



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

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(Incorporated in Malaysia)

## **Interim Financial Report for the Second Quarter Ended 31 December 2017**

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

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2017

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.12.2017 RM'000	31.12.2016 RM'000	Changes %	31.12.2017 RM'000	31.12.2016 RM'000	Changes %
Revenue		111,738	85,431	31	212,534	162,577	31
Operating expenses		(112,594)	(86,588)		(213,457)	(164,122)	
Other operating income		6,016	3,450		9,022	6,323	
Profit from operations		5,160	2,293	>100	8,099	4,778	70
Finance costs		(223)	(240)		(460)	(449)	
Share in results of associated companies		483	(560)		787	(799)	
Exceptional item	23(k)	-	-		10,348	(899)	
Profit before tax	23	5,420	1,493	>100	18,774	2,631	>100
Income tax expense	16	(856)	(998)		(1,669)	(1,986)	
Profit for the period		<u>4,564</u>	<u>495</u>	>100	<u>17,105</u>	<u>645</u>	>100
Profit attributable to :							
- Owners of the Company		4,564	493		17,106	640	
- Non-controlling interests		-	2		(1)	5	
Profit for the period		<u>4,564</u>	<u>495</u>		<u>17,105</u>	<u>645</u>	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		<u>2.00</u>	<u>0.22</u>		<u>7.51</u>	<u>0.28</u>	
- Diluted		<u>2.00</u>	<u>0.22</u>		<u>7.51</u>	<u>0.28</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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Interim financial report for the second quarter ended 31 December 2017  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Profit for the period	4,564	495	17,105	645
<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	(5,442)	10,408	(5,686)	14,892
Net loss on available-for-sale financial assets:				
- Fair value changes	(6,723)	(7,047)	(3,068)	(7,047)
Other comprehensive (loss)/income for the period	(12,165)	3,361	(8,754)	7,845
Total comprehensive (loss)/income for the period	<u>(7,601)</u>	<u>3,856</u>	<u>8,351</u>	<u>8,490</u>
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(7,601)	3,854	8,352	8,485
- Non-controlling interests	-	2	(1)	5
	<u>(7,601)</u>	<u>3,856</u>	<u>8,351</u>	<u>8,490</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)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**  
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Interim financial report for the second quarter ended 31 December 2017  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	AS AT 31.12.2017 RM'000	AS AT 30.6.2017 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		21,792	24,553
Investment properties		569	578
Investment in associated companies		45,329	46,660
Other investments		30,767	33,837
Deferred tax assets		6,944	6,944
Total Non-Current Assets		<u>105,401</u>	<u>112,572</u>
<b>Current Assets</b>			
Inventories		18,380	16,946
Trade receivables		108,810	88,569
Other receivables and prepayments		124,504	128,505
Amount owing by immediate holding company		99,525	101,906
Amount owing by other related companies		96,828	108,839
Tax recoverable		4,342	4,347
Fixed deposits, cash and bank balances		109,211	90,006
		<u>561,600</u>	<u>539,118</u>
Asset classified as held for sale		-	5,365
Total Current Assets		<u>561,600</u>	<u>544,483</u>
<b>Total Assets</b>		<b><u>667,001</u></b>	<b><u>657,055</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital		920,902	920,902
Reserves		(376,253)	(384,605)
Equity attributable to owners of the Company		<u>544,649</u>	<u>536,297</u>
Non-controlling interests		756	757
Total Equity		<u>545,405</u>	<u>537,054</u>
<b>Non-Current and Deferred Liabilities</b>			
Hire-purchase payables	18	42	97
Deferred tax liabilities		697	697
Total Non-Current and Deferred Liabilities		<u>739</u>	<u>794</u>
<b>Current Liabilities</b>			
Trade payables		24,101	23,182
Other payables and accrued expenses		68,339	67,883
Provisions		3,100	3,100
Amount owing to other related companies		1,262	1,211
Hire-purchase payables	18	104	145
Bank borrowings	18	23,546	23,647
Tax liabilities		405	39
Total Current Liabilities		<u>120,857</u>	<u>119,207</u>
<b>Total Liabilities</b>		<b><u>121,596</u></b>	<b><u>120,001</u></b>
<b>Total Equity and Liabilities</b>		<b><u>667,001</u></b>	<b><u>657,055</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>2.39</u>	<u>2.35</u>

*(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)*

**LION FOREST INDUSTRIES BERHAD (82056-X)**  
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Interim financial report for the second quarter ended 31 December 2017  
(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><u>31 December 2017</u></b>								
At 1 July 2017	920,902	-	(2,277)	51,577	(433,905)	536,297	757	537,054
Total comprehensive (loss)/income for the period	-	-	-	(8,754)	17,106	8,352	(1)	8,351
At 31 December 2017	920,902	-	(2,277)	42,823	(416,799)	544,649	756	545,405
<b><u>31 December 2016</u></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	-	-	-	7,845	640	8,485	5	8,490
Purchase of treasury shares	-	-	(420)	-	-	(420)	-	(420)
At 31 December 2016	231,572	689,330	(2,277)	53,419	(448,673)	523,371	749	524,120

