



LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim Financial Report for the Second Quarter Ended 31 December 2014

Condensed Consolidated Statement of Profit or Loss	1
Condensed Consolidated Statement of Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5
Notes to the Condensed Financial Statements	6 - 12

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

Interim financial report for the second quarter ended 31 December 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Revenue		474,280	734,381	1,079,550	1,212,599
Operating expenses		(570,678)	(755,631)	(1,227,829)	(1,300,596)
Other operating income		3,476	10,503	8,116	12,548
Loss from operations		(92,922)	(10,747)	(140,163)	(75,449)
Gain on disposal of a subsidiary		-	23,275	-	23,275
Finance costs		(64,298)	(61,158)	(126,455)	(123,857)
Share in results of associates		559	958	1,005	2,009
Loss before taxation	23	(156,661)	(47,672)	(265,613)	(174,022)
Taxation	16	(891)	428	(1,860)	(103)
Net loss for the financial period		(157,552)	(47,244)	(267,473)	(174,125)
Attributable to:					
- Owners of the Company		(123,311)	(33,176)	(209,242)	(132,019)
- Non-controlling interests		(34,241)	(14,068)	(58,231)	(42,106)
Net loss for the financial period		(157,552)	(47,244)	(267,473)	(174,125)
Loss per share attributable to owners of the Company:					
- Basic (sen)	21	(9.37)	(2.52)	(15.90)	(10.03)
- 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 second quarter ended 31 December 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Net loss for the financial period	(157,552)	(47,244)	(267,473)	(174,125)
<u>Other Comprehensive Income/(Loss)</u>				
- Translation difference on net equity of foreign subsidiaries and other movements	77	6,380	(371)	5,765
- Net gain/(loss) on fair value changes on available-for-sale financial assets	40	(237)	(102)	(319)
- Share of other comprehensive income of associates	2,757	189	4,378	1,297
Other comprehensive income for the financial period, net of tax, representing items that may be reclassified subsequently to profit or loss	2,874	6,332	3,905	6,743
Total comprehensive loss for the financial period	(154,678)	(40,912)	(263,568)	(167,382)
Attributable to:				
- Owners of the Company	(120,437)	(26,844)	(205,337)	(125,276)
- Non-controlling interests	(34,241)	(14,068)	(58,231)	(42,106)
	(154,678)	(40,912)	(263,568)	(167,382)

(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 second quarter ended 31 December 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31.12.2014	AS AT 30.6.2014
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,300,017	2,370,751
Land held for property development		6,911	2,528
Investment in associates		57,635	53,707
Investment securities		784	886
Deferred tax assets		371,622	369,345
		2,736,969	2,797,217
Current Assets			
Property development costs		2,094	598
Inventories		443,164	681,478
Investment securities		24,517	23,199
Receivables and tax recoverable		122,930	159,783
Deposits, cash and bank balances		181,665	177,833
		774,370	1,042,891
TOTAL ASSETS		3,511,339	3,840,108
EQUITY AND LIABILITIES			
Share capital		1,316,199	1,316,199
Reserves		(1,807,602)	(1,602,265)
Equity attributable to owners of the Company		(491,403)	(286,066)
Non-controlling interests		(190,646)	(132,415)
Total equity		(682,049)	(418,481)
Non-Current Liabilities			
Preference shares		111,000	111,000
Loans and borrowings	18	92,567	90,288
Bonds and debts	18	788,820	764,891
Deferred tax liabilities		350	836
Deferred liabilities		190,602	255,600
		1,183,339	1,222,615
Current Liabilities			
Payables		1,960,970	2,021,178
Loans and borrowings	18	1,045,285	1,011,620
Tax liabilities		3,794	3,176
		3,010,049	3,035,974
Total Liabilities		4,193,388	4,258,589
TOTAL EQUITY AND LIABILITIES		3,511,339	3,840,108
Net liabilities per share attributable to owners of the Company (RM) (Excluding equity component and warrants reserve)		(0.38)	(0.23)

(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)

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

Interim financial report for the second quarter ended 31 December 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
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000			
31 December 2014							
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	-	-	3,905	(209,242)	(205,337)	(58,231)	(263,568)
At 31 December 2014	1,316,199	97,685	336,558	(2,241,845)	(491,403)	(190,646)	(682,049)
31 December 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	-	-	6,743	(132,019)	(125,276)	(42,106)	(167,382)
At 31 December 2013	1,316,199	97,685	334,423	(1,657,551)	90,756	(82,758)	7,998

(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)

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.12.2014	31.12.2013
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before taxation	(265,613)	(174,022)
Adjustments for:		
Non-cash items	103,649	71,273
Non-operating items	122,838	119,379
Operating (loss)/profit before working capital changes	(39,126)	16,630
Changes in working capital:		
Net changes in assets	262,328	101,292
Net changes in liabilities	(187,719)	(53,973)
Tax paid and others	(2,324)	(172)
	33,159	63,777
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(277)	(766)
Proceeds from redemption of investments	1,292	3,518
Net cash inflow from disposal of a subsidiary	-	32,996
Dividend received	1,455	313
Others	(14)	-
	2,456	36,061
FINANCING ACTIVITIES		
Loans and borrowings	(4,500)	16,938
Others (mainly interest paid)	(28,224)	(34,148)
	(32,724)	(17,210)
Net changes in cash & cash equivalents	2,891	82,628
Effects of changes in exchange rates	1,012	166
Cash & cash equivalents at beginning of the financial period	162,325	137,280
Cash & cash equivalents at end of the financial period	166,228	220,074

