



LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim Financial Report for the Fourth Quarter Ended 30 June 2014

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LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim financial report for the fourth quarter ended 30 June 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
Revenue		657,418	732,825	2,481,954	2,591,833
Operating expenses		(754,084)	(755,379)	(2,730,351)	(2,805,729)
Other operating income		11,338	2,935	29,326	31,253
Loss from operations		(85,328)	(19,619)	(219,071)	(182,643)
Gain on disposal of a subsidiary	9	-	-	23,275	-
Impairment and divestment losses, net of gain on debts settlement	23(k)	(188,978)	97,207	(188,978)	97,207
Finance costs		(55,993)	(52,279)	(241,608)	(273,364)
Share in results of associates		(320)	(6)	2,086	3,936
(Loss)/Profit before taxation	23	(330,619)	25,303	(624,296)	(354,864)
Taxation	16	(4,507)	(36,563)	(3,185)	28,208
Net loss for the financial period		(335,126)	(11,260)	(627,481)	(326,656)
Attributable to:					
- Owners of the Company		(301,586)	12,228	(526,487)	(245,618)
- Non-controlling interests		(33,540)	(23,488)	(100,994)	(81,038)
Net loss for the financial period		(335,126)	(11,260)	(627,481)	(326,656)
(Loss)/Earnings per share attributable to owners of the Company:					
- Basic (sen)	21	(22.91)	0.93	(40.00)	(18.66)
- 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 fourth quarter ended 30 June 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
Net loss for the financial period	(335,126)	(11,260)	(627,481)	(326,656)
<u>Other Comprehensive Income/(Loss)</u>				
- Translation difference on net equity of foreign subsidiaries and other movements	1,720	(1,609)	6,042	(1,552)
- Net gain/(loss) on fair value changes on available-for-sale financial assets	4	(98)	(389)	(86)
- Share of other comprehensive loss of associates	(2,363)	(30,059)	(675)	(29,080)
Other comprehensive (loss)/income for the financial period, net of tax, representing items that may be reclassified subsequently to profit or loss	(639)	(31,766)	4,978	(30,718)
Total comprehensive loss for the financial period	(335,765)	(43,026)	(622,503)	(357,374)
Attributable to:				
- Owners of the Company	(302,225)	(17,967)	(521,509)	(274,765)
- Non-controlling interests	(33,540)	(25,059)	(100,994)	(82,609)
	(335,765)	(43,026)	(622,503)	(357,374)

(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)

LION CORPORATION BERHAD (12890-A)
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Interim financial report for the fourth quarter ended 30 June 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.6.2014	AS AT 30.6.2013
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,370,749	2,522,577
Land held for property development		2,575	6,805
Goodwill		-	188,978
Investment in associates		53,707	52,610
Investment securities		917	4,379
Deferred tax assets		339,139	332,244
		2,767,087	3,107,593
Current Assets			
Property development costs		561	4,297
Inventories		689,034	842,189
Investment securities		23,199	25,225
Receivables and tax recoverable		153,350	194,050
Deposits, cash and bank balances		177,835	151,535
		1,043,979	1,217,296
Non-current assets classified as held for sale		-	9,833
		1,043,979	1,227,129
TOTAL ASSETS		3,811,066	4,334,722
EQUITY AND LIABILITIES			
Share capital		1,316,199	1,316,199
Reserves		(1,621,676)	(1,100,167)
Equity attributable to owners of the Company		(305,477)	216,032
Non-controlling interests		(141,646)	(40,652)
Total equity		(447,123)	175,380
Non-Current Liabilities			
Preference shares		111,000	111,000
Loans and borrowings	18	90,174	176,169
Bonds and debts	18	764,891	744,385
Deferred tax liabilities		837	1,963
Deferred liabilities		255,671	2,834
		1,222,573	1,036,351
Current Liabilities			
Payables		2,020,515	2,251,154
Loans and borrowings	18	1,011,613	871,733
Tax payable		3,488	104
		3,035,616	3,122,991
Total Liabilities		4,258,189	4,159,342
TOTAL EQUITY AND LIABILITIES		3,811,066	4,334,722
Net (liabilities)/assets per share attributable to owners of the Company (RM) (Excluding equity component and warrants reserve)		(0.24)	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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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	← Non-Distributable → Share Premium RM'000		Other Reserves RM'000			
30 June 2014							
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 year	-	-	4,978	(526,487)	(521,509)	(100,994)	(622,503)
At 30 June 2014	1,316,199	97,685	332,658	(2,052,019)	(305,477)	(141,646)	(447,123)
30 June 2013							
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 year	-	-	(29,147)	(245,618)	(274,765)	(82,609)	(357,374)
Realisation of equity component of Redeemable Convertible Secured Loan Stocks ("RCSLS")	-	-	(21,442)	21,442	-	-	-
At 30 June 2013	1,316,199	97,685	327,680	(1,525,532)	216,032	(40,652)	175,380

