



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

---

(Incorporated in Malaysia)

## **Interim Financial Report for the Third Quarter Ended 31 March 2018**

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

(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2018

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		31.3.2018 RM'000	31.3.2017 RM'000	Changes %	31.3.2018 RM'000	31.3.2017 RM'000	Changes %
Revenue		87,691	91,584	(4)	300,225	254,161	18
Operating expenses		(88,985)	(92,355)		(302,442)	(256,477)	
Other operating income		2,726	2,864		11,748	9,187	
Profit from operations		1,432	2,093	(32)	9,531	6,871	39
Finance costs		(10)	(214)		(470)	(663)	
Share in results of associated companies		581	338		1,368	(461)	
Exceptional item	23(k)	-	-		10,348	(899)	
Profit before tax	23	2,003	2,217	(10)	20,777	4,848	>100
Income tax expense	16	(827)	(2,054)		(2,496)	(4,040)	
Profit for the period		1,176	163	>100	18,281	808	>100
Profit attributable to :							
- Owners of the Company		1,174	164		18,280	804	
- Non-controlling interests		2	(1)		1	4	
Profit for the period		1,176	163		18,281	808	
Earnings per share attributable to owners of the Company (sen) :	21						
- Basic		0.52	0.07		8.02	0.35	
- Diluted		0.52	0.07		8.02	0.35	

(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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(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2018  
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Profit for the period	1,176	163	18,281	808
<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	(7,913)	(548)	(13,599)	14,344
Net (loss)/gain on available-for-sale financial assets:				
- Fair value changes	(5,245)	1,140	(8,313)	(5,907)
Other comprehensive (loss)/income for the period	(13,158)	592	(21,912)	8,437
Total comprehensive (loss)/income for the period	<u>(11,982)</u>	<u>755</u>	<u>(3,631)</u>	<u>9,245</u>
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(11,226)	756	(2,874)	9,241
- Non-controlling interests	(756)	(1)	(757)	4
	<u>(11,982)</u>	<u>755</u>	<u>(3,631)</u>	<u>9,245</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 third quarter ended 31 March 2018  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>Note</u>	<b>AS AT 31.3.2018 RM'000</b>	<b>AS AT 30.6.2017 RM'000</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		21,343	24,553
Investment properties		564	578
Investment in associated companies		44,152	46,660
Other investments		25,522	33,837
Deferred tax assets		6,944	6,944
Total Non-Current Assets		<u>98,525</u>	<u>112,572</u>
<b>Current Assets</b>			
Inventories		18,937	16,946
Trade receivables		85,121	88,569
Other receivables and prepayments		117,024	128,505
Amount owing by immediate holding company		97,681	101,906
Amount owing by other related companies		104,793	108,839
Tax recoverable		4,548	4,347
Fixed deposits, cash and bank balances		98,938	90,006
		<u>527,042</u>	<u>539,118</u>
Asset classified as held for sale		-	5,365
Total Current Assets		<u>527,042</u>	<u>544,483</u>
<b>Total Assets</b>		<b><u>625,567</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		(387,479)	(384,605)
Equity attributable to owners of the Company		<u>533,423</u>	<u>536,297</u>
Non-controlling interests		-	757
Total Equity		<u>533,423</u>	<u>537,054</u>
<b>Non-Current and Deferred Liabilities</b>			
Hire-purchase payables	18	30	97
Deferred tax liabilities		697	697
Total Non-Current and Deferred Liabilities		<u>727</u>	<u>794</u>
<b>Current Liabilities</b>			
Trade payables		19,621	23,182
Other payables and accrued expenses		67,788	67,883
Provisions		2,386	3,100
Amount owing to other related companies		916	1,211
Hire-purchase payables	18	90	145
Bank borrowings	18	572	23,647
Tax liabilities		44	39
Total Current Liabilities		<u>91,417</u>	<u>119,207</u>
<b>Total Liabilities</b>		<b><u>92,144</u></b>	<b><u>120,001</u></b>
<b>Total Equity and Liabilities</b>		<b><u>625,567</u></b>	<b><u>657,055</u></b>
Net assets per share attributable to owners of the Company (RM)		<u>2.34</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)*

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Interim financial report for the third quarter ended 31 March 2018  
(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>31 March 2018</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	-	-	-	(21,154)	18,280	(2,874)	(757)	(3,631)
At 31 March 2018	920,902	-	(2,277)	30,423	(415,625)	533,423	-	533,423
<b>31 March 2017</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	-	-	-	8,437	804	9,241	4	9,245
Purchase of treasury shares	-	-	(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

