



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

---

(Incorporated in Malaysia)

## **Interim Financial Report for the Second Quarter Ended 31 December 2015**

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

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2015

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Revenue		158,101	160,023	260,657	329,123
Operating expenses		(156,466)	(158,950)	(259,148)	(325,572)
Other operating income		4,272	4,745	7,905	9,478
Profit from operations		5,907	5,818	9,414	13,029
Finance costs		(200)	(194)	(411)	(402)
Share in results of associated companies		(776)	46	123	414
Exceptional items	23(k)	-	(70,916)	(353)	(71,126)
Profit/(Loss) before tax	23	4,931	(65,246)	8,773	(58,085)
Income tax expense	16	(1,833)	(2,272)	(3,312)	(4,602)
Profit/(Loss) for the period		<u>3,098</u>	<u>(67,518)</u>	<u>5,461</u>	<u>(62,687)</u>
Profit/(Loss) attributable to :					
- Owners of the Company		3,000	(67,608)	5,276	(62,858)
- Non-controlling interests		98	90	185	171
Profit/(Loss) for the period		<u>3,098</u>	<u>(67,518)</u>	<u>5,461</u>	<u>(62,687)</u>
Earnings/(Loss) per share attributable to owners of the Company (sen) :	21				
- Basic		<u>1.31</u>	<u>(29.20)</u>	<u>2.29</u>	<u>(27.14)</u>
- Diluted		<u>1.31</u>	<u>(29.20)</u>	<u>2.29</u>	<u>(27.14)</u>

*(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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(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2015  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Profit/(Loss) for the period	3,098	(67,518)	5,461	(62,687)
<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	(6,810)	5,292	17,944	11,381
Changes in fair value of available-for-sale financial assets and asset classified as held for sale	106	2	219	(13)
Other comprehensive (loss)/income for the period	(6,704)	5,294	18,163	11,368
Total comprehensive (loss)/income for the period	<u>(3,606)</u>	<u>(62,224)</u>	<u>23,624</u>	<u>(51,319)</u>
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(3,339)	(62,360)	22,798	(52,074)
- Non-controlling interests	(267)	136	826	755
	<u>(3,606)</u>	<u>(62,224)</u>	<u>23,624</u>	<u>(51,319)</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)*

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

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2015

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT 31.12.2015 RM'000</b>	<b>AS AT 30.6.2015 RM'000</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		33,325	34,107
Investment properties		605	614
Investment in associated companies		43,338	39,435
Other investments		3,379	2,664
Trade and other receivables		314,269	314,269
Deferred tax assets		4,126	4,126
Total Non-Current Assets		<u>399,042</u>	<u>395,215</u>
<b>Current Assets</b>			
Inventories		59,601	13,544
Trade receivables		124,403	117,686
Other receivables and prepayments		139,656	126,275
Amount owing by immediate holding company		118,858	130,251
Amount owing by other related companies		103,288	136,262
Tax recoverable		5,419	2,250
Fixed deposits, cash and bank balances		118,773	120,348
Total Current Assets		<u>669,998</u>	<u>646,616</u>
<b>Total Assets</b>		<b><u>1,069,040</u></b>	<b><u>1,041,831</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		231,572	231,572
Reserves		677,339	655,890
Equity attributable to owners of the Company		<u>908,911</u>	<u>887,462</u>
Non-controlling interests		25,177	24,375
Total Equity		<u>934,088</u>	<u>911,837</u>
<b>Non-Current and Deferred Liabilities</b>			
Hire-purchase payables		300	384
Deferred tax liabilities		1,210	1,210
Total Non-Current and Deferred Liabilities		<u>1,510</u>	<u>1,594</u>
<b>Current Liabilities</b>			
Trade payables		41,026	38,732
Other payables and accrued expenses		61,027	61,305
Amount owing to other related companies		5,933	5,408
Hire-purchase payables		207	195
Bank borrowings	18	24,581	22,313
Tax liabilities		668	447
Total Current Liabilities		<u>133,442</u>	<u>128,400</u>
<b>Total Liabilities</b>		<b><u>134,952</u></b>	<b><u>129,994</u></b>
<b>Total Equity and Liabilities</b>		<b><u>1,069,040</u></b>	<b><u>1,041,831</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>3.96</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)