(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)

LION CORPORATION BERHAD (12890-A)

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Interim financial report for the fourth quarter ended 30 June 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.6.2014	30.6.2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before taxation	(624,296)	(354,864)
Adjustments for:		
Non-cash items	355,502	69,601
Non-operating items	234,088	262,833
Operating loss before working capital changes	(34,706)	(22,430)
Changes in working capital:		
Net changes in assets	158,134	186,473
Net changes in liabilities	(61,549)	(38,479)
Tax paid and others	1,645	(2,984)
	63,524	122,580
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,243)	(17,348)
Proceeds from disposal of an associate	-	79,500
Proceeds from redemption of investments	6,372	4,359
Net cash inflow from disposal of a subsidiary	32,996	-
Dividend received	322	2,636
Others	(6)	2,313
	38,441	71,460
FINANCING ACTIVITIES		
Redemption of bonds and debts	(25,914)	(56,166)
Loans and borrowings	13,558	(52,679)
Others (mainly interest paid)	(64,625)	(65,794)
	(76,981)	(174,639)
Net changes in cash & cash equivalents	24,984	19,401
Effects of changes in exchange rates	52	(3)
Cash & cash equivalents at beginning of the financial year	137,280	117,882
Cash & cash equivalents at end of the financial year	162,316	137,280

(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)

LION CORPORATION BERHAD (12890-A)

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Interim financial report for the fourth quarter ended 30 June 2014

(The figures have not been audited)

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 *Investments in Associates 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

During the financial year, the Company has:

- (i) redeemed part of its LCB Bonds amounting to RM25.8 million;
- (ii) repaid part of its LCB Debt amounting to USD0.04 million; and
- (iii) repaid part of its LCB RCSLS amounting to RM7.9 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>	<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	2,355,997	102,259	29,501	190	2,487,947
Inter-segment sales	(5,957)	-	(21)	(15)	(5,993)
External sales	<u>2,350,040</u>	<u>102,259</u>	<u>29,480</u>	<u>175</u>	<u>2,481,954</u>
<u>Results</u>					
Segment (loss)/profit	(259,023)	37,125	(1,431)	(1,177)	(224,506)
Interest and investment income					5,435
Loss from operations					<u>(219,071)</u>
Gain on disposal of a subsidiary					23,275
Impairment losses					(188,978)
Finance costs					(241,608)
Share in results of associates					2,086
Loss before taxation					<u>(624,296)</u>
<u>Total Assets</u>					
Segment assets	3,169,794	172,650	25,676	49,395	3,417,515
Investment in associates					53,707
Unallocated corporate assets					339,844
Consolidated total assets					<u>3,811,066</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 except for the disposal of 100% equity interest in Lion Plate Mills Sdn Bhd on 31 December 2013.

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	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
<u>Revenue</u>				
Steel	600,883	708,797	2,350,040	2,519,007
Property	48,205	17,470	102,259	44,973
Furniture	8,254	6,551	29,480	27,664
Others	76	7	175	189
	657,418	732,825	2,481,954	2,591,833
<u>Segment Profit/(Loss)</u>				
Steel	(107,874)	(25,862)	(259,023)	(204,420)
Property	20,278	5,874	37,125	19,985
Furniture	(242)	(2,105)	(1,431)	(3,070)
Others	657	148	(1,177)	(1,733)
	(87,181)	(21,945)	(224,506)	(189,238)

For the financial year ended 30 June 2014, the Group posted a lower revenue of RM2.48 billion as compared to RM2.59 billion a year ago. This was mainly attributed to the lower sales volume for flat **steel** products in the domestic market resulting from the persistent dumping activities by the foreign exporters.

