



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the Third Quarter Ended 31 March 2016

Condensed Consolidated Statement of Profit or Loss	1
Condensed Consolidated Statement of Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5
Notes to the Condensed Financial Statements	6 - 12

LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Revenue		209,238	204,709	469,895	533,832
Operating expenses		(206,524)	(201,423)	(465,672)	(526,995)
Other operating income		2,810	4,647	10,715	14,125
Profit from operations		5,524	7,933	14,938	20,962
Finance costs		(164)	(196)	(575)	(598)
Share in results of associated companies		(1,133)	(464)	(1,010)	(50)
Exceptional items	23(k)	(56,000)	16	(56,353)	(71,110)
(Loss)/Profit before tax	23	(51,773)	7,289	(43,000)	(50,796)
Income tax expense	16	(2,065)	(2,202)	(5,377)	(6,804)
(Loss)/Profit for the period		<u>(53,838)</u>	<u>5,087</u>	<u>(48,377)</u>	<u>(57,600)</u>
(Loss)/Profit attributable to :					
- Owners of the Company		(53,829)	5,042	(48,553)	(57,816)
- Non-controlling interests		(9)	45	176	216
(Loss)/Profit for the period		<u>(53,838)</u>	<u>5,087</u>	<u>(48,377)</u>	<u>(57,600)</u>
(Loss)/Earnings per share attributable to owners of the Company (sen) :	21				
- Basic		<u>(23.51)</u>	<u>2.18</u>	<u>(21.11)</u>	<u>(24.97)</u>
- Diluted		<u>(23.51)</u>	<u>2.18</u>	<u>(21.11)</u>	<u>(24.97)</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)

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

Interim financial report for the third quarter ended 31 March 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
(Loss)/Profit for the period	(53,838)	5,087	(48,377)	(57,600)
<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	(13,679)	11,971	4,265	23,352
Net gain/(loss) on available-for-sale financial assets:				
- Fair value changes	205	(4)	424	(17)
- Transfer to profit or loss upon disposal	-	(53)	-	(53)
Other comprehensive (loss)/income for the period	(13,474)	11,914	4,689	23,282
Total comprehensive (loss)/income for the period	<u>(67,312)</u>	<u>17,001</u>	<u>(43,688)</u>	<u>(34,318)</u>
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(66,770)	16,126	(43,972)	(35,948)
- Non-controlling interests	(542)	875	284	1,630
	<u>(67,312)</u>	<u>17,001</u>	<u>(43,688)</u>	<u>(34,318)</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 third quarter ended 31 March 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.3.2016 RM'000	AS AT 30.6.2015 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		30,121	34,107
Investment properties		600	614
Investment in associated companies		38,922	39,435
Other investments		3,584	2,664
Trade and other receivables		258,269	314,269
Deferred tax assets		4,126	4,126
Total Non-Current Assets		<u>335,622</u>	<u>395,215</u>
Current Assets			
Inventories		18,736	13,544
Trade receivables		173,565	117,686
Other receivables and prepayments		129,293	126,275
Amount owing by immediate holding company		118,932	130,251
Amount owing by other related companies		104,801	136,262
Tax recoverable		4,671	2,250
Fixed deposits, cash and bank balances		115,480	120,348
Total Current Assets		<u>665,478</u>	<u>646,616</u>
Total Assets		<u>1,001,100</u>	<u>1,041,831</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		231,572	231,572
Reserves		610,142	655,890
Equity attributable to owners of the Company		<u>841,714</u>	<u>887,462</u>
Non-controlling interests		24,635	24,375
Total Equity		<u>866,349</u>	<u>911,837</u>
Non-Current and Deferred Liabilities			
Hire-purchase payables		344	384
Deferred tax liabilities		1,170	1,210
Total Non-Current and Deferred Liabilities		<u>1,514</u>	<u>1,594</u>
Current Liabilities			
Trade payables		44,248	38,732
Other payables and accrued expenses		63,165	61,305
Amount owing to other related companies		2,684	5,408
Hire-purchase payables		207	195
Bank borrowings	18	22,558	22,313
Tax liabilities		375	447
Total Current Liabilities		<u>133,237</u>	<u>128,400</u>
Total Liabilities		<u>134,751</u>	<u>129,994</u>
Total Equity and Liabilities		<u>1,001,100</u>	<u>1,041,831</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.68</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 third quarter ended 31 March 2016
(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			
31 March 2016								
At 1 July 2015	231,572	689,330	(49)	38,729	(72,120)	887,462	24,375	911,837
Total comprehensive income/(loss) for the period	-	-	-	4,581	(48,553)	(43,972)	284	(43,688)
Acquisition of non-controlling interests	-	-	-	-	19	19	(24)	(5)
Purchase of treasury shares (Note 5)	-	-	(1,795)	-	-	(1,795)	-	(1,795)
At 31 March 2016	231,572	689,330	(1,844)	43,310	(120,654)	841,714	24,635	866,349
31 March 2015								
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	-	-	-	21,868	(57,816)	(35,948)	1,630	(34,318)
Share-based payments	-	-	-	267	-	267	-	267
Acquisition of non-controlling interests	-	-	-	-	1,600	1,600	(3,192)	(1,592)
Purchase of treasury shares	-	-	(49)	-	-	(49)	-	(49)
At 31 March 2015	231,572	689,330	(49)	36,438	(29,372)	927,919	29,335	957,254

