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**Interim Financial Report**  
**for the Second Quarter Ended**  
**31 December 2011**

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Condensed Consolidated Income Statement	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 - 12

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

Interim financial report for the second quarter ended 31 December 2011  
(The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2011 RM'000	31.12.2010 RM'000 restated	31.12.2011 RM'000	31.12.2010 RM'000 restated
<b>Continuing operations</b>					
Revenue		216,549	81,431	422,851	157,126
Operating expenses		(212,703)	(77,994)	(415,747)	(156,763)
Other operating income		6,307	9,072	12,987	15,231
Profit from operations		10,153	12,509	20,091	15,594
Finance costs		(180)	(146)	(285)	(308)
Share in results of associated companies		12,213	(2,044)	13,789	(4,851)
Exceptional items	22 (k)	(11,056)	-	(11,056)	-
Profit before tax	22	11,130	10,319	22,539	10,435
Income tax expense	16	(2,048)	(1,354)	(5,473)	(2,658)
Profit for the period from continuing operations		9,082	8,965	17,066	7,777
<b>Discontinued operations</b>					
Profit for the period from discontinued operations		-	176,452	-	180,038
Profit for the period		9,082	185,417	17,066	187,815
Profit attributable to :					
- Owners of the Company		674	189,426	8,258	192,541
- Non-controlling interests		8,408	(4,009)	8,808	(4,726)
Profit for the period		9,082	185,417	17,066	187,815
Earnings per share attributable to owners of the Company (sen) :					
Basic :					
Continuing operations		0.29	17.37	3.57	17.22
Discontinued operations		-	64.43	-	65.95
		0.29	81.80	3.57	83.17
Diluted :					
Continuing operations		0.29	17.37	3.57	17.22
Discontinued operations		-	64.43	-	65.95
		0.29	81.80	3.57	83.17

*(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)*

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

Interim financial report for the second quarter ended 31 December 2011  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Profit for the period	9,082	185,417	17,066	187,815
<u>Other comprehensive income/(loss)</u>				
Foreign currency translation differences arising from foreign operations & other movements	(2,798)	(4,524)	1,470	(6,588)
Changes in fair value of available-for-sale financial assets	118	(63)	(195)	(45)
Other comprehensive (loss)/income for the period	(2,680)	(4,587)	1,275	(6,633)
Total comprehensive income for the period	6,402	180,830	18,341	181,182
Total comprehensive income attributable to:				
- Owners of the Company	(3,020)	184,316	8,513	186,563
- Non-controlling interests	9,422	(3,486)	9,828	(5,381)
	6,402	180,830	18,341	181,182

*(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)*

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

Interim financial report for the second quarter ended 31 December 2011  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT</b> <b>31.12.2011</b> RM'000	<b>AS AT</b> <b>30.6.2011</b> RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		27,366	28,565
Investment properties		1,261	1,276
Investment in associated companies		69,855	85,935
Other investments		41,543	35,191
Deferred tax assets		633	680
Total Non-current Assets		<u>140,658</u>	<u>151,647</u>
<b>Current Assets</b>			
Inventories		30,777	64,763
Other investments		5,813	12,003
Trade receivables		537,545	422,508
Other receivables and prepayments		190,320	256,459
Tax recoverable		1,777	990
Fixed deposits, cash and bank balances		507,076	497,595
Total Current Assets		<u>1,273,308</u>	<u>1,254,318</u>
<b>Total Assets</b>		<b><u>1,413,966</u></b>	<b><u>1,405,965</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		231,572	231,572
Reserves		986,749	988,046
Equity attributable to owners of the Company		<u>1,218,321</u>	<u>1,219,618</u>
Non-controlling interests		43,077	29,121
Total Equity		<u>1,261,398</u>	<u>1,248,739</u>
<b>Non-Current and Deferred Liabilities</b>			
Redeemable cumulative convertible preference shares		12,388	12,833
Hire-purchase payables		2,292	3,267
Deferred tax liabilities		1,082	1,421
Total Non-current and Deferred Liabilities		<u>15,762</u>	<u>17,521</u>
<b>Current Liabilities</b>			
Trade payables		30,736	73,519
Other payables and accrued expenses		37,281	38,662
Provisions		55,000	15,000
Hire-purchase payables		2,555	2,322
Bank borrowings	18	5,230	3,667
Tax liabilities		6,004	6,535
Total Current Liabilities		<u>136,806</u>	<u>139,705</u>
<b>Total Liabilities</b>		<b><u>152,568</u></b>	<b><u>157,226</u></b>
<b>Total Equity and Liabilities</b>		<b><u>1,413,966</u></b>	<b><u>1,405,965</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>5.26</u>	<u>5.27</u>

