



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
Second Quarter Ended
31 December 2017**

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

Interim financial report for the second quarter ended 31 December 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.12.2017 RM'000	31.12.2016 RM'000	Changes %	31.12.2017 RM'000	31.12.2016 RM'000	Changes %
Revenue		886,425	644,543	38	1,523,737	1,158,713	32
Operating expenses		(825,330)	(604,130)		(1,434,573)	(1,101,497)	
Other operating income		3,884	15,319		9,669	15,843	
Profit from operations		64,979	55,732	17	98,833	73,059	35
Finance costs		(5,285)	(6,719)		(10,214)	(12,405)	
Share in results of associated companies and joint venture		(2,296)	18,427		(8,879)	5,641	
Investment income		3,626	2,097		4,975	3,508	
Exceptional items	23(k)	-	-		10,348	(46)	
Profit before tax	23	61,024	69,537	(12)	95,063	69,757	36
Tax expense	16	(2,104)	(10,241)		(3,544)	(12,955)	
Profit for the period		<u>58,920</u>	<u>59,296</u>	(1)	<u>91,519</u>	<u>56,802</u>	61
Profit attributable to:							
- Owners of the Company		55,792	55,472		83,582	52,952	
- Non-controlling interests		3,128	3,824		7,937	3,850	
Profit for the period		<u>58,920</u>	<u>59,296</u>		<u>91,519</u>	<u>56,802</u>	
Earnings per share attributable to owners of the Company (sen):	21						
- Basic		<u>8.20</u>	<u>8.07</u>		<u>12.28</u>	<u>7.64</u>	
- Diluted		<u>8.20</u>	<u>8.07</u>		<u>12.28</u>	<u>7.64</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)

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

Interim financial report for the second quarter ended 31 December 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit for the period	58,920	59,296	91,519	56,802
<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	(5,770)	9,344	(11,034)	13,829
Share of other comprehensive income of an associated company	(9,231)	1,984	(4,140)	1,984
Net loss on fair value changes on available-for-sale financial assets and assets classified as held for sale	(4,280)	(2,121)	(3,191)	(2,121)
Other comprehensive (loss)/income for the period, net of tax	(19,281)	9,207	(18,365)	13,692
Total comprehensive income for the period	<u>39,639</u>	<u>68,503</u>	<u>73,154</u>	<u>70,494</u>
Profit attributable to:				
Owners of the Company	37,921	62,110	66,690	62,901
Non-controlling interests	1,718	6,393	6,464	7,593
	<u>39,639</u>	<u>68,503</u>	<u>73,154</u>	<u>70,494</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)
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Interim financial report for the second quarter ended 31 December 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.12.2017 RM'000	AS AT 30.6.2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		580,929	629,988
Investment properties		569	578
Prepaid land lease payments		58,753	59,811
Land held for property development		49,542	49,508
Investment in associated companies		797,675	816,381
Investment in joint venture		11,071	11,051
Long-term investments		9,119	12,311
Deferred tax assets		56,456	56,456
Goodwill		130,443	130,443
Total Non-Current Assets		<u>1,694,557</u>	<u>1,766,527</u>
Current Assets			
Property development costs		11,923	13,209
Inventories		586,437	372,831
Receivables		493,378	413,107
Amount owing by associated company		314	314
Amount owing by joint venture		1,480	1,480
Deposits, cash and bank balances		338,969	337,948
		<u>1,432,501</u>	<u>1,138,889</u>
Asset classified as held for sale		1,708	7,073
Total Current Assets		<u>1,434,209</u>	<u>1,145,962</u>
Total Assets		<u>3,128,766</u>	<u>2,912,489</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		1,250,536	1,250,536
Reserves		524,834	458,144
Equity attributable to owners of the Company		<u>1,775,370</u>	<u>1,708,680</u>
Non-controlling interests		171,278	164,814
Total equity		<u>1,946,648</u>	<u>1,873,494</u>
Non-Current and Deferred Liabilities			
Hire-purchase and finance lease payables	18	469	10,939
Deferred tax liabilities		12,204	13,609
Total Non-Current and Deferred Liabilities		<u>12,673</u>	<u>24,548</u>
Current Liabilities			
Payables		941,644	787,038
Hire-purchase and finance lease payables	18	48,928	55,289
Short-term borrowings	18	176,115	169,862
Tax liabilities		2,758	2,258
Total Current Liabilities		<u>1,169,445</u>	<u>1,014,447</u>
Total Liabilities		<u>1,182,118</u>	<u>1,038,995</u>
Total Equity and Liabilities		<u>3,128,766</u>	<u>2,912,489</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.61</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)

