



LION INDUSTRIES CORPORATION BERHAD

(Incorporated in Malaysia)

(415-D)

**Interim Financial Report for the
First Quarter Ended
30 September 2011**

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LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2011

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2011 RM'000	30.9.2010 RM'000 restated	30.9.2011 RM'000	30.9.2010 RM'000 restated
Continuing operations					
Revenue		1,326,999	936,041	1,326,999	936,041
Operating expenses		(1,308,915)	(977,874)	(1,308,915)	(977,874)
Other operating income		3,403	11,254	3,403	11,254
Profit/(Loss) from operations		21,487	(30,579)	21,487	(30,579)
Finance costs		(17,613)	(24,191)	(17,613)	(24,191)
Share in results of associated companies and jointly controlled entity		25,320	12,727	25,320	12,727
Investments income		7,804	5,636	7,804	5,636
Profit/(Loss) before tax		36,998	(36,407)	36,998	(36,407)
Tax (expense)/credit	16	(6,774)	13,886	(6,774)	13,886
Profit/(Loss) for the period from continuing operations		30,224	(22,521)	30,224	(22,521)
Discontinued operations					
Profit for the period from discontinued operations		-	3,586	-	3,586
Profit/(Loss) for the period		30,224	(18,935)	30,224	(18,935)
Profit/(Loss) attributable to:					
- Owners of the Company		27,638	(18,779)	27,638	(18,779)
- Non-controlling interests		2,586	(156)	2,586	(156)
Profit/(Loss) for the period		30,224	(18,935)	30,224	(18,935)
Earnings/(Loss) per share attributable to owners of the Company (sen):	24				
Basic:					
Continuing operations		3.85	(3.40)	3.85	(3.40)
Discontinued operations		-	0.78	-	0.78
		3.85	(2.62)	3.85	(2.62)
Diluted:					
Continuing operations		3.85	(3.40)	3.85	(3.40)
Discontinued operations		-	0.78	-	0.78
		3.85	(2.62)	3.85	(2.62)

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)
(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2011
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2011	30.9.2010	30.9.2011	30.9.2010
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the period	30,224	(18,935)	30,224	(18,935)
<u>Other comprehensive income/(loss)</u>				
Exchange differences on translation of foreign operations	4,749	(5,219)	4,749	(5,219)
Net (loss)/gain on fair value changes on available-for-sale financial assets	(3,561)	33	(3,561)	33
Other comprehensive income/(loss) for the period, net of tax	1,188	(5,186)	1,188	(5,186)
Total comprehensive income/(loss) for the period	<u>31,412</u>	<u>(24,121)</u>	<u>31,412</u>	<u>(24,121)</u>
Profit/(Loss) attributable to :				
Owners of the Company	28,865	(23,040)	28,865	(23,040)
Non-controlling interests	2,547	(1,081)	2,547	(1,081)
	<u>31,412</u>	<u>(24,121)</u>	<u>31,412</u>	<u>(24,121)</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)
(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2011

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 30.9.2011 RM'000	AS AT 30.6.2011 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,302,516	1,316,699
Investment properties		44,220	44,226
Prepaid land lease payments		52,930	53,389
Land held for property development		34,799	34,839
Investment in associated companies		782,473	789,431
Investment in jointly controlled entity		27,298	20,321
Long-term investments		79,265	84,767
Deferred tax assets		38,313	46,603
Goodwill		130,443	130,443
Total Non-Current Assets		<u>2,492,257</u>	<u>2,520,718</u>
Current Assets			
Property development costs		18,970	20,536
Inventories		988,023	1,153,575
Short-term investments		21,616	20,726
Trade receivables		1,001,406	846,271
Other receivables, deposits and prepayments		420,833	395,631
Amount owing by jointly controlled entity		24,531	24,383
Deposits, cash and bank balances		767,877	1,030,016
		<u>3,243,256</u>	<u>3,491,138</u>
Assets classified as held for sale		28,447	14,264
Total Current Assets		<u>3,271,703</u>	<u>3,505,402</u>
Total Assets		<u>5,763,960</u>	<u>6,026,120</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		717,909	717,909
Reserves		2,568,959	2,540,013
Equity attributable to owners of the Company		<u>3,286,868</u>	<u>3,257,922</u>
Non-controlling interests		384,932	382,582
Total equity		<u>3,671,800</u>	<u>3,640,504</u>
Non-Current and Deferred Liabilities			
Redeemable cumulative convertible preference shares		12,388	12,833
Long-term borrowings	20	535,797	527,831
Hire-purchase and finance lease payables		134,887	139,293
Deferred tax liabilities		19,021	20,467
Total Non-Current and Deferred Liabilities		<u>702,093</u>	<u>700,424</u>
Current Liabilities			
Trade payables		384,398	748,832
Other payables, deposit and accrued expenses		562,015	553,996
Provisions		15,000	15,000
Short-term borrowings	20	378,732	331,827
Hire-purchase and finance lease payables		16,911	15,158
Tax liabilities		33,011	20,379
Total Current Liabilities		<u>1,390,067</u>	<u>1,685,192</u>
Total Liabilities		<u>2,092,160</u>	<u>2,385,616</u>
Total Equity and Liabilities		<u>5,763,960</u>	<u>6,026,120</u>
Net assets per share attributable to owners of the Company (RM)		<u>4.58</u>	<u>4.54</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2011