(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)

(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2016	31.3.2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(43,000)	(50,796)
Adjustments for:		
Non-cash items	63,633	75,169
Non-operating items	(8,431)	(11,063)
Operating profit before changes in working capital	12,202	13,310
Changes in working capital:		
Net changes in current assets	(43,293)	29,808
Net changes in current liabilities	(5,708)	(8,367)
Others	(5,132)	(10,273)
	<u>(41,931)</u>	<u>24,478</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,040)	(4,846)
Decrease/(Increase) in amount owing by other related companies	37,000	(3,757)
Additions to other investments	(850)	-
Acquisition of non-controlling interests	(5)	(1,592)
Settlement arising from litigation claim against a former subsidiary company	-	(85,000)
Interest received	2,703	4,802
Cash at banks held under Escrow Account and fixed deposits pledged	1,512	134,266
Dividend income received from an associated company	452	384
Proceeds from disposal of property, plant and equipment	1,298	4,816
Others	381	577
	<u>41,451</u>	<u>49,650</u>
FINANCING ACTIVITIES		
Decrease in bank borrowings	(660)	(154)
Purchase of treasury shares	(1,795)	(49)
Others	(604)	(598)
	<u>(3,059)</u>	<u>(801)</u>
Net changes in cash and cash equivalents	(3,539)	73,327
Effect of exchange differences	51	975
Cash and cash equivalents at beginning of the period	93,945	51,727
Cash and cash equivalents at end of the period	<u>90,457</u>	<u>126,029</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)

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 2,865,000 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.63 per share. The total consideration paid for the shares repurchased including transaction costs amounting to RM1,794,945 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 March 2016, the number of treasury shares held were 2,927,500 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	403,614	56,950	9,331	-	469,895
Inter-segment sales	-	3	317	(320)	-
Total revenue	<u>403,614</u>	<u>56,953</u>	<u>9,648</u>	<u>(320)</u>	<u>469,895</u>
Results					
Segment results	5,445	8,170	1,323	-	14,938
Finance costs	(5)	(40)	(530)	-	(575)
Share in results of associated companies	-	-	(1,010)	-	(1,010)
Exceptional item	(54,074)	(1,102)	(1,177)	-	(56,353)
Loss before tax					(43,000)
Income tax expense					(5,377)
Loss for the period					<u>(48,377)</u>
Assets					
Segment assets	563,310	91,890	191,710	-	846,910
Investment in associated companies	-	-	38,922	-	38,922
Unallocated corporate assets					115,268
					<u>1,001,100</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	
		31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Revenue					
Building materials and steel products		188,609	176,369	403,614	451,191
Lubricants, petroleum and automotive products		18,789	23,402	56,950	65,786
Others		1,840	4,938	9,331	16,855
		<u>209,238</u>	<u>204,709</u>	<u>469,895</u>	<u>533,832</u>
Segment results					
Building materials and steel products		3,585	3,240	5,445	8,410
Lubricants, petroleum and automotive products		2,666	3,808	8,170	10,365
Others		(727)	885	1,323	2,187
Profit from operations		<u>5,524</u>	<u>7,933</u>	<u>14,938</u>	<u>20,962</u>
Finance costs		(164)	(196)	(575)	(598)
Share in results of associated companies		(1,133)	(464)	(1,010)	(50)
Exceptional items	23(k)	(56,000)	16	(56,353)	(71,110)
(Loss)/Profit before tax	23	<u>(51,773)</u>	<u>7,289</u>	<u>(43,000)</u>	<u>(50,796)</u>
Income tax expense	16	(2,065)	(2,202)	(5,377)	(6,804)
(Loss)/Profit for the period		<u>(53,838)</u>	<u>5,087</u>	<u>(48,377)</u>	<u>(57,600)</u>

For the first nine months of the financial year 2016, Group revenue of RM469.9 million and Group operating profit of RM14.9 million were 12% and 29% lower than those recorded in the preceding year corresponding period respectively. These were largely due to the lower sales of building materials, steel related products and petroleum products.

Building Materials and Steel Products Division recorded an 11% lower revenue of RM403.6 million compared with the preceding year corresponding period due to the lower demand for steel related products from the local steel producers and building materials. The Division's profit was accordingly lower at RM5.4 million compared with RM8.4 million in the preceding year.

