



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the Second Quarter Ended 31 December 2013

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(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2013

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Revenue		213,306	242,687	390,246	553,125
Operating expenses		(210,883)	(237,108)	(384,881)	(542,009)
Other operating income		10,181	10,303	16,543	17,352
Profit from operations		12,604	15,882	21,908	28,468
Finance costs		(122)	(95)	(192)	(207)
Share in results of associated companies		323	743	1,707	1,633
Exceptional items	23(k)	(3,788)	-	(5,216)	(3,174)
Profit before tax	23	9,017	16,530	18,207	26,720
Income tax expense	16	(3,301)	(3,701)	(6,127)	(8,223)
Profit for the period		<u>5,716</u>	<u>12,829</u>	<u>12,080</u>	<u>18,497</u>
Profit attributable to :					
- Owners of the Company		5,615	12,424	11,653	17,901
- Non-controlling interests		101	405	427	596
Profit for the period		<u>5,716</u>	<u>12,829</u>	<u>12,080</u>	<u>18,497</u>
Earnings per share attributable to owners of the Company (sen) :	21				
- Basic		<u>2.42</u>	<u>5.37</u>	<u>5.03</u>	<u>7.73</u>
- Diluted		<u>2.42</u>	<u>5.37</u>	<u>5.03</u>	<u>7.73</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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(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2013
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Profit for the period	5,716	12,829	12,080	18,497
<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	449	(1,832)	7,022	(5,472)
Changes in fair value of available-for-sale financial assets and asset classified as held for sale	(7)	(147)	37	(909)
Changes in fair value on disposal of asset classified as held for sale	-	(1,220)	-	(1,220)
Other comprehensive income/(loss) for the period	442	(3,199)	7,059	(7,601)
Total comprehensive income for the period	<u>6,158</u>	<u>9,630</u>	<u>19,139</u>	<u>10,896</u>
Total comprehensive income attributable to:				
- Owners of the Company	5,960	9,124	17,786	10,214
- Non-controlling interests	198	506	1,353	682
	<u>6,158</u>	<u>9,630</u>	<u>19,139</u>	<u>10,896</u>

(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)

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Interim financial report for the second quarter ended 31 December 2013

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.12.2013 RM'000	AS AT 30.6.2013 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		27,407	28,031
Investment properties		641	650
Investment in associated companies		82,294	78,085
Other investments		9,625	13,487
Deferred tax assets		3,359	3,359
Total Non-Current Assets		<u>123,326</u>	<u>123,612</u>
Current Assets			
Inventories		34,772	29,532
Other investments		6,755	9,325
Trade receivables		317,836	464,957
Other receivables and prepayments		395,649	246,690
Amount owing by immediate holding company		143,855	150,293
Amount owing by other related companies		124,501	120,760
Tax recoverable		2,179	1,604
Fixed deposits, cash and bank balances		236,414	236,017
		<u>1,261,961</u>	<u>1,259,178</u>
Asset classified as held for sale		-	470
Total Current Assets		<u>1,261,961</u>	<u>1,259,648</u>
Total Assets		<u>1,385,287</u>	<u>1,383,260</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		231,572	231,572
Reserves		994,763	980,451
Equity attributable to owners of the Company		<u>1,226,335</u>	<u>1,212,023</u>
Non-controlling interests		32,591	32,024
Total Equity		<u>1,258,926</u>	<u>1,244,047</u>
Non-Current and Deferred Liabilities			
Hire-purchase payables		668	753
Deferred tax liabilities		1,226	1,226
Total Non-Current and Deferred Liabilities		<u>1,894</u>	<u>1,979</u>
Current Liabilities			
Trade payables		32,395	52,456
Other payables and accrued expenses		50,928	52,795
Provisions		15,000	15,000
Amount owing to ultimate holding company		705	717
Amount owing to other related companies		1,064	5,401
Hire-purchase payables		234	917
Bank borrowings	18	21,113	5,771
Tax liabilities		3,028	4,177
Total Current Liabilities		<u>124,467</u>	<u>137,234</u>
Total Liabilities		<u>126,361</u>	<u>139,213</u>
Total Equity and Liabilities		<u>1,385,287</u>	<u>1,383,260</u>
Net assets per share attributable to owners of the Company (RM)		<u>5.30</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)

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(The figures have not been audited)