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

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2015

(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	Treasury shares RM'000	Other reserves RM'000	(Accumulated losses)/ Retained earnings RM'000			
<b><u>31 December 2015</u></b>								
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	-	-	-	17,522	5,276	22,798	826	23,624
Acquisition of non-controlling interests	-	-	-	-	19	19	(24)	(5)
Purchase of treasury shares (Note 5)	-	-	(1,368)	-	-	(1,368)	-	(1,368)
At 31 December 2015	<u>231,572</u>	<u>689,330</u>	<u>(1,417)</u>	<u>56,251</u>	<u>(66,825)</u>	<u>908,911</u>	<u>25,177</u>	<u>934,088</u>
<b><u>31 December 2014</u></b>								
At 1 July 2014	231,572	689,330	-	14,303	26,844	962,049	30,897	992,946
Total comprehensive income/(loss) for the period	-	-	-	10,784	(62,858)	(52,074)	755	(51,319)
Share-based payments	-	-	-	267	-	267	-	267
Acquisition of non-controlling interests	-	-	-	-	709	709	(1,457)	(748)
At 31 December 2014	<u>231,572</u>	<u>689,330</u>	<u>-</u>	<u>25,354</u>	<u>(35,305)</u>	<u>910,951</u>	<u>30,195</u>	<u>941,146</u>

*(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)*

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Interim financial report for the second quarter ended 31 December 2015

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	YEAR-TO-DATE ENDED	
	31.12.2015	31.12.2014
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax	8,773	(58,085)
Adjustments for:		
Non-cash items	3,682	4,649
Non-operating items	(6,240)	(7,643)
Operating profit before changes in working capital	6,215	(61,079)
Changes in working capital:		
Net changes in current assets	(39,350)	61,085
Net changes in current liabilities	(1,640)	34,398
Others	(5,954)	(6,281)
	<u>(40,729)</u>	<u>28,123</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(681)	(964)
Decrease/(Increase) in amount owing by other related companies	37,000	(2,436)
Additions to other investments	(850)	-
Acquisition of non-controlling interests	(5)	(748)
Interest received	2,100	3,622
Cash at banks held under Escrow Account and fixed deposits pledged	1,483	(2,505)
Dividend income received from an associated company	452	-
Proceeds from disposal of property, plant and equipment	290	560
Others	380	501
	<u>40,169</u>	<u>(1,970)</u>
<b>FINANCING ACTIVITIES</b>		
Decrease in bank borrowings	(745)	(1,840)
Purchase of treasury shares	(1,368)	-
Others	41	(402)
	<u>(2,072)</u>	<u>(2,242)</u>
Net changes in cash and cash equivalents	(2,632)	23,911
Effect of exchange differences	412	561
Cash and cash equivalents at beginning of the period	93,945	51,727
Cash and cash equivalents at end of the period	<u>91,725</u>	<u>76,199</u>

*(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)*

**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 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 2,218,200 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.62 per share. The total consideration paid for the shares repurchased including transaction costs amounting to RM1,367,740 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 31 December 2015, the number of treasury shares held were 2,280,700 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 :

	<b>Building materials and steel products</b>	<b>Lubricants, petroleum 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	215,005	38,161	7,491	-	260,657
Inter-segment sales	-	3	117	(120)	-
Total revenue	<u>215,005</u>	<u>38,164</u>	<u>7,608</u>	<u>(120)</u>	<u>260,657</u>
<b>Results</b>					
Segment results	1,860	5,504	2,050	-	9,414
Finance costs	(3)	(28)	(380)	-	(411)
Share in results of associated companies	-	-	123	-	123
Exceptional item	(74)	(102)	(177)	-	(353)
Profit before tax					<u>8,773</u>
Income tax expense					(3,312)
Profit for the period					<u>5,461</u>
<b>Assets</b>					
Segment assets	611,526	91,572	208,187	-	911,285
Investment in associated companies	-	-	43,338	-	43,338
Unallocated corporate assets					114,417
					<u>1,069,040</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	
		31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
<b>Revenue</b>					
Building materials and steel products		135,371	135,047	215,005	274,822
Lubricants, petroleum and automotive products		19,242	19,213	38,161	42,384
Others		3,488	5,763	7,491	11,917
		<u>158,101</u>	<u>160,023</u>	<u>260,657</u>	<u>329,123</u>
<b>Segment results</b>					
Building materials and steel products		2,137	2,728	1,860	5,170
Lubricants, petroleum and automotive products		2,689	2,072	5,504	6,557
Others		1,081	1,018	2,050	1,302
Profit from operations		<u>5,907</u>	<u>5,818</u>	<u>9,414</u>	<u>13,029</u>
Finance costs		(200)	(194)	(411)	(402)
Share in results of associated companies		(776)	46	123	414
Exceptional items	23(k)	-	(70,916)	(353)	(71,126)
Profit/(Loss) before tax	23	<u>4,931</u>	<u>(65,246)</u>	<u>8,773</u>	<u>(58,085)</u>
Income tax expense	16	(1,833)	(2,272)	(3,312)	(4,602)
Profit/(Loss) for the period		<u>3,098</u>	<u>(67,518)</u>	<u>5,461</u>	<u>(62,687)</u>

For the first six months of the financial year 2016, the Group posted a 21% lower revenue of RM260.7 million and its operating profit contracted by 28% to RM9.4 million from that recorded in the preceding year corresponding period. This was largely due to the lower sales of the building materials, steel related products and petroleum products.

