



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
First Quarter Ended
30 September 2017**

Condensed Consolidated Statement of Profit or Loss	1
Condensed Consolidated Statement of Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5
Notes to the Condensed Financial Statements	6 - 12

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

Interim financial report for the first quarter ended 30 September 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.9.2017 RM'000	30.9.2016 RM'000	Changes %	30.9.2017 RM'000	30.9.2016 RM'000	Changes %
Revenue		637,312	514,170	24	637,312	514,170	24
Operating expenses		(609,243)	(498,018)		(609,243)	(498,018)	
Other operating income		5,785	1,175		5,785	1,175	
Profit from operations		33,854	17,327	95	33,854	17,327	95
Finance costs		(4,929)	(5,686)		(4,929)	(5,686)	
Share in results of associated companies and joint venture		(6,583)	(12,786)		(6,583)	(12,786)	
Investment income		1,349	1,411		1,349	1,411	
Exceptional items	23(k)	10,348	(46)		10,348	(46)	
Profit before tax	23	34,039	220	>100	34,039	220	>100
Tax expense	16	(1,440)	(2,714)		(1,440)	(2,714)	
Profit/(Loss) for the period		<u>32,599</u>	<u>(2,494)</u>	>100	<u>32,599</u>	<u>(2,494)</u>	>100
Profit/(Loss) attributable to:							
- Owners of the Company		27,790	(2,520)		27,790	(2,520)	
- Non-controlling interests		4,809	26		4,809	26	
Profit/(Loss) for the period		<u>32,599</u>	<u>(2,494)</u>		<u>32,599</u>	<u>(2,494)</u>	
Earnings/(Loss) per share attributable to owners of the Company (sen):	21						
- Basic		<u>4.08</u>	<u>(0.36)</u>		<u>4.08</u>	<u>(0.36)</u>	
- Diluted		<u>4.08</u>	<u>(0.36)</u>		<u>4.08</u>	<u>(0.36)</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 2017 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 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period	32,599	(2,494)	32,599	(2,494)
<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	(5,264)	4,485	(5,264)	4,485
Share of other comprehensive income of an associated company	5,091	-	5,091	-
Net gain on fair value changes on available-for-sale financial assets and assets classified as held for sale	1,089	-	1,089	-
Other comprehensive income for the period, net of tax	916	4,485	916	4,485
Total comprehensive income for the period	<u>33,515</u>	<u>1,991</u>	<u>33,515</u>	<u>1,991</u>
Profit attributable to:				
Owners of the Company	28,769	791	28,769	791
Non-controlling interests	4,746	1,200	4,746	1,200
	<u>33,515</u>	<u>1,991</u>	<u>33,515</u>	<u>1,991</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2017 RM'000	AS AT 30.6.2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		605,819	629,988
Investment properties		573	578
Prepaid land lease payments		59,282	59,811
Land held for property development		49,521	49,508
Investment in associated companies		811,669	816,381
Investment in joint venture		11,014	11,051
Long-term investments		13,400	12,311
Deferred tax assets		56,456	56,456
Goodwill		130,443	130,443
Total Non-Current Assets		<u>1,738,177</u>	<u>1,766,527</u>
Current Assets			
Property development costs		13,285	13,209
Inventories		455,886	372,831
Receivables		454,479	413,107
Amount owing by associated company		314	314
Amount owing by joint venture		1,480	1,480
Deposits, cash and bank balances		336,306	337,948
		<u>1,261,750</u>	<u>1,138,889</u>
Asset classified as held for sale		1,708	7,073
Total Current Assets		<u>1,263,458</u>	<u>1,145,962</u>
Total Assets		<u>3,001,635</u>	<u>2,912,489</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		1,250,536	1,250,536
Reserves		486,913	458,144
Equity attributable to owners of the Company		<u>1,737,449</u>	<u>1,708,680</u>
Non-controlling interests		169,560	164,814
Total equity		<u>1,907,009</u>	<u>1,873,494</u>
Non-Current and Deferred Liabilities			
Hire-purchase and finance lease payables	18	560	10,939
Deferred tax liabilities		13,609	13,609
Total Non-Current and Deferred Liabilities		<u>14,169</u>	<u>24,548</u>
Current Liabilities			
Payables		853,402	787,038
Hire-purchase and finance lease payables	18	52,593	55,289
Short-term borrowings	18	171,934	169,862
Tax liabilities		2,528	2,258
Total Current Liabilities		<u>1,080,457</u>	<u>1,014,447</u>
Total Liabilities		<u>1,094,626</u>	<u>1,038,995</u>
Total Equity and Liabilities		<u>3,001,635</u>	<u>2,912,489</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.55</u>	<u>2.51</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 first quarter ended 30 September 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			
30 September 2017								
At 1 July 2017	1,250,536	-	(13,193)	24,646	446,691	1,708,680	164,814	1,873,494
Total comprehensive income for the period	-	-	-	979	27,790	28,769	4,746	33,515
At 30 September 2017	1,250,536	-	(13,193)	25,625	474,481	1,737,449	169,560	1,907,009
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