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 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 December 2017								
At 1 July 2017	1,250,536	-	(13,193)	24,646	446,691	1,708,680	164,814	1,873,494
Total comprehensive (loss)/income for the period	-	-	-	(16,892)	83,582	66,690	6,464	73,154
At 31 December 2017	1,250,536	-	(13,193)	7,754	530,273	1,775,370	171,278	1,946,648
31 December 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 for the period	-	-	-	9,949	52,952	62,901	7,593	70,494
Purchase of treasury shares	-	-	(3,903)	-	-	(3,903)	(420)	(4,323)
At 31 December 2016	717,909	532,627	(11,989)	27,982	388,520	1,655,049	162,822	1,817,871

* The amount standing to the credit of the share premium account of RM532.6 million became part of the Company's share capital pursuant to the Companies Act 2016 which came into operation on 31 January 2017. This change did not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

(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)

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Interim financial report for the second quarter ended 31 December 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.12.2017	31.12.2016
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before tax	95,063	69,757
Adjustments for:		
Non-cash items	38,405	51,284
Non-operating items	13,202	18,619
Operating profit before changes in working capital	146,670	139,660
Changes in working capital:		
Net changes in current assets	(297,349)	(43,588)
Net changes in current liabilities	143,449	13,689
	(7,230)	109,761
<u>INVESTING ACTIVITIES</u>		
Dividends received	3,996	3,051
Interest received	5,599	3,508
Proceeds from disposal of property, plant and equipment	5,622	493
Increase in investment in an associated company	-	(42,064)
Purchase of property, plant and equipment	(2,806)	(2,378)
Proceeds from disposal of asset classified as held for sale	17,173	-
Others	(33)	(14,724)
	29,551	(52,114)
<u>FINANCING ACTIVITIES</u>		
Borrowings and interest paid	(35,439)	(34,277)
Increase/(Decrease) in cash and cash equivalents - restricted	1,849	(2,072)
Purchase of treasury shares	-	(4,323)
	(33,590)	(40,672)
Net changes in cash and cash equivalents	(11,269)	16,975
Effects of changes in exchange rate	(507)	1,740
Cash and cash equivalents at beginning of the period	296,979	271,942
Cash and cash equivalents at end of the period	285,203	290,657

(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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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 results.

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 31 December 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	1,291,970	167,766	8,386	55,615	-	1,523,737
Inter-segment revenue	89,243	-	-	9,147	(98,390)	-
Total revenue	<u>1,381,213</u>	<u>167,766</u>	<u>8,386</u>	<u>64,762</u>	<u>(98,390)</u>	<u>1,523,737</u>
Results						
Segment results	90,964	1,106	2,002	4,761	-	98,833
Finance costs						(10,214)
Share in results of associated companies and joint venture	5,425	-	20	(14,324)	-	(8,879)
Investment income						4,975
Exceptional item						10,348
Profit before tax						<u>95,063</u>
Tax expense						(3,544)
Profit for the period						<u>91,519</u>
Assets						
Segment assets	1,610,199	116,974	235,033	284,859	-	2,247,065
Investment in associated companies and joint venture	84,970	-	11,071	712,705	-	808,746
Unallocated corporate assets						72,955
Consolidated total assets						<u>3,128,766</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 other than those disclosed in the interim financial report of Lion Forest Industries Berhad, a listed subsidiary of the Company.

11. Performance review

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.12.2017 RM'000	31.12.2016 RM'000	Changes %	31.12.2017 RM'000	31.12.2016 RM'000	Changes %
Revenue							
Steel		814,260	548,416	48	1,381,213	979,653	41
Building materials		89,088	63,065	41	167,766	119,169	41
Property development		3,087	21,147	(85)	8,386	41,327	(80)
Others		34,229	32,775	4	64,762	61,016	6
Eliminations		(54,239)	(20,860)		(98,390)	(42,452)	
		<u>886,425</u>	<u>644,543</u>	38	<u>1,523,737</u>	<u>1,158,713</u>	32
Segment Results							
Steel		61,113	47,065	30	90,964	58,618	55
Building materials		923	602	53	1,106	1,146	(3)
Property development		54	5,290	(99)	2,002	10,278	(81)
Others		2,889	2,775	4	4,761	3,017	58
Profit from operations		<u>64,979</u>	<u>55,732</u>	17	<u>98,833</u>	<u>73,059</u>	35
Finance costs		(5,285)	(6,719)		(10,214)	(12,405)	
Share in results of associated companies and joint venture		(2,296)	18,427		(8,879)	5,641	
Investment income		3,626	2,097		4,975	3,508	
Exceptional item	23(k)	-	-		10,348	(46)	
Profit before tax		<u>61,024</u>	<u>69,537</u>	(12)	<u>95,063</u>	<u>69,757</u>	36

For the first six months of the financial year under review, the Group posted a 32% higher revenue of RM1,524 million compared to RM1,159 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 RM98.8 million compared with RM73.1 million a year ago mainly due to the improved performance of our steel division. The Group shared a loss of RM8.9 million from the associated companies and a joint venture against a profit of RM5.6 million in the previous year. Overall, including the exceptional gain of RM10.3 million, the Group posted a higher profit before tax of RM95.1 million compared to RM69.8 million in the same period last year. The Group's net assets per share as at 31 December 2017 rose 10 sen to RM2.61 from end of the last financial year.