Revenue of the Building Materials and Steel Products Division declined by 22% to RM215.0 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. Accordingly, the Division's profit was lower at RM1.9 million compared with RM5.2 million in the preceding year.

Revenue and profit of the Lubricants, Petroleum and Automotive Products Division declined by 10% and 16% to RM38.2 million and RM5.5 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 RM2.1 million compared with RM1.3 million in the preceding year due to the lower expenses incurred by the agriculture project.

Overall, the Group registered a profit before tax of RM8.8 million against a loss of RM58.1 million in the preceding year corresponding period. Included in the preceding year's loss was a one-time loss of RM70.0 million on the full and final settlement of the litigation claim against a former subsidiary company.

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

	<b>Current Year Quarter</b>	<b>Immediate Preceding Quarter</b>
	<b>31.12.2015</b>	<b>30.9.2015</b>
	RM'000	RM'000
Revenue	158,101	102,556
Profit from operations	5,907	3,507
Profit before tax	4,931	3,842

Revenue of the Group for the quarter under review was 54% higher at RM158.1 million compared with RM102.6 million recorded in the immediate preceding quarter mainly driven by higher sales of building materials and steel related products. Coupled with higher interest income, profit from operations rose to RM5.9 million from RM3.5 million.

After accounting for results from associated companies, the Group recorded a higher profit before tax of RM4.9 million compared with RM3.8 million in the immediate preceding quarter.

**13. a) Prospects**

The business landscape for the next quarter is expected to remain challenging as uncertainties continue to weigh on global and local economies thus causing low market sentiment.

Notwithstanding these challenges, the Group remains vigilant and responsive to market changes, and continues to nurture its businesses, and manage 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**

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	1,796	2,464	3,275	4,794
- Overprovision in prior years	-	(136)	-	(136)
Deferred tax				
- Current provision	-	(56)	-	(56)
- Underprovision in prior years	37	-	37	-
	<u>1,833</u>	<u>2,272</u>	<u>3,312</u>	<u>4,602</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	Subject	Status
a.	26.8.2015 7.9.2015 7.10.2015 2.12.2015 11.12.2015 13.1.2016 5.2.2016	Proposed acquisition of 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. ii) Scheme Shareholders on 5 February 2016.  Pending approval from: i) sanction of the Scheme by the High Court under Section 176 of the Act; and ii) 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	23,846	-	23,846
Unsecured	735	-	735
	<u>24,581</u>	<u>-</u>	<u>24,581</u>
		<b>Foreign Currency</b>	

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

	'000	RM'000
- Ringgit Malaysia	-	735
- United States Dollar	5,555	23,846
		<u>24,581</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/(loss) 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>31.12.2015</u>	<u>31.12.2014</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Profit/(Loss) attributable to owners of the Company (RM'000)	<u>3,000</u>	<u>(67,608)</u>	<u>5,276</u>	<u>(62,858)</u>
Weighted average number of shares in issue ('000)	<u>229,800</u>	<u>231,572</u>	<u>230,473</u>	<u>231,572</u>
Basic EPS (sen)	<u>1.31</u>	<u>(29.20)</u>	<u>2.29</u>	<u>(27.14)</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 2015 was not qualified.

**23. Profit/(Loss) before tax**

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

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2015</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2014</b>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	3,627	4,461	6,651	8,045
b) Other income including investment income	645	284	1,254	1,433
c) Interest expense	(200)	(194)	(411)	(402)
d) Depreciation and amortisation	(1,448)	(1,440)	(2,934)	(2,833)
e) Provision for and write off of receivables	(831)	(935)	(1,833)	(1,850)
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)	(133)	(55)	351	(7)
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional item	-	(70,916)	(353)	(71,126)
- impairment loss on quoted investments	-	(706)	(353)	(916)
- impairment loss on unquoted investments	-	(210)	-	(210)
- settlement arising from litigation claim against a former subsidiary company	-	(70,000)	-	(70,000)

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

	<b>AS AT</b>	<b>AS AT</b>
	<b>31.12.2015</b>	<b>30.6.2015</b>
	RM'000	RM'000
Accumulated losses of the Company and its subsidiary companies:		
- Realised	(89,597)	(95,431)
- Unrealised	(12,325)	(11,663)
	(101,922)	(107,094)
Share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(15,889)	(16,431)
- Unrealised	367	786
	(15,522)	(15,645)
Consolidation adjustments	50,619	50,619
Consolidated accumulated losses	<u>(66,825)</u>	<u>(72,120)</u>