



**Interim Financial Report
for the First Quarter Ended
30 September 2011**

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

Interim financial report for the first quarter ended 30 September 2011
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2011 RM'000	30.9.2010 RM'000 restated	30.9.2011 RM'000	30.9.2010 RM'000 restated
Continuing operations					
Revenue		206,302	75,695	206,302	75,695
Operating expenses		(203,044)	(78,769)	(203,044)	(78,769)
Other operating income		6,680	6,159	6,680	6,159
Profit from operations		9,938	3,085	9,938	3,085
Finance costs		(105)	(162)	(105)	(162)
Share in results of associated companies		1,576	(2,807)	1,576	(2,807)
Profit before tax		11,409	116	11,409	116
Income tax expense	16	(3,425)	(1,304)	(3,425)	(1,304)
Profit/(Loss) for the period from continuing operations		7,984	(1,188)	7,984	(1,188)
Discontinued operations					
Profit for the period from discontinued operations		-	3,586	-	3,586
Profit for the period		<u>7,984</u>	<u>2,398</u>	<u>7,984</u>	<u>2,398</u>
Profit attributable to :					
- Owners of the Company		7,584	3,115	7,584	3,115
- Non-controlling interests		400	(717)	400	(717)
Profit for the period		<u>7,984</u>	<u>2,398</u>	<u>7,984</u>	<u>2,398</u>
Earnings per share attributable to owners of the Company (sen) :	24				
Basic :					
Continuing operations		3.28	(0.15)	3.28	(0.15)
Discontinued operations		-	1.50	-	1.50
		<u>3.28</u>	<u>1.35</u>	<u>3.28</u>	<u>1.35</u>
Diluted :					
Continuing operations		3.28	(0.15)	3.28	(0.15)
Discontinued operations		-	1.50	-	1.50
		<u>3.28</u>	<u>1.35</u>	<u>3.28</u>	<u>1.35</u>

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2011 RM'000	30.9.2010 RM'000	30.9.2011 RM'000	30.9.2010 RM'000
Profit for the period	7,984	2,398	7,984	2,398
<u>Other comprehensive income/(loss)</u>				
Foreign currency translation differences arising from foreign operations & other movements	4,267	(2,064)	4,267	(2,064)
Changes in fair value of available-for-sale financial assets	(313)	18	(313)	18
Other comprehensive income/(loss) for the period	3,954	(2,046)	3,954	(2,046)
Total comprehensive income for the period	11,938	352	11,938	352
Total comprehensive income attributable to:				
- Owners of the Company	11,532	2,247	11,532	2,247
- Non-controlling interests	406	(1,895)	406	(1,895)
	11,938	352	11,938	352

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2011 RM'000	AS AT 30.6.2011 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		28,241	28,565
Investment properties		1,269	1,276
Investment in associated companies		62,210	85,935
Other investments		35,278	35,191
Deferred tax assets		680	680
Total Non-current Assets		127,678	151,647
Current Assets			
Inventories		46,822	64,763
Other investments		11,749	12,003
Trade receivables		472,380	422,508
Other receivables and prepayments		148,982	256,459
Tax recoverable		1,446	990
Fixed deposits, cash and bank balances		535,910	497,595
		1,217,289	1,254,318
Assets classified as held for sale		28,043	-
Total Current Assets		1,245,332	1,254,318
Total Assets		1,373,010	1,405,965
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		231,572	231,572
Reserves		999,659	988,046
Equity attributable to owners of the Company		1,231,231	1,219,618
Non-controlling interests		29,329	29,121
Total Equity		1,260,560	1,248,739
Non-Current and Deferred Liabilities			
Redeemable cumulative convertible preference shares		12,388	12,833
Hire-purchase payables		2,895	3,267
Deferred tax liabilities		1,421	1,421
Total Non-current and Deferred Liabilities		16,704	17,521
Current Liabilities			
Trade payables		31,864	73,519
Other payables and accrued expenses		35,817	38,662
Provision		15,000	15,000
Hire-purchase payables		2,620	2,322
Bank borrowings	20	5,018	3,667
Tax liabilities		5,427	6,535
Total Current Liabilities		95,746	139,705
Total Liabilities		112,450	157,226
Total Equity and Liabilities		1,373,010	1,405,965
Net assets per share attributable to owners of the Company (RM)		5.32	5.27

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →						
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
<u>30 September 2011</u>							
At 1 July 2011	231,572	689,330	(16,796)	315,512	1,219,618	29,120	1,248,738
Total comprehensive income for the period	-	-	3,948	7,584	11,532	406	11,938
Acquisition of non-controlling interests	-	-	81	-	81	(197)	(116)
At 30 September 2011	231,572	689,330	(12,767)	323,096	1,231,231	29,329	1,260,560
<u>30 September 2010</u>							
At 1 July 2010	231,342	688,987	(2,281)	164,659	1,082,707	67,512	1,150,219
Total comprehensive income for the period	-	-	(868)	3,115	2,247	(1,895)	352
Issuance of shares	230	28	-	-	258	-	258
Share-based payments	-	315	(315)	-	-	-	-
At 30 September 2010	231,572	689,330	(3,464)	167,774	1,085,212	65,617	1,150,829