(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	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000			
30 September 2011								
At 1 July 2011	717,909	532,627	(239)	(1,939)	2,009,564	3,257,922	382,582	3,640,504
Total comprehensive income for the period	-	-	-	1,227	27,638	28,865	2,547	31,412
Acquisition of non-controlling interests	-	-	-	81	-	81	(197)	(116)
At 30 September 2011	717,909	532,627	(239)	(631)	2,037,202	3,286,868	384,932	3,671,800
30 September 2010								
At 1 July 2010	715,344	529,706	(147)	17,778	1,775,722	3,038,403	382,016	3,420,419
Total comprehensive loss for the period	-	-	-	(4,261)	(18,779)	(23,040)	(1,081)	(24,121)
Share-based payments	-	2,124	-	(2,124)	-	-	-	-
Issue of shares	2,565	798	-	-	-	3,363	-	3,363
At 30 September 2010	717,909	532,628	(147)	11,393	1,756,943	3,018,726	380,935	3,399,661

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE	
	30.9.2011 RM'000	30.9.2010 RM'000
OPERATING ACTIVITIES		
Profit/(Loss) before tax		
- Continuing operations	36,998	(36,407)
- Discontinued operations	-	6,570
	<u>36,998</u>	<u>(29,837)</u>
Adjustments for:		
Non-cash items	16,736	28,150
Non-operating items	(27,285)	5,619
Operating profit before changes in working capital	<u>26,449</u>	<u>3,932</u>
Changes in working capital:		
Net changes in current assets	41,879	63,881
Net changes in current liabilities	(353,715)	(132,167)
Others	(43)	(468)
	<u>(285,430)</u>	<u>(64,822)</u>
INVESTING ACTIVITIES		
Dividends received	-	34,436
Proceeds from disposal of a subsidiary company	54,623	-
Proceeds from redemption of investments	1,685	722
Purchase of property, plant and equipment	(14,037)	(15,561)
Purchase of investment	(431)	(42)
Interest received	7,154	5,571
Acquisition of non-controlling interests	(400)	-
Others	202	19
	<u>48,796</u>	<u>25,145</u>
FINANCING ACTIVITIES		
Issue of shares	-	3,363
Repayment of BaIDS	-	(110,000)
Interest paid	(1,130)	(10,275)
Borrowings	(2,653)	(4,995)
Increase in cash and cash equivalents - restricted	(2,225)	(2,199)
	<u>(6,008)</u>	<u>(124,106)</u>
Net changes in cash and cash equivalents	(242,642)	(163,783)
Effects of changes in exchange rate	(475)	(503)
Cash and cash equivalents at beginning of the period	<u>457,383</u>	<u>295,540</u>
Cash and cash equivalents at end of the period	<u><u>214,266</u></u>	<u><u>131,254</u></u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2011 and the accompanying explanatory notes attached to the interim financial statements)

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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 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 2011. 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 year ended 30 June 2011.

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 2011, except for the adoption of the following Financial Reporting Standards ("FRSs") and IC Interpretations effective for financial period beginning 1 July 2011:

FRS 1	First-time Adoption of Financial Reporting Standards (Amendments)
FRS 2	Share-based Payment (Amendment)
FRS 7	Financial Instruments: Disclosures (Amendments)
Improvements to FRSs (2010)	
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above mentioned FRSs and IC Interpretations did not have any significant effect on the financial performance, position or presentation of the financials of the Group.

