



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the First Quarter Ended 30 September 2015

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(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2015

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Revenue		102,556	169,100	102,556	169,100
Operating expenses		(102,682)	(166,622)	(102,682)	(166,622)
Other operating income		3,633	4,733	3,633	4,733
Profit from operations		3,507	7,211	3,507	7,211
Finance costs		(211)	(208)	(211)	(208)
Share in results of associated companies		899	368	899	368
Exceptional item	23(k)	(353)	(210)	(353)	(210)
Profit before tax	23	3,842	7,161	3,842	7,161
Income tax expense	16	(1,479)	(2,330)	(1,479)	(2,330)
Profit for the period		2,363	4,831	2,363	4,831
Profit attributable to :					
- Owners of the Company		2,276	4,750	2,276	4,750
- Non-controlling interests		87	81	87	81
Profit for the period		2,363	4,831	2,363	4,831
Earnings per share attributable to owners of the Company (sen) :	21				
- Basic		0.98	2.05	0.98	2.05
- Diluted		0.98	2.05	0.98	2.05

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2015</u> RM'000	<u>30.9.2014</u> RM'000	<u>30.9.2015</u> RM'000	<u>30.9.2014</u> RM'000
Profit for the period	2,363	4,831	2,363	4,831
<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	24,754	6,089	24,754	6,089
Changes in fair value of available-for-sale financial assets and asset classified as held for sale	113	(15)	113	(15)
Other comprehensive income for the period	24,867	6,074	24,867	6,074
Total comprehensive income for the period	<u>27,230</u>	<u>10,905</u>	<u>27,230</u>	<u>10,905</u>
Total comprehensive income attributable to:				
- Owners of the Company	26,137	10,286	26,137	10,286
- Non-controlling interests	1,093	619	1,093	619
	<u>27,230</u>	<u>10,905</u>	<u>27,230</u>	<u>10,905</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 2015

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2015 RM'000	AS AT 30.6.2015 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		34,922	34,107
Investment properties		609	614
Investment in associated companies		46,805	39,435
Other investments		3,273	2,664
Trade and other receivables		314,269	314,269
Deferred tax assets		4,126	4,126
Total Non-Current Assets		<u>404,004</u>	<u>395,215</u>
Current Assets			
Inventories		13,425	13,544
Trade receivables		109,887	117,686
Other receivables and prepayments		141,489	126,275
Amount owing by immediate holding company		130,739	130,251
Amount owing by other related companies		138,341	136,262
Tax recoverable		4,116	2,250
Fixed deposits, cash and bank balances		126,881	120,348
Total Current Assets		<u>664,878</u>	<u>646,616</u>
Total Assets		<u>1,068,882</u>	<u>1,041,831</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		231,572	231,572
Reserves		681,228	655,890
Equity attributable to owners of the Company		912,800	887,462
Non-controlling interests		25,444	24,375
Total Equity		<u>938,244</u>	<u>911,837</u>
Non-Current and Deferred Liabilities			
Hire-purchase payables		329	384
Deferred tax liabilities		1,210	1,210
Total Non-Current and Deferred Liabilities		<u>1,539</u>	<u>1,594</u>
Current Liabilities			
Trade payables		32,936	38,732
Other payables and accrued expenses		62,506	61,305
Amount owing to other related companies		5,704	5,408
Hire-purchase payables		204	195
Bank borrowings	18	27,187	22,313
Tax liabilities		562	447
Total Current Liabilities		<u>129,099</u>	<u>128,400</u>
Total Liabilities		<u>130,638</u>	<u>129,994</u>
Total Equity and Liabilities		<u>1,068,882</u>	<u>1,041,831</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.97</u>	<u>3.83</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 2015

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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	Treasury shares RM'000	Other reserves RM'000	(Accumulated losses)/ Retained earnings RM'000			
<u>30 September 2015</u>								
At 1 July 2015	231,572	689,330	(49)	38,729	(72,120)	887,462	24,375	911,837
Total comprehensive income for the period	-	-	-	23,861	2,276	26,137	1,093	27,230
Acquisition of non-controlling interests	-	-	-	-	19	19	(24)	(5)
Purchase of treasury shares (Note 5)	-	-	(818)	-	-	(818)	-	(818)
At 30 September 2015	231,572	689,330	(867)	62,590	(69,825)	912,800	25,444	938,244
<u>30 September 2014</u>								
At 1 July 2014	231,572	689,330	-	14,303	26,844	962,049	30,897	992,946
Total comprehensive income for the period	-	-	-	5,536	4,750	10,286	619	10,905
At 30 September 2014	231,572	689,330	-	19,839	31,594	972,335	31,516	1,003,851

