



LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim Financial Report for the First Quarter Ended 30 September 2013

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LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2013

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Revenue		478,218	695,012	478,218	695,012
Operating expenses		(544,965)	(756,148)	(544,965)	(756,148)
Other operating income		2,045	13,832	2,045	13,832
Loss from operations		(64,702)	(47,304)	(64,702)	(47,304)
Finance costs		(62,699)	(73,160)	(62,699)	(73,160)
Share in results of associates		1,051	(6,085)	1,051	(6,085)
Loss before taxation	23	(126,350)	(126,549)	(126,350)	(126,549)
Taxation	16	(531)	20,594	(531)	20,594
Net loss for the financial period		(126,881)	(105,955)	(126,881)	(105,955)
Attributable to:					
- Owners of the Company		(98,843)	(87,551)	(98,843)	(87,551)
- Non-controlling interests		(28,038)	(18,404)	(28,038)	(18,404)
Net loss for the financial period		(126,881)	(105,955)	(126,881)	(105,955)
Loss per share attributable to owners of the Company:					
- Basic (sen)	21	(7.51)	(6.65)	(7.51)	(6.65)
- 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 2013 and the accompanying explanatory notes attached to the interim financial statements)

LION CORPORATION BERHAD (12890-A)

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Interim financial report for the first quarter ended 30 September 2013

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Net loss for the financial period	(126,881)	(105,955)	(126,881)	(105,955)
<u>Other Comprehensive Income/(Loss)</u>				
- Translation difference on net equity of foreign subsidiaries and other movements	(615)	72	(615)	72
- Net (loss)/gain on fair value changes on available-for-sale financial assets	(82)	24	(82)	24
- Share of other comprehensive income/(loss) of associates	1,108	(1,111)	1,108	(1,111)
Other comprehensive income/(loss) for the financial period, net of tax, representing items that may be reclassified subsequently to profit or loss	411	(1,015)	411	(1,015)
Total comprehensive loss for the financial period	(126,470)	(106,970)	(126,470)	(106,970)
Attributable to:				
- Owners of the Company	(98,432)	(88,566)	(98,432)	(88,566)
- Non-controlling interests	(28,038)	(18,404)	(28,038)	(18,404)
	(126,470)	(106,970)	(126,470)	(106,970)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 2013
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2013	AS AT 30.6.2013
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,491,710	2,522,577
Land held for property development		2,095	6,805
Goodwill		188,978	188,978
Investment in associates		54,769	52,610
Investment securities		4,399	4,379
Deferred tax assets		333,434	332,244
		3,075,385	3,107,593
Current Assets			
Property development costs		2,016	4,297
Inventories		686,664	842,189
Investment securities		22,627	25,225
Receivables and tax recoverable		124,972	194,050
Deposits, cash and bank balances		183,518	151,535
		1,019,797	1,217,296
Non-current assets classified as held for sale		9,912	9,833
		1,029,709	1,227,129
TOTAL ASSETS		4,105,094	4,334,722
EQUITY AND LIABILITIES			
Share capital		1,316,199	1,316,199
Reserves		(1,198,599)	(1,100,167)
Equity attributable to owners of the Company		117,600	216,032
Non-controlling interests		(68,690)	(40,652)
Total equity		48,910	175,380
Non-Current Liabilities			
Preference shares		111,000	111,000
Loans and borrowings	18	180,093	176,169
Bonds and debts	18	756,031	744,385
Deferred tax liabilities		1,661	1,963
Deferred liabilities		2,834	2,834
		1,051,619	1,036,351
Current Liabilities			
Payables		2,116,136	2,251,154
Loans and borrowings	18	887,023	871,733
Tax payable		1,406	104
		3,004,565	3,122,991
Total Liabilities		4,056,184	4,159,342
TOTAL EQUITY AND LIABILITIES		4,105,094	4,334,722
Net assets per share attributable to owners of the Company (RM) (Excluding equity component and warrants reserve)		0.08	0.15

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 2013

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →				Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000			
30 September 2013							
At 1 July 2013	1,316,199	97,685	327,680	(1,525,532)	216,032	(40,652)	175,380
Total comprehensive income/ (loss) for the financial period	-	-	411	(98,843)	(98,432)	(28,038)	(126,470)
At 30 September 2013	1,316,199	97,685	328,091	(1,624,375)	117,600	(68,690)	48,910
30 September 2012							
At 1 July 2012	1,316,199	97,685	378,269	(1,301,356)	490,797	41,957	532,754
Total comprehensive loss for the financial period	-	-	(1,017)	(87,549)	(88,566)	(18,404)	(106,970)
At 30 September 2012	1,316,199	97,685	377,252	(1,388,905)	402,231	23,553	425,784