2. Comments about seasonal or cyclical factors

The Group's performance is not affected by any material seasonal or cyclical factors.

3. Unusual items due to their nature, size or incidence

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 in 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.

As at 30 September 2011, the number of treasury shares held were 150,000 shares.

6. Dividends paid

There was no dividend paid during the current quarter and financial year-to-date.

7. Segmental information

The Group's segmental report for the financial year-to-date was as follows :

	Steel RM'000	Property development RM'000	Building materials RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue						
External revenue	1,118,615	2,082	183,950	22,352	-	1,326,999
Inter-segment revenue	25,651	-	-	-	(25,651)	-
Total revenue	1,144,266	2,082	183,950	22,352	(25,651)	1,326,999
Results						
Segment results	19,813	(1,327)	4,618	(238)	-	22,866
Unallocated costs						(1,379)
Finance costs						(17,613)
Share in results of associated companies and jointly controlled entity	671	6,977	-	18,343	-	25,320
Investment income						7,804
Profit before tax						36,998
Tax expense						(6,774)
Profit for the period						30,224
Assets						
Segment assets	3,557,962	263,182	432,532	209,438	-	4,463,114
Investment in associated companies and jointly controlled entity	19,270	27,298	-	763,203	-	809,771
Unallocated corporation assets						491,075
Consolidated total assets						5,763,960

8. Subsequent events

Other than as disclosed in Note 19, 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 2011.

11. Performance review

For the first three months of the financial year under review, the Group posted a 42% higher revenue of RM1,327 million compared to RM936 million recorded in the same period last year. The higher revenue was mainly due to higher sales tonnage and selling price of our steel products resulting in the Group recording a profit from operations of RM21.5 million as against a loss of RM30.6 million a year ago.

After accounting for higher profit from associated companies and jointly controlled entity of RM25.3 million, the Group registered a profit before tax of RM37.0 million against a loss before tax of RM36.4 million in the same period last year.

12. Comment on material change in profit

	Revenue		Profit from operations	
	Current Quarter 30.9.2011 RM'000	Immediate Preceding Quarter 30.6.2011 RM'000	Current Quarter 30.9.2011 RM'000	Immediate Preceding Quarter 30.6.2011 RM'000
Steel	1,118,615	1,146,227	19,813	46,809
Others	208,384	334,759	3,053	6,192
Unallocated costs	-	-	(1,379)	(1,717)
Continuing operations	1,326,999	1,480,986	21,487	51,284

Revenue of the Group for the quarter under review was RM1,327 million, representing a contraction of 10% from the preceding quarter. The decline was mainly due to lower sales of steel products as consumption for steel was significantly lower. The Group recorded a lower profit from operations of RM21.5 million compared with RM51.3 million in the immediate preceding quarter.

Our associated companies and jointly controlled entity, which are mainly involved in the retail and property development businesses contributed a higher profit of RM25.3 million to the Group for the current quarter compared with RM15.6 million in the immediate preceding quarter.

Overall, the Group recorded a lower profit before tax of RM37.0 million compared with RM58.7 million in the immediate preceding quarter.

13. a) Prospects

The operating environment for the Group's businesses is expected to remain challenging especially in view of the uncertainties surrounding the global economy. Demand for steel products is expected to be soft while raw material prices remain volatile. On the domestic front, demand for steel products is expected to recover, driven primarily by the initiatives implemented under the Government's Economic Transformation Programme. Under such circumstances, our steel business segment is expected to achieve a satisfactory set of results in 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. Tax expense/(credit)

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2011</u>	<u>30.9.2010</u>	<u>30.9.2011</u>	<u>30.9.2010</u>
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Estimated tax payable				
Current provision	3,484	4,786	3,484	4,786
Overprovision in prior years	(5,000)	-	(5,000)	-
Deferred taxation				
Current provision	8,290	(17,250)	8,290	(17,250)
Overprovision in prior years	-	(1,422)	-	(1,422)
	<u>6,774</u>	<u>(13,886)</u>	<u>6,774</u>	<u>(13,886)</u>

Excluding the share in results of the associated companies and the jointly controlled entity, the effective tax rate of the Group for the current quarter is higher than the statutory tax rate principally due to certain expenses not deductible for tax purposes.

