



# **LION FOREST INDUSTRIES BERHAD**

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(Incorporated in Malaysia)

(82056-X)

## **Interim Report for the First Quarter Ended 30 September 2007**

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# LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2007

(The figures have not been audited)

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/9/2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2006 RM'000	CURRENT YEAR TO DATE 30/9/2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2006 RM'000
<b>Continuing Operations</b>				
Revenue	86,217	70,140	86,217	70,140
Operating expenses	(87,517)	(76,411)	(87,517)	(76,411)
Other operating income	5,986	3,960	5,986	3,960
Profit / (loss) from operations	4,686	(2,311)	4,686	(2,311)
Finance costs	(818)	(774)	(818)	(774)
Share in results of associated company	-	(603)	-	(603)
Profit / (loss) before taxation	3,868	(3,688)	3,868	(3,688)
Taxation	17 (2,134)	(789)	(2,134)	(789)
Profit / (loss) for the period	1,734	(4,477)	1,734	(4,477)
<b>Discontinued Operation</b>				
Profit for the period	-	3,440	-	3,440
Net profit / (loss) for the period	1,734	(1,037)	1,734	(1,037)
Attributable to :				
- Equity holders of the parent	2,768	188	2,768	188
- Minority interests	(1,034)	(1,225)	(1,034)	(1,225)
Net profit / (loss) for the period	1,734	(1,037)	1,734	(1,037)
Earnings / (loss) per share attributable to equity holders of the parent (sen) :				
- Basic :				
For continuing operations	1.32	(1.51)	1.32	(1.51)
For discontinued operation	-	1.60	-	1.60
25	1.32	0.09	1.32	0.09
- Diluted	25	-	-	-

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements)

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>Note</u>	<b>AS AT END OF CURRENT QUARTER 30/9/2007 RM'000</b>	<b>AS AT PRECEDING FINANCIAL YEAR END 30/6/2007 RM'000</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		191,869	191,682
Investment properties		2,318	2,318
Intangible assets		392	404
Other investments		19,173	127
Goodwill on consolidation		191	191
Deferred tax assets		471	471
Amount owing by holding company		25,000	25,000
Deferred consideration		-	124,272
		239,414	344,465
<b>Current Assets</b>			
Inventories		30,534	35,977
Trade receivables		69,413	66,136
Other receivables		575,436	473,846
Deposits, cash and bank balances		50,764	40,966
		726,147	616,925
<b>TOTAL ASSETS</b>		<b>965,561</b>	<b>961,390</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		210,429	210,274
Reserves		555,753	551,628
Equity attributable to equity holders of the parent		766,182	761,902
Minority interests		29,076	29,679
Total equity		795,258	791,581
<b>Non-Current Liabilities</b>			
Long term borrowings	21	25,310	24,905
Deferred tax liabilities		418	418
Deferred payables		39	39
		25,767	25,362
<b>Current Liabilities</b>			
Trade payables		41,931	36,676
Other payables		67,170	72,654
Short term borrowings	21	32,605	32,875
Tax liabilities		2,830	2,242
		144,536	144,447
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>965,561</b>	<b>961,390</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)		3.64	3.62

*(The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements)*

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	← Attributable to equity holders of the parent →						
<u>Note</u>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Reserves</b>	<b>Retained Profits / (Accumulated Loss)</b>	<b>Total</b>	<b>Minority Interests</b>	<b>Total Equity</b>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>30 September 2007</u></b>							
At 1 July 2007	210,274	688,003	(3,063)	(133,312)	761,902	29,679	791,581
Issuance of shares	155	25	-	-	180	-	180
Translation difference on net equity of foreign subsidiaries & other movements	-	-	1,308	-	1,308	431	1,739
Share-based payment under ESOS	-	-	24	-	24	-	24
Net profit for the period	-	-	-	2,768	2,768	(1,034)	1,734
At 30 September 2007	210,429	688,028	(1,731)	(130,544)	766,182	29,076	795,258
<b><u>30 September 2006</u></b>							
At 1 July 2006	210,153	1,108,252	49,341	(72,610)	1,295,136	206,011	1,501,147
Translation difference on net equity of foreign subsidiaries & other movements	-	-	1,067	-	1,067	10	1,077
Share-based payment under ESOS	-	-	106	-	106	-	106
Net profit for the period	-	-	-	188	188	(1,225)	(1,037)
At 30 September 2006	210,153	1,108,252	50,514	(72,422)	1,296,497	204,796	1,501,293

