



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the Fourth Quarter Ended 30 June 2016

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LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim financial report for the fourth quarter ended 30 June 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Revenue		95,208	187,617	565,103	721,449
Operating expenses		(94,578)	(184,643)	(560,250)	(711,638)
Other operating income		6,561	5,508	17,276	19,633
Profit from operations		7,191	8,482	22,129	29,444
Finance costs		(211)	(185)	(786)	(783)
Share in results of associated companies		(5,146)	(47,101)	(6,156)	(47,151)
Exceptional items	23(k)	(335,636)	(3,785)	(391,989)	(74,895)
Loss before tax	23	(333,802)	(42,589)	(376,802)	(93,385)
Income tax expense	16	(2,382)	(4,363)	(7,759)	(11,167)
Loss for the period		<u>(336,184)</u>	<u>(46,952)</u>	<u>(384,561)</u>	<u>(104,552)</u>
Loss attributable to :					
- Owners of the Company		(336,334)	(42,152)	(384,887)	(99,968)
- Non-controlling interests		150	(4,800)	326	(4,584)
Loss for the period		<u>(336,184)</u>	<u>(46,952)</u>	<u>(384,561)</u>	<u>(104,552)</u>
Loss per share attributable to owners of the Company (sen) :	21				
- Basic		<u>(147.05)</u>	<u>(18.21)</u>	<u>(167.59)</u>	<u>(43.17)</u>
- Diluted		<u>(147.05)</u>	<u>(18.21)</u>	<u>(167.59)</u>	<u>(43.17)</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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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Loss for the period	(336,184)	(46,952)	(384,561)	(104,552)
<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	2,754	1,991	7,019	25,343
Net gain/(loss) on available-for-sale financial assets:				
- Fair value changes	(448)	2	(24)	(15)
- Transfer to profit or loss upon disposal	-	(1)	-	(54)
Other comprehensive income for the period	2,306	1,992	6,995	25,274
Total comprehensive loss for the period	(333,878)	(44,960)	(377,566)	(79,278)
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(334,069)	(39,712)	(378,041)	(75,660)
- Non-controlling interests	191	(5,248)	475	(3,618)
	(333,878)	(44,960)	(377,566)	(79,278)

(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)

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Interim financial report for the fourth quarter ended 30 June 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.6.2016 RM'000	AS AT 30.6.2015 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		29,325	34,107
Investment properties		596	614
Investment in associated companies		33,946	39,435
Other investments		2,785	2,664
Trade and other receivables		-	314,269
Deferred tax assets		5,638	4,126
Total Non-Current Assets		<u>72,290</u>	<u>395,215</u>
Current Assets			
Inventories		15,085	13,544
Trade receivables		101,674	117,686
Other receivables and prepayments		126,410	126,275
Amount owing by immediate holding company		120,963	130,251
Amount owing by other related companies		106,405	136,262
Tax recoverable		3,474	2,250
Fixed deposits, cash and bank balances		103,930	120,348
Total Current Assets		<u>577,941</u>	<u>646,616</u>
Total Assets		<u>650,231</u>	<u>1,041,831</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		231,572	231,572
Reserves		286,045	655,890
Equity attributable to owners of the Company		<u>517,617</u>	<u>887,462</u>
Non-controlling interests		744	24,375
Total Equity		<u>518,361</u>	<u>911,837</u>
Non-Current and Deferred Liabilities			
Hire-purchase payables		266	384
Deferred tax liabilities		1,762	1,210
Total Non-Current and Deferred Liabilities		<u>2,028</u>	<u>1,594</u>
Current Liabilities			
Trade payables		39,734	38,732
Other payables and accrued expenses		62,095	61,305
Amount owing to other related companies		4,820	5,408
Hire-purchase payables		229	195
Bank borrowings	18	22,321	22,313
Tax liabilities		643	447
Total Current Liabilities		<u>129,842</u>	<u>128,400</u>
Total Liabilities		<u>131,870</u>	<u>129,994</u>
Total Equity and Liabilities		<u>650,231</u>	<u>1,041,831</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.26</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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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 June 2016</u>								
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	-	-	-	6,846	(384,887)	(378,041)	475	(377,566)
Acquisition of non-controlling interests	-	-	-	-	10,004	10,004	(24,106)	(14,102)
Purchase of treasury shares (Note 5)	-	-	(1,808)	-	-	(1,808)	-	(1,808)
At 30 June 2016	231,572	689,330	(1,857)	45,575	(447,003)	517,617	744	518,361
<u>30 June 2015</u>								
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	-	-	-	24,308	(99,968)	(75,660)	(3,618)	(79,278)
Share-based payments	-	-	-	118	-	118	-	118
Acquisition of non-controlling interests	-	-	-	-	1,004	1,004	(2,904)	(1,900)
Purchase of treasury shares	-	-	(49)	-	-	(49)	-	(49)
At 30 June 2015	231,572	689,330	(49)	38,729	(72,120)	887,462	24,375	911,837