17. Sale of unquoted investments and properties

There were no material sale of unquoted investments or properties for the current quarter and financial year-to-date.

18. Quoted securities

There were no material purchases or disposals of quoted securities for the current quarter and financial year-to-date.

Details of investments in quoted securities (excluding investments in associated companies) as at the end of the reporting period were as follows:

	RM'000
At cost	<u>90,130</u>
At book value	<u>29,111</u>
At market value	<u>29,111</u>

19. Corporate proposalsa) Status of corporate proposals

No	Date of Announcements	Subjects	Status
1.	3.3.2011 2.6.2011 3.8.2011 26.8.2011 31.10.2011	<p>i) Proposed joint venture between Lion Industries Corporation Berhad ("LICB"), Lion Diversified Holdings Berhad ("LDHB") and Lion Forest Industries Berhad ("LFIB") in Lion Blast Furnace Sdn Bhd ("LBF") in the shareholding of 29%, 51% and 20% respectively;</p> <p>ii) Proposed disposal by Amsteel Mills Sdn Bhd (a 99% owned subsidiary of LICB) to LBF of a parcel of freehold land located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres, for a cash consideration of approximately RM16.22 million; and</p> <p>iii) Proposed provision of financial assistance by LICB in the form of a corporate guarantee and pledge of securities proportionate to its shareholding in LBF for the latter and its subsidiary company to secure a loan facility in relation to the Blast Furnace Project.</p>	<p>Pending approvals of:</p> <p>i) Shareholders of LICB, LDHB and LFIB; and</p> <p>ii) Any other relevant authorities.</p>

The status of corporate proposals of LFIB, a subsidiary of the Company, is reported in the Interim Financial Report of LFIB.

Other than the aforementioned, there were no corporate proposals pending completion at the date of this report.

20. Borrowings and debt securities

The Group's borrowings as at end of the reporting period were as follows :

	Short-Term RM'000	Long-Term RM'000	Total RM'000
Bank borrowings			
Secured	373,714	241,994	615,708
Unsecured	5,018	-	5,018
Sukuk			
Secured	-	293,803	293,803
	378,732	535,797	914,529

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

- Ringgit Malaysia
- US Dollar

**Foreign
Currency**

	'000	RM'000
	-	766,345
	46,555	148,184
		914,529

21. Financial instrumentsa) Disclosure of Derivative

There were no derivative financial instruments.

b) Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There have been no material gains/losses arising from fair value changes of financial liabilities for the current quarter and financial year-to-date.

22. Changes in material litigation

There were no changes in material litigation since 30 June 2011.

23. Dividend proposed

The Board does not recommend any interim dividend for the financial quarter ended 30 September 2011.

24. Earnings/(Loss) per share ("EPS")**Basic**

Basic EPS is calculated by dividing the profit/(loss) for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial period.

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2011</u>	<u>30.9.2010</u>	<u>30.9.2011</u>	<u>30.9.2010</u>
Profit/(Loss) attributable to owners of the Company (RM'000)				
- Continuing operations	27,638	(24,383)	27,638	(24,383)
- Discontinued operations	-	5,604	-	5,604
	<u>27,638</u>	<u>(18,779)</u>	<u>27,638</u>	<u>(18,779)</u>
Weighted average number of ordinary shares in issue ('000)	<u>717,759</u>	<u>716,492</u>	<u>717,759</u>	<u>716,492</u>
Basic EPS (sen)				
- Continuing operations	3.85	(3.40)	3.85	(3.40)
- Discontinued operations	-	0.78	-	0.78
	<u>3.85</u>	<u>(2.62)</u>	<u>3.85</u>	<u>(2.62)</u>

The basic EPS and diluted EPS are the same for the period as the Company has no dilutive potential ordinary shares as of the end of the reporting period.

25. Realised and Unrealised Profits/Losses Disclosure

	AS AT 30.9.2011 RM'000	AS AT 30.6.2011 RM'000
Total retained earnings of the Company and subsidiary companies		
- Realised	1,728,961	1,717,397
- Unrealised	9,129	23,375
	<u>1,742,980</u>	<u>1,740,772</u>
Total share of retained earnings from associated companies and a jointly controlled entity		
- Realised	293,315	267,893
- Unrealised	(3,408)	(3,416)
Consolidated adjustments	4,315	4,315
Total retained earnings	<u>2,037,202</u>	<u>2,009,564</u>

26. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2011 was not qualified.