*(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)*

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

Interim financial report for the second quarter ended 31 December 2011  
(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	Other reserves RM'000	Retained earnings RM'000			
<b><u>31 December 2011</u></b>							
At 1 July 2011	231,572	689,330	(16,796)	315,512	1,219,618	29,121	1,248,739
Total comprehensive income for the period	-	-	255	8,258	8,513	9,828	18,341
Dividend payable for the financial year ended 30 June 2011	-	-	-	(5,210)	(5,210)	-	(5,210)
Disposal of an associated company	-	-	12,805	(17,847)	(5,042)	5,042	-
Acquisition of non-controlling interests	-	-	-	442	442	(914)	(472)
At 31 December 2011	231,572	689,330	(3,736)	301,155	1,218,321	43,077	1,261,398
<b><u>31 December 2010</u></b>							
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	-	-	(5,978)	192,541	186,563	(5,381)	181,182
Dividends	-	-	-	(62,525)	(62,525)	(11,927)	(74,452)
Issuance of shares	230	28	-	-	258	-	258
Share-based payments	-	315	(315)	-	-	-	-
Disposal of subsidiary companies	-	-	(220)	-	(220)	(42)	(262)
At 31 December 2010	231,572	689,330	(8,794)	294,675	1,206,783	50,162	1,256,945

*(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)*

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

Interim financial report for the second quarter ended 31 December 2011  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	YEAR-TO-DATE ENDED	
	31.12.2011 RM'000	31.12.2010 RM'000 restated
<b>OPERATING ACTIVITIES</b>		
Profit before tax:		
- Continuing operations	22,539	10,435
- Discontinued operations	-	187,251
	22,539	197,686
Adjustments for:		
Non-cash items	(3,838)	20,332
Non-operating items	(10,591)	(184,066)
	8,110	33,952
Operating profit before changes in working capital		
Changes in working capital:		
Net changes in current assets	(8,403)	(173,653)
Net changes in current liabilities	(46,282)	8,701
Others	(6,724)	(2,212)
	(53,299)	(133,212)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,008)	(10,589)
Purchase of other investments	(431)	(42)
Acquisition of non-controlling interests	(472)	-
Proceeds from disposal of property, plant and equipment	821	149
Proceeds from redemption of investments	245	957
Dividend received from an associated company	1,778	34,436
Net cash inflow from disposal of subsidiary company	54,623	426,745
Decrease in amount owing by holding company	-	19,938
Decrease in amount owing by other related companies	(769)	7,645
Cash at banks held under Escrow Account and fixed deposits pledged	20,072	(2,564)
Others	7,466	8,738
	82,325	485,413
<b>FINANCING ACTIVITIES</b>		
Increase/(Decrease) in bank borrowings excluding bank overdrafts	1,561	(1,815)
Dividends paid	-	(4,632)
Proceeds from issue of shares	-	258
Others	(1,029)	(1,519)
	532	(7,708)
Net changes in cash and cash equivalents	29,558	344,493
Effect of exchange differences	(6)	(379)
Cash and cash equivalents at beginning of the period	158,314	79,515
Cash and cash equivalents at end of the period	187,866	423,629

*(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)**  
(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2011  
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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 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 :

	<b>Building materials and steel products</b>	<b>Petroleum, lubricants and automotive products</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
External customers	378,881	35,190	8,780	-	422,851
Inter-segment sales	-	26	-	(26)	-
Total revenue	<u>378,881</u>	<u>35,216</u>	<u>8,780</u>	<u>(26)</u>	<u>422,851</u>
<b>Results</b>					
Segment results	8,898	4,971	6,222	-	20,091
Finance costs					(285)
Share in results of associated companies	-	-	13,789	-	13,789
Exceptional items	-	-	(11,056)	-	(11,056)
Profit before tax					<u>22,539</u>
Income tax expense					(5,473)
Profit for the period from continuing operations					<u>17,066</u>
<b>Assets</b>					
Segment assets	558,606	82,844	275,998	-	917,448
Investment in associated companies	-	-	69,855	-	69,855
Unallocated corporate assets					426,663
					<u>1,413,966</u>

**8. Subsequent events**

Other than as disclosed in Note 17(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 except for the litigation claim by Harapan Permai Sdn Bhd against Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company for RM184,456,769 for alleged wrongful termination of the Timber Sale Agreement.