\* The amount standing to the credit of the share premium account of RM689.3 million became 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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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000
<b><u>OPERATING ACTIVITIES</u></b>		
Profit before tax	18,774	2,631
Adjustments for:		
Non-cash items	(10,032)	5,179
Non-operating items	(4,436)	(4,725)
	<u>4,306</u>	<u>3,085</u>
Operating profit before changes in working capital		
Changes in working capital:		
Net changes in current assets	(3,843)	17,924
Net changes in current liabilities	(2,795)	3,404
Others	(752)	(2,397)
	<u>(3,084)</u>	<u>22,016</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property, plant and equipment	(1,666)	(557)
Proceeds from disposal of asset classified as held for sale - an associated company	17,173	-
Proceeds from disposal of property, plant and equipment	4,520	441
Dividend income received from an associated company	448	465
(Increase)/Decrease in amount owing by other related companies	(2,816)	20,000
Investment in quoted shares	-	(42,064)
Decrease/(Increase) in cash at banks held under Escrow Account and fixed deposits pledged	1,849	(2,072)
Interest received	4,206	1,554
Others	286	237
	<u>24,000</u>	<u>(21,996)</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Increase/(Decrease) in bank borrowings	1,149	(97)
Increase in amount owing to other related companies	51	248
Purchase of treasury shares	-	(420)
Others	(556)	(562)
	<u>644</u>	<u>(831)</u>
Net changes in cash and cash equivalents	21,560	(811)
Effect of exchange differences	(507)	1,740
Cash and cash equivalents at beginning of the period	61,678	78,258
Cash and cash equivalents at end of the period	<u><u>82,731</u></u>	<u><u>79,187</u></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)*

Interim financial report for the second quarter ended 31 December 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 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 31 December 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 :

	<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	167,766	42,147	2,621	-	212,534
Inter-segment sales	-	5	25	(30)	-
Total revenue	<u>167,766</u>	<u>42,152</u>	<u>2,646</u>	<u>(30)</u>	<u>212,534</u>
<b>Results</b>					
Segment results	1,106	5,273	1,720	-	8,099
Finance costs	(3)	(18)	(439)	-	(460)
Share in results of associated companies	-	-	787	-	787
Exceptional item	-	-	10,348	-	10,348
Profit before tax					<u>18,774</u>
Income tax expense					(1,669)
Profit for the period					<u><u>17,105</u></u>
<b>Assets</b>					
Segment assets	226,444	74,488	212,478	-	513,410
Investment in associated companies	-	-	45,329	-	45,329
Unallocated corporate assets					<u>108,262</u>
					<u><u>667,001</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**

As at 31 January 2018, the Group's contingent liabilities on indemnity for:

- a) back pay labour claims from employees of Sabah Forest Industries Sdn Bhd ("SFI"), a former subsidiary company, has been reduced from RM18.9 million to RM15.7 million after a cash settlement of RM0.5 million in January 2018 with certain SFI's employees in relation to the arrears of wages allegedly due in respect of the annual increments from 1997 to 2006; and
- b) litigation claim in respect of wrongful encroachment and trespass of a piece of land has been disregarded following a settlement agreement entered into by SFI and the Plaintiff to settle at RM0.2 million as full and final settlement of the damages claimed.



**11. Performance review**

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.12.2017	31.12.2016	Changes	31.12.2017	31.12.2016	Changes
		RM'000	RM'000	%	RM'000	RM'000	%
<b>Revenue</b>							
Building materials and steel products		89,088	63,065	41	167,766	119,169	41
Lubricants, petroleum and automotive products		21,828	20,586	6	42,147	39,791	6
Others		822	1,780	(54)	2,621	3,617	(28)
		<u>111,738</u>	<u>85,431</u>	31	<u>212,534</u>	<u>162,577</u>	31
<b>Segment results</b>							
Building materials and steel products		923	602	53	1,106	1,146	(3)
Lubricants, petroleum and automotive products		2,708	2,504	8	5,273	5,366	(2)
Others		1,529	(813)	>100	1,720	(1,734)	>100
Profit from operations		<u>5,160</u>	<u>2,293</u>	>100	<u>8,099</u>	<u>4,778</u>	70
Finance costs		(223)	(240)		(460)	(449)	
Share in results of associated companies		483	(560)		787	(799)	
Exceptional item	23(k)	-	-		10,348	(899)	
Profit before tax	23	<u>5,420</u>	<u>1,493</u>	>100	<u>18,774</u>	<u>2,631</u>	>100
Income tax expense	16	(856)	(998)		(1,669)	(1,986)	
Profit for the period		<u>4,564</u>	<u>495</u>	>100	<u>17,105</u>	<u>645</u>	>100

