



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
Third Quarter Ended
31 March 2017**

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LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Revenue		755,358	697,721	1,914,071	1,866,241
Operating expenses		(688,438)	(734,985)	(1,789,935)	(1,974,255)
Other operating income		2,292	893	18,135	31,040
Profit/(Loss) from operations		69,212	(36,371)	142,271	(76,974)
Finance costs		(6,897)	(12,286)	(19,302)	(36,400)
Share in results of associated companies and joint venture		(6,165)	(10,282)	(524)	(11,120)
Investment income		1,368	2,693	4,876	16,151
Exceptional item	23(k)	-	(68,000)	(46)	(199)
Profit/(Loss) before tax	23	57,518	(124,246)	127,275	(108,542)
Tax expense	16	(6,028)	(5,346)	(18,983)	(11,079)
Profit/(Loss) for the period		<u>51,490</u>	<u>(129,592)</u>	<u>108,292</u>	<u>(119,621)</u>
Profit/(Loss) attributable to:					
- Owners of the Company		48,763	(115,261)	101,715	(107,167)
- Non-controlling interests		2,727	(14,331)	6,577	(12,454)
Profit/(Loss) for the period		<u>51,490</u>	<u>(129,592)</u>	<u>108,292</u>	<u>(119,621)</u>
Earnings/(Loss) per share attributable to owners of the Company (sen):	21				
- Basic		<u>7.16</u>	<u>(16.45)</u>	<u>14.64</u>	<u>(15.23)</u>
- Diluted		<u>7.16</u>	<u>(16.45)</u>	<u>14.64</u>	<u>(15.23)</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)
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Interim financial report for the third quarter ended 31 March 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period	51,490	(129,592)	108,292	(119,621)
<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	566	(8,630)	14,395	2,844
Share of other comprehensive income of an associated company	-	-	1,984	-
Net gain/(loss) on fair value changes on available-for-sale financial assets and assets classified as held for sale	2,163	(270)	42	(3,372)
Other comprehensive income/(loss) for the period, net of tax	2,729	(8,900)	16,421	(528)
Total comprehensive income/(loss) for the period	<u>54,219</u>	<u>(138,492)</u>	<u>124,713</u>	<u>(120,149)</u>
Profit/(Loss) attributable to:				
Owners of the Company	51,633	(119,195)	114,534	(106,634)
Non-controlling interests	2,586	(19,297)	10,179	(13,515)
	<u>54,219</u>	<u>(138,492)</u>	<u>124,713</u>	<u>(120,149)</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 third quarter ended 31 March 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31.3.2017 RM'000	AS AT 30.6.2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		669,259	747,392
Investment properties		1,866	1,880
Prepaid land lease payments		60,401	61,987
Land held for property development		47,749	32,504
Investment in associated companies		833,289	789,972
Investment in joint venture		10,979	10,401
Long-term investments		11,239	11,246
Deferred tax assets		45,160	55,150
Goodwill		130,443	130,443
Total Non-Current Assets		<u>1,810,385</u>	<u>1,840,975</u>
Current Assets			
Property development costs		23,647	35,246
Inventories		469,160	330,260
Receivables		461,582	453,769
Amount owing by associated company		1,554	17
Amount owing by joint venture		1,528	1,528
Deposits, cash and bank balances		330,121	318,071
Total Current Assets		<u>1,287,592</u>	<u>1,138,891</u>
Total Assets		<u>3,097,977</u>	<u>2,979,866</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		1,250,536	717,909
Reserves		454,942	878,142
Equity attributable to owners of the Company		<u>1,705,478</u>	<u>1,596,051</u>
Non-controlling interests		165,408	155,649
Total equity		<u>1,870,886</u>	<u>1,751,700</u>
Non-Current and Deferred Liabilities			
Long-term borrowings	18	59,903	59,622
Hire-purchase and finance lease payables		60,622	29,116
Deferred tax liabilities		23,078	24,113
Total Non-Current and Deferred Liabilities		<u>143,603</u>	<u>112,851</u>
Current Liabilities			
Payables		883,917	850,396
Hire-purchase and finance lease payables		17,744	56,396
Short-term borrowings	18	180,967	206,534
Tax liabilities		860	1,989
Total Current Liabilities		<u>1,083,488</u>	<u>1,115,315</u>
Total Liabilities		<u>1,227,091</u>	<u>1,228,166</u>
Total Equity and Liabilities		<u>3,097,977</u>	<u>2,979,866</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.51</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 third quarter ended 31 March 2017

(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 2017								
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 for the period	-	-	-	12,819	101,715	114,534	10,179	124,713
Purchase of treasury shares	-	-	(5,107)	-	-	(5,107)	(420)	(5,527)
Transfer to share capital pursuant to Section 618 (2) of the Companies Act 2016 *	532,627	(532,627)	-	-	-	-	-	-
At 31 March 2017	1,250,536	-	(13,193)	30,852	437,283	1,705,478	165,408	1,870,886
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 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

* Pursuant to the Companies Act 2016 ("Act") which came into effect on 31 January 2017, all shares issued before or upon the commencement of the Act shall have no par or nominal value. Consequently, the amount standing to the credit of the Company's share premium account becomes part of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result thereof.