The contingent liabilities are as follows:

	<b>AS AT 31.12.2011 RM'000</b>	<b>AS AT 30.6.2011 RM'000</b>
Litigation claims in respect of the termination of contracts for the extraction and sale of timber	313,331	313,331
Less: Provisions	(55,000)	(15,000)
	<u>258,331</u>	<u>298,331</u>
Back pay labour claims from SFI's employees	23,427	23,427
	<u>281,758</u>	<u>321,758</u>



**11. Performance review**

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2011</b> RM'000	<b>31.12.2010</b> RM'000 restated	<b>31.12.2011</b> RM'000	<b>31.12.2010</b> RM'000 restated
<b>Revenue</b>				
Building materials and steel products	194,931	61,236	378,881	119,243
Petroleum, lubricants and automotive products	17,071	16,552	35,190	31,230
Others	4,547	3,643	8,780	6,653
	<u>216,549</u>	<u>81,431</u>	<u>422,851</u>	<u>157,126</u>
<b>Segment results</b>				
Building materials and steel products	4,280	1,464	8,898	2,306
Petroleum, lubricants and automotive products	2,262	2,291	4,971	4,332
Others	3,611	8,754	6,222	8,956
	<u>10,153</u>	<u>12,509</u>	<u>20,091</u>	<u>15,594</u>
Finance costs	(180)	(146)	(285)	(308)
Share in results of associated companies	12,213	(2,044)	13,789	(4,851)
Exceptional items	(11,056)	-	(11,056)	-
Profit before tax	<u>11,130</u>	<u>10,319</u>	<u>22,539</u>	<u>10,435</u>
Income tax expense	(2,048)	(1,354)	(5,473)	(2,658)
Profit for the period from continuing operations	<u>9,082</u>	<u>8,965</u>	<u>17,066</u>	<u>7,777</u>

For the six months of the financial year, the Group posted a revenue of RM422.9 million which was more than double the RM157.1 million recorded for the same period last year. Profit before tax of the Group was higher at RM22.5 million compared with RM10.4 million last year.

Building materials and steel products division recorded a higher revenue of RM378.9 million, more than threefold of RM119.2 million achieved for the same period last year, mainly due to higher sales of steel related products. Correspondingly, the Division's profit increased to RM8.9 million from RM2.3 million achieved a year ago.

Revenue from petroleum, lubricants and automotive products division increased by 13% to RM35.2 million and profit rose 14% to RM5.0 million for the first six months mainly attributable to higher sale volume and selling prices. Selling prices rose in tandem with the increase in base oil prices.

The higher share in profit of associated companies was largely attributable to a tax refund on capital gains tax paid on a disposal of an investment received by Lion Asiapac Limited, a 36.7% owned associated company.

For the period under review, the Group recognised a gain of RM32.3 million on disposal of Nanjing Jincheng Machinery Co Ltd, an associated company, and provision for damages of RM40.0 million arising from litigation claim by Harapan Permai Sdn Bhd against Sabah Forest Industries Sdn Bhd, a former subsidiary company.

**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 (31 December 2011)	216,549	11,130
Immediate preceding quarter (30 September 2011)	<u>206,302</u>	<u>11,409</u>

Revenue of the Group for the quarter under review was RM216.5 million, or an increase of 5% against RM206.3 million in the immediate preceding quarter. The increase was mainly due to higher sales of steel products which carried lower profit margin.

Petroleum, lubricants and automotive products division posted lower profit this quarter due to lower sales volume and higher base oil price.

After accounting for higher profit from associated companies of RM12.2 million, a gain on disposal of an associated company of RM32.3 million and a provision for damages arising from litigation claim of RM40.0 million, the Group posted a profit before tax of RM11.1 million, representing approximately 2% decrease from RM11.4 million in the immediate preceding quarter.

**13. a) Prospects**

The operating environment for the Group's businesses is expected to remain challenging. Revenue for the building materials and steel products division is expected to be lower in next quarter in view of anticipated lower off-take. However, petroleum division is expected to remain profitable with greater efforts made to strengthen and expand the business network.

**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>31.12.2011</u> RM'000	<u>31.12.2010</u> RM'000	<u>31.12.2011</u> RM'000	<u>31.12.2010</u> RM'000
<b>Continuing operations</b>				
In respect of current period:				
- estimated tax payable	2,387	1,354	5,812	3,058
- deferred tax	-	-	-	(400)
In respect of prior year:				
- deferred tax	(339)	-	(339)	-
Total income tax expense from continuing operations	<u>2,048</u>	<u>1,354</u>	<u>5,473</u>	<u>2,658</u>

After excluding the results of associated companies, 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. Corporate proposals**a) 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 9.1.2012	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). Willet and Aerovest are wholly-owned subsidiary companies of Lion AMB Resources Berhad ("Lion AMB") which is in turn, an 87.56% owned subsidiary company of the Company ("Proposed Disposal").	Approval from the Administration of Industry and Commerce of Jiangning, of the People's Republic of China was obtained on 30 December 2011.  Consequent thereupon, the Proposed Disposal was completed.
4.	28.12.2011 6.1.2012	Proposed acquisition by Seintasi Sdn Bhd ("Seintasi") of the remaining 30% equity interest in Willet Investment Pte Ltd for a cash consideration of SGD3 million (equivalent to approximately RM7.32 million). Seintasi is a wholly-owned subsidiary of Lion AMB ("Proposed Acquisition").	The Proposed Acquisition was completed on 6 January 2012.

b) Status of utilisation of proceeds

Please refer to Appendix 1 attached.

