



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

(Incorporated in Malaysia)

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## **Interim Financial Report for the First Quarter Ended 30 September 2014**

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

**Interim financial report for the first quarter ended 30 September 2014**

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
<b>Revenue</b>		<b>605,270</b>	<b>478,218</b>	<b>605,270</b>	<b>478,218</b>
Operating expenses		(657,151)	(544,965)	(657,151)	(544,965)
Other operating income		4,640	2,045	4,640	2,045
<b>Loss from operations</b>		<b>(47,241)</b>	<b>(64,702)</b>	<b>(47,241)</b>	<b>(64,702)</b>
Finance costs		(62,157)	(62,699)	(62,157)	(62,699)
Share in results of associates		446	1,051	446	1,051
<b>Loss before taxation</b>	23	<b>(108,952)</b>	<b>(126,350)</b>	<b>(108,952)</b>	<b>(126,350)</b>
Taxation	16	(969)	(531)	(969)	(531)
<b>Net loss for the financial period</b>		<b>(109,921)</b>	<b>(126,881)</b>	<b>(109,921)</b>	<b>(126,881)</b>
Attributable to:					
- Owners of the Company		(85,931)	(98,843)	(85,931)	(98,843)
- Non-controlling interests		(23,990)	(28,038)	(23,990)	(28,038)
<b>Net loss for the financial period</b>		<b>(109,921)</b>	<b>(126,881)</b>	<b>(109,921)</b>	<b>(126,881)</b>
Loss per share attributable to owners of the Company:					
- Basic (sen)	21	(6.53)	(7.51)	(6.53)	(7.51)
- Diluted (sen)	21	N/A	N/A	N/A	N/A

*(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements)*

# LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

## Interim financial report for the first quarter ended 30 September 2014

(The figures have not been audited)

### CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
<b>Net loss for the financial period</b>	<b>(109,921)</b>	<b>(126,881)</b>	<b>(109,921)</b>	<b>(126,881)</b>
<u>Other Comprehensive Income/(Loss)</u>				
- Translation difference on net equity of foreign subsidiaries and other movements	(448)	(615)	(448)	(615)
- Net loss on fair value changes on available-for-sale financial assets	(142)	(82)	(142)	(82)
- Share of other comprehensive income of associates	1,621	1,108	1,621	1,108
Other comprehensive income for the financial period, net of tax, representing items that may be reclassified subsequently to profit or loss	1,031	411	1,031	411
<b>Total comprehensive loss for the financial period</b>	<b>(108,890)</b>	<b>(126,470)</b>	<b>(108,890)</b>	<b>(126,470)</b>
Attributable to:				
- Owners of the Company	(84,900)	(98,432)	(84,900)	(98,432)
- Non-controlling interests	(23,990)	(28,038)	(23,990)	(28,038)
	<b>(108,890)</b>	<b>(126,470)</b>	<b>(108,890)</b>	<b>(126,470)</b>

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements)

# LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

## Interim financial report for the first quarter ended 30 September 2014

(The figures have not been audited)

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30.9.2014	AS AT 30.6.2014
		RM'000	RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		2,335,190	2,370,751
Land held for property development		5,568	2,528
Investment in associates		54,625	53,707
Investment securities		746	886
Deferred tax assets		370,480	369,345
		<b>2,766,609</b>	<b>2,797,217</b>
<b>Current Assets</b>			
Property development costs		685	598
Inventories		611,244	681,478
Investment securities		22,753	23,199
Receivables and tax recoverable		121,238	159,783
Deposits, cash and bank balances		179,380	177,833
		<b>935,300</b>	<b>1,042,891</b>
<b>TOTAL ASSETS</b>		<b>3,701,909</b>	<b>3,840,108</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		1,316,199	1,316,199
Reserves		(1,687,165)	(1,602,265)
Equity attributable to owners of the Company		<b>(370,966)</b>	<b>(286,066)</b>
Non-controlling interests		(156,405)	(132,415)
Total equity		<b>(527,371)</b>	<b>(418,481)</b>
<b>Non-Current Liabilities</b>			
Preference shares		111,000	111,000
Loans and borrowings	18	91,108	90,288
Bonds and debts	18	776,754	764,891
Deferred tax liabilities		759	836
Deferred liabilities		223,807	255,600
		<b>1,203,428</b>	<b>1,222,615</b>
<b>Current Liabilities</b>			
Payables		2,005,601	2,021,178
Loans and borrowings	18	1,017,484	1,011,620
Tax liabilities		2,767	3,176
		<b>3,025,852</b>	<b>3,035,974</b>
<b>Total Liabilities</b>		<b>4,229,280</b>	<b>4,258,589</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,701,909</b>	<b>3,840,108</b>
Net liabilities per share attributable to owners of the Company (RM) (Excluding equity component and warrants reserve)		<b>(0.29)</b>	<b>(0.23)</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 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 2014**  
(The figures have not been audited)

