



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

---

(Incorporated in Malaysia)

## **Interim Financial Report for the First Quarter Ended 30 September 2016**

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

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2016

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Revenue		77,146	102,556	77,146	102,556
Operating expenses		(77,534)	(102,682)	(77,534)	(102,682)
Other operating income		2,873	3,633	2,873	3,633
Profit from operations		2,485	3,507	2,485	3,507
Finance costs		(209)	(211)	(209)	(211)
Share in results of associated companies		(239)	899	(239)	899
Exceptional item	23(k)	(899)	(353)	(899)	(353)
Profit before tax	23	1,138	3,842	1,138	3,842
Income tax expense	16	(988)	(1,479)	(988)	(1,479)
Profit for the period		150	2,363	150	2,363
Profit attributable to :					
- Owners of the Company		147	2,276	147	2,276
- Non-controlling interests		3	87	3	87
Profit for the period		150	2,363	150	2,363
Profit per share attributable to owners of the Company (sen) :	21				
- Basic		0.06	0.98	0.06	0.98
- Diluted		0.06	0.98	0.06	0.98

*(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 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 2016  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Profit for the period	150	2,363	150	2,363
<u>Other comprehensive income</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 and other movements	4,484	24,754	4,484	24,754
Net gain on available-for-sale financial assets:				
- Fair value changes	-	113	-	113
Other comprehensive income for the period	4,484	24,867	4,484	24,867
Total comprehensive income for the period	<u>4,634</u>	<u>27,230</u>	<u>4,634</u>	<u>27,230</u>
Total comprehensive income attributable to:				
- Owners of the Company	4,631	26,137	4,631	26,137
- Non-controlling interests	3	1,093	3	1,093
	<u>4,634</u>	<u>27,230</u>	<u>4,634</u>	<u>27,230</u>

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements)*

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(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2016

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT 30.9.2016 RM'000</b>	<b>AS AT 30.6.2016 RM'000</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		28,547	29,325
Investment properties		591	596
Investment in associated companies		34,894	33,945
Other investments		1,886	2,785
Deferred tax assets		5,638	5,638
Total Non-Current Assets		<u>71,556</u>	<u>72,289</u>
<b>Current Assets</b>			
Inventories		15,270	15,085
Trade receivables		83,485	98,663
Other receivables and prepayments		129,264	126,415
Amount owing by immediate holding company		120,089	120,963
Amount owing by other related companies		108,037	106,405
Tax recoverable		4,652	4,232
Fixed deposits, cash and bank balances		118,148	103,930
Total Current Assets		<u>578,945</u>	<u>575,693</u>
<b>Total Assets</b>		<b><u>650,501</u></b>	<b><u>647,982</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		231,572	231,572
Reserves		287,966	283,734
Equity attributable to owners of the Company		<u>519,538</u>	<u>515,306</u>
Non-controlling interests		747	744
Total Equity		<u>520,285</u>	<u>516,050</u>
<b>Non-Current and Deferred Liabilities</b>			
Hire-purchase payables		234	266
Deferred tax liabilities		1,762	1,762
Total Non-Current and Deferred Liabilities		<u>1,996</u>	<u>2,028</u>
<b>Current Liabilities</b>			
Trade payables		35,109	39,734
Other payables and accrued expenses		64,686	62,096
Amount owing to other related companies		4,238	4,882
Hire-purchase payables		203	228
Bank borrowings	18	23,366	22,321
Tax liabilities		618	643
Total Current Liabilities		<u>128,220</u>	<u>129,904</u>
<b>Total Liabilities</b>		<b><u>130,216</u></b>	<b><u>131,932</u></b>
<b>Total Equity and Liabilities</b>		<b><u>650,501</u></b>	<b><u>647,982</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>2.28</u>	<u>2.25</u>

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 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 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 RM'000			
<b>30 September 2016</b>								
At 1 July 2016	231,572	689,330	(1,857)	45,574	(449,313)	515,306	744	516,050
Total comprehensive income for the period	-	-	-	4,484	147	4,631	3	4,634
Purchase of treasury shares (Note 5)	-	-	(399)	-	-	(399)	-	(399)
At 30 September 2016	<u>231,572</u>	<u>689,330</u>	<u>(2,256)</u>	<u>50,058</u>	<u>(449,166)</u>	<u>519,538</u>	<u>747</u>	<u>520,285</u>
<b>30 September 2015</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	-	-	-	23,861	2,276	26,137	1,093	27,230
Acquisition of non-controlling interests	-	-	-	-	19	19	(24)	(5)
Purchase of treasury shares	-	-	(818)	-	-	(818)	-	(818)
At 30 September 2015	<u>231,572</u>	<u>689,330</u>	<u>(867)</u>	<u>62,590</u>	<u>(69,825)</u>	<u>912,800</u>	<u>25,444</u>	<u>938,244</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 2016 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 2016

