



LION CORPORATION BERHAD

(Incorporated in Malaysia)

(12890-A)

Interim Report for the First Quarter Ended 30 September 2007

Condensed Consolidated Income Statements	1
Condensed Consolidated Balance Sheets	2
Condensed Consolidated Statements of Changes in Equity	3
Condensed Consolidated Cash Flow Statements	4
Notes to the Condensed Financial Statements	5 - 11

LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2007

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
Note	30/9/2007	30/9/2006	30/9/2007	30/9/2006
	RM'000	RM'000	RM'000	RM'000
Revenue	1,133,955	1,301,814	1,133,955	1,301,814
Operating expenses	(1,074,163)	(1,213,027)	(1,074,163)	(1,213,027)
Other operating income	23,570	11,231	23,570	11,231
Profit from operations	83,362	100,018	83,362	100,018
Finance costs	(109,071)	(101,909)	(109,071)	(101,909)
Share in results of associates	28,015	58,142	28,015	58,142
Impairment losses in associates	-	(30,000)	-	(30,000)
Profit before taxation	2,306	26,251	2,306	26,251
Taxation	17 881	7,017	881	7,017
Net profit for the period	<u>3,187</u>	<u>33,268</u>	<u>3,187</u>	<u>33,268</u>
Attributable to :				
- Ordinary equity holders of the Company	1,951	25,770	1,951	25,770
- Minority interests	1,236	7,498	1,236	7,498
Net profit for the period	<u>3,187</u>	<u>33,268</u>	<u>3,187</u>	<u>33,268</u>
Earnings per share attributable to ordinary equity holders of the Company:				
- Basic (sen)	25 <u>0.19</u>	<u>2.56</u>	<u>0.19</u>	<u>2.56</u>
- Diluted (sen)	25 <u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements)

LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2007

(The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>Note</u>	AS AT END OF CURRENT QUARTER 30/9/2007 RM'000	AS AT PRECEDING FINANCIAL YEAR END 30/6/2007 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		3,018,489	3,028,309
Prepaid land lease payments		24,926	25,062
Goodwill		563,921	564,342
Investments in associates		1,030,017	1,001,563
Other investments		1,382	1,408
Long term receivable		240,065	239,469
Deferred tax assets		124,229	122,992
		<u>5,003,029</u>	<u>4,983,145</u>
Current Assets			
Inventories		1,791,496	1,726,857
Trade receivables		305,525	335,171
Other receivables		213,652	147,905
Tax recoverable		2,328	4,462
Deposits, cash and bank balances		102,724	62,893
		<u>2,415,725</u>	<u>2,277,288</u>
TOTAL ASSETS		<u>7,418,754</u>	<u>7,260,433</u>
EQUITY AND LIABILITIES			
Share capital		1,005,116	1,005,116
Reserves		(355,278)	(357,213)
		<u>649,838</u>	<u>647,903</u>
Equity attributable to equity holders of the Company		649,838	647,903
Minority interests		174,044	196,377
Total equity		<u>823,882</u>	<u>844,280</u>
Non-Current Liabilities			
Bonds and debts	21	2,000,158	1,962,707
Long term borrowings	21	25,368	24,490
Deferred tax liabilities		18,406	18,406
Deferred liabilities		88,006	51,057
		<u>2,131,938</u>	<u>2,056,660</u>
Current Liabilities			
Trade payables		1,908,900	1,831,595
Other payables		372,530	415,087
Bank overdrafts	21	13,143	17,449
Short term borrowings	21	1,705,488	1,641,784
Bonds and debts	21	462,077	452,980
Tax payable		796	598
		<u>4,462,934</u>	<u>4,359,493</u>
TOTAL EQUITY AND LIABILITIES		<u>7,418,754</u>	<u>7,260,433</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<u>0.65</u>	<u>0.64</u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements)

LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2007

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	← Attributable to equity holders of the Company →						Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Minority Interests RM'000	
30 September 2007							
At 1 July 2007	1,005,116	97,627	356,235	(811,075)	647,903	196,377	844,280
Translation difference on net equity of foreign subsidiaries & other movements	-	-	1,439	-	1,439	16,574	18,013
Equity accounting for share of net assets of associates	-	-	(794)	-	(794)	-	(794)
Effect of dilution on equity interest in associates	-	-	-	(749)	(749)	-	(749)
Realisation upon disposal of subsidiaries	-	-	(530)	530	-	(40,143)	(40,143)
Income and expense recognised directly in equity	-	-	115	(219)	(104)	(23,569)	(23,673)
Net profit for the period	-	-	-	1,951	1,951	1,236	3,187
Total recognised income and expense for the period	-	-	115	1,732	1,847	(22,333)	(20,486)
Share-based payment under ESOS	-	-	88	-	88	-	88
At 30 September 2007	<u>1,005,116</u>	<u>97,627</u>	<u>356,438</u>	<u>(809,343)</u>	<u>649,838</u>	<u>174,044</u>	<u>823,882</u>
30 September 2006							
At 1 July 2006							
As previously stated	1,005,116	97,627	329,086	(845,958)	585,871	176,495	762,366
Prior year adjustment: effects of adopting FRS 2	-	-	61	(461)	(400)	-	(400)
Restated	<u>1,005,116</u>	<u>97,627</u>	<u>329,147</u>	<u>(846,419)</u>	<u>585,471</u>	<u>176,495</u>	<u>761,966</u>
Effects of adopting FRS 3	-	-	(511)	301,968	301,457	-	301,457
	<u>1,005,116</u>	<u>97,627</u>	<u>328,636</u>	<u>(544,451)</u>	<u>886,928</u>	<u>176,495</u>	<u>1,063,423</u>
Translation difference on net equity of foreign subsidiaries & other movements	-	-	934	-	934	-	934
Equity accounting for share of net assets of associates	-	-	496	4,773	5,269	-	5,269
Effect of changes in applicable deferred tax rate on asset revaluation reserve	-	-	3,851	-	3,851	3,851	7,702
Income and expense recognised directly in equity	-	-	5,281	4,773	10,054	3,851	13,905
Net profit for the period	-	-	-	25,770	25,770	7,498	33,268
Total recognised income and expense for the period	-	-	5,281	30,543	35,824	11,349	47,173
Share-based payment under ESOS	-	-	15	-	15	-	15
At 30 September 2006	<u>1,005,116</u>	<u>97,627</u>	<u>333,932</u>	<u>(513,908)</u>	<u>922,767</u>	<u>187,844</u>	<u>1,110,611</u>

(The Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements)

LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2007

(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	CURRENT YEAR TO DATE 30/9/2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2006 RM'000
	<u>Note</u>	
<u>OPERATING ACTIVITIES</u>		
Profit before taxation	2,306	26,251
Adjustments for:		
Non-cash items	(33,040)	(7,870)
Non-operating items	107,728	100,724
Operating profit before changes in working capital	<u>76,994</u>	<u>119,105</u>
Changes in working capital :		
Net changes in current assets	(100,094)	311,624
Net changes in current liabilities	16,625	(396,725)
Others	(877)	(4,133)
	<u>(7,352)</u>	<u>29,871</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of property, plant and equipment	(5,605)	(20,275)
Others	21,644	462
	<u>16,039</u>	<u>(19,813)</u>
<u>FINANCING ACTIVITIES</u>		
Bank borrowings	35,854	2,067
Others	(404)	(491)
	<u>35,450</u>	<u>1,576</u>
Net changes in cash & cash equivalents	44,137	11,634
Cash & cash equivalents at beginning of the period	45,444	31,444
Cash & cash equivalents at end of the period	<u><u>89,581</u></u>	<u><u>43,078</u></u>

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements)

LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2007

(The figures have not been audited)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Accounting policies and methods of computation

The interim financial statements have been prepared in accordance with the Financial Reporting Standard ("FRS") 134: "Interim Financial Reporting" and paragraph 9.22 of the 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 2007. 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 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2007 except for the adoption of the following new/revised FRSs effective for the financial period beginning 1 July 2007 :

FRS 124	Related Party Disclosures
FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the above FRSs does not have significant financial impact on the Group.

2. Auditors' report on preceding annual financial statements

There were no qualifications on the audit report of the preceding year's financial statement. However, the auditors drew attention to the financial position of the Group concerning the Group's net loss of RM188.2 million and the excess of the current liabilities over current assets by RM2,082.2 million. In addition, the auditors also highlighted that a subsidiary has not met certain of its scheduled bank repayment obligations.

3. Comments about seasonal or cyclical factors

The operations of the Group were not subject to material seasonal or cyclical effect during the current quarter and financial year-to-date.

4. 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 current quarter and financial year-to-date except as disclosed in Note 11.

5. Changes in estimates

There were no other changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

6. Debt and equity securities

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

7. Dividends paid

There were no dividend paid during the current quarter and financial year-to-date.

8. Segmental information

The Group's segmental information for the financial year-to-date was as follows :

	REVENUE			Segment Results RM'000
	Total RM'000	Inter - Segment RM'000	External RM'000	
Steel	1,122,303	3,377	1,118,926	74,063
Steel Furniture	12,604	36	12,568	325
Motor	2,406	-	2,406	(1,855)
Investment & Others	55	-	55	10,829
	1,137,368	3,413	1,133,955	
Profit from operations				83,362
Finance costs				(109,071)
Share in results of associates				28,015
Profit before taxation				2,306

9. Carrying amount of revalued assets

The valuation of property, plant and equipment have been brought forward without amendment from the previous audited financial statements.