\* 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>31.3.2018</b>	<b>31.3.2017</b>
	RM'000	RM'000
<b><u>OPERATING ACTIVITIES</u></b>		
Profit before tax	20,777	4,848
Adjustments for:		
Non-cash items	(8,638)	6,495
Non-operating items	(6,602)	(6,518)
	<u>5,537</u>	<u>4,825</u>
Operating profit before changes in working capital		
Changes in working capital:		
Net changes in current assets	21,353	5,521
Net changes in current liabilities	(15,523)	(7,916)
Others	(1,863)	(3,555)
	<u>9,504</u>	<u>(1,125)</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property, plant and equipment	(2,387)	(756)
Proceeds from disposal of asset classified as held for sale - an associated company	17,173	-
Proceeds from disposal of property, plant and equipment	4,564	2,194
Dividend income received from an associated company	448	465
(Increase)/Decrease in amount owing by other related companies	(4,267)	20,000
Investment in quoted shares	-	(42,064)
Decrease/(Increase) in cash at banks held under Escrow Account and fixed deposits pledged	27,466	(3,695)
Interest received	6,075	1,944
Others	286	237
	<u>49,358</u>	<u>(21,675)</u>
<b><u>FINANCING ACTIVITIES</u></b>		
(Decrease)/Increase in bank borrowings	(20,760)	139
Decrease in amount owing to other related companies	(295)	(838)
Purchase of treasury shares	-	(420)
Others	(592)	(859)
	<u>(21,647)</u>	<u>(1,978)</u>
Net changes in cash and cash equivalents	37,215	(24,778)
Effect of exchange differences	(818)	1,578
Cash and cash equivalents at beginning of the period	61,678	78,258
Cash and cash equivalents at end of the period	<u><u>98,075</u></u>	<u><u>55,058</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)*

## 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 March 2018, 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	233,708	63,586	2,931	-	300,225
Inter-segment sales	-	8	26	(34)	-
Total revenue	<u>233,708</u>	<u>63,594</u>	<u>2,957</u>	<u>(34)</u>	<u>300,225</u>
<b>Results</b>					
Segment results	768	7,258	1,505	-	9,531
Finance costs	(4)	(19)	(447)	-	(470)
Share in results of associated companies	-	-	1,368	-	1,368
Exceptional item	-	-	10,348	-	10,348
Profit before tax					<u>20,777</u>
Income tax expense					(2,496)
Profit for the period					<u>18,281</u>
<b>Assets</b>					
Segment assets	219,056	79,384	173,073	-	471,513
Investment in associated companies	-	-	44,152	-	44,152
Unallocated corporate assets					<u>109,902</u>
					<u>625,567</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 material changes in the composition of the Group during the financial year-to-date.

**10. Changes in contingent liabilities and contingent assets**

As at 8 May 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 RM14.0 million after a cash settlement of RM0.8 million 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		
		31.3.2018 RM'000	31.3.2017 RM'000	Changes %	31.3.2018 RM'000	31.3.2017 RM'000	Changes %
<b>Revenue</b>							
Building materials and steel products		65,942	67,020	(2)	233,708	186,189	26
Lubricants, petroleum and automotive products		21,439	22,682	(5)	63,586	62,473	2
Others		310	1,882	(84)	2,931	5,499	(47)
		<u>87,691</u>	<u>91,584</u>	(4)	<u>300,225</u>	<u>254,161</u>	18
<b>Segment results</b>							
Building materials and steel products		(338)	(416)	(19)	768	730	5
Lubricants, petroleum and automotive products		1,985	2,292	(13)	7,258	7,658	(5)
Others		(215)	217	(>100)	1,505	(1,517)	>100
Profit from operations		<u>1,432</u>	<u>2,093</u>	(32)	<u>9,531</u>	<u>6,871</u>	39
Finance costs		(10)	(214)		(470)	(663)	
Share in results of associated companies		581	338		1,368	(461)	
Exceptional item	23(k)	-	-		10,348	(899)	
Profit before tax	23	<u>2,003</u>	<u>2,217</u>	(10)	<u>20,777</u>	<u>4,848</u>	>100
Income tax expense	16	(827)	(2,054)		(2,496)	(4,040)	
Profit for the period		<u>1,176</u>	<u>163</u>	>100	<u>18,281</u>	<u>808</u>	>100

Group revenue for the first nine months of financial year 2018 was 18% higher at RM300.2 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 39% to RM9.5 million mainly due to the gain on disposal of property, plant and equipment recorded by the transportation business. Associated companies contributed a profit of RM1.4 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, an associated company, with a gain of RM10.3 million as disclosed in Note 23(k).