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 2013

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2013	30.9.2012
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before taxation	(126,350)	(126,549)
Adjustments for:		
Non-cash items	43,302	24,572
Non-operating items	60,607	78,125
Operating loss before working capital changes	(22,441)	(23,852)
Changes in working capital:		
Net changes in assets	226,905	172,784
Net changes in liabilities	(167,333)	(116,906)
Tax paid and others	312	1,163
	37,443	33,189
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(408)	(3,388)
Proceeds from redemption of investments	3,486	-
Others	-	(1)
	3,078	(3,389)
FINANCING ACTIVITIES		
Loans and borrowings	9,467	(21,002)
Others (mainly interest paid)	(17,066)	(932)
	(7,599)	(21,934)
Net changes in cash & cash equivalents	32,922	7,866
Effects of changes in exchange rates	121	(22)
Cash & cash equivalents at beginning of the financial period	137,280	117,882
Cash & cash equivalents at end of the financial period	170,323	125,726

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 2013

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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 2013. 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 2013.

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 2013 except for the adoption of the following FRSs, Amendments to FRSs and IC Interpretation effective for the financial period beginning 1 July 2013:

FRS 10 Consolidated Financial Statements

FRS 11 Joint Arrangements

FRS 12 Disclosure of interests in Other Entities

FRS 13 Fair Value Measurement

FRS 119 Employee Benefits

FRS 127 Separate Financial Statements

FRS 128 Investment in Associate and Joint Ventures

Amendments to FRS 1 Government Loans

Amendments to FRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments to FRS 10 Consolidated Financial Statements - Transition Guidance

Amendments to FRS 11 Joint Arrangements - Transition Guidance

Amendments to FRS 12 Disclosure of Interests in Other Entities - Transition Guidance

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Improvement to FRSs Issued in 2012

The adoption of the above mentioned FRSs, Amendments to FRSs and IC Interpretation 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

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
Revenue					
Total sales	452,284	21,085	7,031	20	480,420
Inter-segment sales	(2,181)	-	(21)	-	(2,202)
External sales	<u>450,103</u>	<u>21,085</u>	<u>7,010</u>	<u>20</u>	<u>478,218</u>
Results					
Segment (loss)/profit	(72,853)	7,931	(537)	(284)	(65,743)
Interest and investment income					<u>1,041</u>
Loss from operations					(64,702)
Finance costs					(62,699)
Share in results of associates					<u>1,051</u>
Loss before taxation					<u>(126,350)</u>
Total Assets					
Segment assets	3,510,215	126,507	26,858	48,844	3,712,424
Investment in associates					54,769
Unallocated corporate assets					337,901
Consolidated total assets					<u>4,105,094</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 2013.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
<u>Revenue</u>				
Steel	450,103	678,402	450,103	678,402
Property	21,085	9,898	21,085	9,898
Furniture	7,010	6,629	7,010	6,629
Others	20	83	20	83
	478,218	695,012	478,218	695,012
<u>Segment Profit/(Loss)</u>				
Steel	(72,853)	(53,378)	(72,853)	(53,378)
Property	7,931	6,559	7,931	6,559
Furniture	(537)	(291)	(537)	(291)
Others	(284)	(1,314)	(284)	(1,314)
	(65,743)	(48,424)	(65,743)	(48,424)

For the 3 months period ended 30 September 2013, the Group posted a lower revenue of RM478 million as compared to RM695 million in the preceding year corresponding period. The unfavourable performance was mainly due to the weak international market and sluggish local demand for flat **steel** products. The domestic steel market continued to be affected by the rampant dumping activities by foreign steel producers as the measures imposed by the authorities are generally seen as ineffective. Together with the RM14 million foreign exchange loss (as compared to the RM7 million gain in the previous year) resulting from the weakening of Ringgit Malaysia against the US Dollar, a higher operating loss of RM66 million was registered by the Group.

The **Property** Division reported higher progress billings for the quarter under review whilst the contribution of the **Furniture** Division remains negligible to the Group.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	30.9.2013 RM'000	30.6.2013 RM'000
Revenue	478,218	738,784
Loss from operations	(64,702)	(14,406)
(Loss)/Profit before taxation	(126,350)	27,626

For the quarter under review, the Group registered a significantly lower revenue of RM478 million and a higher loss from operations of RM65 million as compared to the immediate preceding quarter. The adverse operating results were attributed to the reasons mentioned in Note 11 above. Profit before taxation reported in the immediate preceding quarter resulted from the RM97 million one-off exceptional gain on debts settlement, net of divestment and impairment losses.

