



LION CORPORATION BERHAD (12890-A)

(Incorporated in Malaysia)

Interim Financial Report for the Third Quarter Ended 31 March 2015

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

Interim financial report for the third quarter ended 31 March 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Revenue		571,473	611,937	1,651,023	1,824,536
Operating expenses		(647,248)	(675,671)	(1,875,077)	(1,976,267)
Other operating income		2,678	5,440	10,794	17,988
Loss from operations		(73,097)	(58,294)	(213,260)	(133,743)
Gain on disposal of a subsidiary		-	-	-	23,275
Finance costs		(63,342)	(61,758)	(189,797)	(185,615)
Share in results of associates		417	397	1,422	2,406
Loss before taxation	23	(136,022)	(119,655)	(401,635)	(293,677)
Taxation	16	327	1,425	(1,533)	1,322
Net loss for the financial period		(135,695)	(118,230)	(403,168)	(292,355)
Attributable to:					
- Owners of the Company		(105,929)	(92,882)	(315,171)	(224,901)
- Non-controlling interests		(29,766)	(25,348)	(87,997)	(67,454)
Net loss for the financial period		(135,695)	(118,230)	(403,168)	(292,355)
Loss per share attributable to owners of the Company:					
- Basic (sen)	21	(8.05)	(7.06)	(23.95)	(17.09)
- 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)

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Net loss for the financial period	(135,695)	(118,230)	(403,168)	(292,355)
<u>Other Comprehensive Income/(Loss)</u>				
- Translation difference on net equity of foreign subsidiaries and other movements	(357)	(1,443)	(728)	4,322
- Net loss on fair value changes on available-for-sale financial assets	(55)	(74)	(157)	(393)
- Share of other comprehensive income of associates	3,658	391	8,036	1,688
Other comprehensive income/(loss) for the financial period, net of tax, representing items that may be reclassified subsequently to profit or loss	3,246	(1,126)	7,151	5,617
Total comprehensive loss for the financial period	(132,449)	(119,356)	(396,017)	(286,738)
Attributable to:				
- Owners of the Company	(102,683)	(94,008)	(308,020)	(219,284)
- Non-controlling interests	(29,766)	(25,348)	(87,997)	(67,454)
	(132,449)	(119,356)	(396,017)	(286,738)

(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)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31.3.2015	AS AT 30.6.2014
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,264,930	2,370,751
Land held for property development		4,043	2,528
Investment in associates		61,709	53,707
Investment securities		730	886
Deferred tax assets		372,764	369,345
		2,704,176	2,797,217
Current Assets			
Property development costs		10,506	598
Inventories		438,347	681,478
Investment securities		26,324	23,199
Receivables and tax recoverable		132,594	159,783
Deposits, cash and bank balances		172,925	177,833
		780,696	1,042,891
TOTAL ASSETS		3,484,872	3,840,108
EQUITY AND LIABILITIES			
Share capital		1,316,199	1,316,199
Reserves		(1,910,285)	(1,602,265)
Equity attributable to owners of the Company		(594,086)	(286,066)
Non-controlling interests		(220,412)	(132,415)
Total equity		(814,498)	(418,481)
Non-Current Liabilities			
Preference shares		111,000	111,000
Loans and borrowings	18	210	90,288
Bonds and debts	18	801,383	764,891
Deferred tax liabilities		219	836
Deferred liabilities		155,926	255,600
		1,068,738	1,222,615
Current Liabilities			
Payables		2,073,556	2,021,178
Loans and borrowings	18	1,156,932	1,011,620
Tax liabilities		144	3,176
		3,230,632	3,035,974
Total Liabilities		4,299,370	4,258,589
TOTAL EQUITY AND LIABILITIES		3,484,872	3,840,108
Net liabilities per share attributable to owners of the Company (RM) (Excluding equity component and warrants reserve)		(0.46)	(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)

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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			
31 March 2015							
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	-	-	7,151	(315,171)	(308,020)	(87,997)	(396,017)
At 31 March 2015	1,316,199	97,685	339,804	(2,347,774)	(594,086)	(220,412)	(814,498)
31 March 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 period	-	-	5,617	(224,901)	(219,284)	(67,454)	(286,738)
At 31 March 2014	1,316,199	97,685	333,297	(1,750,433)	(3,252)	(108,106)	(111,358)

(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)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2015	31.3.2014
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before taxation	(401,635)	(293,677)
Adjustments for:		
Non-cash items	157,905	104,479
Non-operating items	184,462	179,627
Operating loss before working capital changes	(59,268)	(9,571)
Changes in working capital:		
Net changes in assets	253,292	114,606
Net changes in liabilities	(133,541)	(71,800)
Tax paid and others	(6,118)	(130)
	54,365	33,105
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(936)	(1,076)
Proceeds from redemption of investments	1,373	6,472
Net cash inflow from disposal of a subsidiary	-	32,996
Dividend received	1,459	314
Others	(72)	-
	1,824	38,706
FINANCING ACTIVITIES		
Redemption of bonds and debts	-	(25,914)
Loans and borrowings	(14,979)	23,695
Others (mainly interest paid)	(45,548)	(40,579)
	(60,527)	(42,798)
Net changes in cash & cash equivalents	(4,338)	29,013
Effects of changes in exchange rates	1,793	126
Cash & cash equivalents at beginning of the financial period	162,325	137,280
Cash & cash equivalents at end of the financial period	159,780	166,419

(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)

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Interim financial report for the third quarter ended 31 March 2015