Steel

Steel division recorded a higher revenue of RM1,381 million compared to RM980 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 RM91.0 million compared to RM58.6 million in the same period last year.

Building materials

Building materials division recorded a 41% higher revenue of RM167.8 million compared to RM119.2 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 RM1.11 million due to different sales mix.

Property development

Property development division registered a lower revenue of RM8.4 million compared to RM41.3 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 RM2.0 million as compared to RM10.3 million a year ago.

Others

The revenue of RM64.8 million was mainly from the sales of lubricants, automotive and petroleum products, as well as the provision of transportation and management services. The division recorded a profit of RM4.8 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.

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 31.12.2017	Immediate Preceding Quarter 30.9.2017	Changes
	RM'000	RM'000	%
Revenue	886,425	637,312	39
Profit from operations	64,979	33,854	92
Profit before tax	61,024	34,039	79

Revenue of the Group for the quarter under review was 39% higher at RM886.4 million compared with RM637.3 million in the immediate preceding quarter mainly due to the higher sales volume and selling price of steel products. The steel division's revenue increased by 44% to RM814.3 million with higher operating profit of RM61.1 million was reported compared with RM29.9 million in the immediate preceding quarter due to the higher average selling price of steel products. Hence, the Group recorded a higher profit from operations of RM65.0 million compared with RM33.9 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 loss of associated companies and a joint venture of RM2.3 million, the Group posted a higher profit before tax of RM61.0 million for the quarter under review compared with RM34.0 million in the immediate preceding quarter.

13. a) Prospects

Lower imports and the gradual increase in the domestic demand for steel products from the infrastructure projects are expected to continue to support the positive outlook for the local steel business in the next quarter.

The Group will stay vigilant and responsive to market changes and 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	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Estimated tax payable				
Current provision	1,563	3,080	3,003	5,794
Overprovision in prior years	-	(1,044)	-	(1,044)
Deferred taxation				
Current provision	541	8,205	541	8,205
	<u>2,104</u>	<u>10,241</u>	<u>3,544</u>	<u>12,955</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 :

	AS AT 31.12.2017		AS AT 31.12.2016	
	USD'000	RM'000	USD'000	RM'000
Non-current				
<u>Secured</u>				
Sukuk	-	-	-	60,321
Hire-purchase and finance lease payables	-	-	-	25,949
<u>Unsecured</u>				
Hire-purchase and finance lease payables	-	469	-	1,438
	-	469	-	87,708
Current				
<u>Secured</u>				
Sukuk	-	59,981	-	59,622
Term loan	-	4,936	-	22,299
Hire-purchase and finance lease payables	-	48,447	-	55,502
Bankers acceptance and revolving credit	5,389	91,490	5,501	95,337
Bank overdraft	-	19,309	-	19,892
<u>Unsecured</u>				
Hire-purchase and finance lease payables	-	481	-	636
Bankers acceptance and revolving credit	-	399	-	-
	<u>5,389</u>	<u>225,043</u>	<u>5,501</u>	<u>253,288</u>
	<u>5,389</u>	<u>225,512</u>	<u>5,501</u>	<u>340,996</u>

The closing rate used in translating USD into RM was USD1.00: RM4.06 (31.12.2016: USD1.00: RM4.48)

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 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>31.12.2017</u>	<u>31.12.2016</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Profit attributable to owners of the Company (RM'000)	<u>55,792</u>	<u>55,472</u>	<u>83,582</u>	<u>52,952</u>
Weighted average number of ordinary shares in issue ('000)	<u>680,804</u>	<u>687,149</u>	<u>680,804</u>	<u>692,813</u>
Basic EPS (sen)	<u>8.20</u>	<u>8.07</u>	<u>12.28</u>	<u>7.64</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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	3,626	2,097	4,975	3,508
(b) Other income including investment income	3,884	19,214	9,669	20,389
(c) Interest expense	(5,285)	(6,719)	(10,214)	(12,405)
(d) Depreciation and amortisation	(24,399)	(25,602)	(49,522)	(52,498)
(e) (Provision for)/Reversal of and write off of receivables	(980)	(3,895)	(1,788)	(4,546)
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	(8)	-	(8)
(h) Impairment of assets	-	(2,000)	-	(2,000)
(i) Foreign exchange gain/(loss)	(130)	4,298	31	7,253
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional item	-	-	10,348	(46)
- impairment loss on other investments	-	-	-	(46)
- Gain on disposal of asset classified as held for sale	-	-	10,348	-