The Group registered a higher profit before tax of RM20.8 million compared with RM4.8 million in the same period last year. The Group's net assets per share as at 31 March 2018 decreased by 1 sen to RM2.34 and cash and cash equivalents increased by 59% to RM98.1 million from the end of the last financial year.

**Building Materials and Steel Products**

The Division recorded a 26% higher revenue of RM233.7 million mainly arising from the higher sales of building materials to the property sector. Accordingly, the Division posted a higher profit as compared to a year ago.

**Lubricants, Petroleum and Automotive Products**

The Division's revenue increase marginally to RM63.6 million mainly driven by higher sales of lubricants backed by comprehensive marketing programs. However, the Division recorded a 5% lower profit of RM7.3 million mainly due to different sales mix.

**Others**

Others include mainly the transportation business, investment holding and agriculture. These activities collectively contributed a lower revenue of RM2.9 million compared with RM5.5 million recorded in the same period a year ago. However, the Division recorded a profit of RM1.5 million against a loss of RM1.5 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>31.3.2018</b>	<b>31.12.2017</b>	<b>%</b>
	RM'000	RM'000	
Revenue	87,691	111,738	(22)
Profit from operations	1,432	5,160	(72)
Profit before tax	<u>2,003</u>	<u>5,420</u>	(63)

For the quarter under review, the Group recorded a revenue of RM87.7 million, a decline of 22% from that of the last quarter mainly due to the lower sales of building materials.

The Group's operating profit dropped by 72% to RM1.4 million from RM5.2 million in the last quarter which had included RM2.0 million gain on the disposal of property, plant and equipment.

After accounting for a share of profit in associated companies of RM0.6 million, the Group recorded a lower profit before tax of RM2.0 million for the quarter under review.

**13. a) Prospects**

The operating environment is anticipated to remain challenging in the next quarter in view of the prevailing market conditions. Our building materials business continues to face challenges from the property market which is affected by weak consumer sentiment whilst our lubricants and automotive products businesses continue to contribute positive results to the Group in the next quarter.

The Group will remain vigilant and take proactive steps to meet these challenges. The Group will continue with its efforts to widen its marketing networks and services to meet customer needs as well as contain operating costs to improve its 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**

	<b>3 MONTHS ENDED</b>		<b>YEAR-TO-DATE ENDED</b>	
	<b>31.3.2018</b>	<b>31.3.2017</b>	<b>31.3.2018</b>	<b>31.3.2017</b>
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable				
- Current provision	827	553	2,496	2,539
- Underprovision in prior years	-	1,501	-	1,501
	<u>827</u>	<u>2,054</u>	<u>2,496</u>	<u>4,040</u>

After excluding the results of associated companies, the effective tax rate of the Group for the current quarter was higher than the statutory tax rate mainly due to certain expenses not being deductible for tax purposes and the effective tax rate of the Group for year-to-date was lower than the statutory tax rate mainly due to certain income not being 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 31.3.2018</b>		<b>AS AT 31.3.2017</b>	
	USD'000	RM'000	USD'000	RM'000
<b>Non-current</b>				
<u>Unsecured</u>				
Hire-purchase payables	-	30	-	110
<b>Current</b>				
<u>Secured</u>				
Revolving credit	-	-	5,434	24,023
<u>Unsecured</u>				
Hire-purchase payables	-	90	-	187
Bankers acceptances	-	572	-	668
	<u>-</u>	<u>692</u>	<u>5,434</u>	<u>24,988</u>

The closing rate used in translating USD into RM was USD1.00 : RM3.86 (31.3.2017: USD1.00 : RM4.42).

**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>31.3.2018</b>	<b>31.3.2017</b>	<b>31.3.2018</b>	<b>31.3.2017</b>
Profit attributable to owners of the Company (RM'000)	<u>1,174</u>	<u>164</u>	<u>18,280</u>	<u>804</u>
Weighted average number of shares in issue ('000)	<u>227,827</u>	<u>227,827</u>	<u>227,827</u>	<u>227,984</u>
Basic EPS (sen)	<u>0.52</u>	<u>0.07</u>	<u>8.02</u>	<u>0.35</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>31.3.2018</b>	<b>31.3.2017</b>	<b>31.3.2018</b>	<b>31.3.2017</b>
	RM'000	RM'000	RM'000	RM'000
a) Interest income	2,175	2,008	7,072	7,182
b) Other income including investment income	551	856	4,676	2,005
c) Interest expense	(10)	(214)	(470)	(663)
d) Depreciation and amortisation	(810)	(1,193)	(2,947)	(3,971)
e) Provision for and write off of receivables	(768)	(825)	(2,556)	(2,231)
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)	(325)	33	(254)	360
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)