



LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

**Interim Financial Report for the
Third Quarter Ended
31 March 2018**

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 - 11

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

Interim financial report for the third quarter ended 31 March 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.3.2018 RM'000	31.3.2017 RM'000	Changes %	31.3.2018 RM'000	31.3.2017 RM'000	Changes %
Revenue		919,557	755,358	22	2,443,294	1,914,071	28
Operating expenses		(859,213)	(688,438)		(2,293,787)	(1,789,935)	
Other operating income		2,707	2,292		12,377	18,135	
Profit from operations		63,051	69,212	(9)	161,884	142,271	14
Finance costs		(5,303)	(6,897)		(15,517)	(19,302)	
Share in results of associated companies and joint venture		9,566	(6,165)		687	(524)	
Investment income		1,149	1,368		6,124	4,876	
Exceptional items	23(k)	-	-		10,348	(46)	
Profit before tax	23	68,463	57,518	19	163,526	127,275	28
Tax expense	16	(6,360)	(6,028)		(9,904)	(18,983)	
Profit for the period		62,103	51,490	21	153,622	108,292	42
Profit attributable to:							
- Owners of the Company		60,675	48,763		144,257	101,715	
- Non-controlling interests		1,428	2,727		9,365	6,577	
Profit for the period		62,103	51,490		153,622	108,292	
Earnings per share attributable to owners of the Company (sen):	21						
- Basic		8.91	7.16		21.19	14.64	
- Diluted		8.91	7.16		21.19	14.64	

(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)
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Interim financial report for the third quarter ended 31 March 2018
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	62,103	51,490	153,622	108,292
<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	(7,915)	566	(18,949)	14,395
Share of other comprehensive income of an associated company	8,332	-	4,193	1,984
Net (loss)/gain on fair value changes on available-for-sale financial assets and assets classified as held for sale	(7,406)	2,163	(10,597)	42
Other comprehensive (loss)/income for the period, net of tax	(6,989)	2,729	(25,353)	16,421
Total comprehensive income for the period	<u>55,114</u>	<u>54,219</u>	<u>128,269</u>	<u>124,713</u>
Profit/(Loss) attributable to:				
Owners of the Company	56,322	51,633	123,013	114,534
Non-controlling interests	(1,208)	2,586	5,256	10,179
	<u>55,114</u>	<u>54,219</u>	<u>128,269</u>	<u>124,713</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 third quarter ended 31 March 2018

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.3.2018 RM'000	AS AT 30.6.2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		567,944	629,988
Investment properties		564	578
Prepaid land lease payments		49,070	59,811
Land held for property development		50,186	49,508
Investment in associated companies		813,651	816,381
Investment in joint venture		11,235	11,051
Long-term investments		1,713	12,311
Deferred tax assets		54,456	56,456
Goodwill		130,443	130,443
Total Non-Current Assets		<u>1,679,262</u>	<u>1,766,527</u>
Current Assets			
Property development costs		11,923	13,209
Inventories		580,721	372,831
Receivables		562,269	413,107
Amount owing by associated company		314	314
Amount owing by joint venture		1,480	1,480
Deposits, cash and bank balances		322,056	337,948
		<u>1,478,763</u>	<u>1,138,889</u>
Asset classified as held for sale		1,708	7,073
Total Current Assets		<u>1,480,471</u>	<u>1,145,962</u>
Total Assets		<u>3,159,733</u>	<u>2,912,489</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		1,250,536	1,250,536
Reserves		581,157	458,144
Equity attributable to owners of the Company		<u>1,831,693</u>	<u>1,708,680</u>
Non-controlling interests		170,070	164,814
Total equity		<u>2,001,763</u>	<u>1,873,494</u>
Non-Current and Deferred Liabilities			
Hire-purchase and finance lease payables	18	44,802	10,939
Deferred tax liabilities		12,204	13,609
Total Non-Current and Deferred Liabilities		<u>57,006</u>	<u>24,548</u>
Current Liabilities			
Payables		893,463	787,038
Hire-purchase and finance lease payables	18	48,899	55,289
Short-term borrowings	18	154,654	169,862
Tax liabilities		3,948	2,258
Total Current Liabilities		<u>1,100,964</u>	<u>1,014,447</u>
Total Liabilities		<u>1,157,970</u>	<u>1,038,995</u>
Total Equity and Liabilities		<u>3,159,733</u>	<u>2,912,489</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.69</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 third quarter ended 31 March 2018

(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 2018								
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	-	-	-	(21,244)	144,257	123,013	5,256	128,269
At 31 March 2018	1,250,536	-	(13,193)	3,402	590,948	1,831,693	170,070	2,001,763
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

