



**LION INDUSTRIES CORPORATION BERHAD** (415-D)

---

(Incorporated in Malaysia)

**Interim Financial Report for the  
Second Quarter Ended  
31 December 2016**

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**LION INDUSTRIES CORPORATION BERHAD (415-D)**

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2016

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue		644,543	596,539	1,158,713	1,168,520
Operating expenses		(604,130)	(628,441)	(1,101,497)	(1,239,270)
Other operating income		15,319	3,767	15,843	30,147
Profit/(Loss) from operations		55,732	(28,135)	73,059	(40,603)
Finance costs		(6,719)	(11,134)	(12,405)	(24,114)
Share in results of associated companies and joint venture		18,427	(12,102)	5,641	(838)
Investment income		2,097	10,876	3,508	13,458
Exceptional item	23(k)	-	67,801	(46)	67,801
Profit before tax	23	69,537	27,306	69,757	15,704
Tax expense	16	(10,241)	(2,046)	(12,955)	(5,733)
Profit for the period		<u>59,296</u>	<u>25,260</u>	<u>56,802</u>	<u>9,971</u>
Profit attributable to:					
- Owners of the Company		55,472	24,570	52,952	8,094
- Non-controlling interests		3,824	690	3,850	1,877
Profit for the period		<u>59,296</u>	<u>25,260</u>	<u>56,802</u>	<u>9,971</u>
Earnings per share attributable to owners of the Company (sen):	21				
- Basic		<u>8.07</u>	<u>3.50</u>	<u>7.64</u>	<u>1.14</u>
- Diluted		<u>8.07</u>	<u>3.50</u>	<u>7.64</u>	<u>1.14</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)*

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(Incorporated in Malaysia)

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	RM'000	RM'000	RM'000	RM'000
Profit for the period	59,296	25,260	56,802	9,971
<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	9,344	(3,851)	13,829	11,474
Share of other comprehensive income of an associated company	1,984	-	1,984	-
Net loss on fair value changes on available-for-sale financial assets and assets classified as held for sale	(2,121)	(2,995)	(2,121)	(3,102)
Other comprehensive income/(loss) for the period, net of tax	9,207	(6,846)	13,692	8,372
Total comprehensive income for the period	<u>68,503</u>	<u>18,414</u>	<u>70,494</u>	<u>18,343</u>
Profit/(Loss) attributable to:				
Owners of the Company	62,110	20,382	62,901	12,561
Non-controlling interests	6,393	(1,968)	7,593	5,782
	<u>68,503</u>	<u>18,414</u>	<u>70,494</u>	<u>18,343</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)**  
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Interim financial report for the second quarter ended 31 December 2016  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT 31.12.2016 RM'000</b>	<b>AS AT 30.6.2016 RM'000</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		697,164	747,392
Investment properties		1,871	1,880
Prepaid land lease payments		60,930	61,987
Land held for property development		47,228	32,504
Investment in associated companies		838,845	789,972
Investment in joint venture		10,918	10,401
Long-term investments		8,015	11,246
Deferred tax assets		46,945	55,150
Goodwill		130,443	130,443
Total Non-Current Assets		<u>1,842,359</u>	<u>1,840,975</u>
<b>Current Assets</b>			
Property development costs		26,165	35,246
Inventories		389,523	330,260
Receivables		440,902	453,769
Amount owing by associated company		1,554	17
Amount owing by joint venture		1,528	1,528
Deposits, cash and bank balances		347,672	318,071
Total Current Assets		<u>1,207,344</u>	<u>1,138,891</u>
<b>Total Assets</b>		<b><u>3,049,703</u></b>	<b><u>2,979,866</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		717,909	717,909
Reserves		937,140	878,142
Equity attributable to owners of the Company		<u>1,655,049</u>	<u>1,596,051</u>
Non-controlling interests		162,822	155,649
Total equity		<u>1,817,871</u>	<u>1,751,700</u>
<b>Non-Current and Deferred Liabilities</b>			
Long-term borrowings	18	60,321	59,622
Hire-purchase and finance lease payables		27,387	29,116
Deferred tax liabilities		23,078	24,113
Total Non-Current and Deferred Liabilities		<u>110,786</u>	<u>112,851</u>
<b>Current Liabilities</b>			
Payables		865,779	850,396
Hire-purchase and finance lease payables		56,138	56,396
Short-term borrowings	18	197,150	206,534
Tax liabilities		1,979	1,989
Total Current Liabilities		<u>1,121,046</u>	<u>1,115,315</u>
<b>Total Liabilities</b>		<u>1,231,832</u>	<u>1,228,166</u>
<b>Total Equity and Liabilities</b>		<b><u>3,049,703</u></b>	<b><u>2,979,866</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>2.42</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)*

