



LION CORPORATION BERHAD

(Incorporated in Malaysia)

(12890-A)

Interim Financial Report for the Fourth Quarter Ended 30 June 2012

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

Interim financial report for the fourth quarter ended 30 June 2012
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.6.2012 RM'000	30.6.2011 RM'000	30.6.2012 RM'000	30.6.2011 RM'000
Revenue		949,124	1,033,718	3,235,432	3,118,550
Operating expenses		(1,008,304)	(984,150)	(3,441,890)	(3,293,323)
Impairment loss on goodwill		(120,000)	(40,157)	(120,000)	(40,157)
Other operating income		(3,537)	16,807	21,490	118,938
(Loss)/Profit from operations		(182,717)	26,218	(304,968)	(95,992)
Finance costs		(57,639)	(81,371)	(279,401)	(319,150)
Share in results of associates		(26,641)	13,285	(5,321)	66,661
Loss before taxation	23	(266,997)	(41,868)	(589,690)	(348,481)
Taxation	16	16,511	(7,917)	66,106	64,871
Net loss for the financial period		(250,486)	(49,785)	(523,584)	(283,610)
Attributable to:					
- Owners of the Company		(231,221)	(44,596)	(457,155)	(233,907)
- Non-controlling interests		(19,265)	(5,189)	(66,429)	(49,703)
Net loss for the financial period		(250,486)	(49,785)	(523,584)	(283,610)
Loss per share attributable to owners of the Company:					
- Basic (sen)	21	(17.57)	(11.73)	(67.04)	(61.52)
- Diluted (sen)	21	N/A	N/A	N/A	N/A

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

LION CORPORATION BERHAD (12890-A)

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.6.2012 RM'000	30.6.2011 RM'000	30.6.2012 RM'000	30.6.2011 RM'000
Net loss for the financial period		(250,486)	(49,785)	(523,584)	(283,610)
<u>Other Comprehensive Income/(Loss)</u>					
- Translation difference on net equity of foreign subsidiaries and other movements		(1,244)	9	(5,304)	(1,628)
- Net (loss)/gain on fair value changes on available-for-sale financial assets		(82)	19	(151)	65
- Share of other comprehensive income/ (loss) of associates		34,970	(1,775)	4,295	(9,184)
Other comprehensive income/(loss) for the financial period, net of tax		33,644	(1,747)	(1,160)	(10,747)
Total comprehensive loss for the financial period		(216,842)	(51,532)	(524,744)	(294,357)
Attributable to:					
- Owners of the Company		(197,577)	(46,343)	(458,315)	(244,654)
- Non-controlling interests		(19,265)	(5,189)	(66,429)	(49,703)
		(216,842)	(51,532)	(524,744)	(294,357)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

LION CORPORATION BERHAD (12890-A)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30.6.2012 RM'000	AS AT 30.6.2011 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,657,556	2,789,104
Land held for property development		5,988	11,769
Goodwill		318,978	438,978
Investment in associates		962,750	972,446
Investment securities		10,385	20,078
Deferred tax assets		297,737	227,984
		4,253,394	4,460,359
Current Assets			
Property development costs		3,562	740
Inventories		742,753	865,336
Investment securities		45,114	41,823
Receivables and tax recoverable		312,928	256,278
Deposits, cash and bank balances		126,244	121,777
		1,230,601	1,285,954
TOTAL ASSETS		5,483,995	5,746,313
EQUITY AND LIABILITIES			
Share capital		1,316,199	1,900,950
Reserves		(821,361)	(1,696,604)
Equity attributable to owners of the Company		494,838	204,346
Non-controlling interests		39,058	105,616
Total equity		533,896	309,962
Non-Current Liabilities			
Preference shares		111,000	111,000
Loans and borrowings	18	279,647	620,453
Bonds and debts	18	1,172,076	1,199,584
Deferred tax liabilities		3,675	5,606
Deferred liabilities		2,587	5,963
		1,568,985	1,942,606
Current Liabilities			
Payables		2,044,855	2,505,986
Loans and borrowings	18	1,030,723	765,810
Bonds and debts	18	304,065	221,315
Tax payable		1,471	634
		3,381,114	3,493,745
Total Liabilities		4,950,099	5,436,351
TOTAL EQUITY AND LIABILITIES		5,483,995	5,746,313
Net assets per share attributable to owners of the Company (RM) (Excluding equity component and warrants reserve)		0.35	0.09