10. Subsequent events

Other than as disclosed in Note 20, there were no material events subsequent to the end of the current quarter.

11. Changes in composition of the Group

There were no changes in the composition of the Group during the financial year-to-date other than the following:

- (i) the disposal of 56.64% equity interest in Parkson Holdings Berhad (formerly known as Amalgamated Containers Berhad) on 14 September 2007.
- (ii) the acquisition of 100% equity interest in Bright Steel Sdn Bhd on 19 September 2007.

The effects of the above disposal and acquisition on the financial results have not been disclosed as it is not material to the Group.

12. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

13. Performance review

The Group recorded a lower revenue of RM1.1 billion as compared to RM1.3 billion in the preceding year corresponding quarter. The decrease in revenue was mainly due to a slowdown in demand for both hot rolled and cold rolled coils. Coupled with the increase in scrap price and higher freight charges, a lower profit before taxation was reported for the current quarter.

14. Comment on material change in profit before taxation

	Current Year Quarter 30/9/2007 RM'000	Immediate Preceding Quarter 30/6/2007 RM'000
Revenue	1,133,955	1,231,941
Profit/(loss) before taxation	<u>2,306</u>	<u>(278,887)</u>

The current quarter saw a decline in the Group's revenue principally attributable to lower sales from the steel division. Accordingly, a marginal profit before taxation of RM2.3 million was reported.

Included in last quarter's loss was a one-off write down in value of the investment in associates amounting to RM322.2 million.

15. Commentary on prospects

Demand for the Group's steel products is expected to remain firm due to the impending roll-out of the various sewerage pipe projects under the Ninth Malaysia Plan.

16. Profit forecast or profit guarantee

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

17. Taxation

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE QUARTER</u>	
	<u>CURRENT YEAR QUARTER 30/9/2007</u>	<u>PRECEDING YEAR CORRESPONDING QUARTER 30/9/2006</u>	<u>CURRENT YEAR TO DATE 30/9/2007</u>	<u>PRECEDING YEAR CORRESPONDING PERIOD 30/9/2006</u>
	RM'000	RM'000	RM'000	RM'000
Taxation comprises :				
Income tax	357	619	357	619
Deferred tax	(1,238)	(7,636)	(1,238)	(7,636)
	<u>(881)</u>	<u>(7,017)</u>	<u>(881)</u>	<u>(7,017)</u>

The tax charge of the Group is mainly from profitable subsidiaries' taxation, and for tax purposes, cannot be utilised to set off against losses of other companies within the Group. Deferred tax is mainly in respect of the pioneer status benefits enjoyed by a major subsidiary.

18. Sale of unquoted investments and properties

There were no material sale of unquoted investments or properties for the current quarter and financial year-to-date.

19. Quoted securities

There were no purchase or disposals of quoted securities for the current quarter and financial year-to-date.

Details of investments in quoted securities (excluding investments in associates) as at the end of the reporting period were as follows :

	RM'000
At cost	1,206
At book value	1,198
At market value	<u>9,750</u>

20. Corporate proposals

(i) Status of corporate proposals

No	Date of Announcement	Subject	Status
1	24.10.2005 and 17.11.2005	Proposed Issuance of United States Dollars Notes to be listed on the Singapore Stock Exchange Securities Trading Limited and the Labuan International Financial Exchange Inc ("Proposed Issuance of Notes")	The Proposed Issuance of Notes has been deferred.
2	28.09.2006, 27.11.2006, 7.6.2007, 1.8.2007, 17.8.2007, 6.9.2007, 14.9.2007 and 19.9.2007	<p>(a) Proposed acquisition by Total Triumph Investments Limited, a wholly-owned subsidiary of the Company, of 100% equity interest of Bright Steel Sdn Bhd ("Bright Steel") from Amalgamated Containers Berhad ("ACB") (now known as Parkson Holdings Berhad) for a cash consideration of RM53.47 million ("Proposed Acquisition"); and</p> <p>(b) Proposed disposal of up to 42,318,772 shares in ACB, representing 56.64% of the issued and paid-up share capital of ACB to Excel Step Investments Limited, a wholly-owned subsidiary of Lion Diversified Holdings Berhad ("LDHB"), for a cash consideration of RM35.12 million.</p>	<p>Approvals obtained from:</p> <p>1) the Ministry of International Trade and Industry on 31.7.2007;</p> <p>2) Bank Negara Malaysia on 4.6.2007;</p> <p>3) shareholders of the Company on 17.8.2007; and</p> <p>4) shareholders of ACB and LDHB on 17.8.2007.</p> <p>The proposed disposal of 42,318,772 shares in ACB was completed on 14.9.2007 and the Proposed Acquisition was completed on 19.9.2007.</p>
3	26.2.2007, 25.5.2007 and 28.8.2007	Proposed issuance of 200 million 5-Year Redeemable Cumulative Convertible Preference Shares of RM0.01 each by Megasteel Sdn Bhd ("Megasteel"), a subsidiary of the Company, for cash of RM200,000,000.	<p>Pending approvals from:</p> <p>1) the shareholders of the Company, LDHB and Megasteel;</p> <p>2) lenders, if required; and</p> <p>3) any other relevant authorities, if required.</p>

