



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

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(Incorporated in Malaysia)

## **Interim Financial Report for the Third Quarter Ended 31 March 2014**

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

(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014

(The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENT**

	<u>Note</u>	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
		<u>31.3.2014</u>	<u>31.3.2013</u>	<u>31.3.2014</u>	<u>31.3.2013</u>
		RM'000	RM'000	RM'000	RM'000
Revenue		180,808	190,915	571,054	744,040
Operating expenses		(179,348)	(185,822)	(564,229)	(727,831)
Other operating income		9,788	7,774	26,331	25,126
Profit from operations		11,248	12,867	33,156	41,335
Finance costs		(162)	(73)	(354)	(280)
Share in results of associated companies		(1,885)	1,444	(178)	3,077
Exceptional items	23(k)	(176)	(5,403)	(5,392)	(8,577)
Profit before tax	23	9,025	8,835	27,232	35,555
Income tax expense	16	(3,813)	(2,323)	(9,940)	(10,546)
Profit for the period		<u>5,212</u>	<u>6,512</u>	<u>17,292</u>	<u>25,009</u>
Profit attributable to :					
- Owners of the Company		5,254	7,331	16,907	25,232
- Non-controlling interests		(42)	(819)	385	(223)
Profit for the period		<u>5,212</u>	<u>6,512</u>	<u>17,292</u>	<u>25,009</u>
Earnings per share attributable to owners of the Company (sen) :	21				
- Basic		<u>2.27</u>	<u>3.17</u>	<u>7.30</u>	<u>10.90</u>
- Diluted		<u>2.27</u>	<u>3.17</u>	<u>7.30</u>	<u>10.90</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)

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

Interim financial report for the third quarter ended 31 March 2014  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000
Profit for the period	5,212	6,512	17,292	25,009
<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	(768)	654	6,254	(4,818)
Changes in fair value of available-for-sale financial assets and asset classified as held for sale	(6)	14	31	(895)
Changes in fair value on disposal of asset classified as held for sale	-	-	-	(1,220)
Other comprehensive (loss)/income for the period	(774)	668	6,285	(6,933)
Total comprehensive income for the period	<u>4,438</u>	<u>7,180</u>	<u>23,577</u>	<u>18,076</u>
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	4,909	7,968	22,695	18,182
- Non-controlling interests	(471)	(788)	882	(106)
	<u>4,438</u>	<u>7,180</u>	<u>23,577</u>	<u>18,076</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)**

(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT 31.3.2014 RM'000</b>	<b>AS AT 30.6.2013 RM'000</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		32,849	28,031
Investment properties		637	650
Investment in associated companies		78,983	78,085
Other investments		6,466	13,487
Deferred tax assets		3,359	3,359
Total Non-Current Assets		<u>122,294</u>	<u>123,612</u>
<b>Current Assets</b>			
Inventories		33,711	29,532
Other investments		9,997	9,325
Trade receivables		338,165	464,957
Other receivables and prepayments		403,395	246,690
Amount owing by immediate holding company		129,174	150,293
Amount owing by other related companies		126,674	120,760
Tax recoverable		1,556	1,604
Fixed deposits, cash and bank balances		229,418	236,017
		<u>1,272,090</u>	<u>1,259,178</u>
Asset classified as held for sale		-	470
Total Current Assets		<u>1,272,090</u>	<u>1,259,648</u>
<b>Total Assets</b>		<b><u>1,394,384</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		999,672	980,451
Equity attributable to owners of the Company		<u>1,231,244</u>	<u>1,212,023</u>
Non-controlling interests		32,120	32,024
Total Equity		<u>1,263,364</u>	<u>1,244,047</u>
<b>Non-Current and Deferred Liabilities</b>			
Hire-purchase payables		622	753
Deferred tax liabilities		1,226	1,226
Total Non-Current and Deferred Liabilities		<u>1,848</u>	<u>1,979</u>
<b>Current Liabilities</b>			
Trade payables		34,578	52,456
Other payables and accrued expenses		51,512	52,795
Provisions		15,000	15,000
Amount owing to ultimate holding company		692	717
Amount owing to other related companies		3,914	5,401
Hire-purchase payables		186	917
Bank borrowings	18	21,281	5,771
Tax liabilities		2,009	4,177
Total Current Liabilities		<u>129,172</u>	<u>137,234</u>
<b>Total Liabilities</b>		<b><u>131,020</u></b>	<b><u>139,213</u></b>
<b>Total Equity and Liabilities</b>		<b><u>1,394,384</u></b>	<b><u>1,383,260</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>5.32</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)**  
(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2014  
(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 March 2014</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	16,907	22,695	882	23,577
Dividends paid	-	-	-	(3,474)	(3,474)	(786)	(4,260)
At 31 March 2014	231,572	689,330	17,269	293,073	1,231,244	32,120	1,263,364
<b><u>31 March 2013</u></b>							
At 1 July 2012	231,572	689,330	12,645	273,656	1,207,203	32,423	1,239,626
Total comprehensive (loss)/ income for the period	-	-	(7,050)	25,232	18,182	(106)	18,076
Dividends paid	-	-	-	(4,631)	(4,631)	(786)	(5,417)
Acquisition of non-controlling interests	-	-	-	22	22	(27)	(5)
At 31 March 2013	231,572	689,330	5,595	294,279	1,220,776	31,504	1,252,280

