



LION DIVERSIFIED HOLDINGS BERHAD

(Incorporated in Malaysia)

(9428-T)

Interim Report for the Second Quarter Ended 31 December 2010

Condensed Consolidated Income Statement	1
Condensed Consolidated Statement of 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 - 13

LION DIVERSIFIED HOLDINGS BERHAD (9428-T)
(Incorporated in Malaysia)

Interim report for the second quarter ended 31 December 2010
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	<u>Note</u>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009 RM'000	CURRENT YEAR TO DATE 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009 RM'000
Revenue		339,130	394,414	484,372	743,224
Operating expenses		(309,791)	(335,280)	(461,291)	(653,782)
Other operating income		21,209	9,795	34,451	19,186
Unrealised foreign exchange gain		3,425	8,051	20,755	14,504
Gain on disposal of investments		4,061	30,816	4,061	48,319
Profit from operations		58,034	107,796	82,348	171,451
Finance costs		(22,398)	(23,500)	(40,151)	(47,353)
Share of results of associates		(72,426)	11,955	(116,679)	(129,814)
Share of results of jointly controlled entities		7,547	(199)	16,119	365
(Loss)/Profit before taxation		(29,243)	96,052	(58,363)	(5,351)
Taxation	16	(6,762)	(16,839)	(11,604)	(26,101)
(Loss)/Profit for the period		(36,005)	79,213	(69,967)	(31,452)
Attributable to :					
- Owners of the parent		(36,005)	79,213	(69,967)	(31,452)
(Loss)/Earning per share attributable to owners of the parent (sen) :					
- Basic	24	(2.59)	5.69	(5.03)	(2.26)
- Diluted	24	(2.59)	5.69	(5.03)	(2.26)

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

LION DIVERSIFIED HOLDINGS BERHAD (9428-T)
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Interim report for the second quarter ended 31 December 2010
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009 RM'000	CURRENT YEAR TO DATE 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009 RM'000
(Loss)/Profit for the period	(36,005)	79,213	(69,967)	(31,452)
<u>Other comprehensive income</u>				
Translation difference on net equity of foreign subsidiaries and other movements	2,319	(430)	7,844	(348)
Net gain on available-for-sale financial assets:				
- Gain on fair value changes	(14,273)	-	28,165	-
- Transfer to profit or loss upon disposal	(664)	-	(664)	-
Other comprehensive (loss)/income for the period, net of tax	(12,618)	(430)	35,345	(348)
Total comprehensive (loss)/income for the period	(48,623)	78,783	(34,622)	(31,800)
Attributable to :				
- Owners of the parent	(48,623)	78,783	(34,622)	(31,800)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

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Interim report for the second quarter ended 31 December 2010
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT END OF CURRENT QUARTER 31/12/2010 RM'000	AS AT PRECEDING FINANCIAL YEAR END 30/6/2010 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,405,393	1,410,804
Investment properties		13,413	13,585
Prepaid land lease payments		7,399	7,656
Land held for property development		139,242	142,758
Investments in associates		157,710	279,278
Investments in jointly controlled entities		25,984	9,864
Long term investments		-	287,790
Available-for-sale investments		386,378	-
Held-to-maturity investments		4,564	-
Intangible assets		18,814	18,814
Deferred tax assets		9,680	11,069
		2,168,577	2,181,618
Current Assets			
Property development costs		8,726	19,544
Inventories		95,815	251,212
Short term investments		-	3,158
Trade receivables		736,741	784,690
Other receivables and tax recoverable		140,455	128,422
Deposits, cash and bank balances		191,101	203,914
		1,172,838	1,390,940
TOTAL ASSETS		3,341,415	3,572,558
EQUITY AND LIABILITIES			
Share capital			
Share capital		368,612	368,612
Reserves			
Reserves		1,498,700	1,458,286
Total equity		1,867,312	1,826,898
Non-Current Liabilities			
Long term borrowings	20	373,382	98,535
Deferred tax liabilities		100,993	99,942
		474,375	198,477
Current Liabilities			
Trade payables		194,352	334,849
Other payables and provisions		478,152	523,921
Short term borrowings	20	314,995	680,225
Tax payable		12,229	8,188
		999,728	1,547,183
Total Liabilities		1,474,103	1,745,660
TOTAL EQUITY AND LIABILITIES		3,341,415	3,572,558
Net assets per share attributable to owners of the parent (RM)			
Net assets per share attributable to owners of the parent (RM)		2.14	2.09
(Excluding equity components)			

