



LION FOREST INDUSTRIES BERHAD

(Incorporated in Malaysia)

(82056-X)

Interim Report for the First Quarter Ended 30 September 2008

Condensed Consolidated Income Statements	1
Condensed Consolidated Balance Sheets	2
Condensed Consolidated Statements of Changes in Equity	3
Condensed Consolidated Cash Flow Statements	4
Notes to the Condensed Financial Statements	5 - 9

LION FOREST INDUSTRIES BERHAD (82056-X)
(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2008
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2007 RM'000	CURRENT YEAR TO-DATE 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2007 RM'000
Revenue		118,376	86,217	118,376	86,217
Operating expenses		(122,546)	(87,517)	(122,546)	(87,517)
Other operating income		7,353	5,986	7,353	5,986
Profit from operations		3,183	4,686	3,183	4,686
Finance costs		(751)	(818)	(751)	(818)
Profit before taxation		2,432	3,868	2,432	3,868
Taxation	16	(1,224)	(2,134)	(1,224)	(2,134)
Profit for the period		<u>1,208</u>	<u>1,734</u>	<u>1,208</u>	<u>1,734</u>
Attributable to :					
- Equity holders of the Company		2,971	2,768	2,971	2,768
- Minority interests		(1,763)	(1,034)	(1,763)	(1,034)
Profit for the period		<u>1,208</u>	<u>1,734</u>	<u>1,208</u>	<u>1,734</u>
Earnings per share attributable to equity holders of the Company (sen) :					
- Basic	24	<u>1.41</u>	<u>1.32</u>	<u>1.41</u>	<u>1.32</u>
- Diluted	24	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements)

LION FOREST INDUSTRIES BERHAD (82056-X)
(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2008
(The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>Note</u>	AS AT END OF CURRENT QUARTER 30/9/2008 RM'000	AS AT PRECEDING FINANCIAL YEAR END 30/6/2008 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment		159,761	147,187
Investment properties		2,259	2,271
Prepaid land lease payments		4,776	4,549
Intangible assets		342	354
Other investments		85,290	84,383
Deferred tax assets		404	404
Total Non-current Assets		252,832	239,148
Current Assets			
Inventories		40,608	31,825
Other investments		9,402	19,389
Trade receivables		69,079	74,704
Other receivables and prepaid expenses		153,273	270,187
Tax recoverable		1,062	557
Deposits, cash and bank balances		402,438	274,879
Total Current Assets		675,862	671,541
TOTAL ASSETS		928,694	910,689
EQUITY AND LIABILITIES			
Share capital		210,435	210,435
Reserves		553,216	546,772
Equity attributable to equity holders of the Company		763,651	757,207
Minority interests		23,302	23,778
Total Equity		786,953	780,985
Non-current and Deferred Liabilities			
Deferred payables		1,211	13
Deferred tax liabilities		477	477
Total Non-current and Deferred Liabilities		1,688	490
Current Liabilities			
Trade payables		59,687	51,183
Other payables and accrued expenses		42,485	38,773
Hire-purchase payables		370	51
Bank borrowings	20	34,462	36,183
Tax liabilities		3,049	3,024
Total Current Liabilities		140,053	129,214
TOTAL EQUITY AND LIABILITIES		928,694	910,689
Net assets per share attributable to ordinary equity holders of the Company (RM)		3.63	3.60

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements)

LION FOREST INDUSTRIES BERHAD (82056-X)
(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2008
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<u>Note</u>	← Attributable to equity holders of the Company →				Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000			
30 September 2008							
At 1 July 2008	210,435	688,028	1,142	(142,398)	757,207	23,778	780,985
Translation difference on net equity of foreign subsidiaries & other movements	-	-	3,451	-	3,451	1,287	4,738
Share-based payment under Executive Share Option Scheme ("ESOS")	-	-	22	-	22	-	22
Profit/(Loss) for the period	-	-	-	2,971	2,971	(1,763)	1,208
At 30 September 2008	<u>210,435</u>	<u>688,028</u>	<u>4,615</u>	<u>(139,427)</u>	<u>763,651</u>	<u>23,302</u>	<u>786,953</u>
30 September 2007							
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
Profit/(Loss) for the period	-	-	-	2,768	2,768	(1,034)	1,734
At 30 September 2007	<u>210,429</u>	<u>688,028</u>	<u>(1,731)</u>	<u>(130,544)</u>	<u>766,182</u>	<u>29,076</u>	<u>795,258</u>

*(The Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the Audited Financial Statements
for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements)*

