



LION FOREST INDUSTRIES BERHAD (82056-X)

(Incorporated in Malaysia)

Interim Financial Report for the First Quarter Ended 30 September 2017

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(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.9.2017 RM'000	30.9.2016 RM'000	Changes %	30.9.2017 RM'000	30.9.2016 RM'000	Changes %
Revenue		100,796	77,146	31	100,796	77,146	31
Operating expenses		(100,863)	(77,534)		(100,863)	(77,534)	
Other operating income		3,006	2,873		3,006	2,873	
Profit from operations		2,939	2,485	18	2,939	2,485	18
Finance costs		(237)	(209)		(237)	(209)	
Share in results of associated companies		304	(239)		304	(239)	
Exceptional item	23(k)	10,348	(899)		10,348	(899)	
Profit before tax	23	13,354	1,138	>100	13,354	1,138	>100
Income tax expense	16	(813)	(988)		(813)	(988)	
Profit for the period		<u>12,541</u>	<u>150</u>	>100	<u>12,541</u>	<u>150</u>	>100
Profit attributable to :							
- Owners of the Company		12,542	147		12,542	147	
- Non-controlling interests		(1)	3		(1)	3	
Profit for the period		<u>12,541</u>	<u>150</u>		<u>12,541</u>	<u>150</u>	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		<u>5.51</u>	<u>0.06</u>		<u>5.51</u>	<u>0.06</u>	
- Diluted		<u>5.51</u>	<u>0.06</u>		<u>5.51</u>	<u>0.06</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 2017 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Profit for the period	12,541	150	12,541	150
<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	(244)	4,484	(244)	4,484
Net gain on available-for-sale financial assets:				
- Fair value changes	3,655	-	3,655	-
Other comprehensive income for the period	3,411	4,484	3,411	4,484
Total comprehensive income for the period	<u>15,952</u>	<u>4,634</u>	<u>15,952</u>	<u>4,634</u>
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	15,953	4,631	15,953	4,631
- Non-controlling interests	(1)	3	(1)	3
	<u>15,952</u>	<u>4,634</u>	<u>15,952</u>	<u>4,634</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 2017
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2017 RM'000	AS AT 30.6.2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		23,129	24,553
Investment properties		573	578
Investment in associated companies		46,800	46,660
Other investments		37,492	33,837
Deferred tax assets		6,944	6,944
Total Non-Current Assets		114,938	112,572
Current Assets			
Inventories		16,698	16,946
Trade receivables		93,407	88,569
Other receivables and prepayments		128,350	128,505
Amount owing by immediate holding company		100,823	101,906
Amount owing by other related companies		115,064	108,839
Tax recoverable		4,015	4,347
Fixed deposits, cash and bank balances		99,527	90,006
		557,884	539,118
Asset classified as held for sale		-	5,365
Total Current Assets		557,884	544,483
Total Assets		672,822	657,055
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		920,902	920,902
Reserves		(368,652)	(384,605)
Equity attributable to owners of the Company		552,250	536,297
Non-controlling interests		756	757
Total Equity		553,006	537,054
Non-Current and Deferred Liabilities			
Hire-purchase payables	18	63	97
Deferred tax liabilities		697	697
Total Non-Current and Deferred Liabilities		760	794
Current Liabilities			
Trade payables		23,790	23,182
Other payables and accrued expenses		67,089	67,883
Provisions		3,100	3,100
Amount owing to other related companies		1,173	1,211
Hire-purchase payables	18	133	145
Bank borrowings	18	23,388	23,647
Tax liabilities		383	39
Total Current Liabilities		119,056	119,207
Total Liabilities		119,816	120,001
Total Equity and Liabilities		672,822	657,055
Net assets per share attributable to owners of the Company (RM)		2.42	2.35

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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			
<u>30 September 2017</u>								
At 1 July 2017	920,902	-	(2,277)	51,577	(433,905)	536,297	757	537,054
Total comprehensive income for the period	-	-	-	3,411	12,542	15,953	(1)	15,952
At 30 September 2017	920,902	-	(2,277)	54,988	(421,363)	552,250	756	553,006
<u>30 September 2016</u>								
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	-	-	(399)	-	-	(399)	-	(399)
At 30 September 2016	231,572	689,330	(2,256)	50,058	(449,166)	519,538	747	520,285