(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)

(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 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	1,041,428	27,548	12,656	103	1,081,735
Inter-segment sales	(2,176)	-	-	(9)	(2,185)
External sales	<u>1,039,252</u>	<u>27,548</u>	<u>12,656</u>	<u>94</u>	<u>1,079,550</u>
<u>Results</u>					
Segment (loss)/profit	(155,607)	10,689	(368)	2,511	(142,775)
Interest and investment income					2,612
Loss from operations					(140,163)
Finance costs					(126,455)
Share in results of associates					1,005
Loss before taxation					<u>(265,613)</u>
<u>Total Assets</u>					
Segment assets	2,840,245	168,021	22,571	50,747	3,081,584
Investment in associates					57,635
Unallocated corporate assets					372,120
Consolidated total assets					<u>3,511,339</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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
<u>Revenue</u>				
Steel	453,474	710,847	1,039,252	1,160,950
Property	13,558	16,251	27,548	37,336
Furniture	7,232	7,210	12,656	14,220
Others	16	73	94	93
	474,280	734,381	1,079,550	1,212,599
<u>Segment Profit/(Loss)</u>				
Steel	(101,293)	(16,582)	(155,607)	(89,435)
Property	4,977	5,129	10,689	13,060
Furniture	315	(249)	(368)	(786)
Others	1,437	(473)	2,511	(757)
	(94,564)	(12,175)	(142,775)	(77,918)

For the 6 months period under review, the Group registered a lower revenue of RM1.1 billion and higher operating loss of RM143 million as compared to the preceding year corresponding period. The unfavourable performance mainly arose from the sluggish demand for the domestic **steel** market as the rampant dumping activities by foreign millers remains a major market disturbance.

The **Property** Division reported lower progress billings for the period under review whilst the contribution of the **Furniture** Division remains negligible to the Group. The profit reported in the "**Others**" Division arose mainly from the foreign exchange gain.

12. Comment on material change in profit

	Current Year Quarter 31.12.2014 RM'000	Immediate Preceding Quarter 30.9.2014 RM'000
Revenue	474,280	605,270
Loss from operations	(92,922)	(47,241)
Loss before taxation	(156,661)	(108,952)

Despite the imposition of Provisional Anti-Dumping Duty measures on hot rolled coils by the Government in October 2014, the performance of the Group continued to be affected by the factor mentioned in Note 11 above. Accordingly, lower revenue and higher loss were reported for the current quarter.

13. a) Prospects

Pending the effectiveness of the Anti-Dumping Duty measures by the Government, the operating environment for the Group's steel business is expected to remain challenging in the coming quarter.

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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Taxation comprises :				
Income tax	(2,442)	(1,066)	(4,632)	(3,091)
Deferred tax	1,551	1,494	2,772	2,988
	(891)	428	(1,860)	(103)

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	Long Term	Total
	RM'000	RM'000	RM'000
<u>Loans and Borrowings</u>			
Secured	981,005	92,567	1,073,572
Unsecured	64,280	-	64,280
	<u>1,045,285</u>	<u>92,567</u>	<u>1,137,852</u>
<u>Bonds and Debts</u>			
Secured	-	788,820	788,820
Total	<u>1,045,285</u>	<u>881,387</u>	<u>1,926,672</u>

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

	Foreign Currency	
	'000	RM'000
- Ringgit Malaysia	-	1,568,935
- US Dollar	102,445	<u>357,737</u>
		<u>1,926,672</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 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net loss attributable to owners of the Company (RM'000)	(123,311)	(33,176)	(209,242)	(132,019)
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>(9.37)</u>	<u>(2.52)</u>	<u>(15.90)</u>	<u>(10.03)</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	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
(a) Interest income	1,642	1,428	2,612	2,469
(b) Other income including investment income but excluding foreign exchange gain	1,834	9,075	5,504	10,079
(c) Interest expense	(64,298)	(61,158)	(126,455)	(123,857)
(d) Depreciation and amortisation	(35,507)	(35,722)	(71,183)	(71,401)
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	(8,942)	(12,607)	(8,942)	(12,607)
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	23,275	-	23,275
(h) Impairment of asset	-	-	-	-
(i) Foreign exchange gain/(loss)	(21,651)	(11,273)	(23,483)	(24,860)
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 31.12.2014 RM'000	AS AT 30.6.2014 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries:		
- Realised	(1,072,097)	(864,755)
- Unrealised	352,560	355,152
	(719,537)	(509,603)
Total share of (accumulated losses) / retained profits from associates:		
- Realised	(410,609)	(411,264)
- Unrealised	2,469	2,432
	(1,127,677)	(918,435)
Less: Consolidation adjustments (Mostly goodwill amortised & impaired)	(1,114,168)	(1,114,168)
Total Group accumulated losses	(2,241,845)	(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.

Bursa Securities had vide its letter dated 19 December 2014 granted the Company an extension of time of 4 months up to 28 February 2015 to submit a regularisation plan to the regulatory authorities.

The Company had on 16 February 2015 submitted an application to Bursa Securities for a further extension of time to 30 June 2015 for the Company to make the submission of the Regularisation Plan to the relevant authorities ("Application"). The Application is pending the approval from Bursa Securities.

(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. MyCC had by a letter dated 23 January 2015 informed Megasteel that there will be a further oral representation on a date to be fixed.

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

Interim financial report for the second quarter ended 31 December 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
	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.