**LION INDUSTRIES CORPORATION BERHAD (415-D)**

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 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			
<b>31 December 2016</b>								
<b>At 1 July 2016</b>	717,909	532,627	(8,086)	18,033	335,568	1,596,051	155,649	1,751,700
Total comprehensive income for the period	-	-	-	9,949	52,952	62,901	7,593	70,494
Purchase of treasury shares	-	-	(3,903)	-	-	(3,903)	(420)	(4,323)
<b>At 31 December 2016</b>	<b>717,909</b>	<b>532,627</b>	<b>(11,989)</b>	<b>27,982</b>	<b>388,520</b>	<b>1,655,049</b>	<b>162,822</b>	<b>1,817,871</b>
<b>31 December 2015</b>								
<b>At 1 July 2015</b>	717,909	532,627	(2,071)	10,342	1,122,041	2,380,848	286,909	2,667,757
Total comprehensive 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)
<b>At 31 December 2015</b>	<b>717,909</b>	<b>532,627</b>	<b>(6,678)</b>	<b>14,809</b>	<b>1,130,154</b>	<b>2,388,821</b>	<b>295,067</b>	<b>2,683,888</b>

*(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)*

# LION INDUSTRIES CORPORATION BERHAD (415-D)

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Interim financial report for the second quarter ended 31 December 2016

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## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.12.2016	31.12.2015
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before tax	69,757	15,704
Adjustments for:		
Non-cash items	51,284	(37,653)
Non-operating items	18,619	17,227
Operating profit/(loss) before changes in working capital	139,660	(4,722)
Changes in working capital:		
Net changes in current assets	(43,588)	23,264
Net changes in current liabilities	13,689	(66,870)
	109,761	(48,328)
<u>INVESTING ACTIVITIES</u>		
Dividends received	3,051	1,026
Interest received	3,508	13,458
Proceeds from disposal/redemption of investments	-	63
Proceeds from disposal of property, plant and equipment	493	44
Increase in investment in an associated company	(42,064)	-
Purchase of property, plant and equipment	(2,378)	(6,185)
Proceeds from disposal of an associated company	-	67,801
Others	(14,724)	(4,700)
	(52,114)	71,507
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(34,277)	(93,392)
Increase in cash and cash equivalents - restricted	(2,072)	1,483
Purchase of treasury shares	(4,323)	(4,607)
	(40,672)	(96,516)
Net changes in cash and cash equivalents	16,975	(73,337)
Effects of changes in exchange rate	1,740	412
Cash and cash equivalents at beginning of the period	271,942	293,615
Cash and cash equivalents at end of the period	290,657	220,690

*(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)*

**LION INDUSTRIES CORPORATION BERHAD** (415-D)  
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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 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 10,555,100 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.37 per share. The total consideration paid for the repurchase including transaction costs amounting to RM3,903,073 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 2016, the number of treasury shares held were 34,492,100 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
<b>Revenue</b>						
External revenue	946,561	119,169	41,327	51,656	-	1,158,713
Inter-segment revenue	33,092	-	-	9,360	(42,452)	-
Total revenue	<u>979,653</u>	<u>119,169</u>	<u>41,327</u>	<u>61,016</u>	<u>(42,452)</u>	<u>1,158,713</u>
<b>Results</b>						
Segment results	58,618	1,146	10,278	3,017	-	73,059
Finance costs						(12,405)
Share in results of associated companies and joint venture	2,614	-	517	2,510	-	5,641
Investment income						3,508
Exceptional item						(46)
Profit before tax						<u>69,757</u>
Tax expense						(12,955)
Profit for the period						<u>56,802</u>
<b>Assets</b>						
Segment assets	1,497,785	118,950	255,700	268,964	-	2,141,399
Investment in associated companies and joint venture	75,706	-	10,918	763,139	-	849,763
Unallocated corporate assets						58,541
Consolidated total assets						<u>3,049,703</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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<b>Revenue</b>				
Steel	548,416	431,101	979,653	903,268
Building materials	63,065	135,371	119,169	215,005
Property development	21,147	27,852	41,327	45,680
Others	32,775	26,152	61,016	52,651
Eliminations	(20,860)	(23,937)	(42,452)	(48,084)
	<u>644,543</u>	<u>596,539</u>	<u>1,158,713</u>	<u>1,168,520</u>
<b>Segment Results</b>				
Steel	47,065	(41,508)	58,618	(74,726)
Building materials	602	2,137	1,146	1,860
Property development	5,290	4,028	10,278	7,955
Others	2,775	7,208	3,017	24,308
Profit/(Loss) from operations	55,732	(28,135)	73,059	(40,603)
Finance costs	(6,719)	(11,134)	(12,405)	(24,114)
Share in results of associated companies and joint venture	18,427	(12,102)	5,641	(838)
Investment income	2,097	10,876	3,508	13,458
Exceptional item	-	67,801	(46)	67,801
Profit before tax	<u>69,537</u>	<u>27,306</u>	<u>69,757</u>	<u>15,704</u>

For the first six months of the financial year under review, the Group posted a 1% lower revenue of RM1,159 million compared to RM1,169 million recorded in the same period last year. This was mainly due to the lower revenue registered by our building materials and property development divisions. However, the Group recorded an operating profit of RM73.1 million against a loss of RM40.6 million a year ago mainly due to the improved performance of our steel division. The Group shared a profit of RM5.6 million from the associated companies and a joint venture against a loss of RM0.8 million in the previous year. Overall, the Group posted a higher profit before tax of RM69.8 million compared to RM15.7 million in the same period last year.

