 13.9% and 13.42% were imposed on steel wire rods and steel concrete reinforcing bars respectively. However, the final determination is scheduled to be made within the period of 200 days from 26 September 2016 for steel concrete reinforcing bars and 27 September 2016 for steel wire rods.

Under such conditions and barring unforeseen circumstances, the Group's operating results for the next quarter are expected to trend towards improvement.

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	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Estimated tax payable				
Current provision	2,714	3,708	2,714	3,708
Overprovision in prior years	-	(21)	-	(21)
	<u>2,714</u>	<u>3,687</u>	<u>2,714</u>	<u>3,687</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	143,353	-	143,353
Unsecured	586	-	586
	<u>143,939</u>	<u>-</u>	<u>143,939</u>
<u>Sukuk</u>			
Secured	59,622	60,312	119,934
	<u>203,561</u>	<u>60,312</u>	<u>263,873</u>

The Group's borrowings were denominated in the following currencies

	Foreign Currency	
	'000	RM'000
- Ringgit Malaysia	-	241,093
- US Dollar	5,501	22,780
		<u>263,873</u>

19. Changes in material litigation

There was no material litigation since 30 June 2016.

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>30.9.2016</u>	<u>30.9.2015</u>	<u>30.9.2016</u>	<u>30.9.2015</u>
Loss attributable to owners of the Company (RM'000)	<u>(2,520)</u>	<u>(16,476)</u>	<u>(2,520)</u>	<u>(16,476)</u>
Weighted average number of ordinary shares in issue ('000)	<u>699,636</u>	<u>712,495</u>	<u>699,636</u>	<u>712,495</u>
Basic EPS (sen)	<u>(0.36)</u>	<u>(2.31)</u>	<u>(0.36)</u>	<u>(2.31)</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 2016 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	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	1,411	2,582	1,411	2,582
(b) Other income including investment income	1,175	1,915	1,175	1,915
(c) Interest expense	(5,686)	(12,980)	(5,686)	(12,980)
(d) Depreciation and amortisation	(26,896)	(29,209)	(26,896)	(29,209)
(e) Provision for/Reversal of and write off of receivables	(651)	23,463	(651)	23,463
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	3	-	3
(h) Impairment of assets (refer to item (k))	-	-	-	-
(i) Foreign exchange gain/(loss)	2,955	(2,192)	2,955	(2,192)
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional item	(46)	-	(46)	-
- impairment loss on quoted investment	(46)	-	(46)	-

24. Realised and Unrealised Profits/Losses Disclosure

	AS AT	AS AT
	30.9.2016	30.6.2016
	RM'000	RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	(128,009)	(125,967)
- Unrealised	12,786	478
	(115,223)	(125,489)
Total share of retained earnings from associated companies and a joint venture		
- Realised	430,049	442,415
- Unrealised	13,907	14,327
Consolidated adjustments	4,315	4,315
Total retained earnings	333,048	335,568