*(The Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the Audited Financial Statements  
for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	<b>CURRENT YEAR TO DATE 30/9/2007 RM'000</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD 30/9/2006 RM'000</b>
<b><u>OPERATING ACTIVITIES</u></b>		
Profit/(loss) before taxation:		
Continued operations	3,868	(3,688)
Discontinued operation	-	4,129
Adjustments for:		
Non-cash items	1,543	13,030
Non-operating items	818	1,559
Operating profit before changes in working capital	6,229	15,030
Changes in working capital :		
Net changes in current assets	5,383	(27,807)
Net changes in current liabilities	2,419	4,656
Others	(1,444)	(535)
	<u>12,587</u>	<u>(8,656)</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property, plant and equipment	(10,257)	(15,665)
Others	6,305	(1,757)
	<u>(3,952)</u>	<u>(17,422)</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Bank borrowings	(2,950)	25,297
Others	908	(1,158)
	<u>(2,042)</u>	<u>24,139</u>
Net changes in cash & cash equivalents	6,593	(1,939)
Effects of exchange rate changes	2,729	112
Cash & cash equivalents at beginning of the period	37,276	35,434
Cash & cash equivalents at end of the period	<u>46,598</u>	<u>33,607</u>

*(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**  
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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

**1. Accounting policies and methods of computation**

The interim financial statements have been prepared in accordance with the Financial Reporting Standard ("FRS") 134: "Interim Financial Reporting" and paragraph 9.22 of the 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 2007. 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 year ended 30 June 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2007 except for the adoption of the following new/revised FRSs effective for the financial period beginning 1 July 2007 :

FRS 117	Leases
FRS 124	Related Party Disclosures
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRSs does not have a significant financial impact on the Group .

**2. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 30 June 2007 was not qualified.

**3. Comments about seasonal or cyclical factors**

The operations of the Group are not subject to material seasonal or cyclical effect.

**4. 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 current quarter and financial year-to-date.

**5. Changes in estimates**

There were no material changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

**6. Debt and equity securities**

During the current quarter and financial year-to-date, the issued and paid-up share capital of the Company was increased from RM210,274,371 to RM210,428,871 by the issuance of 154,500 new ordinary shares of RM1.00 each at an issue price of RM1.16 per share for cash pursuant to the Executive Share Option Scheme of the Company.

Other than the above, there were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current quarter and financial year-to-date.

7. **Dividend paid**

There were no dividend paid during the current quarter and financial year-to-date.

8. **Segmental information**

The Group's segmental report for the financial year-to-date was as follows :

	<b>Building Materials and Steel Products</b>	<b>Tyre</b>	<b>Others</b>	<b>Group</b>
	RM'000	RM'000	RM'000	RM'000
Total sales	45,945	24,852	15,446	86,243
Inter-segment sales	-	-	(26)	(26)
External sales	<u>45,945</u>	<u>24,852</u>	<u>15,420</u>	<u>86,217</u>
Segment results	468	(3,617)	7,835	4,686
Finance costs				<u>(818)</u>
Profit before taxation				<u><u>3,868</u></u>

9. **Carrying amount of revalued assets**

The valuation of property, plant and equipment has been brought forward without amendment from the previous audited financial statements.

10. **Subsequent events**

Other than as disclosed in Note 20, there were no material events subsequent to the end of the current quarter.

11. **Changes in composition of the Group**

There were no material changes in the composition of the Group during the financial year-to-date.

12. **Changes in contingent liabilities and contingent assets**

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

13. **Performance review**

All business segments improved on their performance this quarter compared to the corresponding period of the previous year. The Group recorded RM86.2 million revenue, representing approximately 23% increase from last year. As a result of higher revenue achieved, profit from operations has also improved. This was attributable to higher profitability achieved in the lubricant business and higher interest income, mainly derived from the proceeds of the disposal of Sabah Forest Industries Sdn Bhd.

Taxation was higher due to higher interest income received in the period. Overall, the Group recorded a net profit of RM1.7 million compared to the previous year corresponding period loss of RM1.0 million.

14. **Comment on material change in profit before taxation**

	<u>Revenue</u> RM'000	<u>Profit/(Loss)</u> <u>Before Taxation</u> RM'000
Current quarter (30 September 2007)		
- Continuing operations	86,217	3,868
Immediate preceding quarter (30 June 2007)		
- Continuing operations	79,994	5,202
- Discontinued operation	6,597	(262)
	<u>86,591</u>	<u>4,940</u>

In the current quarter, the Group revenue improved. However, profit before taxation was lower as higher profit achieved by other segments were off-set by losses in the tyre operations. Building materials segment also recorded lower profitability due to its higher sales mix of low margin products.

15. **Commentary on prospects**

Barring unforeseen circumstances, the Group is expected to continue to be profitable in the next quarter, with the building material and lubricant divisions contributing positively. The Group continues to ensure that the tyre operations will improve on its performance in the next quarter.

16. **Profit forecast or profit guarantee**

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

17. **Taxation**

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT</u> <u>YEAR</u> <u>QUARTER</u> <u>30/9/2007</u> RM'000	<u>PRECEDING YEAR</u> <u>CORRESPONDING</u> <u>QUARTER</u> <u>30/9/2006</u> RM'000	<u>CURRENT</u> <u>YEAR</u> <u>TO DATE</u> <u>30/9/2007</u> RM'000	<u>PRECEDING YEAR</u> <u>CORRESPONDING</u> <u>PERIOD</u> <u>30/9/2006</u> RM'000
In respect of current period:				
- income tax	2,134	789	2,134	789
	<u>2,134</u>	<u>789</u>	<u>2,134</u>	<u>789</u>

The effective tax rate of the Group for the financial year-to-date is higher than the current statutory tax rate mainly due to losses in certain subsidiary companies which cannot be offsetted against the taxable income of other subsidiary companies.