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 2015

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2015	30.9.2014
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	3,842	7,161
Adjustments for:		
Non-cash items	884	1,245
Non-operating items	(2,813)	(3,377)
Operating profit before changes in working capital	1,913	5,029
Changes in working capital:		
Net changes in current assets	8,340	45,007
Net changes in current liabilities	(4,809)	(36,376)
Others	(3,073)	(107)
	2,371	13,553
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(368)	(687)
Increase in amount owing by other related companies	(2,139)	(6,167)
Additions to other investments	(850)	-
Acquisition of non-controlling interests	(5)	-
Cash at banks held under Escrow Account and fixed deposits pledged	(162)	(1,811)
Interest received	2,783	1,417
Proceeds from disposal of property, plant and equipment	115	406
Others	222	499
	(404)	(6,343)
FINANCING ACTIVITIES		
Increase/(Decrease) in bank borrowings	1,009	(1,216)
Purchase of treasury shares	(818)	-
Others	38	(249)
	229	(1,465)
Net changes in cash and cash equivalents	2,196	5,745
Effect of exchange differences	645	827
Cash and cash equivalents at beginning of the period	93,945	51,727
Cash and cash equivalents at end of the period	96,786	58,299

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements)

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 2015. 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 2015.

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 2015.

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

During the financial year-to-date, the Company repurchased a total of 1,406,400 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.58 per share. The total consideration paid for the shares repurchased including transaction costs amounting to RM817,639 was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 30 September 2015, the number of treasury shares held were 1,468,900 shares.

Other than as disclosed above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date.

6. Dividend paid

There were no dividends paid during the current quarter and financial year-to-date.

7. Segmental information

The Group's segmental report for the financial year-to-date was as follows :

	Building materials and steel products	Lubricants, petroleum and automotive products	Others	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External customers	79,634	18,919	4,003	-	102,556
Inter-segment sales	-	1	3	(4)	-
Total revenue	<u>79,634</u>	<u>18,920</u>	<u>4,006</u>	<u>(4)</u>	<u>102,556</u>
Results					
Segment results	(277)	2,815	969	-	3,507
Finance costs	(2)	(13)	(196)	-	(211)
Share in results of associated companies	-	-	899	-	899
Exceptional item	(74)	(102)	(177)	-	(353)
Profit before tax					3,842
Income tax expense					(1,479)
Profit for the period					<u>2,363</u>
Assets					
Segment assets	568,099	89,921	215,915	-	873,935
Investment in associated companies	-	-	46,805	-	46,805
Unallocated corporate assets					148,142
					<u>1,068,882</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 2015.

11. Performance review

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Revenue					
Building materials and steel products		79,634	139,775	79,634	139,775
Lubricants, petroleum and automotive products		18,919	23,171	18,919	23,171
Others		4,003	6,154	4,003	6,154
		<u>102,556</u>	<u>169,100</u>	<u>102,556</u>	<u>169,100</u>
Segment results					
Building materials and steel products		(277)	2,442	(277)	2,442
Lubricants, petroleum and automotive products		2,815	4,485	2,815	4,485
Others		969	284	969	284
Profit from operations		<u>3,507</u>	<u>7,211</u>	<u>3,507</u>	<u>7,211</u>
Finance costs		(211)	(208)	(211)	(208)
Share in results of associated companies		899	368	899	368
Exceptional item	23(k)	(353)	(210)	(353)	(210)
Profit before tax	23	<u>3,842</u>	<u>7,161</u>	<u>3,842</u>	<u>7,161</u>
Income tax expense	16	(1,479)	(2,330)	(1,479)	(2,330)
Profit for the period		<u>2,363</u>	<u>4,831</u>	<u>2,363</u>	<u>4,831</u>

For the first quarter of the financial year 2016, the Group posted a 39% lower revenue of RM102.6 million and its operating profit contracted by 51% to RM3.5 million from that recorded in the preceding year corresponding period. This was largely due to the lower sales from the building materials, steel related products and petroleum products.

The Building Materials and Steel Products Division recorded a 43% drop in revenue to RM79.6 million as compared with the preceding year corresponding period due to the lower demand for steel related products from the local steel producers and building materials. Correspondingly, the Division recorded a loss of RM0.3 million against a profit of RM2.4 million in the preceding year.

Revenue and profit of the Lubricants, Petroleum and Automotive Products Division declined by 18% and 37% to RM18.9 million and RM2.8 million respectively, largely due to the lower sales of lubricants and automotive products amid low market sentiment.

Others include mainly transportation business, investment holding and agriculture. These activities collectively contributed a profit of RM1.0 million compared with RM0.3 million in the preceding year due to the lower expenses incurred by the agriculture project.

The Group recognised an impairment loss on quoted investments of RM0.4 million.

Overall, the Group registered a profit before tax of RM3.8 million compared with RM7.2 million in the preceding year corresponding period.

