



# **LION CORPORATION BERHAD**

(Incorporated in Malaysia)

(12890-A)

## **Interim Report for the Third Quarter Ended 31 March 2011**

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

**Interim report for the third quarter ended 31 March 2011**

(The figures have not been audited)

**CONDENSED CONSOLIDATED INCOME STATEMENT**

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31/3/2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/2010 RM'000	CURRENT YEAR TO DATE 31/3/2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2010 RM'000
	<u>Note</u>				
<b>Revenue</b>		<b>831,202</b>	<b>824,240</b>	<b>2,084,832</b>	<b>2,553,207</b>
Operating expenses		<b>(859,881)</b>	(782,151)	<b>(2,309,173)</b>	(2,474,735)
Other operating income		<b>35,147</b>	25,205	<b>102,131</b>	46,416
<b>Profit/(Loss) from operations</b>		<b>6,468</b>	<b>67,294</b>	<b>(122,210)</b>	<b>124,888</b>
Finance costs		<b>(75,380)</b>	(74,561)	<b>(237,779)</b>	(227,520)
Share in results of associates		<b>18,944</b>	23,535	<b>53,376</b>	135,340
Loss on dilution of an associate		-	-	-	(286,755)
<b>(Loss)/Profit before taxation</b>		<b>(49,968)</b>	<b>16,268</b>	<b>(306,613)</b>	<b>(254,047)</b>
Taxation	16	<b>7,930</b>	(452)	<b>72,788</b>	41
<b>(Loss)/Profit for the period</b>		<b>(42,038)</b>	15,816	<b>(233,825)</b>	(254,006)
Attributable to:					
- Owners of the parent		<b>(34,346)</b>	18,530	<b>(189,311)</b>	(173,179)
- Minority interests		<b>(7,692)</b>	(2,714)	<b>(44,514)</b>	(80,827)
<b>(Loss)/Profit for the period</b>		<b>(42,038)</b>	15,816	<b>(233,825)</b>	(254,006)
(Loss)/Earnings per share attributable to owners of the parent:					
- Basic (sen)	24	<b>(1.81)</b>	0.97	<b>(9.96)</b>	(9.11)
- Diluted (sen)	24	<b>N/A</b>	N/A	<b>N/A</b>	N/A

*(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 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 COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/3/2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/2010 RM'000	CURRENT YEAR TO DATE 31/3/2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2010 RM'000
<b>(Loss)/Profit for the period</b>	<b>(42,038)</b>	<b>15,816</b>	<b>(233,825)</b>	<b>(254,006)</b>
<u>Other Comprehensive Income/(Loss)</u>				
- Translation difference on net equity of foreign subsidiaries and other movements	<b>(2,587)</b>	(850)	<b>(1,637)</b>	(817)
- Net gain on fair value changes on available-for-sale financial assets	<b>44</b>	-	<b>46</b>	-
- Share of other comprehensive loss of associates	<b>(1,345)</b>	(8,660)	<b>(7,409)</b>	(25,383)
Other comprehensive loss for the period, net of tax	<b>(3,888)</b>	(9,510)	<b>(9,000)</b>	(26,200)
<b>Total comprehensive (loss)/income for the period</b>	<b>(45,926)</b>	<b>6,306</b>	<b>(242,825)</b>	<b>(280,206)</b>
Attributable to:				
- Owners of the parent	<b>(38,234)</b>	7,690	<b>(198,311)</b>	(199,379)
- Minority interests	<b>(7,692)</b>	(1,384)	<b>(44,514)</b>	(80,827)
	<b>(45,926)</b>	<b>6,306</b>	<b>(242,825)</b>	<b>(280,206)</b>