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	YEAR-TO-DATE ENDED	
	30.9.2016	30.9.2015
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	1,138	3,842
Adjustments for:		
Non-cash items	3,054	884
Non-operating items	(2,228)	(2,813)
Operating profit before changes in working capital	1,964	1,913
Changes in working capital:		
Net changes in current assets	18,645	8,340
Net changes in current liabilities	(5,027)	(4,809)
Others	(1,297)	(3,073)
	14,285	2,371
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(386)	(368)
Increase in amount owing by other related companies	(1,665)	(2,139)
Increase in cash at banks held under Escrow Account and fixed deposits pledged	(2,072)	(162)
Additions to other investments	-	(850)
Acquisition of non-controlling interests	-	(5)
Interest received	2,218	2,783
Proceeds from disposal of property, plant and equipment	207	115
Others	(2)	222
	(1,700)	(404)
<b>FINANCING ACTIVITIES</b>		
Increase in bank borrowings	178	1,009
(Decrease)/Increase in amount owing to other related companies	(644)	296
Purchase of treasury shares	(399)	(818)
Others	(267)	(258)
	(1,132)	229
Net changes in cash and cash equivalents	11,453	2,196
Effect of exchange differences	694	645
Cash and cash equivalents at beginning of the period	78,258	93,945
Cash and cash equivalents at end of the period	90,405	96,786

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements)*

Interim financial report for the first quarter ended 30 September 2016  
(The figures have not been audited)

## 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 2016. 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 2016.

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 2016 except for the adoption of the following MFRSs and Amendments to MFRSs effective for the financial period beginning 1 July 2016:

MFRS 14	Regulatory Deferred Accounts
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRSs	Annual Improvement to MFRSs 2012-2014 Cycle

The adoption of the abovementioned MFRSs and Amendments to 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

During the financial year-to-date, the Company repurchased a total of 756,000 ordinary shares of its issued ordinary shares from the open market at an average price of RM0.53 per share. The total consideration paid for the shares repurchased including transaction costs amounting to RM399,466 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 2016, the number of treasury shares held were 3,703,500 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 :

	<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	56,104	19,205	1,837	-	77,146
Inter-segment sales	-	-	8	(8)	-
Total revenue	<u>56,104</u>	<u>19,205</u>	<u>1,845</u>	<u>(8)</u>	<u>77,146</u>
<b>Results</b>					
Segment results	544	2,862	(921)	-	2,485
Finance costs	(3)	(8)	(198)	-	(209)
Share in results of associated companies	-	-	(239)	-	(239)
Exceptional item	(185)	(255)	(459)	-	(899)
Profit before tax					<u>1,138</u>
Income tax expense					(988)
Profit for the period					<u>150</u>
<b>Assets</b>					
Segment assets	244,349	84,467	166,740	-	495,556
Investment in associated companies	-	-	34,894	-	34,894
Unallocated corporate assets					<u>120,051</u>
					<u>650,501</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 2016.



**11. Performance review**

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
<b>Revenue</b>					
Building materials and steel products		56,104	79,634	56,104	79,634
Lubricants, petroleum and automotive products		19,205	18,919	19,205	18,919
Others		1,837	4,003	1,837	4,003
		<u>77,146</u>	<u>102,556</u>	<u>77,146</u>	<u>102,556</u>
<b>Segment results</b>					
Building materials and steel products		544	(277)	544	(277)
Lubricants, petroleum and automotive products		2,862	2,815	2,862	2,815
Others		(921)	969	(921)	969
Profit from operations		<u>2,485</u>	<u>3,507</u>	<u>2,485</u>	<u>3,507</u>
Finance costs		(209)	(211)	(209)	(211)
Share in results of associated companies		(239)	899	(239)	899
Exceptional item	23(k)	(899)	(353)	(899)	(353)
Profit before tax	23	<u>1,138</u>	<u>3,842</u>	<u>1,138</u>	<u>3,842</u>
Income tax expense	16	(988)	(1,479)	(988)	(1,479)
Profit for the period		<u>150</u>	<u>2,363</u>	<u>150</u>	<u>2,363</u>

For the first quarter of financial year 2017, the Group posted a 25% lower revenue of RM77.1 million and its operating profit of RM2.5 million declined by 29% from those recorded in the preceding year corresponding period. This was largely due to the lower sales of building materials, steel related products and lower revenue from the transportation business.