* 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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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2018	31.3.2017
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	163,526	127,275
Adjustments for:		
Non-cash items	59,507	72,504
Non-operating items	13,068	24,467
Operating profit before changes in working capital	236,101	224,246
Changes in working capital:		
Net changes in current assets	(359,133)	(140,471)
Net changes in current liabilities	83,132	34,682
	<u>(39,900)</u>	<u>118,457</u>
INVESTING ACTIVITIES		
Dividends received	3,996	3,051
Interest received	6,124	4,876
Proceeds from disposal of property, plant and equipment	10,221	2,190
Increase in investment in an associated company	-	(42,064)
Purchase of property, plant and equipment	(8,759)	(3,252)
Proceeds from disposal of asset classified as held for sale	17,173	-
Others	(677)	(15,245)
	<u>28,078</u>	<u>(50,444)</u>
FINANCING ACTIVITIES		
Borrowings and interest paid	(16,767)	(47,885)
Increase/(Decrease) in cash and cash equivalents - restricted	27,466	(3,695)
Purchase of treasury shares	-	(5,527)
	<u>10,699</u>	<u>(57,107)</u>
Net changes in cash and cash equivalents	(1,123)	10,906
Effects of changes in exchange rate	(818)	1,578
Cash and cash equivalents at beginning of the period	296,979	271,942
Cash and cash equivalents at end of the period	<u>295,038</u>	<u>284,426</u>

(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 31 March 2018, 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	2,118,613	233,708	8,386	82,587	-	2,443,294
Inter-segment revenue	119,400	-	-	13,614	(133,014)	-
Total revenue	<u>2,238,013</u>	<u>233,708</u>	<u>8,386</u>	<u>96,201</u>	<u>(133,014)</u>	<u>2,443,294</u>
Results						
Segment results	158,430	768	(1,956)	4,642	-	161,884
Finance costs						(15,517)
Share in results of associated companies and joint venture	7,406	-	184	(6,903)	-	687
Investment income						6,124
Exceptional item						10,348
Profit before tax						<u>163,526</u>
Tax expense						(9,904)
Profit for the period						<u>153,622</u>
Assets						
Segment assets	1,731,328	115,965	183,484	235,311	-	2,266,088
Investment in associated companies and joint venture	86,951	-	11,235	726,700	-	824,886
Unallocated corporate assets						68,759
Consolidated total assets						<u>3,159,733</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

As at 23 May 2018, the Group's contingent liabilities on indemnity for:

- back pay labour claims from employees of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, has been reduced from RM18.9 million to RM14.0 million after a cash settlement of RM0.8 million with certain SFI's employees in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006; and
- litigation claim in respect of wrongful encroachment and trespass of a piece of land has been disregarded following a settlement agreement entered into by SFI and the Plaintiff to settle at RM0.2 million as full and final settlement of the damages claimed.

11. Performance review

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.3.2018 RM'000	31.3.2017 RM'000	Changes %	31.3.2018 RM'000	31.3.2017 RM'000	Changes %
Revenue							
Steel		856,800	666,356	29	2,238,013	1,646,008	36
Building materials		65,942	67,020	(2)	233,708	186,189	26
Property development		-	15,605	(100)	8,386	56,932	(85)
Others		31,439	31,954	(2)	96,201	92,971	3
Eliminations		(34,624)	(25,577)		(133,014)	(68,029)	
		<u>919,557</u>	<u>755,358</u>	22	<u>2,443,294</u>	<u>1,914,071</u>	28
Segment Results							
Steel		67,467	63,575	6	158,430	122,193	30
Building materials		(338)	(416)	(19)	768	730	5
Property development		(3,959)	1,892	(>100)	(1,956)	12,170	(>100)
Others		(119)	4,161	(>100)	4,642	7,178	(35)
Profit from operations		<u>63,051</u>	<u>69,212</u>	(9)	<u>161,884</u>	<u>142,271</u>	14
Finance costs		(5,303)	(6,897)		(15,517)	(19,302)	
Share in results of associated companies and joint venture		9,566	(6,165)		687	(524)	
Investment income		1,149	1,368		6,124	4,876	
Exceptional item	23(k)	-	-		10,348	(46)	
Profit before tax		<u>68,463</u>	<u>57,518</u>	19	<u>163,526</u>	<u>127,275</u>	28

For the first nine months of the financial year under review, the Group posted a 28% higher revenue of RM2,443 million compared to RM1,914 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 RM161.9 million compared with RM142.3 million a year ago mainly due to the improved performance of our steel division. The Group shared a profit of RM0.7 million from the associated companies and a joint venture against a loss of RM0.5 million in the previous year. Overall, including the exceptional gain of RM10.3 million, the Group posted a higher profit before tax of RM163.5 million compared to RM127.3 million in the same period last year. The Group's net assets per share as at 31 March 2018 rose 18 sen to RM2.69 from end of the last financial year.

