



# **LION CORPORATION BERHAD**

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(Incorporated in Malaysia)

(12890-A)

## **Interim Report for the First Quarter Ended 30 September 2008**

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# LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

## Interim report for the first quarter ended 30 September 2008

(The figures have not been audited)

### CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2007 RM'000	CURRENT YEAR TO DATE 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2007 RM'000
Revenue		1,457,267	1,133,955	1,457,267	1,133,955
Operating expenses		(1,356,179)	(1,074,163)	(1,356,179)	(1,074,163)
Other operating income		5,249	23,570	5,249	23,570
Profit from operations		106,337	83,362	106,337	83,362
Finance costs		(118,678)	(109,071)	(118,678)	(109,071)
Share in results of associates		45,176	28,015	45,176	28,015
Profit before taxation		32,835	2,306	32,835	2,306
Taxation	16	937	881	937	881
Profit for the period		<u>33,772</u>	<u>3,187</u>	<u>33,772</u>	<u>3,187</u>
Attributable to :					
- Ordinary equity holders of the Company		28,666	1,951	28,666	1,951
- Minority interests		5,106	1,236	5,106	1,236
Profit for the period		<u>33,772</u>	<u>3,187</u>	<u>33,772</u>	<u>3,187</u>
Earnings per share attributable to ordinary equity holders of the Company:					
- Basic (sen)	24	<u>2.85</u>	<u>0.19</u>	<u>2.85</u>	<u>0.19</u>
- Diluted (sen)	24	<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 2008 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 2008

(The figures have not been audited)

### CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>Note</u>	AS AT END OF CURRENT QUARTER 30/9/2008 RM'000	AS AT PRECEDING FINANCIAL YEAR END 30/6/2008 RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		3,091,234	3,083,515
Prepaid land lease payments		14,986	15,047
Goodwill		563,921	563,921
Investments in associates		1,407,562	1,359,033
Other investments		1,335	1,380
Long term receivable		242,466	241,864
Deferred tax assets		136,141	134,952
		<u>5,457,645</u>	<u>5,399,712</u>
<b>Current Assets</b>			
Inventories		1,833,296	1,853,485
Trade receivables		320,558	291,588
Other receivables		194,367	173,312
Tax recoverable		2,532	2,532
Deposits, cash and bank balances		96,439	83,426
		<u>2,447,192</u>	<u>2,404,343</u>
Non-current assets classified as held for sale		5,115	5,202
		<u>2,452,307</u>	<u>2,409,545</u>
<b>TOTAL ASSETS</b>		<b><u>7,909,952</u></b>	<b><u>7,809,257</u></b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		1,005,118	1,005,118
Reserves		(298,437)	(331,058)
Equity attributable to equity holders of the Company		<u>706,681</u>	<u>674,060</u>
Minority interests		231,949	226,843
Total equity		<u>938,630</u>	<u>900,903</u>
<b>Non-Current Liabilities</b>			
Long term borrowings	20	951,672	920,506
Bonds and debts	20	201,848	201,348
Deferred tax liabilities		10,572	10,572
Deferred liabilities		50,356	72,989
		<u>1,214,448</u>	<u>1,205,415</u>
<b>Current Liabilities</b>			
Trade payables		2,180,586	2,186,684
Other payables		678,737	686,224
Bank overdrafts	20	7,207	5,977
Short term borrowings	20	421,601	405,513
Bonds and debts	20	2,467,878	2,417,606
Tax payable		865	935
		<u>5,756,874</u>	<u>5,702,939</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>7,909,952</u></b>	<b><u>7,809,257</u></b>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<u>0.70</u>	<u>0.67</u>

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2008 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 2008

(The figures have not been audited)

### CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	Attributable to equity holders of the Company				Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Accumulated Losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30 September 2008</b>							
At 1 July 2008	1,005,118	97,630	366,327	(795,015)	674,060	226,843	900,903
Translation difference on net equity of foreign subsidiaries & other movements	-	-	573	-	573	-	573
Equity accounting for share of net assets of associates	-	-	3,665	-	3,665	-	3,665
Effect of dilution on equity interest in associates	-	-	-	(312)	(312)	-	(312)
Income and expense recognised directly in equity	-	-	4,238	(312)	3,926	-	3,926
Net profit for the period	-	-	-	28,666	28,666	5,106	33,772
Total recognised income and expense for the period	-	-	4,238	28,354	32,592	5,106	37,698
Share-based payment under Executive Share Option Scheme ("ESOS")	-	-	29	-	29	-	29
At 30 September 2008	<u>1,005,118</u>	<u>97,630</u>	<u>370,594</u>	<u>(766,661)</u>	<u>706,681</u>	<u>231,949</u>	<u>938,630</u>
<b>30 September 2007</b>							
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>

(The Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2008 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 2008

(The figures have not been audited)

### CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	<b>CURRENT YEAR TO DATE 30/9/2008 RM'000</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD 30/9/2007 RM'000</b>
	<u>Note</u>	
<b><u>OPERATING ACTIVITIES</u></b>		
Profit before taxation	32,835	2,306
Adjustments for:		
Non-cash items	28,202	(33,040)
Non-operating items	117,651	107,728
Operating profit before changes in working capital	<u>178,688</u>	<u>76,994</u>
Changes in working capital :		
Net changes in current assets	(29,385)	(100,094)
Net changes in current liabilities	(81,277)	16,625
Others	(1,521)	(877)
	<u>66,505</u>	<u>(7,352)</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property, plant and equipment	(41,172)	(5,605)
Others	12	21,644
	<u>(41,160)</u>	<u>16,039</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Bank borrowings	(12,820)	35,854
Others	(742)	(404)
	<u>(13,562)</u>	<u>35,450</u>
Net changes in cash & cash equivalents	11,783	44,137
Cash & cash equivalents at beginning of the period	76,180	45,444
Cash & cash equivalents at end of the period	<u>87,963</u>	<u>89,581</u>

*(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2008 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 2008

(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 2008. These explanatory notes attached to the interim financial statements 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 2008.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2008.

#### 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.

#### 4. Changes in estimates

There were no other changes in estimates that have had a material effect on 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.

#### 6. Dividends paid

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

**7. 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	1,449,180	7,307	1,441,873	109,933
Steel Furniture	13,703	-	13,703	1,133
Motor	1,614	-	1,614	(1,986)
Investment & Others	85	8	77	(2,743)
	<u>1,464,582</u>	<u>7,315</u>	<u>1,457,267</u>	
Profit from operations				106,337
Finance costs				(118,678)
Share in results of associates				45,176
Profit before taxation				<u>32,835</u>

**8. Subsequent events**

Other than as disclosed in Note 19(a), 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**

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

**11. Performance review**

As compared to a year ago, the Group recorded a higher revenue and operating profit for the three months ended 30 September 2008. Revenue was substantially higher at RM1.5 billion due mainly to higher selling prices for hot rolled coils while profit margin was higher due to the usage of cheaper hot-charge direct reduced iron.

Contributions from associates in the steel segment had also increased as compared to a year ago.

**12. Comment on material change in profit**

	<b>Current Year Quarter 30/9/2008 RM'000</b>	<b>Immediate Preceding Quarter 30/6/2008 RM'000</b>
Revenue	1,457,267	1,586,684
Profit/(Loss) before taxation	<u>32,835</u>	<u>(44,188)</u>

For the quarter under review, revenue was lower by 8% as compared to the preceding quarter. The lower revenue was mainly attributable to softer demand in our steel division. However, the use of cheaper hot-charge direct reduced iron as a substitute for imported scrap has enabled the Group to record higher profit from operations of RM106.3 million. Share in results of associates was significantly lower due to the steep plunge in steel prices.

Loss before taxation in the previous quarter included a provision for loss on the Proposed Corporate and Debt Restructuring Scheme of RM185.2 million.

**13. a) Prospects**

The sudden and sharp fall in international steel prices has resulted in weak buying sentiment as buyers limit purchases and reduce stockholdings. Nonetheless, the Group is cautiously optimistic that with the various measures undertaken in the past, the Group will be able to overcome the challenges ahead.

**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. Taxation**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2007 RM'000	CURRENT YEAR TO DATE 30/9/2008 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2007 RM'000
Taxation comprises :				
Income tax	253	357	253	357
Deferred tax	(1,190)	(1,238)	(1,190)	(1,238)
	<u>(937)</u>	<u>(881)</u>	<u>(937)</u>	<u>(881)</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.