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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 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	1,595,009	39,606	19,836	112	1,654,563
Inter-segment sales	(3,531)	-	-	(9)	(3,540)
External sales	<u>1,591,478</u>	<u>39,606</u>	<u>19,836</u>	<u>103</u>	<u>1,651,023</u>
<u>Results</u>					
Segment (loss)/profit	(235,703)	13,872	(91)	4,748	(217,174)
Interest and investment income					3,914
Loss from operations					(213,260)
Finance costs					(189,797)
Share in results of associates					1,422
Loss before taxation					<u>(401,635)</u>
<u>Total Assets</u>					
Segment assets	2,802,941	171,017	24,463	51,830	3,050,251
Investment in associates					61,709
Unallocated corporate assets					372,912
Consolidated total assets					<u>3,484,872</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	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
<u>Revenue</u>				
Steel	552,226	588,207	1,591,478	1,749,157
Property	12,058	16,718	39,606	54,054
Furniture	7,180	7,006	19,836	21,226
Others	9	6	103	99
	571,473	611,937	1,651,023	1,824,536
<u>Segment Profit/(Loss)</u>				
Steel	(80,096)	(61,714)	(235,703)	(151,149)
Property	3,183	3,787	13,872	16,847
Furniture	277	(403)	(91)	(1,189)
Others	2,237	(1,077)	4,748	(1,834)
	(74,399)	(59,407)	(217,174)	(137,325)

For the 9 months period under review, the Group registered a lower revenue of RM1.65 billion as compared to the preceding year corresponding period. The unfavourable performance mainly arose from the sluggish demand for flat **steel** products in both the domestic and overseas markets. Coupled with the foreign exchange loss of RM47 million resulting from the strengthening of the US Dollar against the Ringgit Malaysia, a loss of RM217 million was reported for the period.

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

12. Comment on material change in profit

	Current	Immediate
	Year Quarter	Preceding Quarter
	31.3.2015	31.12.2014
	RM'000	RM'000
Revenue	571,473	474,280
Loss from operations	(73,097)	(92,922)
Loss before taxation	(136,022)	(156,661)

The Group's revenue has slightly improved to RM571 million for the current quarter as compared to the immediate preceding quarter. However, as the dumping activities by foreign millers remain rampant, the Group continued to run its plants at low production capacity and incurring substantial losses for the quarter under review.

13. a) Prospects

Pending the implementation by the Government of more effective measures to address the problem of excessive imports of steel products at dumping prices, the operating environment of the Group continues to remain challenging for the next 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	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Taxation comprises :				
Income tax	(946)	(33)	(5,578)	(3,124)
Deferred tax	1,273	1,458	4,045	4,446
	327	1,425	(1,533)	1,322

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	1,105,418	210	1,105,628
Unsecured	51,514	-	51,514
	<u>1,156,932</u>	<u>210</u>	<u>1,157,142</u>
<u>Bonds and Debts</u>			
Secured	-	801,383	801,383
Total	<u>1,156,932</u>	<u>801,593</u>	<u>1,958,525</u>

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

	Foreign Currency	
	'000	RM'000
- Ringgit Malaysia	-	1,576,575
- US Dollar	102,938	381,950
		<u>1,958,525</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	
	31.3.2015	31.3.2014	31.3.2015	31.3.2014
Net loss attributable to owners of the Company (RM'000)	<u>(105,929)</u>	<u>(92,882)</u>	<u>(315,171)</u>	<u>(224,901)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,316,199</u>	<u>1,316,199</u>	<u>1,316,199</u>	<u>1,316,199</u>
Basic loss per share (sen)	<u>(8.05)</u>	<u>(7.06)</u>	<u>(23.95)</u>	<u>(17.09)</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	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
(a) Interest income	1,302	1,113	3,914	3,582
(b) Other income including investment income but excluding foreign exchange gain	1,376	4,327	6,880	14,406
(c) Interest expense	(63,342)	(61,758)	(189,797)	(185,615)
(d) Depreciation and amortisation	(35,748)	(35,445)	(106,931)	(106,846)
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	(8,942)	(12,607)
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-	-	23,275
(h) Impairment of asset	-	-	-	-
(i) Foreign exchange gain/(loss)	(23,666)	1,566	(47,149)	(23,294)
(j) Gain/(Loss) on derivatives	-	-	-	-
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 31.3.2015 RM'000	AS AT 30.6.2014 RM'000
Total retained profits / (accumulated losses) of the Company and its subsidiaries:		
- Realised	(1,162,232)	(864,755)
- Unrealised	336,351	355,152
	(825,881)	(509,603)
Total share of (accumulated losses) / retained profits from associates:		
- Realised	(410,161)	(411,264)
- Unrealised	2,436	2,432
	(1,233,606)	(918,435)
Less: Consolidation adjustments (Mostly goodwill amortised & impaired)	(1,114,168)	(1,114,168)
Total Group accumulated losses	(2,347,774)	(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 ("Regularisation Plan") to the regulatory authorities.

SJ Securities Sdn Bhd had on 16 February 2015, submitted an application to Bursa Securities on behalf of the Company 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 which was approved by Bursa Securities vide its letter dated 10 April 2015.

The Company had on 21 May 2015 announced that the Company is reviewing its position in relation to the Regularisation Plan and in view of the continued challenging situation affecting the steel industry, the Company plans to submit an application to Bursa Securities for an extension of time for the Company to make the submission of the Regularisation Plan to the relevant authorities.

(b) Malaysia Competition Commission ("MyCC")

On 1 November 2013, the Malaysia Competition Commission ("MyCC") had 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 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.

The MyCC had requested a further oral representation to be held on 5 March 2015 for the purpose of seeking clarification on several issues from the representatives of Malaysian Investment Development Authority ("MIDA"), the Ministry of International Trade and Industry ("MITI") and the Malaysian Steel Institute. The MyCC had subsequently cancelled the latter oral representation but continued to procure clarification from MIDA and MITI.

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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 2015)		
			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.