(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 fourth quarter ended 30 June 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.6.2016	30.6.2015
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before tax	(376,802)	(93,385)
Adjustments for:		
Non-cash items	405,994	124,072
Non-operating items	(10,905)	(14,446)
Operating profit before changes in working capital	18,287	16,241
Changes in working capital:		
Net changes in current assets	(41,207)	16,917
Net changes in current liabilities	(8,232)	(27,067)
Others	(7,466)	(12,421)
	<u>(38,618)</u>	<u>(6,330)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,610)	(5,465)
Decrease in amount owing by other related companies	37,000	5
Additions to other investments	(850)	-
Acquisition of non-controlling interests	(14,102)	(1,900)
Settlement arising from litigation claim against a former subsidiary company	-	(85,000)
Interest received	3,317	5,593
Cash at banks held under Escrow Account and fixed deposits pledged	1,490	133,544
Dividend income received from an associated company	452	384
Proceeds from disposal of property, plant and equipment	1,597	5,246
Others	447	40
	<u>27,741</u>	<u>52,447</u>
FINANCING ACTIVITIES		
Decrease in bank borrowings	(2,133)	(710)
Purchase of treasury shares	(1,808)	(49)
Others	(869)	(3,140)
	<u>(4,810)</u>	<u>(3,899)</u>
Net changes in cash and cash equivalents	(15,687)	42,218
Cash and cash equivalents at beginning of the period	93,945	51,727
Cash and cash equivalents at end of the period	<u>78,258</u>	<u>93,945</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 2,885,000 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 RM1,807,196 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 June 2016, the number of treasury shares held were 2,947,500 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	477,879	75,032	12,192	-	565,103
Inter-segment sales	-	3	317	(320)	-
Total revenue	<u>477,879</u>	<u>75,035</u>	<u>12,509</u>	<u>(320)</u>	<u>565,103</u>
Results					
Segment results	6,277	10,814	5,038	-	22,129
Finance costs	(8)	(48)	(730)	-	(786)
Share in results of associated companies	-	-	(6,156)	-	(6,156)
Exceptional items	(355,832)	(7,098)	(29,059)	-	(391,989)
Loss before tax					(376,802)
Income tax expense					(7,759)
Loss for the period					<u>(384,561)</u>
Assets					
Segment assets	254,041	80,693	164,347	-	499,081
Investment in associated companies	-	-	33,946	-	33,946
Unallocated corporate assets					117,204
					<u>650,231</u>

8. Subsequent events

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	
		30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Revenue					
Building materials and steel products		74,265	167,012	477,879	618,203
Lubricants, petroleum and automotive products		18,082	16,072	75,032	81,858
Others		2,861	4,533	12,192	21,388
		<u>95,208</u>	<u>187,617</u>	<u>565,103</u>	<u>721,449</u>
Segment results					
Building materials and steel products		832	7,014	6,277	15,424
Lubricants, petroleum and automotive products		2,644	2,160	10,814	12,525
Others		3,715	(692)	5,038	1,495
Profit from operations		<u>7,191</u>	<u>8,482</u>	<u>22,129</u>	<u>29,444</u>
Finance costs		(211)	(185)	(786)	(783)
Share in results of associated companies		(5,146)	(47,101)	(6,156)	(47,151)
Exceptional items	23(k)	(335,636)	(3,785)	(391,989)	(74,895)
Loss before tax	23	<u>(333,802)</u>	<u>(42,589)</u>	<u>(376,802)</u>	<u>(93,385)</u>
Income tax expense	16	(2,382)	(4,363)	(7,759)	(11,167)
Loss for the period		<u>(336,184)</u>	<u>(46,952)</u>	<u>(384,561)</u>	<u>(104,552)</u>

For the financial year 2016, the Group posted a 22% lower revenue of RM565.1 million and its operating profit of RM22.1 million, representing a decline of 25% from those recorded in the preceding year corresponding period. This was largely due to the lower sales of building materials, steel related products and petroleum products.

On segment basis, Building Materials and Steel Products Division posted a revenue of RM477.9 million, a declined by 23% 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 RM6.3 million compared with RM15.4 million in the preceding year.