12. Material changes in the results for the current quarter compared with the immediate preceding quarter

	Current Year Quarter	Immediate Preceding Quarter
	30.9.2015	30.6.2015
	RM'000	RM'000
Revenue	102,556	187,617
Profit from operations	3,507	4,862
Profit/(Loss) before tax	3,842	(42,589)

Revenue of the Group for the quarter under review was 45% lower at RM102.6 million compared with RM187.6 million recorded in the immediate preceding quarter mainly due to the lower sales of building materials and steel related products. Consequently, profit from operations dropped to RM3.5 million from RM4.9 million.

The Group recorded a profit before tax of RM3.8 million against a loss of RM42.6 million in the immediate preceding quarter. The results for the immediate preceding quarter included associated companies' losses of RM47.1 million, mainly attributable to losses recorded by Lion Asiapac Limited that arose from its property and limestone processing operations.

13. a) Prospects

The outlook for the next quarter will continue to be challenging due to the prevailing uncertainties in the operating environment and low market sentiment. The Group will remain vigilant and respond accordingly to changes in the market conditions. The Group will continue to expand its business network, develop new product range and effectively manage its costs to sustain operating profits.

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	1,479	2,330	1,479	2,330
	<u>1,479</u>	<u>2,330</u>	<u>1,479</u>	<u>2,330</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	Subject	Status
a.	26.8.2015 7.9.2015 7.10.2015	Proposed acquisition of all the remaining ordinary shares of RM1.00 each in Lion AMB Resources Berhad ("Lion AMB") not already held by the Company to be undertaken by way of a members' scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 ("Act") ("Proposed Acquisition"), between Lion AMB and all shareholders of Lion AMB other than the Company ("Scheme Shareholders") ("Scheme").	Approval was obtained from: i) Securities Commission for an exemption pursuant to Practice Note 44 of the Malaysian Code on Take-Overs and Mergers, 2010 ("Code") from certain provisions of the Code for the implementation of the Scheme. Pending approval from: i) Scheme Shareholders; ii) sanction of the Scheme by the High Court under Section 176 of the Act; and iii) where required, the approval, waiver and/or consent of any other relevant authorities and/or parties. The Scheme is not subject to the approval of the shareholders of the Company.

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	25,963	-	25,963
Unsecured	1,224	-	1,224
	<u>27,187</u>	<u>-</u>	<u>27,187</u>
		Foreign Currency	

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

	'000	RM'000
- Ringgit Malaysia	-	1,224
- United States Dollar	5,848	25,963
		<u>27,187</u>

19. Changes in material litigation

There was no material litigation since 30 June 2015.

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>30.9.2015</u>	<u>30.9.2014</u>	<u>30.9.2015</u>	<u>30.9.2014</u>
Profit attributable to owners of the Company (RM'000)	<u>2,276</u>	<u>4,750</u>	<u>2,276</u>	<u>4,750</u>
Weighted average number of shares in issue ('000)	<u>231,146</u>	<u>231,572</u>	<u>231,146</u>	<u>231,572</u>
Basic EPS (sen)	<u>0.98</u>	<u>2.05</u>	<u>0.98</u>	<u>2.05</u>

Diluted

The diluted EPS is the same as the basic EPS as the options over unissued ordinary shares granted pursuant to the executive share option scheme at the end of the reporting period has anti-dilutive effect since the exercise price of the options was above the average market value of the Company's shares during the financial period.

22. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2015 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	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
a) Interest income	3,024	3,584	3,024	3,584
b) Other income including investment income	609	1,149	609	1,149
c) Interest expense	(211)	(208)	(211)	(208)
d) Depreciation and amortisation	(1,486)	(1,393)	(1,486)	(1,393)
e) Provision for and write off of receivables	(1,002)	(915)	(1,002)	(915)
f) Provision for and write off of inventories	-	-	-	-
g) Gain or (loss) on disposal of - quoted or unquoted investments or properties	-	-	-	-
h) Impairment of assets (refer to item (k))	-	-	-	-
i) Foreign exchange gain or (loss)	484	48	484	48
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional item - impairment loss on quoted investments	(353)	(210)	(353)	(210)

24. Realised and Unrealised Earnings/Losses Disclosure

	AS AT	AS AT
	30.9.2015	30.6.2015
	RM'000	RM'000
Accumulated losses of the Company and its subsidiary companies:		
- Realised	(94,033)	(95,431)
- Unrealised	(11,665)	(11,663)
	(105,698)	(107,094)
Share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(15,004)	(16,431)
- Unrealised	258	786
	(14,746)	(15,645)
Consolidation adjustments	50,619	50,619
Consolidated accumulated losses	<u>(69,825)</u>	<u>(72,120)</u>