Steel

Steel division recorded a higher revenue of RM2,238 million compared to RM1,646 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 RM158.4 million compared to RM122.2 million in the same period last year.

Building materials

Building materials division recorded a 26% higher revenue of RM233.7 million compared to RM186.2 million in the same period last year due to the higher demand for building materials from the property sector. The division reported a slightly higher profit of RM0.8 million compared with RM0.7 million a year ago.

Property development

Property development division registered a lower revenue of RM8.4 million compared to RM56.9 million in the same period last year as most of the Group's major property projects were completed in the last financial year. The division posted a loss from operations of RM2.0 million against a profit of RM12.2 million a year ago.

Others

The revenue of RM96.2 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 RM4.6 million for the financial period under review.

Associated companies and joint venture

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

Exceptional item

The exceptional item comprised a gain on disposal of an associated company of RM10.3 million.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter	
	31.3.2018	31.12.2017	Changes
	RM'000	RM'000	%
Revenue	919,557	886,425	4
Profit from operations	63,051	64,979	(3)
Profit before tax	68,463	61,024	12

Revenue of the Group for the quarter under review was 4% higher at RM919.6 million compared with RM886.4 million in the immediate preceding quarter mainly due to the higher sales volume and selling price of steel products. The steel division registered a 4% higher revenue at RM856.8 million with higher operating profit of RM67.5 million compared with RM61.1 million in the immediate preceding quarter due to the higher sales volume and average selling price of steel products. However, the Group recorded a lower profit from operations of RM63.1 million compared with RM65.0 million in the immediate preceding quarter. This was mainly due to losses recorded by the property division.

After accounting for the share of profit of associated companies and a joint venture of RM10.1 million, the Group posted a higher profit before tax of RM68.5 million for the quarter under review compared with RM61.0 million in the immediate preceding quarter.

13. a) Prospects

Despite the challenging market conditions, the outlook for the local steel business remains positive in the next quarter supported by the increasing demand for steel products from the infrastructure projects and lower imports of steel bars.

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	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Estimated tax payable				
Current provision	1,360	2,742	4,363	8,536
Overprovision in prior years	3,000	1,501	3,000	457
Deferred taxation				
Current provision	2,000	1,785	2,541	9,990
	<u>6,360</u>	<u>6,028</u>	<u>9,904</u>	<u>18,983</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 31.3.2018		AS AT 31.3.2017	
	USD'000	RM'000	USD'000	RM'000
Non-current				
<u>Secured</u>				
Sukuk	-	-	-	59,903
Hire-purchase and finance lease payables	-	-	-	59,372
<u>Unsecured</u>				
Hire-purchase and finance lease payables	-	44,802	-	1,250
	-	<u>44,802</u>	-	<u>120,525</u>
Current				
<u>Secured</u>				
Sukuk	-	59,991	-	59,622
Term loan	-	4,996	-	15,926
Hire-purchase and finance lease payables	-	48,442	-	17,144
Bankers acceptance and revolving credit	-	73,105	5,389	94,979
Bank overdraft	-	15,990	-	9,772
<u>Unsecured</u>				
Hire-purchase and finance lease payables	-	457	-	600
Bankers acceptance and revolving credit	-	572	-	668
	-	<u>203,553</u>	<u>5,389</u>	<u>198,711</u>
	-	<u>248,355</u>	<u>5,389</u>	<u>319,236</u>

The closing rate used in translating USD into RM was USD1.00: RM3.86 (31.3.2017: USD1.00: RM4.42)

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.

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
Profit attributable to owners of the Company (RM'000)	60,675	48,763	144,257	101,715
Weighted average number of ordinary shares in issue ('000)	680,804	681,300	680,804	694,581
Basic EPS (sen)	8.91	7.16	21.19	14.64

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	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
(a) Interest income	1,149	1,368	6,124	4,876
(b) Other income including investment income	2,707	3,117	12,377	23,506
(c) Interest expense	(5,303)	(6,897)	(15,517)	(19,302)
(d) Depreciation and amortisation	(23,908)	(25,931)	(73,430)	(78,430)
(e) (Provision for)/Reversal of and write off of receivables	(768)	(825)	(2,556)	(5,371)
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-	-	(8)
(h) Impairment of assets	-	(2,000)	-	(4,000)
(i) Foreign exchange gain/(loss)	1,322	80	1,352	7,333
(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	-