(ii) Status of utilisation of proceeds from corporate proposals

Transactions completed during the financial period and utilisation of divestment proceeds are disclosed in Appendix 1 (ii)

21. Borrowings and debt securities

The Group's borrowings as at the end of the reporting period were as follows :

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
<u>Borrowings</u>			
Secured	1,606,220	-	1,606,220
Unsecured	112,411	25,368	137,779
	<u>1,718,631</u>	<u>25,368</u>	<u>1,743,999</u>
<u>Bonds and Debts</u>			
Secured	462,077	2,000,158	2,462,235
Total	<u><u>2,180,708</u></u>	<u><u>2,025,526</u></u>	<u><u>4,206,234</u></u>

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

	Foreign	
	Currency	
	'000	RM'000
<u>Borrowings</u>		
- Ringgit Malaysia	-	862,306
- US Dollar	250,698	863,903
- Euro	3,645	17,790
		<u>1,743,999</u>
<u>Bonds and Debts</u>		
- Ringgit Malaysia	-	2,450,494
- US Dollar	3,407	11,741
		<u>2,462,235</u>
Total		<u><u>4,206,234</u></u>

22. Off balance sheet financial instruments

There were no off balance sheet financial instruments at the date of this report.

23. Changes in material litigation

There were no changes in material litigation since the last annual balance sheet date.

24. Dividend proposed

The Board does not recommend any dividend for the current quarter and financial year-to-date.

25. Earnings per share**Basic**

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in the Company in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/9/2007	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2006	CURRENT YEAR TO DATE 30/9/2007	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2006
Net profit attributable to ordinary equity holders of the Company (RM'000)	1,951	25,770	1,951	25,770
Weighted average number of ordinary shares in issue ('000)	1,005,116	1,005,116	1,005,116	1,005,116
Basic earnings per share (sen)	0.19	2.56	0.19	2.56

Diluted

The diluted earnings per share is not presented as the unissued ordinary shares granted to eligible executives and executive Directors of the Group pursuant to the Company's Executive Share Option Scheme and the unexercised warrants have no dilutive effect as the exercise price is above the average market value of the Company's shares.

LION CORPORATION BERHAD (12890-A)
(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2007
(The figures have not been audited)

PROPOSED DIVESTMENT PROGRAMME ("PDP")

(i) Status of the assets to be divested

Stages of the Assets to be divested	PDP (Per GWRS)	Divestment concluded Total	Amount received (Jan - Dec 2007)		
			Current quarter	Year-to-date	Projected full year
	RM'million	RM'million	RM'million	RM'million	RM'million
By December 2003 Shares in listed and unlisted companies	33.30	1.85	1.85	1.85	-
By December 2004 Shares in unlisted company	38.60	-	-	-	-
	71.90	1.85	1.85	1.85	-

LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim report for the first quarter ended 30 September 2007

(The figures have not been audited)

PROPOSED DIVESTMENT PROGRAMME ("PDP") (continued)(ii) Transactions completed during the financial period and utilisation of the divestment proceeds received as at 31 October 2007

Divestment of assets in the PDP	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
				Amount	%	
Disposal of 2.99% equity interest in Parkson Holdings Berhad ("PHB") to Excel Step Investments Limited ("Excel Step") comprising 2,233,029 ordinary shares of RM1.00 each for a cash consideration of RM1.85 million	RM mil	RM mil		RM mil	RM mil	
(i) Redemption/repayment of LCB Bonds and USD Debts	1.85	-	No requirement	1.85	100.0%	-

Divestment of other assets not in the PDP	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanations
				Amount	%	
Disposal of 53.65% equity interest in PHB to Excel Step comprising 40,085,743 ordinary shares of RM1.00 each for a consideration of RM33.27 million	RM mil	RM mil		RM mil		
(i) part finance the acquisition of the Bright Steel Sdn Bhd Group	13.47	13.47	No requirement	-	-	-
(ii) working capital	19.80	1.80	No requirement	18.00	90.9%	-
	33.27	15.27				

(iii) Plans to overcome any projected shortfall

The Group will continue to actively seek potential buyers for the assets/companies under its PDP.