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	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	Other Reserves RM'000	Accumulated Losses RM'000			
30 June 2012							
At 1 July 2011	1,900,950	97,685	374,719	(2,169,008)	204,346	105,616	309,962
Total comprehensive loss for the financial year	-	-	3,551	(461,866)	(458,315)	(66,429)	(524,744)
Capital reconstruction	5(iv)(a) (1,520,760)	-	-	1,520,760	-	-	-
Shares issued pursuant to settlement of Scheme Creditors	5(iv)(b) 936,009	-	(187,202) * ¹	-	748,807	-	748,807
Dividend paid to non-controlling interest	-	-	-	-	-	(129)	(129)
At 30 June 2012	1,316,199	97,685	191,068	(1,110,114)	494,838	39,058	533,896

*¹: Represents the difference arising from the extinguishment of debt via the issuance of ordinary shares.

30 June 2011							
At 1 July 2010	1,900,950	97,685	384,201	(1,933,843)	448,993	155,512	604,505
Total comprehensive loss for the financial year	-	-	(9,489)	(235,165)	(244,654)	(49,703)	(294,357)
Share-based payment under Executive Share Option Scheme	-	-	7	-	7	-	7
Dividend paid to non-controlling interest	-	-	-	-	-	(193)	(193)
At 30 June 2011	1,900,950	97,685	374,719	(2,169,008)	204,346	105,616	309,962

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.6.2012	30.6.2011
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before taxation	(589,690)	(348,481)
Adjustments for:		
Non-cash items	314,830	278,241
Non-operating items	276,494	240,381
Operating profit before working capital changes	1,634	170,141
Changes in working capital :		
Net changes in assets	57,678	629,647
Net changes in liabilities	152,490	(588,628)
Tax paid and others	(2,752)	(3,385)
	209,050	207,775
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,093)	(8,107)
Proceeds from redemption of investments	12,134	3,921
Dividend received	8,691	29,742
Others	(109)	4,224
	14,623	29,780
FINANCING ACTIVITIES		
Redemption of bonds and debts	(35,567)	(17,840)
Loans and borrowings	(125,590)	(166,607)
Others (mainly interest paid)	(58,280)	(71,566)
	(219,437)	(256,013)
Net changes in cash & cash equivalents	4,236	(18,458)
Effects of changes in exchange rates	206	(98)
Cash & cash equivalents at beginning of the financial year	109,834	128,390
Cash & cash equivalents at end of the financial year	114,276	109,834

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

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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 the Financial Reporting Standard ("FRS") 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 2011. 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 2011.

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 2011 except for the adoption of the following FRSs and IC Interpretations effective for the financial period beginning 1 July 2011:

Amendments to FRS 1 and FRS 7	Limited Exemption from Comparative and Disclosures for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 3	Business Combination
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Improvements to FRSs issued in 2010	
IC Interpretation 4	Determining Whether An Arrangement Contains a Lease
IC Interpretation 18	Transfer of Assets from Customers
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above mentioned FRSs and IC Interpretations did not have any significant effect on the financial performance, position or presentation of financials of the Group.