*(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**LION CORPORATION BERHAD** (12890-A)  
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**Interim report for the third quarter ended 31 March 2011**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<u>Note</u>	<b>AS AT END OF CURRENT QUARTER 31/3/2011</b>	<b>AS AT PRECEDING FINANCIAL YEAR END 30/6/2010</b>
		RM'000	RM'000
<b>Non-Current Assets</b>			
Property, plant and equipment		2,817,601	2,918,011
Land held for property development		12,566	23,539
Prepaid land lease payments		13,754	13,934
Goodwill		479,135	479,135
Investment in associates		959,611	944,696
Long term investments		-	57,190
Available-for-sale investments		726	-
Held-to-maturity investments		19,195	-
Deferred tax assets		236,931	161,370
		<b>4,539,519</b>	<b>4,597,875</b>
<b>Current Assets</b>			
Property development costs		6,070	1,127
Inventories		666,807	1,543,038
Short term investments		-	12,514
Held-to-maturity investments		42,186	-
Receivables and tax recoverable		287,072	299,708
Deposits, cash and bank balances		151,829	142,871
		<b>1,153,964</b>	<b>1,999,258</b>
<b>TOTAL ASSETS</b>		<b>5,693,483</b>	<b>6,597,133</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		1,900,950	1,900,950
Reserves		(1,652,495)	(1,453,314)
Equity attributable to owners of the parent		248,455	447,636
Minority interests		110,805	155,512
Total equity		<b>359,260</b>	<b>603,148</b>
<b>Non-Current Liabilities</b>			
Preference shares		111,000	111,000
Long term borrowings	20	766,022	1,026,053
Bonds and debts	20	1,181,356	1,286,296
Deferred tax liabilities		6,273	7,779
Deferred liabilities		11,870	11,282
		<b>2,076,521</b>	<b>2,442,410</b>
<b>Current Liabilities</b>			
Payables		2,389,168	2,956,540
Short term borrowings	20	649,398	523,642
Bonds and debts	20	217,887	71,289
Tax payable		1,249	104
		<b>3,257,702</b>	<b>3,551,575</b>
<b>Total Liabilities</b>		<b>5,334,223</b>	<b>5,993,985</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,693,483</b>	<b>6,597,133</b>
Net assets per share attributable to owners of the parent (RM) (Excluding equity component and warrants reserve)		<b>0.11</b>	<b>0.22</b>

*(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

**LION CORPORATION BERHAD** (12890-A)  
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**Interim report for the third quarter ended 31 March 2011**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	← Attributable to owners of the parent →				Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000			
<b>31 March 2011</b>							
<b>At 1 July 2010, as reported</b>	<b>1,900,950</b>	<b>97,685</b>	<b>382,844</b>	<b>(1,933,843)</b>	<b>447,636</b>	<b>155,512</b>	<b>603,148</b>
Effect arising from adoption of FRS 139 (Note 1)	-	-	(877)	-	(877)	-	(877)
<b>At 1 July 2010, as restated</b>	<b>1,900,950</b>	<b>97,685</b>	<b>381,967</b>	<b>(1,933,843)</b>	<b>446,759</b>	<b>155,512</b>	<b>602,271</b>
Total comprehensive loss for the period	-	-	(6,639)	(191,672)	(198,311)	(44,514)	(242,825)
Share-based payment under Executive Share Option Scheme ("ESOS")	-	-	7	-	7	-	7
Dividend paid to minority interest	-	-	-	-	-	(193)	(193)
<b>At 31 March 2011</b>	<b>1,900,950</b>	<b>97,685</b>	<b>375,335</b>	<b>(2,125,515)</b>	<b>248,455</b>	<b>110,805</b>	<b>359,260</b>
<b>31 March 2010</b>							
<b>At 1 July 2009</b>	<b>1,900,950</b>	<b>97,685</b>	<b>380,493</b>	<b>(1,818,558)</b>	<b>560,570</b>	<b>219,536</b>	<b>780,106</b>
Total comprehensive loss for the period	-	-	(25,269)	(174,110)	(199,379)	(80,827)	(280,206)
Share-based payment under ESOS	-	-	16	-	16	-	16
<b>At 31 March 2010</b>	<b>1,900,950</b>	<b>97,685</b>	<b>355,240</b>	<b>(1,992,668)</b>	<b>361,207</b>	<b>138,709</b>	<b>499,916</b>

*(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

# LION CORPORATION BERHAD (12890-A)

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## Interim report for the third quarter ended 31 March 2011

(The figures have not been audited)