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 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 2011

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2011	30.9.2010
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax:		
- Continuing operations	11,409	116
- Discontinued operations	-	6,570
	11,409	6,686
Adjustments for:		
Non-cash items	(206)	10,508
Non-operating items	(5,449)	(6,355)
	5,754	10,839
Operating profit before changes in working capital		
Changes in working capital:		
Net changes in current assets	21,743	(47,559)
Net changes in current liabilities	(43,243)	4,525
Others	(4,871)	(1,447)
	(20,617)	(33,642)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(620)	(5,983)
Purchase of other investments	(431)	(42)
Acquisition of non-controlling interests	(116)	-
Proceeds from disposal of property, plant and equipment	162	112
Proceeds from disposal of a subsidiary company	54,623	-
Proceeds from redemption of investments	234	46
Dividend received from an associated company	-	34,436
Cash at banks held under Escrow Account and fixed deposits pledged	(2,225)	(2,199)
Others	3,859	(2,558)
	55,486	23,812
FINANCING ACTIVITIES		
Increase/(Decrease) in bank borrowings excluding bank overdrafts	1,349	(1,599)
Proceeds from issue of shares	-	258
Others	(179)	(217)
	1,170	(1,558)
Net changes in cash and cash equivalents	36,039	(11,388)
Effect of exchange differences	49	(503)
Cash and cash equivalents at beginning of the period	158,314	79,515
Cash and cash equivalents at end of the period	194,402	67,624

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

LION FOREST INDUSTRIES BERHAD (82056-X)
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Interim financial report for the first quarter ended 30 September 2011
(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 the 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 2011. 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 2011.

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 2011 except for the adoption of the following Financial Reporting Standards ("FRSs") and IC Interpretations effective for the financial period beginning 1 July 2011:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendment)
FRS 2	Share-based Payment (Amendment)
FRS 7	Financial Instruments: Disclosures (Amendment)
Improvements to FRSs (2010)	
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above mentioned FRSs and IC Interpretations did not have any significant effect on the financial performance, position or presentation of the financials of the Group.

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 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 were no dividends 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 and steel products	Petroleum, lubricants and automotive products	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External customers	183,950	18,118	4,234	-	206,302
Inter-segment sales	-	(19)	-	19	-
Total revenue	<u>183,950</u>	<u>18,099</u>	<u>4,234</u>	<u>19</u>	<u>206,302</u>
Results					
Segment results	4,618	2,709	2,611	-	9,938
Finance costs					(105)
Share in results of associated companies	-	-	1,576	-	1,576
Profit before tax					<u>11,409</u>
Income tax expense					(3,425)
Profit for the period from continuing operations					<u>7,984</u>
Assets					
Segment assets	542,001	81,293	240,602	-	863,896
Investment in associated companies	-	-	62,210	-	62,210
Unallocated corporate assets					446,904
					<u>1,373,010</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 30 June 2011.

11. Performance review

For the first three months of the financial year under review, the Group posted a revenue of RM206.3 million which was more than doubled the RM75.7 million recorded in the same period last year. The increase in revenue was mainly attributed to higher sales of building materials, steel products and petroleum products. Correspondingly, profit from operations increased to RM9.9 million from RM3.1 million achieved a year ago.

After accounting for profit from associated companies, the Group registered a profit before tax of RM11.4 million compared with RM0.1 million last year.

12. Comment on material change in profit

	<u>Continuing Operations</u>	
	<u>Revenue</u> RM'000	<u>Profit Before Tax</u> RM'000
Current quarter (30 September 2011)	206,302	11,409
Immediate preceding quarter (30 June 2011)	<u>377,380</u>	<u>16,654</u>

Revenue of the Group for the quarter under review was RM206.3 million, or 45% lower compared to RM377.4 million in the preceding quarter. The decrease was mainly due to lower sales of steel products. Profit before tax was accordingly lower at RM11.4 million compared with RM16.7 million in the preceding quarter.

13.a) Prospects

Against the backdrop of a highly challenging operating environment, the Group will continue to remain vigilant and take necessary measures to sustain profitable operating results 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. Income tax expense

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2011</u> RM'000	<u>30.9.2010</u> RM'000	<u>30.9.2011</u> RM'000	<u>30.9.2010</u> RM'000
Continuing operations				
In respect of current period:				
- estimated tax payable	3,425	1,704	3,425	1,704
- deferred tax	-	(400)	-	(400)
Total income tax expense from continuing operations	<u>3,425</u>	<u>1,304</u>	<u>3,425</u>	<u>1,304</u>

After excluding the results of associates, the effective tax rate of the Group for the current quarter and year-to-date was higher than the statutory tax rate mainly due to certain expenses 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 investment in quoted securities (excluding investment in associated companies) as at the end of the reporting period were as follows :