(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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2017	31.3.2016
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit/(Loss) before tax	127,275	(108,542)
Adjustments for:		
Non-cash items	72,504	54,527
Non-operating items	24,467	39,518
Operating profit/(loss) before changes in working capital	224,246	(14,497)
Changes in working capital:		
Net changes in current assets	(140,471)	72,120
Net changes in current liabilities	34,682	(17,927)
	118,457	39,696
<u>INVESTING ACTIVITIES</u>		
Dividends received	3,051	1,435
Interest received	4,876	16,151
Proceeds from disposal/redemption of investments	-	63
Proceeds from disposal of property, plant and equipment	2,190	1,807
Increase in investment in an associated company	(42,064)	-
Purchase of property, plant and equipment	(3,252)	(5,254)
Proceeds from disposal of an associated company	-	67,801
Others	(15,245)	(3,869)
	(50,444)	78,134
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(47,885)	(128,104)
(Decrease)/Increase in cash and cash equivalents - restricted	(3,695)	1,512
Purchase of treasury shares	(5,527)	(5,467)
	(57,107)	(132,059)
Net changes in cash and cash equivalents	10,906	(14,229)
Effects of changes in exchange rate	1,578	51
Cash and cash equivalents at beginning of the period	271,942	293,615
Cash and cash equivalents at end of the period	284,426	279,437

(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 13,168,300 ordinary shares of its total number of issued shares from the open market at an average price of RM0.39 per share. The total consideration paid for the repurchase including transaction costs amounting to RM5,106,356 was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As at 31 March 2017, the number of treasury shares held were 37,105,300 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	1,592,019	186,189	56,932	78,931	-	1,914,071
Inter-segment revenue	53,989	-	-	14,040	(68,029)	-
Total revenue	<u>1,646,008</u>	<u>186,189</u>	<u>56,932</u>	<u>92,971</u>	<u>(68,029)</u>	<u>1,914,071</u>
Results						
Segment results	122,193	730	12,170	7,178	-	142,271
Finance costs						(19,302)
Share in results of associated companies and joint venture	5,500	-	578	(6,602)	-	(524)
Investment income						4,876
Exceptional item						(46)
Profit before tax						<u>127,275</u>
Tax expense						(18,983)
Profit for the period						<u>108,292</u>
Assets						
Segment assets	1,571,955	122,797	241,982	260,459	-	2,197,193
Investment in associated companies and joint venture	78,592	-	10,979	754,697	-	844,268
Unallocated corporate assets						56,516
Consolidated total assets						<u>3,097,977</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	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Revenue				
Steel	666,356	459,601	1,646,008	1,362,869
Building materials	67,020	188,609	186,189	403,614
Property development	15,605	37,281	56,932	82,961
Others	31,954	24,448	92,971	77,099
Eliminations	(25,577)	(12,218)	(68,029)	(60,302)
	<u>755,358</u>	<u>697,721</u>	<u>1,914,071</u>	<u>1,866,241</u>
Segment Results				
Steel	63,575	(52,305)	122,193	(127,031)
Building materials	(416)	3,585	730	5,445
Property development	1,892	11,744	12,170	19,699
Others	4,161	605	7,178	24,913
Profit/(Loss) from operations	69,212	(36,371)	142,271	(76,974)
Finance costs	(6,897)	(12,286)	(19,302)	(36,400)
Share in results of associated companies and joint venture	(6,165)	(10,282)	(524)	(11,120)
Investment income	1,368	2,693	4,876	16,151
Exceptional item	-	(68,000)	(46)	(199)
Profit/(Loss) before tax	<u>57,518</u>	<u>(124,246)</u>	<u>127,275</u>	<u>(108,542)</u>

For the first nine months of the financial year under review, the Group posted a 3% higher revenue of RM1,914 million compared to RM1,866 million recorded in the same period last year. This was mainly due to the higher revenue registered by our steel division. The Group recorded an operating profit of RM142.3 million against a loss of RM77.0 million a year ago mainly due to the improved performance of our steel division. The Group shared a loss of RM0.5 million from the associated companies and a joint venture compared with RM11.1 million in the previous year. Overall, the Group posted a profit before tax of RM127.3 million against a loss of RM108.5 million in the same period last year.