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT YEAR TO DATE 31/3/2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2010 RM'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(306,613)	(254,047)
Adjustments for:		
Non-cash items	80,994	390,188
Non-operating items	178,150	88,003
Operating (loss)/profit before working capital changes	(47,469)	224,144
Changes in working capital :		
Net changes in assets	895,952	(94,017)
Net changes in liabilities	(666,941)	38,862
Tax paid and others	(1,984)	(9,303)
	<b>179,558</b>	<b>159,686</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,036)	(10,163)
Proceeds from redemption of investment	3,923	3,537
Dividend received	29,742	5,205
Proceeds from dilution of an associate	-	65,738
Others	2,720	5,093
	<b>30,349</b>	<b>69,410</b>
<b>FINANCING ACTIVITIES</b>		
Redemption of bonds and debts	(17,848)	(34,410)
Borrowings	(145,182)	(61,639)
Others (mainly interest paid)	(39,541)	(59,760)
	<b>(202,571)</b>	<b>(155,809)</b>
Net changes in cash & cash equivalents	7,336	73,287
Effects of changes in exchange rates	(97)	-
Cash & cash equivalents at beginning of the financial period	128,390	81,818
Cash & cash equivalents at end of the financial period	<b>135,629</b>	<b>155,105</b>

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)*

# LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

## Interim report for the third quarter ended 31 March 2011

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### 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2010. 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 2010.

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 2010 except for the adoption of the following new/revised Financial Reporting Standards ("FRSs"), Amendments to FRSs and IC Interpretations effective for the financial period beginning 1 July 2010:

FRS 3	Business Combinations (Revised 2010)
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (Revised 2009)
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements (Revised 2010)
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 132	Classification of Rights Issues
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures, and IC Interpretation 9: Reassessment of Embedded Derivatives	
Amendments to FRSs 'Improvements to FRSs (2009)'	
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Other than the effect of the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

## 1. Accounting policies and methods of computation (Continued)

### a) FRS 101: Presentation of Financial Statements

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income/loss. Comparative information, with exception of the requirements under FRS 139, has been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

### b) FRS 139: Financial Instruments - Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the reporting date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when the Group becomes a party to the contractual provisions of the instruments.

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of the FRS 139 in the current financial period. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

- Financial instruments at fair value through profit or loss : At fair value through profit or loss
- Held-to-maturity investments : At amortised cost effective interest method
- Loans and receivables : At amortised cost effective interest method
- Available-for-sale investments : At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
- Loans and other financial liabilities : At amortised cost effective interest method

In accordance with FRS 139, the recognition, derecognition and measurement are applied prospectively from 1 July 2010. The effect of the remeasurement on 1 July 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening accumulated losses.

The adoption of FRS 139 has the following effects:

	<b>As at</b>		<b>As at</b>
	<b>30/6/2010</b>	<b>Effects</b>	<b>1/7/2010</b>
	RM'000	RM'000	RM'000
<b>Non-Current Assets</b>			
Investment in associates	944,696	(1,327)	943,369
Long term investments	57,190	(57,190)	-
Available-for-sale investments	-	677	677
Held-to-maturity investments	-	56,963	56,963
<b>Current Assets</b>			
Short term investments	12,514	(12,514)	-
Held-to-maturity investments	-	12,514	12,514
<b>Equity</b>			
Other reserves	(382,844)	877	(381,967)
		-	

## 2. Comments about seasonal or cyclical factors

Apart from the steel industry which may be subject to severe fluctuation in steel prices, the Group's performance is generally not materially affected by any 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 changes in estimates that have had a material effect on the current quarter and financial year-to-date results.

**5. Debt and equity securities**

During the financial year-to-date, the Group has redeemed/repaid part of its LCB SPV Debts amounting to USD5.9 million.