13. a) Prospects

The implementation of the new steel policy which was effected on 1 February 2013 augured well for the local steel industry. However, the measures imposed by the authorities are generally seen as being ineffective. Hence, the operating environment of the Group will remain challenging in the coming quarter. The Group will continue to work with the authorities in order to strengthen the enforcement of the measures announced.

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	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Taxation comprises :				
Income tax	(2,025)	(1,037)	(2,025)	(1,037)
Deferred tax	1,494	21,631	1,494	21,631
	(531)	20,594	(531)	20,594

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 and deferred tax not recognised in respect of the losses.

17. Corporate proposals(a) Status of corporate proposals

No	Date of Announcement	Subject	Status
1	3.9.2013	Proposed disposal by Lion General Trading & Marketing (S) Pte Ltd, a wholly-owned subsidiary of the Company, of its entire 100% equity interest in Lion Plate Mills Sdn Bhd to Maximum Protection Services Sdn Bhd for a cash consideration of RM33 million.	Pending completion.

(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 RM'000	Long Term RM'000	Total RM'000
<u>Loans and Borrowings</u>			
Secured	827,693	180,093	1,007,786
Unsecured	59,330	-	59,330
	<u>887,023</u>	<u>180,093</u>	<u>1,067,116</u>
<u>Bonds and Debts</u>			
Secured	-	756,031	756,031
Total	<u>887,023</u>	<u>936,124</u>	<u>1,823,147</u>

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

	Foreign Currency '000	RM'000
- Ringgit Malaysia	-	1,497,746
- US Dollar	99,939	325,401
		<u>1,823,147</u>

19. Changes in material litigation

There was no material litigation since 30 June 2013.

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	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
Net loss attributable to owners of the Company (RM'000)	(98,843)	(87,551)	(98,843)	(87,551)
Weighted average number of ordinary shares in issue ('000)	1,316,199	1,316,199	1,316,199	1,316,199
Basic loss per share (sen)	<u>(7.51)</u>	<u>(6.65)</u>	<u>(7.51)</u>	<u>(6.65)</u>

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 2013 was not qualified.

23. Loss before taxation

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
(a) Interest income	1,041	1,120	1,041	1,120
(b) Other income including investment income but excluding foreign exchange gain	1,004	1,794	1,004	1,794
(c) Interest expense	(62,699)	(73,160)	(62,699)	(73,160)
(d) Depreciation and amortisation	(35,679)	(35,490)	(35,679)	(35,490)
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-	-	-
(h) Impairment of asset	-	-	-	-
(i) Foreign exchange gain/(loss)	(13,587)	6,871	(13,587)	6,871
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 30.9.2013	AS AT 30.6.2013
	RM'000	RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries:		
- Realised	(640,839)	(549,078)
- Unrealised	351,522	358,555
	(289,317)	(190,523)
Total share of (accumulated losses) / retained profits from associates:		
- Realised	(412,340)	(412,472)
- Unrealised	2,472	2,653
	(699,185)	(600,342)
Less: Consolidation adjustments (Mostly goodwill amortised & impaired)	(925,190)	(925,190)
Total Group accumulated losses	(1,624,375)	(1,525,532)

25. Material events

(a) Practice Note 17 ("PN 17")

The Company had on 25 October 2013 announced that it is an affected listed issuer pursuant to the provision of the Practice Note 17 ("PN 17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). In accordance with the PN 17, the Company is required to submit a regularisation plan within 12 months to Securities Commission/Bursa Securities. The Company is looking into formulating a plan to regularise its financial condition.

(b) Malaysia Competition Commission ("MyCC")

On 1 November 2013, the Malaysia Competition Commission ("MyCC") has issued its Proposed Decision on Megasteel Sdn Bhd ("Megasteel"), a 79% owned subsidiary of the Company. In its Proposed Decision, MyCC is of the view that Megasteel has breached the provision of section 10(1) of the Competition Act, 2010 in that it has abused its dominant position by charging or imposing a price for its hot rolled coil that amounts to a margin squeeze that produces anti-competitive effects in the cold rolled coil market. A financial penalty of RM4.5 million is imposed by MyCC on Megasteel. Megasteel will submit a written representation to MyCC on or before 12 December 2013 and make an oral representation before MyCC at a date to be determined by MyCC.

Our solicitors have advised that we have good grounds to contest the Proposed Decision.

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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 2013)		
			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 companies	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/LCB RCSLS.