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

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Interim report for the second quarter ended 31 December 2010
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←	Attributable to owners of the parent				→
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	
<u>Note</u>						
31 December 2010						
At 1 July 2010, as reported		368,612	330,967	290,392	836,927	1,826,898
Effects arising from adoption of FRS 139 (Note 1)		-	-	82,408	-	82,408
At 1 July 2010, as restated		368,612	330,967	372,800	836,927	1,909,306
Total comprehensive income/ (loss) for the period		-	-	35,345	(69,967)	(34,622)
Equity-settled share option arrangements		-	-	(1,030)	1,030	-
Transfer to capital reserves		-	-	2,700	(2,700)	-
Dividend paid for the financial year ended 30 June 2010	6	-	-	-	(7,372)	(7,372)
At 31 December 2010		368,612	330,967	409,815	757,918	1,867,312
31 December 2009						
At 1 July 2009		368,612	330,967	290,512	651,841	1,641,932
Total comprehensive loss for the period		-	-	(348)	(31,452)	(31,800)
Dividend paid for the financial year ended 30 June 2009		-	-	-	(7,372)	(7,372)
At 31 December 2009		368,612	330,967	290,164	613,017	1,602,760

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

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Interim report for the second quarter ended 31 December 2010
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT YEAR TO DATE 31/12/2010 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009 RM'000
<u>OPERATING ACTIVITIES</u>		
Loss before taxation	(58,363)	(5,351)
Adjustments for :		
Non-cash items	(16,207)	(39,786)
Non-operating items	115,411	157,669
Operating profit before working capital changes	40,841	112,532
Changes in working capital :		
Net changes in assets	208,211	(219,697)
Net changes in liabilities	(138,778)	41,553
Others (mainly interest and tax paid)	(10,274)	(18,191)
	100,000	(83,803)
<u>INVESTING ACTIVITIES</u>		
Disposal of investments	22,763	254,525
Deferred payment for acquisition of associates	(43,000)	(102,367)
Others (mainly purchase of property, plant and equipment)	(4,867)	(9,182)
	(25,104)	142,976
<u>FINANCING ACTIVITIES</u>		
Dividend paid to shareholders	(7,372)	(7,372)
Bank borrowings	(77,454)	(56,675)
Others	(140)	(110)
	(84,966)	(64,157)
Net changes in cash and cash equivalents	(10,070)	(4,984)
Effects of changes in exchange rates	(2,743)	(776)
Cash and cash equivalents at beginning of the period	203,914	167,820
Cash and cash equivalents at end of the period	191,101	162,060

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 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 have been prepared in accordance with the Financial Reporting Standard ("FRS") 134: "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2010. 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 2010.

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 2010 except for the adoption of the following new/revised Financial Reporting Standards ("FRSs"), Amendments to FRSs and IC Interpretations effective for the financial period beginning 1 July 2010:

- FRS 7: Financial Instruments: Disclosures
- FRS 101: Presentation of Financial Statements (Revised 2009)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and
 - FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement,
 - FRS 7: Financial Instruments: Disclosures, and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- Amendments to FRS 132: Classification of Rights Issues
- FRS 3: Business Combinations (Revised 2010)
- FRS 127: Consolidated and Separate Financial Statements (Revised 2010)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Other than for the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

1. Accounting policies and methods of computation (Cont'd)

a) FRS 101: Presentation of Financial Statements

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

b) FRS 139: Financial Instruments - Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the reporting date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when the Group becomes a party to the contractual provisions of the instruments.

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of the FRS 139 in the current financial period. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

- Financial instruments at fair value through profit or loss : At fair value through profit or loss
- Held-to-maturity investments : At amortised cost effective interest method
- Loans and receivables : At amortised cost effective interest method
- Available-for-sale investments : At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
- Loans and other financial liabilities : At amortised cost effective interest method

In accordance with FRS 139, the recognition, derecognition and measurement are applied prospectively from 1 July 2010. The effects of the remeasurement on 1 July 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits.