* 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 2017 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2017	30.9.2016
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	34,039	220
Adjustments for:		
Non-cash items	9,107	26,801
Non-operating items	13,357	16,861
Operating profit before changes in working capital	56,503	43,882
Changes in working capital:		
Net changes in current assets	(127,302)	(223,982)
Net changes in current liabilities	64,445	165,949
	(6,354)	(14,151)
INVESTING ACTIVITIES		
Dividends received	3,092	2,209
Interest received	1,349	1,411
Proceeds from disposal of property, plant and equipment	1,445	207
Purchase of property, plant and equipment	(956)	(2,195)
Proceeds from disposal of asset classified as held for sale	15,790	-
Others	(13)	(18)
	20,707	1,614
FINANCING ACTIVITIES		
Borrowings and interest paid	(18,657)	(16,977)
Increase/(Decrease) in cash and cash equivalents - restricted	67	(2,072)
Purchase of treasury shares	-	(1,683)
	(18,590)	(20,732)
Net changes in cash and cash equivalents	(4,237)	(33,269)
Effects of changes in exchange rate	(63)	694
Cash and cash equivalents at beginning of the period	296,979	271,942
Cash and cash equivalents at end of the period	292,679	239,367

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 2017. 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 2017.

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 2017 except for the adoption of the following FRSs and Amendments to FRSs effective for the financial period beginning 1 July 2017:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRSs	Annual Improvements to FRSs 2014 - 2016 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

5. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial year-to-date.

The shares repurchased to date are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As at 30 September 2017, the number of treasury shares held were 37,105,300 shares.

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	527,482	78,678	5,299	25,853	-	637,312
Inter-segment revenue	39,471	-	-	4,680	(44,151)	-
Total revenue	<u>566,953</u>	<u>78,678</u>	<u>5,299</u>	<u>30,533</u>	<u>(44,151)</u>	<u>637,312</u>
Results						
Segment results	29,851	183	1,948	1,872	-	33,854
Finance costs						(4,929)
Share in results of associated companies and joint venture	4,533	-	(37)	(11,079)	-	(6,583)
Investment income						1,349
Exceptional item						10,348
Profit before tax						<u>34,039</u>
Tax expense						(1,440)
Profit for the period						<u>32,599</u>
Assets						
Segment assets	1,475,843	116,974	248,584	265,896	-	2,107,297
Investment in associated companies and joint venture	84,078	-	11,014	727,591	-	822,683
Unallocated corporate assets						71,655
Consolidated total assets						<u>3,001,635</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 2017.

11. Performance review

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.9.2017 RM'000	30.9.2016 RM'000	Changes %	30.9.2017 RM'000	30.9.2016 RM'000	Changes %
Revenue							
Steel		566,953	431,236	31	566,953	431,236	31
Building materials		78,678	56,104	40	78,678	56,104	40
Property development		5,299	20,180	(74)	5,299	20,180	(74)
Others		30,533	28,242	8	30,533	28,242	8
Eliminations		(44,151)	(21,592)	>100	(44,151)	(21,592)	>100
		<u>637,312</u>	<u>514,170</u>	24	<u>637,312</u>	<u>514,170</u>	24
Segment Results							
Steel		29,851	11,552	>100	29,851	11,552	>100
Building materials		183	544	(66)	183	544	(66)
Property development		1,948	4,988	(61)	1,948	4,988	(61)
Others		1,872	243	>100	1,872	243	>100
Profit from operations		33,854	17,327	95	33,854	17,327	95
Finance costs		(4,929)	(5,686)		(4,929)	(5,686)	
Share in results of associated companies and joint venture		(6,583)	(12,786)		(6,583)	(12,786)	
Investment income		1,349	1,411		1,349	1,411	
Exceptional item	23(K)	10,348	(46)		10,348	(46)	
Profit before tax		<u>34,039</u>	<u>220</u>	>100	<u>34,039</u>	<u>220</u>	>100

For the first three months of the financial year under review, the Group posted a 24% higher revenue of RM637 million compared to RM514 million recorded in the same period last year. This was mainly due to the higher revenue registered by our steel and building materials divisions. The Group recorded an operating profit of RM33.9 million compared with RM17.3 million a year ago mainly due to the improved performance of our steel division. The Group shared a lower loss of RM6.6 million from the associated companies and a joint venture compared with RM12.8 million in the previous year. Overall, including the exceptional gain of RM10.3 million, the Group posted a profit before tax of RM34.0 million compared to RM0.2 million in the same period last year. The Group's net assets per share as at 30 September 2017 rose 4 sen to RM2.55 from end of the last financial year.

Steel

Steel division recorded a higher revenue of RM567 million compared to RM431 million in the same period last year. The higher revenue was due to the favourable market condition following the imposition of safeguard duties and the reduced steel export by China. Accordingly, the division reported a higher profit from operations of RM29.9 million compared to RM11.6 million in the same period last year.

Building materials

Building materials division recorded a 40% higher revenue of RM78.7 million compared to RM56.1 million in the same period last year due to the higher demand for building materials from the property sector. However, the division reported a lower profit of RM0.18 million due to different sales mix.