On segment basis, Building Materials and Steel Products Division recorded a 30% lower revenue of RM56.1 million as compared with the preceding year corresponding period due to the lower demand for steel related products from the local steel mills and building materials from the property sector. However, the Division registered a profit mainly due to lower operating expenses.

Revenue and profit of the Lubricants, Petroleum and Automotive Products Division improved by 2% to RM19.2 million and RM2.9 million respectively, largely due to the higher sales of lubricants backed by comprehensive marketing programs.

Others include mainly transportation business, investment holding and agriculture. These activities collectively contributed a lower revenue of RM1.8 million compared with RM4.0 million recorded in the same period a year ago largely due to the lower revenue from the transportation business. This Division recorded a loss of RM0.9 million against a profit of RM1.0 million in the preceding year mainly due to lower interest income.

After accounting for an impairment loss on quoted investment of RM0.9 million and share in losses of associated companies of RM0.2 million, the Group registered a lower profit before tax of RM1.1 million compared with RM3.8 million in the same period last year.

**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>30.9.2016</b>	<b>30.6.2016</b>
	RM'000	RM'000
Revenue	77,146	95,208
Profit from operations	2,485	7,191
Profit/(Loss) before tax	1,138	(333,802)

For the quarter under review, the Group posted a 19% lower revenue of RM77.1 million and lower operating profit of RM2.5 million mainly due to lower sales of building materials, steel related products and the lower revenue from the transportation business. Included in the preceding quarter's profit was a gain on a refund of RM3.2 million in relation to forestry royalty from a former subsidiary company.

The Group recorded a profit before tax of RM1.1 million against a loss of RM333.8 million in the immediate preceding quarter. The results for the immediate preceding quarter included an impairment loss on receivables owing by related parties of RM335.3 million.

**13. a) Prospects**

The operating environment for the Group's businesses is anticipated to be challenging in the next quarter in view of the prevailing uncertainties affecting the global and local economies and competition remaining intense.

The Group will stay vigilant and responsive to market changes, and continue with its efforts to explore and identify new growth areas, expand business network and products range as well as contain costs to sustain operating performance and be competitive in the challenging environment.

**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>30.9.2016</b>	<b>30.9.2015</b>	<b>30.9.2016</b>	<b>30.9.2015</b>
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	988	1,479	988	1,479
	<u>988</u>	<u>1,479</u>	<u>988</u>	<u>1,479</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**

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 :

	<b>Short Term</b>	<b>Long Term</b>	<b>Total</b>
	RM'000	RM'000	RM'000
<b><u>Bank borrowings</u></b>			
Secured	22,780	-	22,780
Unsecured	586	-	586
	<u>23,366</u>	<u>-</u>	<u>23,366</u>
		<b>Foreign</b>	
		<b>Currency</b>	

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

	'000	RM'000
- Ringgit Malaysia	-	586
- United States Dollar	5,501	22,780
		<u>23,366</u>

**19. Changes in material litigation**

There was no material litigation since 30 June 2016.

**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>30.9.2016</u>	<u>30.9.2015</u>	<u>30.9.2016</u>	<u>30.9.2015</u>
Profit attributable to owners of the Company (RM'000)	<u>147</u>	<u>2,276</u>	<u>147</u>	<u>2,276</u>
Weighted average number of shares in issue ('000)	<u>228,283</u>	<u>231,146</u>	<u>228,283</u>	<u>231,146</u>
Basic EPS (sen)	<u>0.06</u>	<u>0.98</u>	<u>0.06</u>	<u>0.98</u>

The basic EPS and the diluted EPS are equal 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 2016 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	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,437	3,024	2,437	3,024
b) Other income including investment income	436	609	436	609
c) Interest expense	(209)	(211)	(209)	(211)
d) Depreciation and amortisation	(1,384)	(1,486)	(1,384)	(1,486)
e) Provision for and write off of receivables	(651)	(1,002)	(651)	(1,002)
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)	99	484	99	484
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional item	(899)	(353)	(899)	(353)
- impairment loss on quoted investments	(899)	(353)	(899)	(353)

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

	AS AT 30.9.2016 RM'000	AS AT 30.6.2016 RM'000
Accumulated losses of the Company and its subsidiary companies:		
- Realised	(462,703)	(463,777)
- Unrealised	(14,890)	(13,902)
	(477,593)	(477,679)
Share of accumulated losses from associated companies:		
- Realised	(22,486)	(22,441)
- Unrealised	(6)	188
	(22,492)	(22,253)
Consolidation adjustments	50,919	50,619
Consolidated accumulated losses	(449,166)	(449,313)