



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

---

(Incorporated in Malaysia)

## **Interim Financial Report for the First Quarter Ended 30 September 2013**

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

Interim financial report for the first quarter ended 30 September 2013  
(The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Revenue		176,940	310,438	176,940	310,438
Operating expenses		(173,998)	(304,901)	(173,998)	(304,901)
Other operating income		6,362	7,049	6,362	7,049
Profit from operations		9,304	12,586	9,304	12,586
Finance costs		(70)	(112)	(70)	(112)
Share in results of associated companies		1,384	890	1,384	890
Exceptional items	22(k)	(1,428)	(3,174)	(1,428)	(3,174)
Profit before tax	22	9,190	10,190	9,190	10,190
Income tax expense	16	(2,826)	(4,522)	(2,826)	(4,522)
Profit for the period		<u>6,364</u>	<u>5,668</u>	<u>6,364</u>	<u>5,668</u>
Profit attributable to :					
- Owners of the Company		6,038	5,477	6,038	5,477
- Non-controlling interests		326	191	326	191
Profit for the period		<u>6,364</u>	<u>5,668</u>	<u>6,364</u>	<u>5,668</u>
Earnings per share attributable to owners of the Company (sen) :	21				
- Basic		<u>2.61</u>	<u>2.37</u>	<u>2.61</u>	<u>2.37</u>
- Diluted		<u>2.61</u>	<u>2.37</u>	<u>2.61</u>	<u>2.37</u>

*(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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 2013

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>30.9.2013</b> RM'000	<b>30.9.2012</b> RM'000	<b>30.9.2013</b> RM'000	<b>30.9.2012</b> RM'000
Profit for the period	6,364	5,668	6,364	5,668
<u>Other comprehensive income/(loss)</u>				
<u>Items that will not be reclassified subsequently to profit or loss</u>	-	-	-	-
<u>Items that may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences arising from foreign operations & other movements	6,573	(3,640)	6,573	(3,640)
Changes in fair value of available-for-sale financial assets and asset classified as held for sale	44	(762)	44	(762)
Other comprehensive income/(loss) for the period	6,617	(4,402)	6,617	(4,402)
Total comprehensive income for the period	12,981	1,266	12,981	1,266
Total comprehensive income attributable to:				
- Owners of the Company	11,826	1,090	11,826	1,090
- Non-controlling interests	1,155	176	1,155	176
	12,981	1,266	12,981	1,266

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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 first quarter ended 30 September 2013

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT 30.9.2013 RM'000</b>	<b>AS AT 30.6.2013 RM'000</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		28,194	28,031
Investment properties		646	650
Investment in associated companies		82,516	78,085
Other investments		12,526	13,487
Deferred tax assets		3,359	3,359
Total Non-Current Assets		<u>127,241</u>	<u>123,612</u>
<b>Current Assets</b>			
Inventories		20,053	29,532
Other investments		7,649	9,325
Trade receivables		306,314	464,957
Other receivables and prepayments		413,702	246,690
Amount owing by immediate holding company		135,602	150,293
Amount owing by other related companies		122,525	120,760
Tax recoverable		1,978	1,604
Fixed deposits, cash and bank balances		232,735	236,017
		<u>1,240,558</u>	<u>1,259,178</u>
Asset classified as held for sale		-	470
Total Current Assets		<u>1,240,558</u>	<u>1,259,648</u>
<b>Total Assets</b>		<b><u>1,367,799</u></b>	<b><u>1,383,260</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		231,572	231,572
Reserves		992,277	980,451
Equity attributable to owners of the Company		<u>1,223,849</u>	<u>1,212,023</u>
Non-controlling interests		33,179	32,024
Total Equity		<u>1,257,028</u>	<u>1,244,047</u>
<b>Non-Current and Deferred Liabilities</b>			
Hire-purchase payables		713	753
Deferred tax liabilities		1,226	1,226
Total Non-Current and Deferred Liabilities		<u>1,939</u>	<u>1,979</u>
<b>Current Liabilities</b>			
Trade payables		31,191	52,456
Other payables and accrued expenses		50,531	52,795
Provisions		15,000	15,000
Amount owing to ultimate holding company		687	717
Amount owing to other related companies		2,781	5,401
Hire-purchase payables		457	917
Bank borrowings	18	5,129	5,771
Tax liabilities		3,056	4,177
Total Current Liabilities		<u>108,832</u>	<u>137,234</u>
<b>Total Liabilities</b>		<b><u>110,771</u></b>	<b><u>139,213</u></b>
<b>Total Equity and Liabilities</b>		<b><u>1,367,799</u></b>	<b><u>1,383,260</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>5.28</u>	<u>5.23</u>