*(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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Interim financial report for the third quarter ended 31 March 2014

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	YEAR-TO-DATE ENDED	
	31.3.2014	31.3.2013
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	27,232	35,555
Adjustments for:		
Non-cash items	10,736	9,572
Non-operating items	(24,868)	(22,683)
Operating profit before changes in working capital	13,100	22,444
Changes in working capital:		
Net changes in current assets	(15,308)	(4,781)
Net changes in current liabilities	(14,391)	(11,623)
Others	2,675	(9,067)
	<u>(13,924)</u>	<u>(3,027)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(8,081)	(4,246)
Proceeds from disposal of asset classified as held for sale	470	20,709
Proceeds from disposal of property, plant and equipment	471	465
(Increase)/Decrease in amount owing by other related companies	(1,504)	5,396
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	(20,616)	(6,594)
Others	5,305	4,719
	<u>(23,570)</u>	<u>22,297</u>
<b>FINANCING ACTIVITIES</b>		
Increase/(Decrease) in bank borrowings excluding bank overdrafts	15,510	(578)
Redemption of RCCPS issued by a subsidiary company	-	(8,611)
Dividends paid to:		
- Owners of the Company	(3,474)	(4,631)
- Non-controlling interests of a subsidiary company	(786)	(786)
Others	(1,215)	(2,054)
	<u>10,035</u>	<u>(16,660)</u>
Net changes in cash and cash equivalents	(27,459)	2,610
Effect of exchange differences	245	(134)
Cash and cash equivalents at beginning of the period	97,377	131,224
Cash and cash equivalents at end of the period	<u>70,163</u>	<u>133,700</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 financial year-to-date, a 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 :

	<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	495,738	55,670	19,646	-	571,054
Inter-segment sales	3	3	16	(22)	-
Total revenue	<u>495,741</u>	<u>55,673</u>	<u>19,662</u>	<u>(22)</u>	<u>571,054</u>
<b>Results</b>					
Segment results	21,627	8,344	3,185	-	33,156
Finance costs					(354)
Share in results of associated companies	-	-	(178)	-	(178)
Exceptional items	(1,110)	(1,528)	(2,754)	-	(5,392)
Profit before tax					<u>27,232</u>
Income tax expense					(9,940)
Profit for the period					<u>17,292</u>
<b>Assets</b>					
Segment assets	742,788	79,146	228,211	-	1,050,145
Investment in associated companies	-	-	78,983	-	78,983
Unallocated corporate assets					<u>265,256</u>
					<u>1,394,384</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	
		31.3.2014 RM'000	31.3.2013 RM'000	31.3.2014 RM'000	31.3.2013 RM'000
<b>Revenue</b>					
Building materials and steel products		157,472	165,987	495,738	671,033
Petroleum, lubricants and automotive products		17,353	18,794	55,670	57,470
Others		5,983	6,134	19,646	15,537
		<u>180,808</u>	<u>190,915</u>	<u>571,054</u>	<u>744,040</u>
<b>Segment results</b>					
Building materials and steel products		7,851	6,657	21,627	23,010
Petroleum, lubricants and automotive products		2,455	3,001	8,344	8,845
Others		942	3,209	3,185	9,480
Profit from operations		<u>11,248</u>	<u>12,867</u>	<u>33,156</u>	<u>41,335</u>
Finance costs		(162)	(73)	(354)	(280)
Share in results of associated companies		(1,885)	1,444	(178)	3,077
Exceptional items	23(k)	(176)	(5,403)	(5,392)	(8,577)
Profit before tax	23	<u>9,025</u>	<u>8,835</u>	<u>27,232</u>	<u>35,555</u>
Income tax expense	16	<u>(3,813)</u>	<u>(2,323)</u>	<u>(9,940)</u>	<u>(10,546)</u>
Profit for the period		<u>5,212</u>	<u>6,512</u>	<u>17,292</u>	<u>25,009</u>

For the nine months of the financial year 2014, the Group registered a revenue of RM571.1 million, a decrease of 23% from RM744.0 million posted 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 26% lower revenue of RM495.7 million and a 6% lower profit of RM21.6 million as compared to the preceding year, due to lower sales of steel related products.