**18. Borrowings**

The Group's borrowings as at end of the reporting period were as follows :

	<b>Short Term</b> RM'000	<b>Long Term</b> RM'000	<b>Total</b> RM'000
<u>Bank borrowings</u>			
Unsecured	5,230	-	5,230
	<u>5,230</u>	<u>-</u>	<u>5,230</u>

**19. Changes in material litigation**

There were no changes in material litigation since 30 June 2011.

**20. Dividend proposed**

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

**21. 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:

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2011</b>	<b>31.12.2010</b> restated	<b>31.12.2011</b>	<b>31.12.2010</b> restated
Profit attributable to owners of the Company (RM'000)				
- Continuing operations	674	40,222	8,258	39,866
- Discontinued operations	-	149,204	-	152,675
	<u>674</u>	<u>189,426</u>	<u>8,258</u>	<u>192,541</u>
Weighted average number of shares in issue ('000)	<u>231,572</u>	<u>231,572</u>	<u>231,572</u>	<u>231,507</u>
Basic EPS (sen)				
- Continuing operations	0.29	17.37	3.57	17.22
- Discontinued operations	-	64.43	-	65.95
	<u>0.29</u>	<u>81.80</u>	<u>3.57</u>	<u>83.17</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.

**22. Profit before tax**

Profit before tax from continuing operations is arrived at after crediting/(charging) the following:

	<b>3 MONTHS ENDED</b>	<b>YEAR-TO-DATE ENDED</b>
	<b>31.12.2011</b>	<b>31.12.2011</b>
	RM'000	RM'000
(a) Interest income	5,321	10,876
(b) Other income including investment income	175	275
(c) Interest expense	(180)	(285)
(d) Depreciation and amortisation	(922)	(1,843)
(e) Provision for and write off of receivables	(772)	(1,544)
(f) Provision for and write off of inventories	-	-
(g) Gain or loss on disposal of - quoted or unquoted investments or properties	310	440
(h) Impairment of assets	-	-
(i) Foreign exchange gain or (loss)	501	1,396
(j) Gain or (loss) on derivatives	-	-
(k) Exceptional items	(11,056)	(11,056)
- gain on disposal of an associated company	32,329	32,329
- provision for damages arising from litigation claim	(40,000)	(40,000)
- log extraction premium paid to State Government of Sabah	(3,385)	(3,385)

**23. Realised and Unrealised Earnings/Losses Disclosure**

	<b>AS AT 31.12.2011</b>	<b>AS AT 30.6.2011</b>
	RM'000	RM'000
Retained earnings/(accumulated losses) of the Company and its subsidiary companies:		
- Realised	266,198	344,377
- Unrealised	(52,545)	(6,207)
	213,653	338,170
Share of retained earnings/(accumulated losses) from associated companies:		
- Realised	34,052	(73,942)
- Unrealised	2,831	665
	36,883	(73,277)
Consolidation adjustments	50,619	50,619
Consolidated retained earnings	301,155	315,512

**24. 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.

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

Interim financial report for the second quarter ended 31 December 2011  
(The figures have not been audited)

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

17. 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):

	<b>Proposed Utilisation</b>	<b>Actual Utilisation</b>	<b>Intended Timeframe for Utilisation</b>	<b>Deviation</b>		<b>Explanation</b>
	RM'Million	RM'Million		<b>Amount</b>	<b>%</b>	
Purpose:						
(i) Capital distribution	420.31	<b>420.55</b>	No fixed timeframe	(0.24) *	-	Fully utilised
(ii) Tyre division	104.36	<b>37.34</b>	No fixed timeframe	67.02	-	Not fully utilised
(iii) Plantation division	70.00	<b>7.26</b>	No fixed timeframe	62.74	-	Not fully utilised
(iv) Payment to the State Government of Sabah	4.08	-	No fixed timeframe	4.08	-	Not utilised
(v) Estimated expenses	1.50	<b>1.50</b>	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	<b>94.43</b>	No fixed timeframe	135.54 **	-	Not fully utilised
	<u>830.22</u>	<u><b>561.08</b></u>		<u>269.14</u>		
(vii) Funding and investment relating to the business and/or working capital of the Group #	42.33	<b>3.38</b>		38.95	-	Not fully utilised
	<u>872.55</u>	<u><b>564.46</b></u>		<u>308.09</u>		
(viii) Provisional and final adjustment	25.54					
(ix) Adjustment on foreign exchange	46.73					
	<u><u>944.82</u></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