The adoption of FRS139 has the following effects:

	As at 30/6/2010	Effects of FRS 139	As at 1/7/2010
	RM'000	RM'000	RM'000
Non-Current Assets			
Long term investments	287,790	(287,790)	-
Available-for-sale investments	-	364,451	364,451
Held-to-maturity investments	-	5,179	5,179
Current Assets			
Short term investments	3,158	(3,158)	-
Available-for-sale investments	-	1,410	1,410
Held-to-maturity investments	-	2,316	2,316
Equity			
Available-for-sale reserve	-	(82,408)	(82,408)
Retained profits	836,927	-	836,927
		<u>-</u>	
		<u>-</u>	

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.

6. Dividend paid

During the current quarter and financial year-to-date, a first and final dividend of 1.0 sen per ordinary share, tax exempt, amounting to RM7.4 million in respect of the previous financial year ended 30 June 2010 was paid by the Company.

7. Segmental information

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

	<u>Steel</u>	<u>Computer</u>	<u>Property</u>	<u>Others</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>					
Total sales	372,263	66,935	45,371	327	484,896
Inter-segment sales	-	-	(524)	-	(524)
External sales	<u>372,263</u>	<u>66,935</u>	<u>44,847</u>	<u>327</u>	<u>484,372</u>
<u>Results</u>					
Segment results	21,426	2,480	14,182	19,444	57,532
Foreign exchange gain					20,755
Gain on disposal of investments					4,061
Profit from operations					<u>82,348</u>
Finance costs					(40,151)
Share of results of associates					(116,679)
Share of results of jointly controlled entities					<u>16,119</u>
Loss before taxation					<u>(58,363)</u>
<u>Total Assets</u>					
Segment assets	2,141,681	94,190	374,525	527,616	3,138,012
Investments in associates					157,710
Investments in jointly controlled entities					25,984
Unallocated corporate assets					19,709
Consolidated total assets					<u>3,341,415</u>

8. Subsequent events

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 following:

- (i) incorporation of a wholly-owned subsidiary, LBF Enterprise (L) Limited, in Labuan by Lion Blast Furnace Sdn Bhd, a wholly-owned subsidiary of the Company; and
- (ii) dissolution of Pavlova Investment Pte Ltd, Gemmo Pte Ltd and Gesto Pte Ltd, all dormant wholly-owned subsidiaries of the Company incorporated in Singapore.

10. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

11. Performance review

For the 6-month period ended 31 December 2010, the Group recorded a lower revenue of RM484 million compared to RM743 million in the preceding year corresponding period. Correspondingly, lower profit from operations of RM82 million was reported. The unfavourable performance was mainly due to the lower production as a result of the scheduled shutdown of the DRI plant for maintenance in the previous quarter.

Share of losses of our associates were substantially higher for the quarter resulting in the Group reporting a higher loss for the half year of RM70 million.

12. Comment on material change in profit

	Current Year Quarter	Preceding Year Corresponding Quarter	Immediate Preceding Quarter
	31/12/2010	31/12/2009	30/9/2010
	RM'000	RM'000	RM'000
<u>Revenue</u>			
- Steel	286,791	337,999	85,472
- Computer	31,620	37,953	35,315
- Property	20,655	18,125	24,192
- Others	64	337	263
	339,130	394,414	145,242
<u>Segment results</u>			
- Steel	25,726	61,834	(4,300)
- Computer	729	3,630	1,751
- Property	7,192	1,396	6,990
- Others	16,901	32,885	2,543
	50,548	99,745	6,984

Following the resumption of operations from the scheduled plant shutdown for maintenance in the last quarter, our DRI operations posted a higher revenue of RM287 million as compared to the preceding quarter. As such, operating profit of RM26 million was recorded.

Likom Computer Division and Property Division maintained their satisfactory performance for the current quarter and contributed positively to the Group's earnings.

The "Others" Division recorded higher profit in the current quarter mainly due to distribution of dividend income from Parkson Holdings Berhad and gain on disposal of investments.