Group revenue for the first six months of financial year 2018 was 31% higher at RM212.5 million from that registered in the preceding year corresponding period. This was mainly attributed to the higher sales of building materials and lubricants. Group operating profit grew 70% to RM8.1 million mainly due to the gain on disposal of property, plant and equipment recorded by the transportation business. Associated companies contributed a profit of RM0.8 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 registered a higher profit before tax of RM18.8 million compared with RM2.6 million in the same period last year. The Group's net assets per share as at 31 December 2017 rose 4 sen to RM2.39 and cash and cash equivalents increased by 34% to RM82.7 million from end of last financial year.

**Building Materials and Steel Products**

The Division recorded a 41% higher revenue of RM167.8 million mainly arising from the higher demand for building materials from the property sector. The Division, however, registered a marginally lower profit mainly due to lower profit margin.

**Lubricants, Petroleum and Automotive Products**

The Division's revenue grew 6% to RM42.1 million mainly driven by higher sales of lubricants backed by comprehensive marketing programs. However, the Division recorded a 2% lower profit of RM5.3 million mainly due to lower profit margin.

**Others**

Others include mainly the transportation business, investment holding and agriculture. These activities collectively contributed a lower revenue of RM2.6 million compared with RM3.6 million recorded in the same period a year ago. This Division recorded a profit of RM1.7 million against a loss of RM1.7 million in the preceding year mainly due to the gain on disposal of property, plant and equipment recorded by the transportation business.

**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>Changes</b>
	<b>31.12.2017</b>	<b>30.9.2017</b>	<b>%</b>
	RM'000	RM'000	
Revenue	111,738	100,796	11
Profit from operations	5,160	2,939	76
Profit before tax	<u>5,420</u>	<u>13,354</u>	(59)

For the quarter under review, the Group recorded a revenue of RM111.7 million representing a growth of 11% from that of the last quarter, mainly driven by higher sales in building materials and lubricants. The Group's operating profit rose by 76% to RM5.2 million as a result of higher sales, coupled with RM2.0 million gain on the disposal of property, plant and equipment and higher interest income.

After accounting for a share of profit in associated companies of RM0.5 million, the Group recorded a lower profit before tax of RM5.4 million as compared with RM13.4 million. Included in last quarter's profit was RM10.3 million gain on the disposal of the entire 20% equity interest in SMM.

**13. a) Prospects**

Commodity prices are expected to stay volatile despite the strengthening of the Ringgit Malaysia 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 and the recent hike in the base lending rates.

The Group will remain vigilant and take proactive steps to meet these challenges. The Group will step up on its efforts to widen its marketing networks 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**

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	<u>856</u>	<u>998</u>	<u>1,669</u>	<u>1,986</u>

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 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>AS AT 31.12.2017</b>		<b>AS AT 31.12.2016</b>	
	USD'000	RM'000	USD'000	RM'000
<b>Non-current</b>				
<u>Unsecured</u>				
Hire-purchase payables	-	42	-	183
<b>Current</b>				
<u>Secured</u>				
Revolving credit	5,389	21,881	5,387	24,144
<u>Unsecured</u>				
Hire-purchase payables	-	104	-	196
Bankers acceptances	-	1,665	-	630
	<u>5,389</u>	<u>23,692</u>	<u>5,387</u>	<u>25,153</u>

The closing rate used in translating USD into RM was USD1.00 : RM4.06 (31.12.2016: USD1.00 : RM4.48).

**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:

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Profit attributable to owners of the Company (RM'000)	<u>4,564</u>	<u>493</u>	<u>17,106</u>	<u>640</u>
Weighted average number of shares in issue ('000)	<u>227,827</u>	<u>227,840</u>	<u>227,827</u>	<u>228,062</u>
Basic EPS (sen)	<u>2.00</u>	<u>0.22</u>	<u>7.51</u>	<u>0.28</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:

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,833	2,737	4,897	5,174
b) Other income including investment income	3,183	713	4,125	1,149
c) Interest expense	(223)	(240)	(460)	(449)
d) Depreciation and amortisation	(961)	(1,394)	(2,137)	(2,778)
e) Provision for and write off of receivables	(980)	(755)	(1,788)	(1,406)
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)	4	228	71	327
j) Gain or (loss) on derivatives	-	-	-	-
k) Exceptional item	-	-	10,348	(899)
- gain on disposal of asset classified as held for sale - an associated company	-	-	10,348	-
- impairment loss on investments	-	-	-	(899)