* The amount standing to the credit of the share premium account of RM689.3 million become part of the Company's share capital pursuant to the Companies Act 2016 which came into operation on 31 January 2017. This change did not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2017 RM'000	30.9.2016 RM'000
OPERATING ACTIVITIES		
Profit before tax	13,354	1,138
Adjustments for:		
Non-cash items	(9,088)	3,054
Non-operating items	(1,827)	(2,228)
Operating profit before changes in working capital	2,439	1,964
Changes in working capital:		
Net changes in current assets	(10,712)	18,645
Net changes in current liabilities	(152)	(5,027)
Others	(6)	(1,297)
	<u>(8,431)</u>	<u>14,285</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(269)	(386)
Proceeds from disposal of asset classified as held for sale - an associated company	17,173	-
Proceeds from disposal of property, plant and equipment	797	207
Increase in amount owing by other related companies	(1,336)	(1,665)
Decrease/(Increase) in cash at banks held under Escrow Account and fixed deposits pledged	67	(2,072)
Interest received	1,858	2,218
Others	1	(2)
	<u>18,291</u>	<u>(1,700)</u>
FINANCING ACTIVITIES		
Increase in bank borrowings	110	178
Decrease in amount owing to other related companies	(38)	(644)
Purchase of treasury shares	-	(399)
Others	(281)	(267)
	<u>(209)</u>	<u>(1,132)</u>
Net changes in cash and cash equivalents	9,651	11,453
Effect of exchange differences	(63)	694
Cash and cash equivalents at beginning of the period	61,678	78,258
Cash and cash equivalents at end of the period	<u>71,266</u>	<u>90,405</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 2017. 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 2017.

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 2017 except for the adoption of the following MFRSs and Amendments to MFRSs effective for the financial period beginning 1 July 2017:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 - 2016 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**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date.

The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As at 30 September 2017, the number of treasury shares held were 3,745,000 shares.

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	78,678	20,319	1,799	-	100,796
Inter-segment sales	-	3	10	(13)	-
Total revenue	<u>78,678</u>	<u>20,322</u>	<u>1,809</u>	<u>(13)</u>	<u>100,796</u>
Results					
Segment results	183	2,565	191	-	2,939
Finance costs	(2)	(6)	(229)	-	(237)
Share in results of associated companies	-	-	304	-	304
Exceptional item	-	-	10,348	-	10,348
Profit before tax					<u>13,354</u>
Income tax expense					(813)
Profit for the period					<u><u>12,541</u></u>
Assets					
Segment assets	235,861	82,790	200,936	-	519,587
Investment in associated companies	-	-	46,800	-	46,800
Unallocated corporate assets					106,435
					<u><u>672,822</u></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 2017.

11. Performance review

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.9.2017 RM'000	30.9.2016 RM'000	Changes %	30.9.2017 RM'000	30.9.2016 RM'000	Changes %
Revenue							
Building materials and steel products		78,678	56,104	40	78,678	56,104	40
Lubricants, petroleum and automotive products		20,319	19,205	6	20,319	19,205	6
Others		1,799	1,837	(2)	1,799	1,837	(2)
		<u>100,796</u>	<u>77,146</u>	31	<u>100,796</u>	<u>77,146</u>	31
Segment results							
Building materials and steel products		183	544	(66)	183	544	(66)
Lubricants, petroleum and automotive products		2,565	2,862	(10)	2,565	2,862	(10)
Others		191	(921)	>100	191	(921)	>100
Profit from operations		<u>2,939</u>	<u>2,485</u>	18	<u>2,939</u>	<u>2,485</u>	18
Finance costs		(237)	(209)		(237)	(209)	
Share in results of associated companies		304	(239)		304	(239)	
Exceptional item	23(k)	10,348	(899)		10,348	(899)	
Profit before tax	23	<u>13,354</u>	<u>1,138</u>	>100	<u>13,354</u>	<u>1,138</u>	>100
Income tax expense	16	(813)	(988)		(813)	(988)	
Profit for the period		<u>12,541</u>	<u>150</u>	>100	<u>12,541</u>	<u>150</u>	>100

For the first quarter of financial year 2018, the Group posted a 31% higher revenue from that recorded in the preceding year corresponding period. This was mainly attributed to higher sales of building materials and lubricants. Group operating profit grew 18% to RM2.9 million mainly due to lower operating expenses incurred in the agriculture project. Associated companies contributed a profit of RM0.3 million as sales improved.

On 14 September 2017, the Group completed the disposal of its entire 20% equity interest in Suzuki Motorcycle Malaysia Sdn Bhd ("SMM"), an associated company, for a gain of RM10.3 million as disclosed in Note 23(k).

The Group concluded the quarter under review with higher profit before tax of RM13.4 million compared with RM1.1 million in the same period last year. The Group's net assets per share as at 30 September 2017 rose 7 sen to RM2.42 and cash and cash equivalents increased by 16% to RM71.3 million from end of last financial year.