Revenue and profit of the Lubricants, Petroleum and Automotive Products Division declined by 13% and 21% to RM57.0 million and RM8.2 million respectively, largely due to 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 lower revenue and lower profit of RM9.3 million and RM1.3 million compared with RM16.9 million and RM2.2 million respectively in the preceding year due to lower sales volume and lower interest income.

The Group recognised exceptional items totalling RM56.4 million, comprising an impairment loss on receivables of RM56.0 million and an impairment loss on quoted investment of RM0.4 million.

The Group registered a lower loss before tax of RM43.0 million compared with a loss of RM50.8 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

	Current Year Quarter	Immediate Preceding Quarter
	31.3.2016	31.12.2015
	RM'000	RM'000
Revenue	209,238	158,101
Profit from operations	5,524	5,907
(Loss)/Profit before tax	(51,773)	4,931

Revenue of the Group for the quarter under review was 32% higher at RM209.2 million compared with RM158.1 million recorded in the immediate preceding quarter mainly driven by higher sales of building materials and steel related products. The Group, however, recorded a lower profit from operations of RM5.5 million mainly due to lower interest income.

After accounting for an impairment loss on receivables of RM56.0 million, the Group recorded a loss before tax of RM51.8 million against a profit of RM4.9 million in the immediate preceding quarter.

13. a) Prospects

The market outlook for the next quarter is expected to remain challenging. Uncertainties continue to weigh on global and local economies thus causing low market sentiment and intensifying competition.

The Group also takes into consideration the potential recoverability of its receivables. This includes a scheme of arrangement being structured by a major debtor, the implementation of which may impact on the extent of the recoverability of the Group's outstanding receivables.

Notwithstanding these challenges, the Group remains vigilant and responsive to market changes and continues to nurture its businesses as well as manage costs to sustain operating performance.

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	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Estimated tax payable				
- Current provision	2,105	2,202	5,380	6,996
- Overprovision in prior years	-	-	-	(136)
Deferred tax				
- Current provision	-	-	-	(56)
- Overprovision in prior years	(40)	-	(3)	-
	<u>2,065</u>	<u>2,202</u>	<u>5,377</u>	<u>6,804</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 2.12.2015 11.12.2015 13.1.2016 14.1.2016 5.2.2016 24.3.2016 6.4.2016 20.4.2016 16.5.2016	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").	<ol style="list-style-type: none"> 1. Approval was obtained from: <ol style="list-style-type: none"> 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 of Lion AMB on 5 February 2016. 2. The Scheme is not subject to the approval of the shareholders of the Company. 3. The High Court of Malaya had granted an order for the sanction of the Scheme on 24 March 2016 and the Scheme became effective for implementation on 6 April 2016. 4. Cash consideration of RM0.40 each was paid to all entitled Scheme Shareholders on 16 May 2016. 5. The Proposed Acquisition was completed on 16 May 2016.

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	22,010	-	22,010
Unsecured	548	-	548
	<u>22,558</u>	<u>-</u>	<u>22,558</u>

**Foreign
Currency**

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

	'000	RM'000
- Ringgit Malaysia	-	548
- United States Dollar	5,601	22,010
		<u>22,558</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. (Loss)/Earnings per share ("EPS")**Basic**

Basic EPS is calculated by dividing the Group's (loss)/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:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
(Loss)/Profit attributable to owners of the Company (RM'000)	<u>(53,829)</u>	<u>5,042</u>	<u>(48,553)</u>	<u>(57,816)</u>
Weighted average number of shares in issue ('000)	<u>228,946</u>	<u>231,549</u>	<u>229,968</u>	<u>231,564</u>
Basic EPS (sen)	<u>(23.51)</u>	<u>2.18</u>	<u>(21.11)</u>	<u>(24.97)</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. (Loss)/Profit before tax

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,355	3,617	9,006	11,662
b) Other income including investment income	455	1,030	1,709	2,463
c) Interest expense	(164)	(196)	(575)	(598)
d) Depreciation and amortisation	(1,590)	(1,581)	(4,524)	(4,414)
e) Provision for and write off of receivables	(878)	(1,143)	(2,711)	(2,993)
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)	(275)	1,968	76	1,961
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional items	(56,000)	16	(56,353)	(71,110)
- impairment loss on receivables	(56,000)	-	(56,000)	-
- impairment loss on quoted investments	-	(85)	(353)	(1,001)
- impairment loss on unquoted investments	-	101	-	(109)
- settlement arising from litigation claim against a former subsidiary company	-	-	-	(70,000)

24. Realised and Unrealised Earnings/Losses Disclosure

	AS AT	AS AT
	31.3.2016	30.6.2015
	RM'000	RM'000
Accumulated losses of the Company and its subsidiary companies:		
- Realised	(139,458)	(95,431)
- Unrealised	(15,160)	(11,663)
	(154,618)	(107,094)
Share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(17,181)	(16,431)
- Unrealised	526	786
	(16,655)	(15,645)
Consolidation adjustments	50,619	50,619
Consolidated accumulated losses	(120,654)	(72,120)