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

Other than as disclosed in Note 23, 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,

- (i) part of the LCB Bonds amounting to RM15.9 million have been redeemed;
- (ii) part of the LCB Debt amounting to USD0.03 million has been repaid;
- (iii) part of the LCB SPV Debts amounting to USD6.1 million have been repaid;
- (iv) the issued and paid-up capital of LCB has been changed from RM1,900,949,631 divided into 1,900,949,631 ordinary shares of RM1.00 each to RM1,316,198,949 divided into 1,316,198,949 ordinary shares of RM1.00 each pursuant to the Capital Reduction and Settlement Scheme of Megasteel Sdn Bhd ("Megasteel") as follows:
 - (a) the reduction of the par value of the existing ordinary shares of RM1.00 each in the Company ("LCB Shares") to RM0.20 each by the cancellation of RM0.80 each and thereafter, the consolidation of every five LCB Shares of RM0.20 each into one LCB Share of RM1.00; and
 - (b) the issuance of 936,009,129 new LCB Shares to the Scheme Creditors of Megasteel pursuant to the Proposed Settlement Scheme;
- (v) the exercise price of the LCB Warrants has been adjusted from RM1.00 per share to RM5.00 per share; and
- (vi) the conversion price of the LCB Redeemable Convertible Secured Loan Stocks has been adjusted from RM1.00 per share to RM5.00 per share.

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>	<u>Property</u>	<u>Furniture</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>					
Total sales	3,171,609	38,883	33,154	216	3,243,862
Inter-segment sales	(8,413)	-	-	(17)	(8,430)
External sales	<u>3,163,196</u>	<u>38,883</u>	<u>33,154</u>	<u>199</u>	<u>3,235,432</u>
<u>Results</u>					
Segment (loss)/profit	(334,221)	17,092	190	3,743	(313,196)
Interest and investment income					8,228
Loss from operations					(304,968)
Finance costs					(279,401)
Share in results of associates					(5,321)
Loss before taxation					<u>(589,690)</u>
<u>Total Assets</u>					
Segment assets	4,023,163	99,474	26,701	69,334	4,218,672
Investment in associates					962,750
Unallocated corporate assets					302,573
Consolidated total assets					<u>5,483,995</u>

8. Subsequent events

Other than as disclosed in Note 17(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 30 June 2011.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2012 RM'000	30.6.2011 RM'000	30.6.2012 RM'000	30.6.2011 RM'000
Revenue				
Steel	936,593	997,771	3,163,196	3,016,838
Property	4,125	28,622	38,883	68,340
Furniture	8,405	6,761	33,154	30,603
Others	1	564	199	2,769
	949,124	1,033,718	3,235,432	3,118,550
Segment Profit/(Loss)				
Steel (*)	(190,404)	(5,826)	(334,221)	(145,515)
Property	1,738	14,293	17,092	29,031
Furniture	(251)	(187)	190	407
Others	2,336	12,099	3,743	7,977
	(186,581)	20,379	(313,196)	(108,100)

(*) : Comprises impairment loss on goodwill of RM120.0 million (2011: RM40.2 million)

For the financial year under review, the Group posted a marginally higher revenue of RM3.24 billion as compared to RM3.12 billion in the preceding year. However, due to the weak international steel market and the sluggish local demand resulting from the leakages in import duty exemption and dumping activities, lower margin was posted by the **Steel** Division. The performance was further dampened by the impairment loss on goodwill of RM120 million as a result of the continuous losses incurred by the steel operation.

The **Property** Division recorded lower results amid the slowing property market whilst the contribution of the **Furniture** Division remains negligible to the Group.

For the **"Others"** Division, a lower revenue was recorded after the disposal of the loss-making motor operation towards the end of the last financial year. The profit recorded arose mainly from foreign exchange gain (2011 : Foreign exchange gain and gain on disposal of motor operation).

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	30.6.2012	31.3.2012
	RM'000	RM'000
Revenue	949,124	696,947
Loss from operations	(182,717)	(40,657)
Loss before taxation	(266,997)	(107,965)

The Group registered a higher revenue of RM949 million as compared to the immediate preceding quarter. The improvement was mainly attributed to the higher domestic steel consumption after the Chinese New Year holidays in the last quarter. However, overall steel market condition remains weak locally and internationally. Coupled with the impairment loss on goodwill, a higher loss was registered by the Group.

13. a) Prospects

The outlook for the steel market remains uncertain and volatile in view of the global headwinds and the continued dumping activities by foreign exporters. However, the Group is confident that the Government will impose tighter measures to plug the loopholes and leakages in order to enable the local steel industry to grow and expand in an orderly manner. Coupled with the impending commencement of various Government mega infrastructure projects which will provide significant support to the growth momentum for **steel** consumption, the Board is cautiously optimistic that the steel demand will improve in the coming financial year.