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>31 December 2013</u>							
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	-	-	6,133	11,653	17,786	1,353	19,139
Dividends paid	-	-	-	(3,474)	(3,474)	(786)	(4,260)
At 31 December 2013	231,572	689,330	17,614	287,819	1,226,335	32,591	1,258,926
<u>31 December 2012</u>							
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	-	-	(7,687)	17,901	10,214	682	10,896
Dividends paid	-	-	-	(4,631)	(4,631)	(786)	(5,417)
Acquisition of non-controlling interests	-	-	-	22	22	(27)	(5)
At 31 December 2012	231,572	689,330	4,958	286,948	1,212,808	32,292	1,245,100

(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)

LION FOREST INDUSTRIES BERHAD (82056-X)

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Interim financial report for the second quarter ended 31 December 2013

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.12.2013	31.12.2012
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	18,207	26,720
Adjustments for:		
Non-cash items	7,030	3,689
Non-operating items	(15,763)	(15,520)
Operating profit before changes in working capital	9,474	14,889
Changes in working capital:		
Net changes in current assets	(1,879)	(53,575)
Net changes in current liabilities	(18,437)	(9,616)
Others	1,676	1,307
	<u>(9,166)</u>	<u>(46,995)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,532)	(3,271)
Proceeds from disposal of asset classified as held for sale	470	-
Proceeds from disposal of property, plant and equipment	320	289
(Increase)/Decrease in amount owing by other related companies	(4,356)	3,206
Dividend received from an associated company	385	1,853
Acquisition of non-controlling interests	-	(5)
Cash at banks held under Escrow Account and fixed deposits pledged	(21,597)	1,881
Others	3,513	3,470
	<u>(22,797)</u>	<u>7,423</u>
FINANCING ACTIVITIES		
Increase/(Decrease) in bank borrowings excluding bank overdrafts	15,342	(2,310)
Dividends paid	(3,474)	(4,631)
Dividends paid to non-controlling interests of a subsidiary company	(786)	(786)
Others	(959)	(1,295)
	<u>10,123</u>	<u>(9,022)</u>
Net changes in cash and cash equivalents	(21,840)	(48,594)
Effect of exchange differences	641	39
Cash and cash equivalents at beginning of the period	97,377	131,224
Cash and cash equivalents at end of the period	<u>76,178</u>	<u>82,669</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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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

During the current quarter, a first and final dividend of 2.0 sen per ordinary share, less 25% tax, amounting to RM3.5 million in respect of the previous financial year ended 30 June 2013 was paid by the Company.

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	338,266	38,317	13,663	-	390,246
Inter-segment sales	3	-	-	(3)	-
Total revenue	<u>338,269</u>	<u>38,317</u>	<u>13,663</u>	<u>(3)</u>	<u>390,246</u>
Results					
Segment results	13,776	5,889	2,243	-	21,908
Finance costs					(192)
Share in results of associated companies	-	-	1,707	-	1,707
Exceptional items	(1,073)	(1,477)	(2,666)	-	(5,216)
Profit before tax					<u>18,207</u>
Income tax expense					(6,127)
Profit for the period					<u>12,080</u>
Assets					
Segment assets	742,091	78,009	219,870	-	1,039,970
Investment in associated companies	-	-	82,294	-	82,294
Unallocated corporate assets					263,023
					<u>1,385,287</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	
		31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Revenue					
Building materials and steel products		187,822	218,801	338,266	505,046
Petroleum, lubricants and automotive products		18,949	18,982	38,317	38,676
Others		6,535	4,904	13,663	9,403
		<u>213,306</u>	<u>242,687</u>	<u>390,246</u>	<u>553,125</u>
Segment results					
Building materials and steel products		9,137	8,354	13,776	16,353
Petroleum, lubricants and automotive products		2,499	2,907	5,889	5,844
Others		968	4,621	2,243	6,271
Profit from operations		<u>12,604</u>	<u>15,882</u>	<u>21,908</u>	<u>28,468</u>
Finance costs		(122)	(95)	(192)	(207)
Share in results of associated companies		323	743	1,707	1,633
Exceptional items	23(k)	(3,788)	-	(5,216)	(3,174)
Profit before tax		<u>9,017</u>	<u>16,530</u>	<u>18,207</u>	<u>26,720</u>
Income tax expense		<u>(3,301)</u>	<u>(3,701)</u>	<u>(6,127)</u>	<u>(8,223)</u>
Profit for the period		<u>5,716</u>	<u>12,829</u>	<u>12,080</u>	<u>18,497</u>

For the first six months of the financial year 2014, the Group posted a 29% lower revenue of RM390.2 million compared with RM553.1 million in the preceding year corresponding period. This was mainly due to the lower sales of steel related products.

