



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the Third Quarter Ended 31 March 2017

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 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<u>Note</u>	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
		<u>31.3.2017</u>	<u>31.3.2016</u>	<u>31.3.2017</u>	<u>31.3.2016</u>
		RM'000	RM'000	RM'000	RM'000
Revenue		91,584	209,238	254,161	469,895
Operating expenses		(92,355)	(206,524)	(256,477)	(465,672)
Other operating income		2,864	2,810	9,187	10,715
Profit from operations		2,093	5,524	6,871	14,938
Finance costs		(214)	(164)	(663)	(575)
Share in results of associated companies		338	(1,133)	(461)	(1,010)
Exceptional items	23(k)	-	(56,000)	(899)	(56,353)
Profit/(Loss) before tax	23	2,217	(51,773)	4,848	(43,000)
Income tax expense	16	(2,054)	(2,065)	(4,040)	(5,377)
Profit/(Loss) for the period		163	(53,838)	808	(48,377)
Profit/(Loss) attributable to :					
- Owners of the Company		164	(53,829)	804	(48,553)
- Non-controlling interests		(1)	(9)	4	176
Profit/(Loss) for the period		163	(53,838)	808	(48,377)
Earnings/(Loss) per share attributable to owners of the Company (sen) :	21				
- Basic		0.07	(23.51)	0.35	(21.11)
- Diluted		0.07	(23.51)	0.35	(21.11)

(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)

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Interim financial report for the third quarter ended 31 March 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Profit/(Loss) for the period	163	(53,838)	808	(48,377)
<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 and other movements	(548)	(13,679)	14,344	4,265
Net gain/(loss) on available-for-sale financial assets:				
- Fair value changes	1,140	205	(5,907)	424
Other comprehensive income/(loss) for the period	592	(13,474)	8,437	4,689
Total comprehensive income/(loss) for the period	<u>755</u>	<u>(67,312)</u>	<u>9,245</u>	<u>(43,688)</u>
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	756	(66,770)	9,241	(43,972)
- Non-controlling interests	(1)	(542)	4	284
	<u>755</u>	<u>(67,312)</u>	<u>9,245</u>	<u>(43,688)</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)

LION FOREST INDUSTRIES BERHAD (82056-X)

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Interim financial report for the third quarter ended 31 March 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.3.2017 RM'000	AS AT 30.6.2016 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		25,584	29,325
Investment properties		582	596
Investment in associated companies		36,392	33,945
Other investments		38,039	2,785
Deferred tax assets		5,638	5,638
Total Non-Current Assets		<u>106,235</u>	<u>72,289</u>
Current Assets			
Inventories		15,780	15,085
Trade receivables		93,922	98,663
Other receivables and prepayments		145,426	126,415
Amount owing by immediate holding company		104,594	120,963
Amount owing by other related companies		90,919	106,405
Tax recoverable		3,743	4,232
Fixed deposits, cash and bank balances		84,425	103,930
Total Current Assets		<u>538,809</u>	<u>575,693</u>
Total Assets		<u>645,044</u>	<u>647,982</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	231,572
Reserves		(396,775)	283,734
Equity attributable to owners of the Company		<u>524,127</u>	<u>515,306</u>
Non-controlling interests		748	744
Total Equity		<u>524,875</u>	<u>516,050</u>
Non-Current and Deferred Liabilities			
Hire-purchase payables		110	266
Deferred tax liabilities		1,762	1,762
Total Non-Current and Deferred Liabilities		<u>1,872</u>	<u>2,028</u>
Current Liabilities			
Trade payables		25,513	39,734
Other payables and accrued expenses		63,687	62,096
Amount owing to other related companies		4,044	4,882
Hire-purchase payables		187	228
Bank borrowings	18	24,691	22,321
Tax liabilities		175	643
Total Current Liabilities		<u>118,297</u>	<u>129,904</u>
Total Liabilities		<u>120,169</u>	<u>131,932</u>
Total Equity and Liabilities		<u>645,044</u>	<u>647,982</u>
Net assets per share attributable to owners of the Company (RM)		<u>2.30</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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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			
31 March 2017								
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	-	-	-	8,437	804	9,241	4	9,245
Purchase of treasury shares (Note 5)	-	-	(420)	-	-	(420)	-	(420)
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016 *	689,330	(689,330)	-	-	-	-	-	-
At 31 March 2017	920,902	-	(2,277)	54,011	(448,509)	524,127	748	524,875
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	-	-	(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

* Pursuant to the Companies Act 2016 ("Act"), which came into effect on 31 January 2017, all shares issued before or upon the commencement of this Act shall have no par or nominal value. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result thereof.