Other than as disclosed above, 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:

	<u>Steel</u> RM'000	<u>Property</u> RM'000	<u>Furniture</u> RM'000	<u>Investment &amp; Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>					
Total sales	2,024,669	39,718	23,871	2,222	<b>2,090,480</b>
Inter-segment sales	(5,602)	-	(29)	(17)	<b>(5,648)</b>
External sales	<u>2,019,067</u>	<u>39,718</u>	<u>23,842</u>	<u>2,205</u>	<b><u>2,084,832</u></b>
<u>Results</u>					
Segment results	(139,689)	14,738	594	(4,122)	<b>(128,479)</b>
Interest and investment income					<b>6,269</b>
Loss from operations					<b>(122,210)</b>
Finance costs					<b>(237,779)</b>
Share in results of associates					<b>53,376</b>
Loss before taxation					<b><u>(306,613)</u></b>
<u>Total Assets</u>					
Segment assets	4,289,118	89,508	25,245	87,670	<b>4,491,541</b>
Investment in associates					<b>959,611</b>
Unallocated corporate assets					<b>242,331</b>
Consolidated total assets					<b><u>5,693,483</u></b>

**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**

For the 9-month period ended 31 March 2011, the Group posted a lower revenue of RM2.08 billion as compared to RM2.55 billion in the preceding year corresponding period. This was largely attributed to the lower sales volume especially in the first 6 months, which witnessed low and sluggish demand for flat steel products in both the domestic and overseas markets. Coupled with the higher production cost on account of lower production volume, loss from operations of RM122 million was reported.

Our associate which is also primarily involved in the steel industry (long steel products) was similarly affected by the difficult operating environment. However, with the contribution from other operations of the associate, a profit of RM53 million was shared by the Group for the period under review.

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

	<b>Current Year Quarter</b>	<b>Immediate Preceding Quarter</b>
	<b>31/3/2011</b>	<b>31/12/2010</b>
	RM'000	RM'000
Revenue	<b>831,202</b>	728,471
Profit/(Loss) from operations	<b>6,468</b>	(134,478)
Loss before taxation	<b><u>(49,968)</u></b>	<b><u>(175,307)</u></b>

As highlighted in the previous interim report, a better performance was expected in the current quarter as a result of the upturn in domestic and international demand for steel products since December 2010. Group revenue for the current quarter increased by 14% to RM831 million and correspondingly, profit from operations of RM6 million was registered.

Our property operation continued to report satisfactory results for the quarter under review.

**13. a) Prospects**

The gradual roll-out of various projects under the Government's Economic Transformation Programme ("ETP") and the 10th Malaysia Plan should see steel demand picking up in the remaining quarters of 2011, before gathering more momentum in 2012. However, the current economic data seem to indicate that the recovery will remain modest and vulnerable to external factors. Hence, the Group's operating environment in the next quarter is expected to remain challenging.

**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 31/3/2011 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/2010 RM'000	CURRENT YEAR TO DATE 31/3/2011 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2010 RM'000
Taxation comprises :				
Income tax	(2,780)	(2,124)	(4,287)	(4,929)
Deferred tax	10,710	1,672	77,075	4,970
	<b>7,930</b>	<b>(452)</b>	<b>72,788</b>	<b>41</b>

After excluding the share in results of associates, the effective tax rate of the Group for the current quarter and financial year-to-date were lower than the Malaysian statutory tax rate mainly due to certain expenses which are not deductible for tax purposes.

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

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

**18. Quoted securities**

There were no purchases 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	123
At book value	605
At market value	<u>605</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, 17.10.2008, 7.11.2008, 3.12.2008, 5.12.2008, 23.12.2008, 24.12.2008, 7.1.2009, 19.1.2009, 22.1.2009, 3.2.2009, 16.2.2009, 25.2.2009, 27.2.2009, 20.4.2009, 8.5.2009, 11.6.2009, 25.8.2009, 24.2.2010, 2.9.2010 and 18.2.2011	Proposed issuance of warrants to existing shareholders of the Company on a rights basis of one warrant for every four ordinary shares held in the Company prior to the issuance of the new shares pursuant to the Shares Conversion and the Acquisition of Mahkota Cheras Project, being part of the Corporate and Debt Restructuring Scheme implemented by the Company on 27 February 2009 ("Proposed Rights Issue of Warrants").	Approvals obtained from all relevant authorities.  Pending completion:  The Securities Commission had on 18 February 2011 approved a final extension of time to 1 August 2011 for the Company to implement the Proposed Rights Issue of Warrants.
2	14.10.2010, 13.1.2011, 28.2.2011 and 13.4.2011	Proposed disposal by the Company of its entire 50.01% equity interest in Kinabalu Motor Assembly Sendirian Berhad ("KMA") to MBM Resources Berhad, for a total cash consideration of RM1 and a cash settlement of inter-company debts for an amount of approximately RM13 million ("Proposed Disposal").	Pending approval from Ministry of International Trade and Industry.  Parties to the agreements had mutually agreed to extend the date of fulfillment of the conditions precedent for another two months to 13 June 2011.  The waiver from the remaining shareholders of KMA on the share transfer is no longer required.
3	10.2.2011, 16.2.2011, 9.3.2011 and 6.4.2011	Proposed issuance of 17,000,000 10% 3-year redeemable cumulative preference shares ("RCPS") at USD1.00 each by Megasteel Harta (L) Limited ("Megasteel Harta"), a wholly-owned subsidiary of Megasteel Sdn Bhd which is in turn a subsidiary of the Company, to Jadeford International Limited ("Jadeford"), a wholly-owned subsidiary of Lion Forest Industries Berhad, for cash at a total issue price of USD17,000,000 ("Proposed Issuance of RCPS").	Megasteel Harta and Jadeford had mutually agreed to terminate the Subscription Agreement dated 10 February 2011 in relation to the Proposed Issuance of RCPS.