**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
	← Non-Distributable →						
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000			
<b>30 September 2014</b>							
At 1 July 2014	1,316,199	97,685	332,653	(2,032,603)	(286,066)	(132,415)	(418,481)
Total comprehensive income/(loss) for the financial period	-	-	1,031	(85,931)	(84,900)	(23,990)	(108,890)
<b>At 30 September 2014</b>	<b>1,316,199</b>	<b>97,685</b>	<b>333,684</b>	<b>(2,118,534)</b>	<b>(370,966)</b>	<b>(156,405)</b>	<b>(527,371)</b>
<b>30 September 2013</b>							
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)
<b>At 30 September 2013</b>	<b>1,316,199</b>	<b>97,685</b>	<b>328,091</b>	<b>(1,624,375)</b>	<b>117,600</b>	<b>(68,690)</b>	<b>48,910</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 2014 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 2014

(The figures have not been audited)

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2014	30.9.2013
	RM'000	RM'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(108,952)	(126,350)
Adjustments for:		
Non-cash items	40,429	43,302
Non-operating items	60,741	60,607
Operating loss before working capital changes	(7,782)	(22,441)
Changes in working capital:		
Net changes in assets	105,000	226,905
Net changes in liabilities	(75,477)	(167,333)
Tax paid and others	(1,275)	312
	<b>20,466</b>	<b>37,443</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(116)	(408)
Proceeds from redemption of investments	1,211	3,486
Others	1,179	-
	<b>2,274</b>	<b>3,078</b>
<b>FINANCING ACTIVITIES</b>		
Loans and borrowings	(1,336)	9,467
Others (mainly interest paid)	(19,466)	(17,066)
	<b>(20,802)</b>	<b>(7,599)</b>
Net changes in cash & cash equivalents	1,938	32,922
Effects of changes in exchange rates	230	121
Cash & cash equivalents at beginning of the financial period	162,325	137,280
Cash & cash equivalents at end of the financial period	<b>164,493</b>	<b>170,323</b>

*(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 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 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 2014. 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 2014.

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 2014 except for the adoption of the following FRSs, Amendments to FRSs and IC Interpretation effective for the financial period beginning 1 July 2014:

Amendments to FRS 10 *Consolidated Financial Statements: Investment Entities*

Amendments to FRS 12 *Joint Arrangements: Investment Entities*

Amendments to FRS 127 *Separate Financial Statements: Investment Entities*

Amendments to FRS 132 *Financial Instruments: Presentations - Offsetting Financial Assets and Financial Liabilities*

Amendments to FRS 136 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*

Amendments to FRS 139 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*

IC Interpretation 21 *Levies*

Amendments to FRS 2 *Share-based Payments*

Amendments to FRS 3 *Business Combinations*

Amendments to FRS 8 *Operating Segments*

Amendments to FRS 13 *Fair Value Measurement*

Amendments to FRS 116 *Property, plant and equipment*

Amendments to FRS 119 *Defined Benefit Plans: Employee Contributions*

Amendments to FRS 124 *Related Party Disclosures*

Amendments to FRS 138 *Intangible Assets*

Amendments to FRS 140 *Investment Property*

Annual Improvements to FRSs 2010-2012 Cycle

Annual Improvements to FRSs 2011-2013 Cycle

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
<u>Revenue</u>					
Total sales	586,478	13,990	5,424	85	<b>605,977</b>
Inter-segment sales	(700)	-	-	(7)	<b>(707)</b>
External sales	<u>585,778</u>	<u>13,990</u>	<u>5,424</u>	<u>78</u>	<u><b>605,270</b></u>
<u>Results</u>					
Segment (loss)/profit	(54,314)	5,712	(683)	1,074	<b>(48,211)</b>
Interest and investment income					<b>970</b>
Loss from operations					<b>(47,241)</b>
Finance costs					<b>(62,157)</b>
Share in results of associates					<b>446</b>
Loss before taxation					<u><b>(108,952)</b></u>
<u>Total Assets</u>					
Segment assets	3,042,023	161,842	22,979	49,468	<b>3,276,312</b>
Investment in associates					<b>54,625</b>
Unallocated corporate assets					<b>370,972</b>
Consolidated total assets					<u><b>3,701,909</b></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 2014.

**11. Performance review**

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
<u>Revenue</u>				
Steel	585,778	450,103	585,778	450,103
Property	13,990	21,085	13,990	21,085
Furniture	5,424	7,010	5,424	7,010
Others	78	20	78	20
	<b>605,270</b>	<b>478,218</b>	<b>605,270</b>	<b>478,218</b>
<u>Segment Profit/(Loss)</u>				
Steel	(54,314)	(72,853)	(54,314)	(72,853)
Property	5,712	7,931	5,712	7,931
Furniture	(683)	(537)	(683)	(537)
Others	1,074	(284)	1,074	(284)
	<b>(48,211)</b>	<b>(65,743)</b>	<b>(48,211)</b>	<b>(65,743)</b>

For the financial period under review, despite the Group registering a higher revenue and lower operating loss as compared to the preceding year corresponding period, weak international steel market and the increasing imports of steel products into the country continued to plague the Group, resulting in the low capacity utilisation and continuous losses for the Steel Division.