The **Property** Division reported encouraging results for the period 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
	30.6.2014 RM'000	31.3.2014 RM'000
Revenue	657,418	611,937
Loss from operations	(85,328)	(58,294)
Loss before taxation	(330,619)	(119,655)

For the quarter under review, the Group registered a higher revenue of RM657 million as compared to the immediate preceding quarter. The improvement was mainly contributed by the higher progress billings from our Property Division. The performance of the Steel Division continued to be affected by the dumping activities. As a result, an additional RM189 million impairment loss for goodwill is provided and resulted in the Group registering a higher loss before taxation for the quarter under review.

13. a) **Prospects**

In June 2014, the Government initiated an investigation to study the possibility of imposing anti-dumping duty on several types of steel product imports from certain countries. The Group will continue to work closely with the Government to address the problem of excessive imports at dumping prices. In the light of uncertainties surrounding the measures to be implemented, the operating environment for the Group is expected to remain challenging in the next financial year.

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	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
Taxation comprises :				
Income tax	(8,091)	(1,467)	(11,215)	(4,428)
Deferred tax	3,584	(35,096)	8,030	32,636
	(4,507)	(36,563)	(3,185)	28,208

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**

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 and debt securities 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	941,921	90,174	1,032,095
Unsecured	69,692	-	69,692
	<u>1,011,613</u>	<u>90,174</u>	<u>1,101,787</u>
<u>Bonds and Debts</u>			
Secured	-	764,891	764,891
Total	<u>1,011,613</u>	<u>855,065</u>	<u>1,866,678</u>

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

	Foreign Currency '000	RM'000
- Ringgit Malaysia	-	1,542,451
- US Dollar	101,037	324,227
		<u>1,866,678</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)/Earnings per shareBasic

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit 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	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Net (loss)/profit attributable to owners of the Company (RM'000)	(301,586)	12,228	(526,487)	(245,618)
Weighted average number of ordinary shares in issue ('000)	1,316,199	1,316,199	1,316,199	1,316,199
Basic (loss)/earnings per share (sen)	<u>(22.91)</u>	<u>0.93</u>	<u>(40.00)</u>	<u>(18.66)</u>

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 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)/Profit before taxation

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.6.2014 RM'000	30.6.2013 RM'000	30.6.2014 RM'000	30.6.2013 RM'000
(a) Interest income	1,845	2,310	5,427	6,569
(b) Other income including investment income but excluding foreign exchange gain	2,069	2,847	16,475	15,227
(c) Interest expense	(55,993)	(52,279)	(241,608)	(273,364)
(d) Depreciation and amortisation	(36,363)	(35,674)	(143,209)	(142,457)
(e) Provision for and write off of receivables	-	(58)	-	(58)
(f) Provision for and write off of inventories	(30,652)	(23,677)	(43,259)	(26,034)
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	105	23,275	105
(h) Impairment of asset	(10,419)	-	(10,419)	-
(i) Foreign exchange gain/(loss)	16,918	(2,327)	(6,376)	9,352
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items:				
- Impairment loss on goodwill	(188,978)	(110,000)	(188,978)	(110,000)
- Gain on debts settlement	-	847,166	-	847,166
- Loss on disposal of an associate	-	(575,958)	-	(575,958)
- Impairment loss on investments	-	(64,001)	-	(64,001)
	(188,978)	97,207	(188,978)	97,207

24. Disclosure of realised and unrealised profits/losses

	AS AT	AS AT
	30.6.2014 RM'000	30.6.2013 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries:		
- Realised	(884,171)	(549,078)
- Unrealised	355,152	358,555
	(529,019)	(190,523)
Total share of (accumulated losses) / retained profits from associates:		
- Realised	(411,264)	(412,472)
- Unrealised	2,432	2,653
	(937,851)	(600,342)
Less: Consolidation adjustments (Mostly goodwill amortised & impaired)	(1,114,168)	(925,190)
Total Group accumulated losses	(2,052,019)	(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") 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 had breached the provision of section 10(1) of the Competition Act, 2010 in that it had abused its dominant position by charging or imposing a price for its hot rolled coil and cold 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 had on 12 December 2013 filed a written representation to MyCC and presented its oral representation on 21 July 2014. Megasteel is now waiting for MyCC's final 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 2014)		
			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 RCCLS.