LION FOREST INDUSTRIES BERHAD (82056-X)
(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2008
(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	CURRENT YEAR TO-DATE 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2007 RM'000
<u>OPERATING ACTIVITIES</u>		
Profit before taxation:	2,432	3,868
Adjustments for:		
Non-cash items	2,904	1,543
Non-operating items	(6,538)	818
Operating (loss)/profit before changes in working capital	(1,202)	6,229
Changes in working capital :		
Net changes in current assets	2,114	5,383
Net changes in current liabilities	11,568	2,419
Others	(1,937)	(1,444)
	10,543	12,587
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(4,903)	(10,257)
Proceeds from redemption of investments	10,847	-
Deferred consideration received in relation to the disposal of a subsidiary company in previous year	116,777	-
Cash at banks held under Escrow Account and fixed deposits pledged	(125,556)	-
Others	(881)	6,305
	(3,716)	(3,952)
<u>FINANCING ACTIVITIES</u>		
Bank borrowings	(1,814)	(2,950)
Others	(2,222)	908
	(4,036)	(2,042)
Net changes in cash & cash equivalents	2,791	6,593
Effects of exchange rate changes	588	2,729
Cash & cash equivalents at beginning of the period	88,497	37,276
Cash & cash equivalents at end of the period	91,876	46,598

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2008 and the accompanying explanatory notes attached to the interim financial statements)

LION FOREST INDUSTRIES BERHAD (82056-X)
(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2008
(The figures have not been audited)

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 2008. 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 2008.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2008.

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.

4. 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.

5. Debt and equity securities

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

6. Dividend paid

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

7. Segmental information

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

	Building Materials	Petroleum & Automotive Products	Tyre	Others	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Total sales	58,459	18,727	37,617	3,589	118,392
Inter-segment sales	-	(16)	-	-	(16)
External sales	<u>58,459</u>	<u>18,711</u>	<u>37,617</u>	<u>3,589</u>	<u>118,376</u>
Profit/(Loss) from operations	916	1,700	(6,696)	7,263	3,183
Finance costs					(751)
Profit before taxation					<u>2,432</u>

8. Subsequent events

Other than as disclosed in Note 19(a), 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 material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

11. Performance review

For the first quarter ended 30 September 2008, all business segments improved on their revenue as compared to the corresponding period of the previous year. The Group recorded RM118.4 million revenue representing approximately a 37.3% increase from last year. However, due to the unprecedented escalation in rubber price, margins of the Tyre Division have been eroded and accordingly, a lower profit before taxation of RM2.4 million was reported for the Group as compared to RM3.9 million in the previous year corresponding period.

12. Comment on material change in profit

	Revenue	Profit Before Taxation
	RM'000	RM'000
Current quarter (30 September 2008)	118,376	2,432
Immediate preceding quarter (30 June 2008)	<u>123,868</u>	<u>7,075</u>

For the quarter under review, the Group's revenue contracted by 4.4% from last quarter principally attributable to lower revenue from the Building Materials Division as local building and construction sector recorded slower growth as a result of the surge in energy and commodity prices.

Higher rubber prices have resulted in lower margin in the Tyre Division. Coupled with higher demand for the lower margin products in the Petroleum and Automotive Division, a lower profit before taxation of RM2.4 million was recorded in the current quarter.

13. a) Prospects

The operating environment for the Group's business is expected to remain challenging as global economies continue to be adversely affected by the global financial meltdown particularly in the USA. In view of this, the Building Materials and Tyre Divisions are expected to record lower revenue and margin.

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. Taxation

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT</u>	<u>PRECEDING YEAR</u>	<u>CURRENT</u>	<u>PRECEDING YEAR</u>
	<u>YEAR</u>	<u>CORRESPONDING</u>	<u>YEAR</u>	<u>CORRESPONDING</u>
	<u>QUARTER</u>	<u>QUARTER</u>	<u>TO-DATE</u>	<u>PERIOD</u>
	<u>30/9/2008</u>	<u>30/9/2007</u>	<u>30/9/2008</u>	<u>30/9/2007</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
In respect of current period:				
- income tax	1,224	2,134	1,224	2,134

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

17. 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.

18. 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	165
At book value	50
At market value	31