	RM'000
At cost	1,138
At carrying value	455
At market value	455

19. Corporate proposalsa) Status of corporate proposals

No	Date of Announcements	Subjects	Status
1.	18.3.2005 20.4.2006	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.	3.3.2011 2.6.2011 3.8.2011 26.8.2011 31.10.2011	(i) Proposed joint venture between the Company, Lion Diversified Holdings Berhad ("LDHB") and Lion Industries Corporation Berhad ("LICB") in Lion Blast Furnace Sdn Bhd ("LBF") in the shareholding of 20%, 51% and 29% respectively; and (ii) Proposed provision of financial assistance by the Company in the form of a corporate guarantee and pledge of security proportionate to its shareholding in LBF for the latter and its subsidiary company to secure a loan facility in relation to the Blast Furnace Project.	Pending approvals of: (i) Shareholders of the Company, LDHB and LICB; and (ii) any other relevant authorities.
3.	17.10.2011	Proposed disposal by Willet Investment Pte Ltd ("Willet") and AMB Aerovest Limited ("Aerovest") of their entire 47.73% equity interest in Nanjing Jincheng Machinery Co Ltd for a cash consideration of RMB120 million (equivalent to approximately RM56 million). Both Willet (70% owned) and Aerovest (wholly-owned) are subsidiary companies of Lion AMB Resources Berhad which is in turn, an 87.56% owned subsidiary company of the Company.	Pending approvals of the relevant authorities in the People's Republic of China.

b) Status of utilisation of proceeds

Please refer to Appendix 1 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>			
Unsecured	5,018	-	5,018
	<u>5,018</u>	<u>-</u>	<u>5,018</u>

21. Financial Instruments

a) Disclosure of Derivative

There were no derivative financial instruments.

b) Disclosure of gains/losses arising from fair value changes of financial liabilities

There were no material gains/losses arising from fair value changes of financial liabilities for the current quarter and financial year-to-date.

22. Changes in material litigation

There were no material litigation since 30 June 2011.

23. Dividend proposed

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

24. Earnings per share ("EPS")**Basic**

Basic EPS is calculated by dividing the Group's profit attributable to owners 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:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2011	30.9.2010	30.9.2011	30.9.2010
Profit attributable to owners of the Company (RM'000)				
- Continuing operations	7,584	(356)	7,584	(356)
- Discontinued operations	-	3,471	-	3,471
	<u>7,584</u>	<u>3,115</u>	<u>7,584</u>	<u>3,115</u>
Weighted average number of shares in issue ('000)	<u>231,572</u>	<u>231,443</u>	<u>231,541</u>	<u>231,443</u>
Basic EPS (sen)				
- Continuing operations	3.28	(0.15)	3.28	(0.15)
- Discontinued operations	-	1.50	-	1.50
	<u>3.28</u>	<u>1.35</u>	<u>3.28</u>	<u>1.35</u>

The basic EPS and 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.

25. Realised and Unrealised Earnings/Losses Disclosure

	AS AT 30.9.2011 RM'000	AS AT 30.6.2011 RM'000
Retained earnings/(accumulated losses) of the Company and its subsidiary companies:		
- Realised	354,343	344,377
- Unrealised	(9,500)	(6,207)
	<u>344,843</u>	<u>338,170</u>
Share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(72,366)	(73,942)
- Unrealised	-	665
	<u>(72,366)</u>	<u>(73,277)</u>
Consolidation adjustments	50,619	50,619
Consolidated retained earnings	<u><u>323,096</u></u>	<u><u>315,512</u></u>

26. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2011 was not qualified.

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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 RM944.82 million):

	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanation
	RM'Million	RM'Million	RM'Million	Amount	%	
Purpose:						
(i) Capital distribution	420.31	420.55	No fixed timeframe	(0.24) *	-	Fully utilised
(ii) Tyre division	104.36	17.00	No fixed timeframe	87.36	-	Not fully utilised
(iii) Plantation division	70.00	7.26	No fixed timeframe	62.74	-	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 Lion AMB Resources Berhad (formerly known as Silverstone Corporation Berhad) ("Lion AMB") and the bonds and redeemable cumulative convertible preference shares issued by Lion AMB and estimated expenses related thereto	229.97	94.43	No fixed timeframe	135.54 **	-	Not fully utilised
	<u>830.22</u>	<u>540.74</u>		<u>289.48</u>		
(vii) Funding and investment relating to the business and/or working capital of the Group #	42.33	-		42.33	-	
	<u>872.55</u>	<u>540.74</u>		<u>331.81</u>		
(viii) Provisional and final adjustment	25.54					
(ix) Adjustment on foreign exchange	46.73					
	<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

** A total cash of approximately RM117.70 million was sourced from internally generated funds for the acquisition of bonds and debts issued by the Lion AMB Group

Pending the Securities Commission's approval