The **Property** and **Furniture** Divisions are expected to sustain their moderate 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. Taxation

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
Taxation comprises :				
Income tax	(2,116)	371	(5,586)	(3,916)
Deferred tax	18,627	(8,288)	71,692	68,787
	16,511	(7,917)	66,106	64,871

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 were not deductible for tax purposes.

17. Corporate proposals(a) Status of corporate proposals

There were no corporate proposals for the current quarter under review.

(b) Status of utilisation of proceeds from corporate proposals

Please refer to Appendix 1.

18. 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>Loans and Borrowings</u>			
Secured	957,516	279,647	1,237,163
Unsecured	73,207	-	73,207
	1,030,723	279,647	1,310,370
<u>Bonds and Debts</u>			
Secured	304,065	1,172,076	1,476,141
Total	1,334,788	1,451,723	2,786,511

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

	Foreign Currency	
	'000	RM'000
- Ringgit Malaysia	-	2,470,648
- US Dollar	98,893	315,863
		2,786,511

19. Changes in material litigation

There was no material litigation since 30 June 2011.

20. Dividend proposed

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

21. Loss per shareBasic

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
Net loss attributable to owners of the Company (RM'000)	(231,221)	(44,596)	(457,155)	(233,907)
Weighted average number of ordinary shares in issue: ('000)				
Issued shares at beginning of the period	1,900,950	1,900,950	1,900,950	1,900,950
Effect of capital consolidation (Note 5(iv))	(1,520,760)	(1,520,760)	(1,520,760)	(1,520,760)
	380,190	380,190	380,190	380,190
Effect of shares issued pursuant to settlement of creditors (Note 5(iv))	936,009	-	301,773	-
	1,316,199	380,190	681,963	380,190
Basic loss per share (sen)	(17.57)	(11.73)	(67.04)	(61.52)

The loss per share for 2011 has been restated to take into account the effect of the capital consolidation on weighted average number of ordinary shares in issue.

Diluted

The diluted loss per share is not presented as the unexercised warrants and redeemable convertible secured loan stocks have no dilutive effect as the exercise and conversion prices are above the average market value of the Company's shares.

22. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2011 was not qualified.

23. Loss before taxation

Loss before taxation is arrived at after crediting/(charging) the following income/(expenses):

	3 MONTHS ENDED 30.6.2012	YEAR-TO-DATE ENDED 30.6.2012
	RM'000	RM'000
(a) Interest income	3,842	8,206
(b) Other income including investment income, but excluding foreign exchange gain	2,016	13,284
(c) Interest expense	(57,639)	(279,401)
(d) Depreciation and amortisation	(35,521)	(141,921)
(e) Provision for and write off of receivables	-	-
(f) Provision for and write off of inventories	(8,533)	(8,533)
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
(h) Impairment of assets - Goodwill	(120,000)	(120,000)
- Property, plant and equipment	(52)	(52)
(i) Foreign exchange gain/(loss)	(24,740)	(15,345)
(j) Gain/(Loss) on derivatives	-	-
(k) Exceptional items	-	-
	=====	=====

24. Disclosure of realised and unrealised profits/losses

	AS AT 30.6.2012	AS AT 30.6.2011
	RM'000	RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries:		
- Realised	(918,343)	(2,101,872)
- Unrealised	323,025	308,929
	(595,318)	(1,792,943)
Total share of retained profits from associates:		
- Realised	241,411	248,520
- Unrealised	(860)	10,762
	(354,767)	(1,533,661)
Less: Consolidation adjustments (Mostly goodwill amortised & impaired)	(755,347)	(635,347)
Total Group accumulated losses	(1,110,114)	(2,169,008)
	=====	=====

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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 2012)		
			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	33.3	2.7	-	-	-
By December 2004 Shares in unlisted company	38.6	13.0	-	-	-
	71.9	15.7	-	-	-

(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 Debt.