Revenue of the Petroleum, Lubricants and Automotive Products Division decreased by 3% to RM55.7 million, largely due to lower sales of automotive products. Accordingly, the Division's profit was lower at RM8.3 million compared with RM8.8 million a year ago.

Others include mainly transportation business, investment holding and agriculture. These activities collectively contributed a lower profit of RM3.2 million compared with RM9.5 million in the preceding year largely due to lower interest income and higher expenses incurred by the 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 associated companies' loss of RM0.18 million shared by the Group was mainly attributable to losses which arose from the production shutdown of an associated company.

The Group recognised an impairment loss on quoted investments of RM5.4 million due to the decline in share prices.

Overall, the Group registered a lower profit before tax of RM27.2 million compared with RM35.6 million in the preceding year.

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

	<u>Current Year Quarter</u>	<u>Immediate Preceding Quarter</u>
	<b>31.3.2014</b>	<b>31.12.2013</b>
	RM'000	RM'000
Revenue	180,808	213,306
Profit from operations	11,248	12,604
Profit before tax	<u>9,025</u>	<u>9,017</u>

For the quarter under review, the Group posted a 15% lower revenue of RM180.8 million mainly due to lower sales of steel related products and automotive products. Accordingly, the Group's operating profit decreased to RM11.2 million from RM12.6 million in the immediate preceding quarter.

The Group, however, recorded a slightly higher profit before tax of RM9.03 million, an increase of 0.1% from last quarter mainly due to lower impairment loss on quoted investments of RM0.18 million (Last quarter: RM3.8 million).

**13. a) Prospects**

Notwithstanding the challenging operating environment, the Group will continue to strengthen and expand its business network and product range as well as establish optimal product mix with emphasis on high profit margin products. Both the Building Materials and Petroleum Products Divisions are expected to contribute positively to the operating profit of the Group in 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>	
	<b>31.3.2014</b>	<b>31.3.2013</b>	<b>31.3.2014</b>	<b>31.3.2013</b>
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- estimated tax payable	3,813	2,323	9,940	10,610
In respect of prior year:				
- deferred tax	-	-	-	(64)
	<u>3,813</u>	<u>2,323</u>	<u>9,940</u>	<u>10,546</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.

**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>			
Secured	19,097	-	19,097
Unsecured	2,184	-	2,184
	<u>21,281</u>	<u>-</u>	<u>21,281</u>
		Foreign Currency	

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

	'000	RM'000
- Ringgit Malaysia	-	2,184
- United States Dollar	5,860	19,097
		<u>21,281</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>31.3.2014</u>	<u>31.3.2013</u>	<u>31.3.2014</u>	<u>31.3.2013</u>
Profit attributable to owners of the Company (RM'000)	5,254	7,331	16,907	25,232
Weighted average number of shares in issue ('000)	231,572	231,572	231,572	231,572
Basic EPS (sen)	<u>2.27</u>	<u>3.17</u>	<u>7.30</u>	<u>10.90</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:

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.3.2014</b>	<b>31.3.2013</b>	<b>31.3.2014</b>	<b>31.3.2013</b>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	9,267	7,235	25,222	22,963
b) Other income including investment income	170	94	455	223
c) Interest expense	(162)	(73)	(354)	(280)
d) Depreciation and amortisation	(1,073)	(1,015)	(3,172)	(2,892)
e) Provision for and write off of receivables	(917)	(798)	(2,594)	(2,478)
f) Provision for and write off of inventories	-	-	-	-
g) Gain or (loss) on disposal of				
- quoted or unquoted investments or properties	114	120	369	323
- asset classified as held for sale	-	-	-	1,220
h) Impairment of assets (refer to item (k))	-	-	-	-
i) Foreign exchange gain or (loss)	237	325	285	397
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional items	(176)	(5,403)	(5,392)	(8,577)
- impairment loss on quoted investments	(176)	-	(5,392)	(3,174)
- loss on redemption of unquoted investments	-	(5,403)	-	(5,403)

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

	<b>AS AT 31.3.2014 RM'000</b>	<b>AS AT 30.6.2013 RM'000</b>
Retained earnings/(accumulated losses) of the Company and its subsidiary companies:		
- Realised	238,381	221,664
- Unrealised	(28,607)	(25,885)
	209,774	195,779
Share of retained earnings from associated companies:		
- Realised	30,094	30,371
- Unrealised	2,586	2,871
	32,680	33,242
Consolidation adjustments	50,619	50,619
Consolidated retained earnings	<u>293,073</u>	<u>279,640</u>