The Building Materials and Steel Products Division recorded a revenue of RM338.3 million, a decrease of 33% from RM505.0 million a year ago. Accordingly, the Division's profit was lower at RM13.8 million compared with RM16.4 million a year ago.

Petroleum, Lubricants and Automotive Products Division recorded a slightly lower revenue at RM38.3 million. The Division, however, registered a higher profit of RM5.9 million for the period under review as sales of lubricants which contributed higher margins were proportionately higher in the sales mix.

Others include mainly transportation business, investment holding and agriculture. These activities collectively contributed a lower profit of RM2.2 million compared with RM6.3 million in the preceding year largely due to lower interest income and higher expenses for agriculture project in Cambodia. The preceding year's profit also included a gain of RM1.2 million on disposal of the remaining 25% equity interest held in a former subsidiary company.

The Group recognised an impairment loss on quoted investments due to the decline in quoted prices of RM5.2 million compared with RM3.2 million in the preceding year.

Overall, the Group registered a lower profit before tax of RM18.2 million compared with RM26.7 million in the preceding year.

12. Comment on material change in profit

	<u>Current Year Quarter</u>	<u>Immediate Preceding Quarter</u>
	31.12.2013	30.9.2013
	RM'000	RM'000
Revenue	213,306	176,940
Profit from operations	12,604	9,304
Profit before tax	9,017	9,190

For the quarter under review, the Group posted a revenue of RM213.3 million, a 21% increase compared with the immediate preceding quarter. The increase was mainly attributable to higher sales of steel related products. Accordingly, the Group operating profit increased to RM12.6 million from RM9.3 million in the immediate preceding quarter.

The Group, however, recorded a slightly lower profit before tax of RM9.0 million. The decrease was mainly due to an impairment loss of RM3.8 million (Immediate preceding quarter: RM1.4 million) on quoted investments.

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. The Group will continue to strengthen and expand business network and product range as well as establish the optimal product mix with 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

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- estimated tax payable	3,301	3,765	6,127	8,287
In respect of prior year:				
- deferred tax	-	(64)	-	(64)
	<u>3,301</u>	<u>3,701</u>	<u>6,127</u>	<u>8,223</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 proposalsStatus 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.

18. Borrowings

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

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
<u>Bank borrowings</u>			
Secured	19,119	-	19,119
Unsecured	1,994	-	1,994
	<u>21,113</u>	<u>-</u>	<u>21,113</u>
		Foreign	
		Currency	

The Group's borrowings were denominated in the following currencies:

	'000	RM'000
- Ringgit Malaysia	-	1,994
- United States Dollar	5,818	19,119
		<u>21,113</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>31.12.2013</u>	<u>31.12.2012</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Profit attributable to owners of the Company (RM'000)	<u>5,615</u>	<u>12,424</u>	<u>11,653</u>	<u>17,901</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>2.42</u>	<u>5.37</u>	<u>5.03</u>	<u>7.73</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. 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.

23. Profit before tax

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
a) Interest income	9,861	8,840	15,955	15,728
b) Other income including investment income	173	103	285	129
c) Interest expense	(122)	(95)	(192)	(207)
d) Depreciation and amortisation	(1,057)	(940)	(2,099)	(1,877)
e) Provision for and write off of receivables	(829)	(801)	(1,677)	(1,680)
f) Provision for and write off of inventories	-	-	-	-
g) Gain or (loss) on disposal of				
- quoted or unquoted investments or properties	107	68	255	203
- asset classified as held for sale	-	1,220	-	1,220
h) Impairment of assets (refer to item (k))	-	-	-	-
i) Foreign exchange gain or (loss)	40	72	48	72
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional items	(3,788)	-	(5,216)	(3,174)
- impairment loss on quoted investments	(3,788)	-	(5,216)	(3,174)

24. Realised and Unrealised Earnings/Losses Disclosure

	AS AT	AS AT
	31.12.2013	30.6.2013
	RM'000	RM'000
Retained earnings/(accumulated losses) of the Company and its subsidiary companies:		
- Realised	229,786	221,664
- Unrealised	(27,150)	(25,885)
	202,636	195,779
Share of retained earnings from associated companies:		
- Realised	31,865	30,371
- Unrealised	2,699	2,871
	34,564	33,242
Consolidation adjustments	50,619	50,619
Consolidated retained earnings	287,819	279,640