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**  
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(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>30 September 2013</u></b>							
At 1 July 2013	231,572	689,330	11,481	279,640	1,212,023	32,024	1,244,047
Total comprehensive income for the period	-	-	5,788	6,038	11,826	1,155	12,981
At 30 September 2013	231,572	689,330	17,269	285,678	1,223,849	33,179	1,257,028
<b><u>30 September 2012</u></b>							
At 1 July 2012	231,572	689,330	12,645	273,656	1,207,203	32,423	1,239,626
Total comprehensive income/ (loss) for the period	-	-	(4,387)	5,477	1,090	176	1,266
At 30 September 2012	231,572	689,330	8,258	279,133	1,208,293	32,599	1,240,892

*(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)*

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	YEAR-TO-DATE ENDED	
	30.9.2013	30.9.2012
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	9,190	10,190
Adjustments for:		
Non-cash items	1,785	3,964
Non-operating items	(6,024)	(6,775)
Operating profit before changes in working capital	4,951	7,379
Changes in working capital:		
Net changes in current assets	16,051	(66,318)
Net changes in current liabilities	(20,430)	(4,941)
Others	(1,726)	466
	<u>(1,154)</u>	<u>(63,414)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,236)	(627)
Proceeds from disposal of asset classified as held for sale	470	-
Proceeds from disposal of property, plant and equipment	183	194
(Increase)/Decrease in amount owing by other related companies	(2,654)	2,901
Cash at banks held under Escrow Account and fixed deposits pledged	(1,092)	599
Others	1,957	1,782
	<u>(2,372)</u>	<u>4,849</u>
<b>FINANCING ACTIVITIES</b>		
(Decrease)/Increase in bank borrowings excluding bank overdrafts	(642)	409
Others	(570)	(586)
	<u>(1,212)</u>	<u>(177)</u>
Net changes in cash and cash equivalents	(4,738)	(58,742)
Effect of exchange differences	364	52
Cash and cash equivalents at beginning of the period	97,377	131,224
Cash and cash equivalents at end of the period	<u>93,003</u>	<u>72,534</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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 2013  
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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 Malaysian Financial Reporting Standards ("MFRS") 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 2013. 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 2013.

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 2013 except for the adoption of the following MFRSs effective for the financial period beginning 1 July 2013:

MFRS 1	First-time Adoption of Malaysian Finance Reporting Standards (Amendments relating to Government Loans)
MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)
MFRS 11	Joint Arrangements
MFRS 11	Joint Arrangements (Amendments relating to Transition Guidance)
MFRS 12	Disclosure of Interests in Other Entities
MFRS 12	Disclosure of Interests in Other Entities (Amendments relating to Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine

Amendments to MFRSs contained in the document entitled Annual Improvements 2009 - 2011 Cycle

The adoption of the above mentioned MFRSs did not have 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 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	150,444	19,368	7,128	-	176,940
Inter-segment sales	3	-	-	(3)	-
Total revenue	<u>150,447</u>	<u>19,368</u>	<u>7,128</u>	<u>(3)</u>	<u>176,940</u>
<b>Results</b>					
Segment results	4,639	3,390	1,275	-	9,304
Finance costs					(70)
Share in results of associated companies	-	-	1,384	-	1,384
Exceptional items	(296)	(408)	(724)	-	(1,428)
Profit before tax					<u>9,190</u>
Income tax expense					(2,826)
Profit for the period					<u>6,364</u>
<b>Assets</b>					
Segment assets	728,531	85,490	211,329	-	1,025,350
Investment in associated companies	-	-	82,516	-	82,516
Unallocated corporate assets					259,933
					<u>1,367,799</u>

**8. Subsequent events**

Other than as disclosed in Note 17, there were no material events subsequent to the end of the current quarter.



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

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

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

There were no changes in contingent liabilities or contingent assets since 30 June 2013.

**11. Performance review**

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
<b>Revenue</b>					
Building materials and steel products		150,444	286,245	150,444	286,245
Petroleum, lubricants and automotive products		19,368	19,694	19,368	19,694
Others		7,128	4,499	7,128	4,499
		<u>176,940</u>	<u>310,438</u>	<u>176,940</u>	<u>310,438</u>
<b>Segment results</b>					
Building materials and steel products		4,639	7,999	4,639	7,999
Petroleum, lubricants and automotive products		3,390	2,937	3,390	2,937
Others		1,275	1,650	1,275	1,650
Profit from operations		<u>9,304</u>	<u>12,586</u>	<u>9,304</u>	<u>12,586</u>
Finance costs		(70)	(112)	(70)	(112)
Share in results of associated companies		1,384	890	1,384	890
Exceptional items	22(k)	(1,428)	(3,174)	(1,428)	(3,174)
Profit before tax		<u>9,190</u>	<u>10,190</u>	<u>9,190</u>	<u>10,190</u>
Income tax expense		(2,826)	(4,522)	(2,826)	(4,522)
Profit for the period		<u>6,364</u>	<u>5,668</u>	<u>6,364</u>	<u>5,668</u>

For the first quarter of the financial year 2014, the Group posted a 43% lower revenue of RM176.9 million compared to RM310.4 million in the preceding year corresponding period. This was mainly due to the lower sales of building materials and steel related products, particularly sales to related parties.