Steel

Steel division recorded a higher revenue of RM1,646 million compared to RM1,363 million in the same period last year. The higher revenue was mainly due to the improved market condition. Accordingly, the division reported a profit from operations of RM122.2 million against a loss of RM127.0 million in the same period last year.

Building materials

Building materials division recorded a 54% lower revenue of RM186.2 million compared to RM403.6 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 RM0.7 million compared to RM5.4 million a year ago.

Property development

Property development division registered a lower revenue of RM56.9 million compared to RM83.0 million in the same period last year. Accordingly, the division posted a lower profit from operations of RM12.2 million as compared to RM19.7 million a year ago.

Others

The revenue of RM93.0 million was mainly from the lubricants, automotive and petroleum products, and transportation businesses. The division recorded a profit of RM7.2 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 the 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 31.3.2017	Immediate Preceding Quarter 31.12.2016
	RM'000	RM'000
Revenue	755,358	644,543
Profit from operations	69,212	55,732
Profit before tax	57,518	69,537

Revenue of the Group for the quarter under review was 17% higher at RM755.4 million compared with RM644.5 million in the immediate preceding quarter mainly due to the improved performance of the steel division. The steel division's revenue increased by 22% to RM666.4 million and accordingly recorded a higher operating profit of RM63.6 million compared with RM47.1 million in the immediate preceding quarter. Hence, the Group recorded a higher profit from operations of RM69.2 million compared with RM55.7 million in the immediate preceding quarter.

After accounting for the share of losses of associated companies and a joint venture of RM6.2 million, the Group posted a lower profit before tax of RM57.5 million for the quarter under review compared with RM69.5 million in the immediate preceding quarter.

13. a) Prospects

The final determination of safeguard duties for both steel concrete reinforcing bars and steel wire rods would provide a fairer business environment for the local steel millers for a period of 3 years commencing from April 2017. The operating environment for the Group's businesses in the next quarter is anticipated to remain satisfactory. However, the Group will continue to stay vigilant and responsive to market changes including efforts to improve further its operating performance.

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	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Estimated tax payable				
Current provision	2,742	5,386	8,536	11,082
Overprovision in prior years	1,501	-	457	-
Deferred taxation				
Current provision	1,785	(40)	9,990	(3)
	<u>6,028</u>	<u>5,346</u>	<u>18,983</u>	<u>11,079</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	120,677	-	120,677
Unsecured	668	-	668
	<u>121,345</u>	<u>-</u>	<u>121,345</u>
<u>Sukuk</u>			
Secured	59,622	59,903	119,525
	<u>180,967</u>	<u>59,903</u>	<u>240,870</u>

The Group's borrowings were denominated in the following currencies

	Foreign Currency	
	'000	RM'000
- Ringgit Malaysia	-	216,847
- US Dollar	5,434	24,023
		<u>240,870</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/(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>31.3.2017</u>	<u>31.3.2016</u>	<u>31.3.2017</u>	<u>31.3.2016</u>
Profit/(Loss) attributable to owners of the Company (RM'000)	<u>48,763</u>	<u>(115,261)</u>	<u>101,715</u>	<u>(107,167)</u>
Weighted average number of ordinary shares in issue ('000)	<u>681,300</u>	<u>700,561</u>	<u>694,581</u>	<u>703,699</u>
Basic EPS (sen)	<u>7.16</u>	<u>(16.45)</u>	<u>14.64</u>	<u>(15.23)</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	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	1,368	1,411	4,876	16,151
(b) Other income including investment income	3,117	1,175	23,506	5,251
(c) Interest expense	(6,897)	(5,686)	(19,302)	(36,400)
(d) Depreciation and amortisation	(25,931)	(26,896)	(78,428)	(87,864)
(e) Provision for/Reversal of and write off of receivables	(825)	(651)	(5,371)	25,789
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-	(8)	3
(h) Impairment of assets	(2,000)	-	(4,000)	-
(i) Foreign exchange gain/(loss)	80	2,955	7,333	(5,748)
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional item	-	(68,000)	(46)	(199)
- impairment loss on other investments	-	-	(46)	-
- gain on disposal of an associated company	-	-	-	67,801
- impairment loss on receivables	-	(68,000)	-	(68,000)

24. Realised and Unrealised Profits/Losses Disclosure

	AS AT 31.3.2017 RM'000	AS AT 30.6.2016 RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	(29,662)	(125,967)
- Unrealised	6,412	478
	(23,250)	(125,489)
Total share of retained earnings from associated companies and a joint venture		
- Realised	451,684	442,415
- Unrealised	4,534	14,327
Consolidated adjustments	4,315	4,315
Total retained earnings	437,283	335,568