18. **Sale of unquoted investments and properties**

There were no material sale of unquoted investments or properties for the current quarter and financial year-to-date.

19. **Quoted securities**

There were no material purchases or disposals of quoted securities for the current quarter and financial year-to-date.

Details of investments in quoted securities as at the end of the reporting period were as follows :

	RM'000
At cost	<u>344</u>
At book value	<u>75</u>
At market value	<u>72</u>



## 20. Corporate proposals

### a) Status of corporate proposals

No	Date of Announcements	Subjects	Status
1.	18.03.2005 20.04.2006	Proposed joint-venture between the Company and the Pemerintah Kabupaten Malinau (the Regency Government of Malinau) for the proposed development of 40,000 hectares of oil palm plantation and the construction of 2 crude palm oil mills in Malinau Regency, Kalimantan Timur, Republic of Indonesia ("Indonesia").	Pending approvals from: i) Ministry of Forestry, Indonesia; ii) Ministry of Agriculture, Indonesia; and iii) any other relevant authorities in Indonesia and Malaysia.  Approval was obtained from Bank Negara Malaysia.

### b) Status of utilisation of proceeds

Please refer to Appendix attached.

## 21. Borrowings

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	16,776	25,310	42,086
Unsecured	15,829	-	15,829
	<u>32,605</u>	<u>25,310</u>	<u>57,915</u>
		<b>Foreign Currency</b> '000	RM'000
The Group's borrowings were denominated in the following currencies :			
- Ringgit Malaysia		-	15,829
- Chinese Renminbi		92,721	42,086
			<u>57,915</u>

## 22. Off balance sheet financial instruments

There were no off balance sheet financial instruments at the date of this report.

## 23. Changes in material litigation

There were no changes in the material litigation since the last annual balance sheet date.

## 24. Dividend

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

25. Earnings / (loss) per share

**Basic**

Basic earnings/(loss) per share is calculated by dividing the Group's net profit/(loss) attributable to equity holders of the parent for the period by the weighted average number of ordinary shares of the Company in issue during the financial period as follows:

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>CURRENT YEAR QUARTER 30/9/2007</b>	<b>PRECEDING YEAR CORRESPONDING QUARTER 30/9/2006</b>	<b>CURRENT YEAR TO DATE 30/9/2007</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD 30/9/2006</b>
Net profit/(loss) attributable to equity holders of the parent (RM'000):				
- Continuing operations	2,768	(3,176)	2,768	(3,176)
- Discontinued operations	-	3,364	-	3,364
	<u>2,768</u>	<u>188</u>	<u>2,768</u>	<u>188</u>
Weighted average number of shares in issue ('000)	<u>210,366</u>	<u>210,153</u>	<u>210,366</u>	<u>210,153</u>
Basic earnings / (loss) per share (sen):				
- Continuing operations	1.32	(1.51)	1.32	(1.51)
- Discontinued operations	-	1.60	-	1.60
	<u>1.32</u>	<u>0.09</u>	<u>1.32</u>	<u>0.09</u>

**Diluted**

Fully diluted earnings/(loss) per share is not disclosed as there are anti-dilutive effects for the current quarter and financial year-to-date.

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## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

20. b) Status of utilisation of proceeds arising from the disposal of 97.78% equity interest in Sabah Forest Industries Sdn Bhd ("SFI") for a cash consideration of USD261.00 million (equivalent to approximately RM944.8 million):

	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
	RM'Million	RM'Million		Amount	%	
Purpose:				RM'Million		
(i) Capital distribution	420.31	<b>420.31</b> *	No requirement	-	0.0%	Fully utilised
(ii) Tyre division	104.36	<b>10.51</b>	No requirement	93.85	-	Not fully utilised yet
(iii) Plantation division	70.00	-	No requirement	70.00	-	Not utilised yet
(iv) Payment to the State Government of Sabah	4.08	-	No requirement	4.08	-	Not utilised yet
(v) Estimated expenses	1.50	<b>1.50</b>	No requirement	-	0.0%	
(vi) Funding and investment relating to the business and/or working capital of the Group	297.03	-	No requirement	297.03	-	Yet to be approved
(vii) Provisional and final adjustment	8.79	<b>8.79</b>		-	-	
(viii) Adjustment on foreign exchange	38.75	<b>38.75</b>		-	-	
	<u>944.82</u>	<u><b>479.86</b></u>		<u>464.96</u>		

\* A total cash payment of approximately RM420.55 million was distributed to all entitled shareholders of which RM0.24 million was sourced from internally generated funds