19. 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.
2.	04.12.2007 17.03.2008 02.06.2008 31.07.2008 08.08.2008 18.09.2008 06.10.2008	<p>i) Proposed acquisition of Zero-Coupon Redeemable Secured Class B and Class C RM denominated bonds issued by Silverstone Corporation Berhad ("SCB") ("RM Bonds") with an aggregate nominal value of approximately RM117.63 million, from Amsteel Mills Sdn Bhd ("AMSB") for an aggregate cash consideration of up to approximately RM50.81 million ("Proposed AMSB Debt Acquisition"); and</p> <p>ii) Proposed acquisition of Zero-Coupon Redeemable Secured Class B and Class C USD denominated debts issued by AMB Harta (L) Ltd, a wholly-owned subsidiary of SCB, ("SPV Debts") with an aggregate nominal value of approximately USD17.37 million, from Raiffeisen Zentralbank Osterreich AG, Singapore Branch ("RZB") for an aggregate cash consideration of up to approximately USD8.65 million.</p>	<p>Pending approvals from: i) Bank Negara Malaysia, if required; and ii) any other relevant authorities, if required.</p> <p>Approvals obtained from : i) the Securities Commission; ii) Holders of the RM Bonds and the SPV Debts; iii) Shareholders of the Company; and iv) Lenders of AMSB.</p> <p>The Proposed AMSB Debt Acquisition is not subject to the approval of the shareholders of Lion Industries Corporation Berhad ("LICB"), the holding company of AMSB, as it is not regarded as a related party transaction and does not fall under paragraph 10.06 of the Listing Requirements of Bursa Malaysia Securities Berhad which requires the approval of the shareholders.</p>
3.	28.05.2008 17.06.2008 24.06.2008 17.09.2008 18.09.2008 19.09.2008 06.10.2008 03.11.2008	<p>Conditional Take-Over Offer by the Company to acquire ("Offer"):</p> <p>i) the remaining 339,878,875 ordinary shares of RM1.00 each fully paid in SCB ("SCB Shares") not already held by the Company, representing approximately 99.95% of SCB's existing issued and paid-up ordinary share capital, and all the new SCB Shares that may be issued and allotted prior to the closing date of the Offer pursuant to the conversion of any remaining Redeemable Cumulative Convertible Preference Shares of RM0.01 each issued at a premium of RM0.99 by SCB ("RCCPS") (collectively the "Offer Shares"), to be satisfied by the issue and allotment of one new ordinary share of RM1.00 each in the Company ("LFIB Share") at an issue price of RM1.00 each ("Issue Price") for every fifteen existing Offer Shares held, or an aggregate of up to 24,393,608 new LFIB Shares; and</p> <p>ii) the remaining 28,627,764 RCCPS not already held by Jadeford International Limited, a wholly-owned subsidiary of the Company, representing approximately 93.63% of the existing RCCPS in issue ("Offer RCCPS"), to be satisfied by the issue and allotment of two new LFIB Shares at the Issue Price for every thirty-three existing Offer RCCPS held, or an aggregate of up to 1,735,016 new LFIB Shares.</p>	<p>Pending approvals from: i) the Securities Commission; ii) Bursa Malaysia Securities Berhad; and iii) any other relevant approvals, if required.</p> <p>Approval was obtained from the shareholders of the Company.</p>

b) Status of utilisation of proceeds

Please refer to Appendix attached.

20. 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	28,012	-	28,012
Unsecured	6,450	-	6,450
	<u>34,462</u>	<u>-</u>	<u>34,462</u>
		Foreign Currency	
The Group's borrowings were denominated in the following currencies :		'000	RM'000
- Ringgit Malaysia		-	6,450
- Chinese Renminbi		55,690	28,012
			<u>34,462</u>

21. Off balance sheet financial instruments

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

22. Changes in material litigation

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

23. Dividend proposed

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

24. Earnings per share**Basic**

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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	CURRENT YEAR QUARTER 30/9/2008	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2007	CURRENT YEAR TO-DATE 30/9/2008	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2007
Profit attributable to equity holders of the Company (RM'000):	<u>2,971</u>	<u>2,768</u>	<u>2,971</u>	<u>2,768</u>
Weighted average number of shares in issue ('000)	<u>210,435</u>	<u>210,366</u>	<u>210,435</u>	<u>210,366</u>
Basic earnings per share (sen):	<u>1.41</u>	<u>1.32</u>	<u>1.41</u>	<u>1.32</u>

Diluted

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

25. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2008 was not qualified.

LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2008

(The figures have not been audited)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

19. b) Status of utilisation of proceeds arising from the disposal of 97.78% equity interest in Sabah Forest Industries Sdn Bhd for a cash consideration of USD261.0 million (approximately RM944.8 million):

Purpose:	Proposed	Actual	Intended	Deviation		Explanation
	Utilisation	Utilisation	Timeframe for	Amount	%	
	RM'Million	RM'Million	Utilisation	RM'Million		
(i) Capital distribution	420.31	420.55 *	No fixed timeframe	(0.24)	-	Fully utilised
(ii) Tyre division	104.36	10.51	No fixed timeframe	93.85	-	Not fully utilised
(iii) Plantation division	70.00	-	No fixed timeframe	70.00	-	Not utilised
(iv) Payment to the State Government of Sabah	4.08	-	No fixed timeframe	4.08	-	Not utilised
(v) Estimated expenses	1.50	1.50	No fixed timeframe	-	-	Fully utilised
(vi) Acquisition of debts issued by AMB Harta (L) Limited, a wholly-owned subsidiary of SCB and the bonds and RCCPS issued by SCB and estimated expenses related thereto	229.97	106.40	No fixed timeframe	123.57	-	Not fully utilised
	<u>830.22</u>	<u>538.96</u>		<u>291.26</u>		
(vii) Funding and investment relating to the business and/or working capital of the Group #	49.63	14.83		34.80	-	
	<u>879.85</u>	<u>553.79</u>		<u>326.06</u>		
(viii) Provisional and final adjustment	8.79					
(ix) Adjustment on foreign exchange	56.18					
	<u>944.82</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

Pending Securities Commission's approval