Lubricants, Petroleum and Automotive Products Division recorded an 8% lower revenue at RM75.0 million and lower profit of RM10.8 million mainly 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 of RM12.2 million compared with RM21.4 million recorded a year ago due to lower sales revenue from the transportation business. However, the Division registered a higher profit of RM5.0 million mainly attributable to a refund of RM3.2 million in relation to forestry royalty from a former subsidiary company.

The Group recognised exceptional items totalling RM392.0 million, comprising an impairment loss on receivables of RM391.3 million and an impairment loss on quoted investment of RM0.7 million.

Overall, the Group registered a higher loss before tax of RM376.8 million compared with a loss of RM93.4 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
	30.6.2016	31.3.2016
	RM'000	RM'000
Revenue	95,208	209,238
Profit from operations	7,191	5,524
Loss before tax	(333,802)	(51,773)

For the quarter under review, revenue of the Group decreased by 54% to RM95.2 million largely due to lower sales of building materials and steel related products. However, the Group recorded a higher profit from operations of RM7.2 million mainly attributable to a refund of RM3.2 million in relation to forestry royalty from a former subsidiary company.

The Group recorded a higher loss before tax of RM333.8 million mainly attributable to an impairment loss on receivables owing by related parties of RM335.3 million (Last quarter: RM56.0 million).

13. a) Prospects

The market outlook for the next financial year is anticipated to remain challenging in view of the prevailing uncertainties affecting the global and local economies. Local market sentiment in the near term remains low as Ringgit Malaysia and commodities prices stay volatile whilst the property market continues to be sluggish.

Nonetheless, the Group will stay vigilant and take proactive steps to meet these challenges. While remaining responsive to changing market conditions, the Group will continue with its on-going efforts to explore and identify new growth areas, expand business network including overseas as well as contain costs to sustain operating performance and be competitive.

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	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	3,151	3,610	8,531	10,606
- Underprovision in prior years	187	924	187	788
Deferred tax				
- Current provision	(387)	(181)	(387)	(237)
- Underprovision in prior years	(569)	10	(572)	10
	<u>2,382</u>	<u>4,363</u>	<u>7,759</u>	<u>11,167</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

There were no corporate proposals for the current quarter and financial year-to-date.

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	22,118	-	22,118
Unsecured	203	-	203
	<u>22,321</u>	<u>-</u>	<u>22,321</u>

**Foreign
Currency**

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

	'000	RM'000
- Ringgit Malaysia	-	203
- United States Dollar	5,504	22,118
		<u>22,321</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 per share ("EPS")**Basic**

Basic EPS is calculated by dividing the Group's 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>30.6.2016</u>	<u>30.6.2015</u>	<u>30.6.2016</u>	<u>30.6.2015</u>
Loss attributable to owners of the Company (RM'000)	<u>(336,334)</u>	<u>(42,152)</u>	<u>(384,887)</u>	<u>(99,968)</u>
Weighted average number of shares in issue ('000)	<u>228,721</u>	<u>231,509</u>	<u>229,658</u>	<u>231,550</u>
Basic EPS (sen)	<u>(147.05)</u>	<u>(18.21)</u>	<u>(167.59)</u>	<u>(43.17)</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 before tax

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2016	30.6.2015	30.6.2016	30.6.2015
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,684	3,567	11,690	15,229
b) Other income including investment income	3,877	1,941	5,586	4,404
c) Interest expense	(211)	(185)	(786)	(783)
d) Depreciation and amortisation	(1,564)	(1,147)	(6,088)	(5,561)
e) Provision for and write off of receivables	(317)	2,993	(3,028)	-
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)	1,041	64	1,117	2,025
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional items	(335,636)	(3,785)	(391,989)	(74,895)
- impairment loss on receivables	(335,284)	(3,620)	(391,284)	(3,620)
- impairment loss on quoted investments	(352)	(210)	(705)	(1,211)
- impairment loss on unquoted investments	-	45	-	(64)
- settlement arising from litigation claim against a former subsidiary company	-	-	-	(70,000)

24. Realised and Unrealised Earnings/Losses Disclosure

	AS AT	AS AT
	30.6.2016	30.6.2015
	RM'000	RM'000
Accumulated losses of the Company and its subsidiary companies:		
- Realised	(461,468)	(95,431)
- Unrealised	(13,901)	(11,663)
	(475,369)	(107,094)
Share of (accumulated losses)/retained earnings from associated companies:		
- Realised	(22,441)	(16,431)
- Unrealised	188	786
	(22,253)	(15,645)
Consolidation adjustments	50,619	50,619
Consolidated accumulated losses	(447,003)	(72,120)