**Steel**

Steel division recorded a higher revenue of RM980 million compared to RM903 million in the same period last year. The higher revenue was mainly due to the higher average selling prices and sales tonnage. Accordingly, the division reported a profit from operations of RM58.6 million against a loss of RM74.7 million in the same period last year.

**Building materials**

Building materials division recorded a 45% lower revenue of RM119.2 million compared to RM215.0 million in the same period last year due to the lower demand for building materials from the property sector. As such, the division reported a lower profit from operations of RM1.1 million compared to RM1.9 million a year ago.

**Property development**

Property development division registered a lower revenue of RM41.3 million compared to RM45.7 million in the same period last year. Despite this, the division posted a higher profit from operations of RM10.3 million as compared to RM8.0 million a year ago, mainly contributed by "The Promenade" project located at Bandar Bayan Baru, Penang.

**Others**

The revenue of RM61.0 million was mainly from the lubricants, automotive and petroleum products, and transportation businesses. The division recorded a profit of RM3.0 million for the financial period under review. Last year's profit included a reversal of allowance for doubtful debts of RM24.5 million.

**Associated companies and joint venture**

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

**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**

	<b>Current Year Quarter 31.12.2016</b>	<b>Immediate Preceding Quarter 30.9.2016</b>
	RM'000	RM'000
Revenue	644,543	514,170
Profit from operations	55,732	17,327
Profit before tax	69,537	220

Revenue of the Group for the quarter under review was 25% higher at RM644.5 million compared with RM514.2 million in the immediate preceding quarter mainly due to the improved performance of the steel division. The steel division's revenue increased by 27% to RM548.4 million and accordingly recorded an operating profit of RM47.1 million compared with RM11.6 million in the immediate preceding quarter. Hence, the Group recorded a higher profit from operations of RM55.7 million compared with RM17.3 million in the immediate preceding quarter.

After accounting for the share of profit of associated companies and a joint venture of RM18.4 million, the Group posted a higher profit before tax of RM69.5 million for the quarter under review compared with RM0.2 million in the immediate preceding quarter.

**13. a) Prospects**

The operating environment for the Group's businesses in the next quarter is anticipated to remain satisfactory. The Group will stay vigilant and responsive to market changes and continue with its efforts to contain costs to sustain operating profit.

**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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Estimated tax payable				
Current provision	3,080	1,988	5,794	5,696
Overprovision in prior years	(1,044)	21	(1,044)	-
Deferred taxation				
Current provision	8,205	37	8,205	37
	<u>10,241</u>	<u>2,046</u>	<u>12,955</u>	<u>5,733</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 utilisation of tax credits.

**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	136,898	-	136,898
Unsecured	630	-	630
	<u>137,528</u>	<u>-</u>	<u>137,528</u>
<u>Sukuk</u>			
Secured	59,622	60,321	119,943
	<u>197,150</u>	<u>60,321</u>	<u>257,471</u>

The Group's borrowings were denominated in the following currencies

	Foreign Currency	
	'000	RM'000
- Ringgit Malaysia	-	233,327
- US Dollar	5,387	24,144
		<u>257,471</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. Earnings per share ("EPS")****Basic**

Basic EPS is calculated by dividing the profit 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>31.12.2016</u>	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
Profit attributable to owners of the Company (RM'000)	<u>55,472</u>	<u>24,570</u>	<u>52,952</u>	<u>8,094</u>
Weighted average number of ordinary shares in issue ('000)	<u>687,149</u>	<u>702,268</u>	<u>692,813</u>	<u>707,079</u>
Basic EPS (sen)	<u>8.07</u>	<u>3.50</u>	<u>7.64</u>	<u>1.14</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 before tax**

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	2,097	10,876	3,508	13,458
(b) Other income including investment income	19,214	734	20,389	2,649
(c) Interest expense	(6,719)	(11,134)	(12,405)	(24,114)
(d) Depreciation and amortisation	(25,602)	(29,398)	(52,498)	(58,607)
(e) Provision for/Reversal of and write off of receivables	(3,895)	4,035	(4,546)	27,498
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	(8)	-	(8)	3
(h) Impairment of assets	(2,000)	-	(2,000)	-
(i) Foreign exchange gain/(loss)	4,298	(2,895)	7,253	(5,087)
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional item	-	67,801	(46)	67,801
- impairment loss on other investments	-	-	(46)	-
- gain on disposal of an associated company	-	67,801	-	67,801

**24. Realised and Unrealised Profits/Losses Disclosure**

	AS AT 31.12.2016 RM'000	AS AT 30.6.2016 RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	(86,528)	(125,967)
- Unrealised	8,350	478
	(78,178)	(125,489)
Total share of retained earnings from associated companies and a joint venture		
- Realised	457,849	442,415
- Unrealised	4,534	14,327
Consolidated adjustments	4,315	4,315
Total retained earnings	388,520	335,568