(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 third quarter ended 31 March 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2017	31.3.2016
	RM'000	RM'000
<u>OPERATING ACTIVITIES</u>		
Profit/(Loss) before tax	4,848	(43,000)
Adjustments for:		
Non-cash items	6,495	63,633
Non-operating items	(6,518)	(8,431)
Operating profit before changes in working capital	4,825	12,202
Changes in working capital:		
Net changes in current assets	5,521	(43,293)
Net changes in current liabilities	(7,916)	(5,708)
Others	(3,555)	(5,132)
	(1,125)	(41,931)
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(756)	(1,040)
Decrease in amount owing by other related companies	20,000	37,000
(Increase)/Decrease in cash at banks held under Escrow Account and fixed deposits pledged	(3,695)	1,512
Acquisition of quoted and unquoted shares	(42,064)	(850)
Acquisition of non-controlling interests	-	(5)
Interest received	1,944	2,703
Proceeds from disposal of property, plant and equipment	2,194	1,298
Dividend income received from an associated company	465	452
Others	237	381
	(21,675)	41,451
<u>FINANCING ACTIVITIES</u>		
Increase/(Decrease) in bank borrowings	139	(660)
Decrease in amount owing to other related companies	(838)	-
Purchase of treasury shares	(420)	(1,795)
Others	(859)	(604)
	(1,978)	(3,059)
Net changes in cash and cash equivalents	(24,778)	(3,539)
Effect of exchange differences	1,578	51
Cash and cash equivalents at beginning of the period	78,258	93,945
Cash and cash equivalents at end of the period	55,058	90,457

(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 third quarter ended 31 March 2017
(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 financial 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 797,500 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 RM419,966 was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As at 31 March 2017, the number of treasury shares held were 3,745,000 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	186,189	62,473	5,499	-	254,161
Inter-segment sales	-	4	10	(14)	-
Total revenue	<u>186,189</u>	<u>62,477</u>	<u>5,509</u>	<u>(14)</u>	<u>254,161</u>
Results					
Segment results	730	7,658	(1,517)	-	6,871
Finance costs	(7)	(29)	(627)	-	(663)
Share in results of associated companies	-	-	(461)	-	(461)
Exceptional items	(185)	(255)	(459)	-	(899)
Profit before tax					<u>4,848</u>
Income tax expense					<u>(4,040)</u>
Profit for the period					<u>808</u>
Assets					
Segment assets	223,841	78,984	203,821	-	506,646
Investment in associated companies	-	-	36,392	-	36,392
Unallocated corporate assets					<u>102,006</u>
					<u>645,044</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	
		31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Revenue					
Building materials and steel products		67,020	188,609	186,189	403,614
Lubricants, petroleum and automotive products		22,682	18,789	62,473	56,950
Others		1,882	1,840	5,499	9,331
		<u>91,584</u>	<u>209,238</u>	<u>254,161</u>	<u>469,895</u>
Segment results					
Building materials and steel products		(416)	3,585	730	5,445
Lubricants, petroleum and automotive products		2,292	2,666	7,658	8,170
Others		217	(727)	(1,517)	1,323
Profit from operations		<u>2,093</u>	<u>5,524</u>	<u>6,871</u>	<u>14,938</u>
Finance costs		(214)	(164)	(663)	(575)
Share in results of associated companies		338	(1,133)	(461)	(1,010)
Exceptional items	23(k)	-	(56,000)	(899)	(56,353)
Profit/(Loss) before tax	23	<u>2,217</u>	<u>(51,773)</u>	<u>4,848</u>	<u>(43,000)</u>
Income tax expense	16	(2,054)	(2,065)	(4,040)	(5,377)
Profit/(Loss) for the period		<u>163</u>	<u>(53,838)</u>	<u>808</u>	<u>(48,377)</u>

Group revenue for the first nine months of the financial year 2017 was 46% lower at RM254.2 million and Group operating profit dropped to RM6.9 million compared with that 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.