Property development

Property development division registered a lower revenue of RM5.3 million compared to RM20.2 million in the same period last year as most of the Group's major property projects were completed in the last financial year. Accordingly, the division posted a lower profit from operations of RM1.9 million as compared to RM5.0 million a year ago.

Others

The revenue of RM30.5 million was mainly from the lubricants, automotive and petroleum products, and transportation businesses. The division recorded a profit of RM1.9 million for the financial period under review.

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. However, the overall lower share of the associated companies' losses was mainly due to the higher profit contributed by an associated company involved in steel business.

Exceptional item

The exceptional item comprised gain on disposal of an associated company, which was classified as asset held for sale, of RM10.3 million.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter	
	30.9.2017	30.6.2017	Changes
	RM'000	RM'000	%
Revenue	637,312	753,421	(15)
Profit from operations	33,854	10,599	>100
Profit/(Loss) before tax	34,039	(19,833)	>100

Revenue of the Group for the quarter under review was 15% lower at RM637.3 million compared with RM753.4 million in the immediate preceding quarter mainly due to the lower sales volume of steel products. The steel division's revenue decreased 13% to RM567.0 million but higher operating profit of RM29.9 million was reported compared with RM1.6 million in the immediate preceding quarter due to the higher selling price of steel products. Hence, the Group recorded a higher profit from operations of RM33.9 million compared with RM10.6 million in the immediate preceding quarter.

After accounting for the gain on disposal of an associated company of RM10.3 million and the share of losses of associated companies and a joint venture of RM6.6 million, the Group posted a profit before tax of RM34.0 million for the quarter under review against a loss before taxation of RM19.8 million in the immediate preceding quarter.

13. a) Prospects

The operating environment for the steel business for the next quarter is expected to remain positive in view of the lower imports and the gradual increase in the domestic demand for steel products from the present increased implementation of the infrastructure projects in the country.

Nonetheless, the Group will stay vigilant and responsive to market changes and steadfastly continue with its efforts to improve operating performance for the next quarter.

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	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Estimated tax payable - Current provision	1,440	2,714	1,440	2,714

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 :

	AS AT 30.9.2017		AS AT 30.9.2016	
	USD'000	RM'000	USD'000	RM'000
Non-current				
<u>Secured</u>				
Sukuk	-	-	-	60,312
Hire-purchase and finance lease payables	-	-	-	27,385
<u>Unsecured</u>				
Hire-purchase and finance lease payables	-	560	-	1,587
	-	560	-	89,284
Current				
<u>Secured</u>				
Sukuk	-	59,972	-	59,622
Term loan	-	10,962	-	28,955
Hire-purchase and finance lease payables	-	52,068	-	55,502
Bankers acceptance and revolving credit	5,442	93,216	5,501	91,743
Bank overdraft	-	7,385	-	22,655
<u>Unsecured</u>				
Hire-purchase and finance lease payables	-	525	-	844
Bankers acceptance and revolving credit	-	399	-	586
	5,442	224,527	5,501	259,907
	5,442	225,087	5,501	349,191

The closing rate used in translating USD into RM was USD1.00 : RM4.22 (30.9.2016: USD1.00 : RM4.14)

19. Changes in material litigation

There was no material litigation since 30 June 2017.

20. Dividend proposed

The Board does not recommend any interim dividend for the current quarter and financial year-to-date.

21. Earnings/(Loss) 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>30.9.2017</u>	<u>30.9.2016</u>	<u>30.9.2017</u>	<u>30.9.2016</u>
Profit/(Loss) attributable to owners of the Company (RM'000)	<u>27,790</u>	<u>(2,520)</u>	<u>27,790</u>	<u>(2,520)</u>
Weighted average number of ordinary shares in issue ('000)	<u>680,804</u>	<u>699,636</u>	<u>680,804</u>	<u>699,636</u>
Basic EPS (sen)	<u>4.08</u>	<u>(0.36)</u>	<u>4.08</u>	<u>(0.36)</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 2017 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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	1,349	1,411	1,349	1,411
(b) Other income including investment income	5,785	1,175	5,785	1,175
(c) Interest expense	(4,929)	(5,686)	(4,929)	(5,686)
(d) Depreciation and amortisation	(25,123)	(26,896)	(25,123)	(26,896)
(e) Provision for/Reversal of and write off of receivables	(808)	(651)	(808)	(651)
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Reversal of impairment of assets	-	-	-	-
(i) Foreign exchange gain	160	2,955	160	2,955
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional item	10,348	(46)	10,348	(46)
- impairment loss on other investments	-	(46)	-	(46)
- Gain on disposal of asset classified as held for sale	10,348	-	10,348	-

24. Realised and Unrealised Profits/Losses Disclosure

	AS AT 30.9.2017 RM'000	AS AT 30.6.2017 RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	7,546	(28,261)
- Unrealised	21,099	22,533
	28,645	(5,728)
Total share of retained earnings from associated companies and a joint venture		
- Realised	441,184	446,953
- Unrealised	337	1,151
Consolidated adjustments	4,315	4,315
Total retained earnings	474,481	446,691