Building Materials and Steel Products

The Division recorded a 40% higher revenue of RM78.7 million mainly arising from the higher demand for building materials from the property sector. The Division, however, registered a lower profit mainly due to different sales mix.

Lubricants, Petroleum and Automotive Products

The Division's revenue grew 6% to RM20.3 million mainly driven by higher sales of lubricants backed by comprehensive marketing programs. However, the Division recorded a 10% lower profit of RM2.6 million mainly due to higher production cost.

Others

Others include mainly the transportation business, investment holding and agriculture. These activities collectively contributed a marginally lower revenue compared to that a year ago. This Division recorded a profit of RM0.2 million against a loss of RM0.9 million in the preceding year mainly due to the lower expenses incurred by the agriculture project.

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

	Current Year Quarter	Immediate Preceding Quarter	Changes
	30.9.2017	30.6.2017	
	RM'000	RM'000	%
Revenue	100,796	85,497	18
Profit from operations	2,939	7,428	(60)
Profit before tax	13,354	11,868	13

For the quarter under review, the Group recorded a revenue of RM100.8 million, a growth of 18% from that of last quarter, mainly driven by higher sales in building materials and lubricants. The Group's operating profit was lower at RM2.9 million compared with RM7.4 million in the preceding quarter. Last quarter's profit included reversal of impairment loss for receivables no longer required and higher interest income.

After accounting for the gain of RM10.3 million from the disposal of the entire 20% equity interest in SMM, the Group recorded a higher profit before tax of RM13.4 million for the quarter under review.

13. a) Prospects

The operating environment is anticipated to continue to be challenging in the next quarter. Commodities prices are expected to stay volatile while the performance of our building materials would be much dependent on the property market which is expected to remain soft due to weak market sentiment.

The Group will remain vigilant and take proactive steps to meet these challenges. The Group will step up on its efforts to widen its products range and services to meet customer needs and reduce operating costs to improve operating profit for the next quarter.

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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	813	988	813	988

After excluding the results of associated companies, the effective tax rate of the Group for the current quarter and year-to-date were lower than the statutory tax rate mainly due to certain income not taxable 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 :

	AS AT 30.9.2017		AS AT 30.9.2016	
	USD'000	RM'000	USD'000	RM'000
Non-current				
<u>Unsecured</u>				
Hire-purchase payables	-	63	-	234
Current				
<u>Secured</u>				
Revolving credit	5,442	22,989	5,501	22,780
<u>Unsecured</u>				
Hire-purchase payables	-	133	-	203
Bankers acceptances	-	399	-	586
	<u>5,442</u>	<u>23,584</u>	<u>5,501</u>	<u>23,803</u>

The closing rate used in translating USD into RM was USD1.00 : RM4.22 (30.9.2016: USD1.00 : RM4.14).

19. Changes in material litigation

There was no material litigation since 30 June 2017.

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:

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Profit attributable to owners of the Company (RM'000)	<u>12,542</u>	<u>147</u>	<u>12,542</u>	<u>147</u>
Weighted average number of shares in issue ('000)	<u>227,827</u>	<u>228,283</u>	<u>227,827</u>	<u>228,283</u>
Basic EPS (sen)	<u>5.51</u>	<u>0.06</u>	<u>5.51</u>	<u>0.06</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 2017 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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,064	2,437	2,064	2,437
b) Other income including investment income	942	436	942	436
c) Interest expense	(237)	(209)	(237)	(209)
d) Depreciation and amortisation	(1,176)	(1,384)	(1,176)	(1,384)
e) Provision for and write off of receivables	(808)	(651)	(808)	(651)
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)	67	99	67	99
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional item	10,348	(899)	10,348	(899)
- gain on disposal of asset classified as held for sale - an associated company	10,348	-	10,348	-
- impairment loss on investments	-	(899)	-	(899)

24. Realised and Unrealised Earnings/Losses Disclosure

	AS AT 30.9.2017 RM'000	AS AT 30.6.2017 RM'000
Accumulated losses of the Company and its subsidiary companies:		
- Realised	(451,754)	(464,086)
- Unrealised	(15,481)	(15,387)
	(467,235)	(479,473)
Share of accumulated losses from associated companies:		
- Realised	(4,599)	(4,707)
- Unrealised	(148)	(344)
	(4,747)	(5,051)
Consolidation adjustments	50,619	50,619
Consolidated accumulated losses	<u>(421,363)</u>	<u>(433,905)</u>