Building Materials and Steel Products Division recorded a 54% lower revenue of RM186.2 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.

Meanwhile, Lubricants, Petroleum and Automotive Products Division delivered a growth of 10% in revenue of RM62.5 million largely due to the higher sales of lubricants. The Division, however, registered a lower profit of RM7.7 million mainly due to different sales mix and higher operating expenses.

Others include mainly the transportation business, investment holding and agriculture. These activities collectively contributed a lower revenue of RM5.5 million compared with RM9.3 million recorded in the same period a year ago largely due to the lower revenue from the transportation business. Coupled with lower interest income, this Division recorded a loss of RM1.5 million against a profit of RM1.3 million in the preceding year.

After accounting for the share in losses of associated companies of RM0.5 million and an impairment loss on other investments of RM0.9 million, the Group registered a profit before tax of RM4.8 million against a loss before tax of RM43.0 million in the preceding year corresponding period which included an impairment loss on receivables of RM56.0 million.

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

	Current Year Quarter	Immediate Preceding Quarter
	31.3.2017	31.12.2016
	RM'000	RM'000
Revenue	91,584	85,431
Profit from operations	2,093	2,293
Profit before tax	2,217	1,493

The Group's revenue grew 7% to RM91.6 million from the immediate preceding quarter on the back of higher sales of steel products and lubricants. The profit from operations of the Group, however, dropped by 9% mainly due to higher operating costs and lower interest income.

The Group shared a RM0.3 million profit of the associated companies against a loss of RM0.6 million in the last quarter. As a result, the Group recorded a higher profit before tax of RM2.2 million for the quarter under review.

13. a) Prospects

The operating environment for the Group's business is anticipated to remain challenging. Nonetheless, the Group will continue with its efforts in exploring opportunities and identifying new growth areas as well as widening product range and services to meet customer needs to improve 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	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	553	2,105	2,539	5,380
- Underprovision in prior years	1,501	-	1,501	-
Deferred tax				
- Overprovision in prior years	-	(40)	-	(3)
	<u>2,054</u>	<u>2,065</u>	<u>4,040</u>	<u>5,377</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 :

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
<u>Bank borrowings</u>			
Secured	24,023	-	24,023
Unsecured	668	-	668
	<u>24,691</u>	<u>-</u>	<u>24,691</u>
		Foreign	
		Currency	
The Group's borrowings were denominated in the following currencies:		'000	RM'000
- Ringgit Malaysia		-	668
- United States Dollar		5,434	24,023
			<u>24,691</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/(Loss) 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>31.3.2017</u>	<u>31.3.2016</u>	<u>31.3.2017</u>	<u>31.3.2016</u>
Profit/(Loss) attributable to owners of the Company (RM'000)	<u>164</u>	<u>(53,829)</u>	<u>804</u>	<u>(48,553)</u>
Weighted average number of shares in issue ('000)	<u>227,827</u>	<u>228,946</u>	<u>227,984</u>	<u>229,968</u>
Basic EPS (sen)	<u>0.07</u>	<u>(23.51)</u>	<u>0.35</u>	<u>(21.11)</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/(Loss) before tax

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,008	2,355	7,182	9,006
b) Other income including investment income	856	455	2,005	1,709
c) Interest expense	(214)	(164)	(663)	(575)
d) Depreciation and amortisation	(1,193)	(1,590)	(3,971)	(4,524)
e) Provision for and write off of receivables	(825)	(878)	(2,231)	(2,711)
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)	33	(275)	360	76
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional items	-	(56,000)	(899)	(56,353)
- impairment loss on other investments	-	-	(899)	(353)
- impairment loss on receivables	-	(56,000)	-	(56,000)

24. Realised and Unrealised Earnings/Losses Disclosure

	AS AT	AS AT
	31.3.2017	30.6.2016
	RM'000	RM'000
Accumulated losses of the Company and its subsidiary companies:		
- Realised	(459,842)	(463,777)
- Unrealised	(16,107)	(13,902)
	(475,949)	(477,679)
Share of accumulated losses from associated companies:		
- Realised	(22,929)	(22,441)
- Unrealised	(250)	188
	(23,179)	(22,253)
Consolidation adjustments	50,619	50,619
Consolidated accumulated losses	<u>(448,509)</u>	<u>(449,313)</u>