As a result of the lower sales, the Building Materials and Steel Products Division recorded a revenue of RM150.4 million, a decrease of 47% from RM286.2 million a year ago. Accordingly, the Division's profit was lower at RM4.6 million compared to RM8.0 million a year ago.

Petroleum, Lubricants and Automotive Products Division recorded a slightly lower revenue but a higher profit for the quarter under review mainly due to different sales mix. The Division registered a higher profit of RM3.4 million compared to RM2.9 million a year ago as sales of lubricants were proportionately higher in the sales mix. Lubricants contributed higher profit margins than other products.

The Group registered a profit before tax of RM9.2 million; a decrease of 10% over the RM10.2 million in the preceding financial year.

**12. Comment on material change in profit**

	<b>Current Year Quarter</b>	<b>Immediate Preceding Quarter</b>
	<b>30.9.2013</b>	<b>30.6.2013</b>
	RM'000	RM'000
Revenue	176,940	269,005
Profit from operations	9,304	13,258
Profit/(Loss) before tax	9,190	(10,252)

For the quarter under review, as a result of lower Group revenue on the back of lower sales from both the Building Materials and Petroleum Products Divisions, the Group's operating profit decreased to RM9.3 million from RM13.3 million in the immediate preceding quarter.

The Group recorded a profit before tax of RM9.2 million against a loss of RM10.3 million in the immediate preceding quarter, which included an impairment loss of RM24.0 million on trade receivables due by a related party.

**13. a) Prospects**

Both the Building Materials and Petroleum Products Divisions are expected to contribute positively to the operating profit of the Group in the next quarter with on-going efforts made to strengthen and expand business network and product range as well as establish the optimal product mix with continuous emphasis on high profit margin products.

**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**

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>30.9.2013</b>	<b>30.9.2012</b>	<b>30.9.2013</b>	<b>30.9.2012</b>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- estimated tax payable	2,826	4,522	2,826	4,522
	<u>2,826</u>	<u>4,522</u>	<u>2,826</u>	<u>4,522</u>

After excluding the results of associated companies, the effective tax rate of the Group for the current quarter and year-to-date were higher than the statutory tax rate mainly due to certain expenses not deductible for tax purposes.

**17. Corporate proposals**Status of corporate proposals

No	Date of Announcements	Subjects	Status
a.	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.
b.	3.3.2011 2.6.2011 3.8.2011 26.8.2011 31.10.2011 2.3.2012 28.8.2012 30.8.2012 1.3.2013 7.6.2013 30.8.2013	(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 ("Proposed Joint Venture"); 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 ("Proposed Provision of Financial Assistance").	The Proposed Joint Venture had been terminated on 29 August 2013 ("Termination").  Following the Termination, the Proposed Provision of Financial Assistance will not be required.

**18. 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	5,129	-	5,129
	<u>5,129</u>	<u>-</u>	<u>5,129</u>

**19. Changes in material litigation**

There was no material litigation since 30 June 2013.

**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:

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2013</u>	<u>30.9.2012</u>	<u>30.9.2013</u>	<u>30.9.2012</u>
Profit attributable to owners of the Company (RM'000)	<u>6,038</u>	<u>5,477</u>	<u>6,038</u>	<u>5,477</u>
Weighted average number of shares in issue ('000)	<u>231,572</u>	<u>231,572</u>	<u>231,572</u>	<u>231,572</u>
Basic EPS (sen)	<u>2.61</u>	<u>2.37</u>	<u>2.61</u>	<u>2.37</u>

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. Profit before tax**

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

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>30.9.2013</b>	<b>30.9.2012</b>	<b>30.9.2013</b>	<b>30.9.2012</b>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	6,094	6,888	6,094	6,888
b) Other income including investment income	112	26	112	26
c) Interest expense	(70)	(112)	(70)	(112)
d) Depreciation and amortisation	(1,042)	(937)	(1,042)	(937)
e) Provision for and write off of receivables	(848)	(879)	(848)	(879)
f) Provision for and write off of inventories	-	-	-	-
g) Gain or (loss) on disposal of - quoted or unquoted investments or properties	148	135	148	135
h) Impairment of assets (refer to item (k))	-	-	-	-
i) Foreign exchange gain or (loss)	8	(35)	8	(35)
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional items	(1,428)	(3,174)	(1,428)	(3,174)
- impairment loss on quoted and unquoted investments	(1,428)	(3,174)	(1,428)	(3,174)

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

	<b>AS AT</b>	<b>AS AT</b>
	<b>30.9.2013</b>	<b>30.6.2013</b>
	RM'000	RM'000
Retained earnings/(accumulated losses) of the Company and its subsidiary companies:		
- Realised	226,457	221,664
- Unrealised	(26,024)	(25,885)
	200,433	195,779
Share of retained earnings from associated companies:		
- Realised	31,951	30,371
- Unrealised	2,675	2,871
	34,626	33,242
Consolidation adjustments	50,619	50,619
Consolidated retained earnings	285,678	279,640

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

The auditors' report on the financial statements for the financial year ended 30 June 2013 was not qualified.