**17. Sale of unquoted investments and properties**

	CURRENT YEAR QUARTER 30/9/2008 RM'000	CURRENT YEAR TO DATE 30/9/2008 RM'000
Loss on disposal of unquoted investments	<u>35</u>	<u>35</u>

**18. Quoted securities**

There were no purchases or disposal 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>4,619</u>

19. Corporate proposals(a) Status of corporate proposals

No	Date of Announcement	Subject	Status
1	21.5.2008, 18.6.2008, 4.7.2008, 10.7.2008, 24.7.2008, 29.7.2008, 17.10.2008 and 7.11.2008	<p>Proposed Corporate and Debt Restructuring Scheme involving <i>inter alia</i> the following:</p> <p>(i) proposed conversion of RM900,000,000 nominal value ("NV") with a present value as at 31 October 2008 ("PV") of RM787,055,000 Zero-Coupon Redeemable Secured Class B(b) RM denominated Bonds ("LCB Class B(b) Bonds") into 787,055,000 new ordinary shares of RM1.00 each in the Company issued at par ("LCB Shares") ("Proposed Shares Conversion");</p> <p>(ii) Proposed conversion of the following:-</p> <p>(a) RM282,345,000 PV of Zero Coupon Redeemable Secured Class B(a) RM denominated Bonds (NV RM294,747,299) into RM282,345,000 NV of LCB Class B(a) Redeemable Convertible Secure Loan Stock ("RCSLS");</p> <p>(b) RM174,902,000 PV of LCB Class B(b) Bonds (NV RM200,000,000) into RM174,902,000 NV of LCB Class B(b) RCSLS; and</p> <p>(c) RM5,062,000 PV of Zero Coupon Redeemable Unsecured Class B USD denominated consolidated and rescheduled debts ("LCB USD Debts") (NV of RM5,252,701) into RM5,062,000 NV of LCB Class B(c) RCSLS;</p> <p>(iii) Proposed acquisition by Pancar Tulin Sdn Bhd, a wholly-owned subsidiary of the Company, of part of an on-going property development project known as Bandar Mahkota Cheras together with four parcels of undeveloped lands in the District of Hulu Langat, Selangor ("Mahkota Cheras Project") (inclusive of assets and liabilities related to Mahkota Cheras Project) from LDH Management Sdn Bhd, a wholly-owned subsidiary of Lion Diversified Holdings Berhad ("LDHB"), for a purchase consideration of RM89,948,000 to be satisfied by the issuance of 89,948,000 new LCB Shares issued at par ("Proposed Acquisition of Mahkota Cheras Project");</p>	<p>Subject to the approvals from the following parties:-</p> <p>(i) the Securities Commission ("SC");</p> <p>(ii) the SC's Equity Compliance Unit;</p> <p>(iii) the Foreign Investment Committee;</p> <p>(iv) the Ministry of International Trade and Industry;</p> <p>(v) Bursa Malaysia Securities Berhad;</p> <p>(vi) the Controller of Housing, if required;</p> <p>(vii) The Labuan Offshore Financial Services Authority;</p> <p>(viii) Bank Negara Malaysia;</p> <p>(ix) the shareholders of the Company, ACB and LDHB;</p> <p>(x) any other relevant authorities and/or parties, if required.</p> <p>Approval obtained from the lenders of the Company.</p> <p>The Proposed Acquisition of ACB Class C SPV Debts was not approved by the foreign lenders of ACB Class C SPV Debts.</p>