The Property Division continued to report satisfactory results for the period under review whilst the profit of the "Others" Division was mainly foreign exchange gain.

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

	Current	Immediate
	Year Quarter	Preceding Quarter
	30.9.2014	30.6.2014
	RM'000	RM'000
Revenue	605,270	657,418
Loss from operations	(47,241)	(85,328)
Loss before taxation	<b>(108,952)</b>	<b>(330,619)</b>

For the quarter under review, the performance of the Group continued to be affected by the factors mentioned in Note 11 above. Substantially higher loss before taxation reported in the immediate preceding quarter was mainly due to the full impairment loss on goodwill of RM189 million in view of the continuous losses incurred by the steel operation.

**13. a) Prospects**

Following the petition to the Government on the grounds that imports of certain steel products originating or exported from certain countries are being dumped into Malaysia, in October 2014, the Government has announced the imposition of Provisional Anti-Dumping Duty measures on hot rolled coils. Pending the effectiveness of the measures to be implemented, the operating environment for the Group is expected to remain challenging in the coming quarter.

**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	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Taxation comprises :				
Income tax	(2,190)	(2,025)	(2,190)	(2,025)
Deferred tax	1,221	1,494	1,221	1,494
	<b>(969)</b>	<b>(531)</b>	<b>(969)</b>	<b>(531)</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 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	947,750	91,108	<b>1,038,858</b>
Unsecured	69,734	-	<b>69,734</b>
	<u>1,017,484</u>	<u>91,108</u>	<u><b>1,108,592</b></u>
<u>Bonds and Debts</u>			
Secured	-	776,754	<b>776,754</b>
Total	<u>1,017,484</u>	<u>867,862</u>	<u><b>1,885,346</b></u>

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

	Foreign Currency '000	RM'000
- Ringgit Malaysia	-	1,551,120
- US Dollar	102,107	334,226
		<u><b>1,885,346</b></u>

**19. Changes in material litigation**

There was no material litigation since 30 June 2014.

**20. Dividend proposed**

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

**21. Loss per share**Basic

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	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Net loss attributable to owners of the Company (RM'000)	<b>(85,931)</b>	(98,843)	<b>(85,931)</b>	(98,843)
Weighted average number of ordinary shares in issue ('000)	<b>1,316,199</b>	1,316,199	<b>1,316,199</b>	1,316,199
Basic loss per share (sen)	<u><b>(6.53)</b></u>	<u>(7.51)</u>	<u><b>(6.53)</b></u>	<u>(7.51)</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 2014 was qualified on the Group's recognition of deferred tax assets and the quantum of the provision for onerous contract to be recognised. As at the financial year-to-date, there was no change to the status.

**23. Loss before taxation**

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
(a) Interest income	970	1,041	970	1,041
(b) Other income including investment income but excluding foreign exchange gain	3,670	1,004	3,670	1,004
(c) Interest expense	(62,157)	(62,699)	(62,157)	(62,699)
(d) Depreciation and amortisation	(35,676)	(35,679)	(35,676)	(35,679)
(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)	(1,832)	(13,587)	(1,832)	(13,587)
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	-	-	-	-

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

	AS AT 30.9.2014 RM'000	AS AT 30.6.2014 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries:		
- Realised	(965,273)	(864,755)
- Unrealised	369,597	355,152
	(595,676)	(509,603)
Total share of (accumulated losses) / retained profits from associates:		
- Realised	(411,180)	(411,264)
- Unrealised	2,490	2,432
	(1,004,366)	(918,435)
Less: Consolidation adjustments (Mostly goodwill amortised & impaired)	(1,114,168)	(1,114,168)
Total Group accumulated losses	(2,118,534)	(2,032,603)

**25. Material events****(a) Practice Note 17 ("PN 17")**

The Company had on 1 October 2014 submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") for an extension of time from 25 October 2014 to 30 June 2015 for the Company to make the submission of the Regularisation Plan to the relevant authorities ("Application").

Bursa Securities had vide its letter dated 31 October 2014 informed the Company that the suspension on the trading of the Company's securities and de-listing of the Company in accordance with Paragraph 8.04(5) of the Main Market Listing Requirements of Bursa Securities shall be deferred pending decision on the Application.

**(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 awaiting the MyCC's final decision.

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(Incorporated in Malaysia)

**Interim financial report for the first quarter ended 30 September 2014**

(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 2014)		
			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	33.3	2.7	-	-	-
<b>By December 2004</b> Shares in unlisted companies	38.6	13.0	-	-	-
	<b>71.9</b>	<b>15.7</b>	-	-	-

(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.