(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	574,615	766,022	1,340,637
Unsecured	74,783	-	74,783
	<u>649,398</u>	<u>766,022</u>	<u>1,415,420</u>
<u>Bonds and Debts</u>			
Secured	217,887	1,181,356	1,399,243
Total	<u>867,285</u>	<u>1,947,378</u>	<u>2,814,663</u>

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

	<b>Foreign Currency</b>	
	'000	RM'000
- Ringgit Malaysia	-	2,437,068
- US Dollar	124,804	377,595
		<u>2,814,663</u>

**21. Financial instruments**(a) Disclosure of Derivative

With the adoption of FRS 139, derivatives are recognised on their respective contract dates. There are no off-balance sheet financial instruments.

The Group enters into forward foreign exchange contracts to hedge its exposure to currency fluctuations affecting certain foreign currency denominated payables and receivables. The financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

There were no outstanding derivative financial instruments as at reporting dates and the latest practicable date.

(b) Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities as all financial liabilities were measured at amortised cost.

**22. Changes in material litigation**

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

**23. Dividend proposed**

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

**24. (Loss)/Earnings per share****Basic**

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in the Company in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/3/2011	PRECEDING YEAR CORRESPONDING QUARTER 31/3/2010	CURRENT YEAR TO DATE 31/3/2011	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2010
Net (loss)/profit attributable to owners of the parent (RM'000)	<b>(34,346)</b>	18,530	<b>(189,311)</b>	(173,179)
Weighted average number of ordinary shares in issue ('000)	<b>1,900,950</b>	1,900,950	<b>1,900,950</b>	1,900,950
Basic (loss)/earnings per share (sen)	<b>(1.81)</b>	0.97	<b>(9.96)</b>	(9.11)

**Diluted**

The diluted (loss)/earnings per share is not presented as the unexercised warrants and Redeemable Convertible Secured Loan Stocks have no dilutive effect as the exercise prices are above the average market value of the Company's shares.

**25. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the financial year ended 30 June 2010 was not qualified.

**26. Disclosure of realised and unrealised profits/losses**

	CURRENT FINANCIAL PERIOD 31/3/2011	AS AT THE END OF LAST FINANCIAL YEAR 30/6/2010
	RM'000	RM'000
Total retained profits / (accumulated losses) of Lion Corporation Berhad and its subsidiaries:		
- Realised	<b>(2,091,721)</b>	Note: Comparative figures are not required in the first financial year of complying with the Realised and Unrealised Profits/Losses Disclosure.
- Unrealised	<b>315,594</b>	
	<b>(1,776,127)</b>	
Total share of retained profits / (accumulated losses) from associated companies:		
- Realised	<b>234,338</b>	
- Unrealised	<b>11,464</b>	
	<b>(1,530,325)</b>	
Less: Consolidation adjustments (Mostly goodwill amortised & impaired)	<b>(595,190)</b>	
Total Group retained profits / (accumulated losses) as per consolidated accounts	<b>(2,125,515)</b>	

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

**Interim report for the third quarter ended 31 March 2011**  
(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 2011)		
			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.