**19. Corporate proposals (continued)**(a) Status of corporate proposals (continued)

No	Date of Announcement	Subject	Status
		<p>(iv) Proposed acquisition by LCB Harta (L) Limited, a wholly-owned subsidiary of the Company, of RM110,000,000 NV of (a) Zero Coupon Redeemable Secured Class B USD denominated consolidated and rescheduled debts; and (b) Zero Coupon Redeemable Secured Class C USD denominated consolidated and rescheduled debts issued by the Amsteel Corporation Berhad Group ("Proposed Acquisition of ACB Class C SPV Debts") to be satisfied by the issuance of USD equivalent of RM110,000,000 NV of LCB SPV Debts;</p> <p>(v) Proposed issuance by Megasteel Sdn Bhd ("Megasteel"), a 90%-owned subsidiary of the Company, of 100,000,000 redeemable cumulative convertible preference shares of RM0.01 each ("Megasteel RCCPS") at an issue price of RM1.00 per Megasteel RCCPS to LDHB for cash of RM100,000,000;</p> <p>(vi) Proposed disposal by Limpahjaya Sdn Bhd, a wholly-owned subsidiary of the Company, of approximately 11.1% of the issued and paid-up share capital of Megasteel for a total cash consideration of RM100,000,000 to LDHB;</p> <p>(vii) Proposed issuance of warrants to existing shareholders of the Company on a rights basis of one warrant for every four ordinary shares in the Company held prior to the Proposed Shares Conversion and the Proposed Acquisition of Mahkota Cheras Project;</p> <p>(viii) Proposed acquisition of all the remaining ordinary shares of ACB of up to 798 million not already held by the Group in exchange for up to 79.8 million warrants in LCB on the basis of 1 LCB Warrants for every 10 ACB Shares held;</p> <p>(ix) Proposed increase in authorised share capital of the Company from RM2.0 billion to RM3.0 billion.</p>	

(b) Status of utilisation of proceeds from corporate proposals

Not applicable.

**20. Borrowings and debt securities**

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

	<b>Short Term</b>	<b>Long Term</b>	<b>Total</b>
	RM'000	RM'000	RM'000
<u>Borrowings</u>			
Secured	348,892	951,672	1,300,564
Unsecured	79,916	-	79,916
	<u>428,808</u>	<u>951,672</u>	<u>1,380,480</u>
<u>Bonds and Debts</u>			
Secured	2,467,878	201,848	2,669,726
Total	<u>2,896,686</u>	<u>1,153,520</u>	<u>4,050,206</u>

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

	<b>Foreign Currency</b>	
	'000	RM'000
<u>Borrowings</u>		
- Ringgit Malaysia	-	768,249
- US Dollar	175,474	612,231
		<u>1,380,480</u>
<u>Bonds and Debts</u>		
- Ringgit Malaysia	-	2,657,085
- US Dollar	3,623	12,641
		<u>2,669,726</u>
Total		<u>4,050,206</u>

**21. Off balance sheet financial instruments**

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

**22. Changes in material litigation**

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

**23. Dividend proposed**

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

**24. 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.

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>CURRENT YEAR QUARTER 30/9/2008</b>	<b>PRECEDING YEAR CORRESPONDING QUARTER 30/9/2007</b>	<b>CURRENT YEAR TO DATE 30/9/2008</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD 30/9/2007</b>
Net profit attributable to ordinary equity holders of the Company (RM'000)	28,666	1,951	28,666	1,951
Weighted average number of ordinary shares in issue ('000)	1,005,118	1,005,116	1,005,118	1,005,116
Basic earnings per share (sen)	<u>2.85</u>	<u>0.19</u>	<u>2.85</u>	<u>0.19</u>

**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 has no dilutive effect as the exercise price is above the average market value of the Company's shares.

**25. 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 current liabilities which exceeded its current assets by RM3,293.4 million. In addition, the auditors also highlighted that the Company has not met its scheduled bonds and debts repayment obligations and had on 21 May 2008 proposed to undertake a corporate and debt restructuring exercise to address its debt obligations.

**LION CORPORATION BERHAD** (12890-A)

(Incorporated in Malaysia)

**Interim report for the first quarter ended 30 September 2008**

(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 2008)		
			Current quarter	Year-to-date	Projected full year
	RM'million	RM'million	RM'million	RM'million	RM'million
<b>By December 2003</b> Shares in listed and unlisted companies	33.30	2.70	-	-	-
<b>By December 2004</b> Shares in unlisted company	38.60	-	-	-	-
	71.90	2.70	-	-	-

## (ii) Transactions completed during the quarter

There were no transactions completed during the quarter.

## (iii) Utilisation of the divestment proceeds received

This note is not applicable.

## (iv) Plans to overcome any projected shortfall

The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the LCB Bonds/LCB Debts as scheduled.