13. a) Prospects

Local demand for steel products is expected to pick up in the next quarter with the implementation of the major infrastructure projects announced by the Government. Together with the recovery in scrap prices, the Group expects its performance to be satisfactory 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. Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Taxation comprises:				
Current year tax				
- Arising in Malaysia	2,013	617	4,281	1,158
- Arising outside Malaysia	3,061	2,626	5,005	2,759
Deferred tax				
- Current year	1,688	13,596	2,318	22,184
	6,762	16,839	11,604	26,101

The effective tax rate of the Group for the current quarter and financial year-to-date were higher than the Malaysian statutory tax rate mainly due to losses in certain subsidiaries which cannot be offset against the taxable income of other subsidiaries and certain expenses which are not deductible for tax purposes.

17. Sale of unquoted investments and properties

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

18. Quoted securities

The Group's dealing in quoted securities (excluding investments in associates) for the current quarter and financial year-to-date were as follows:

	CURRENT QUARTER	FINANCIAL YEAR-TO-DATE
	RM'000	RM'000
Total sale proceeds	1,529	1,529
Total gain on disposal	687	687

18. Quoted securities (Cont'd)

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

	FINANCIAL YEAR-TO-DATE RM'000
At cost	278,018
At book value	<u>386,378</u>
At market value	<u>386,378</u>

19. Corporate proposals**a) Status of corporate proposals**

There were no corporate proposals pending completion for the current quarter and financial year-to-date.

b) Status of utilisation of proceeds

The disclosure requirements are not applicable.

20. Borrowings and debt securities

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

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Secured	301,657	345,421	647,078
Unsecured	<u>13,338</u>	<u>27,961</u>	<u>41,299</u>
	<u>314,995</u>	<u>373,382</u>	<u>688,377</u>
		Foreign Currency	
		'000	RM'000
The Group's borrowings were denominated in the following currencies:			
- Ringgit Malaysia		-	288,529
- US Dollar		129,484	<u>399,848</u>
			<u>688,377</u>

21. Off balance sheet financial instruments

There were no off balance sheet financial instruments at the date of this report.

22. Changes in material litigation

There were no material litigation since the last annual balance sheet date.

23. Dividend proposed

The Board does not recommend any interim dividend for the financial quarter ended 31 December 2010.

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

Basic EPS is calculated by dividing the net loss for the period attributable to owners of the parent by the weighted average number of ordinary shares of the Company in issue (after conversion of mandatorily convertible instrument) during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31/12/2010	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2009	CURRENT YEAR TO DATE 31/12/2010	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2009
Net profit/(loss) attributable to owners of the parent (RM'000)	<u>(36,005)</u>	<u>79,213</u>	<u>(69,967)</u>	<u>(31,452)</u>
Weighted average number of ordinary shares in issue ('000)	<u>737,223</u>	<u>737,223</u>	<u>737,223</u>	<u>737,223</u>
Adjustment for conversion of ICULS (on the assumption that all mandatorily convertible instruments are converted into ordinary shares) ('000)	<u>654,924</u>	<u>654,924</u>	<u>654,924</u>	<u>654,924</u>
Weighted average number of ordinary shares ('000)	<u>1,392,147</u>	<u>1,392,147</u>	<u>1,392,147</u>	<u>1,392,147</u>
Basic EPS (sen)	<u>(2.59)</u>	<u>5.69</u>	<u>(5.03)</u>	<u>(2.26)</u>

Diluted

There were no dilutive event other than the conversion of ICULS which has already been taken into account in the basic EPS calculation.

25. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2010 was not qualified.

26. Disclosure of realised and unrealised profits/losses

	CURRENT YEAR QUARTER 31/12/2010 RM'000	Immediate Preceding Quarter 30/9/2010 RM'000
Total retained profits of Lion Diversified Holdings Berhad and its subsidiaries:		
- Realised	1,649,241	1,641,760
- Unrealised	<u>2,629</u>	<u>15,918</u>
	1,651,870	1,657,678
Total share of accumulated losses from associated companies and jointly controlled entities:		
- Realised	(746,220)	(679,094)
- Unrealised	<u>(84,977)</u>	<u>(114,534)</u>
	(831,197)	(793,628)
Less: Consolidation adjustments	(62,755)	(62,755)
Total Group retained profits as per consolidated accounts	<u><u>757,918</u></u>	<u><u>801,295</u></u>