



LION DIVERSIFIED HOLDINGS BERHAD

(Incorporated in Malaysia)

(9428-T)

Interim Financial Report for the First Quarter Ended 30 September 2011

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 - 12

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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	30.9.2011 RM'000	30.9.2010 RM'000
Revenue		450,480	145,242	450,480	145,242
Other operating expenses		(428,145)	(151,500)	(428,145)	(151,500)
Other operating income		11,823	13,242	11,823	13,242
Net gain on conversion of Exchangeable Bonds		15,249	-	15,249	-
Unrealised foreign exchange (loss)/gain		(6,547)	17,330	(6,547)	17,330
Profit from operations		42,860	24,314	42,860	24,314
Finance costs		(18,490)	(17,753)	(18,490)	(17,753)
Share of results of associates		(21,510)	(44,253)	(21,510)	(44,253)
Share of results of jointly controlled entities		3,894	8,572	3,894	8,572
Profit/(Loss) before taxation		6,754	(29,120)	6,754	(29,120)
Taxation	16	(6,373)	(4,842)	(6,373)	(4,842)
Net profit/(loss) for the financial period		381	(33,962)	381	(33,962)
Attributable to :					
- Owners of the Company		381	(33,962)	381	(33,962)
Earnings/(Loss) per share attributable to owners of the Company (sen) :					
- Basic	24	0.03	(2.44)	0.03	(2.44)
- Diluted	24	0.03	(2.44)	0.03	(2.44)

(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)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2011 RM'000	30.9.2010 RM'000	30.9.2011 RM'000	30.9.2010 RM'000
Net profit/(loss) for the financial period	381	(33,962)	381	(33,962)
<u>Other comprehensive income/(loss)</u>				
Translation difference on net equity of foreign subsidiaries and other movements	8,100	5,525	8,100	5,525
Net (loss)/gain on available-for-sale financial assets:				
- (Loss)/Gain on fair value changes	(33,734)	42,534	(33,734)	42,534
- Transfer to profit or loss upon conversion	(17,435)	-	(17,435)	-
Other comprehensive (loss)/income for the financial period, net of tax	(43,069)	48,059	(43,069)	48,059
Total comprehensive (loss)/income for the financial period	(42,688)	14,097	(42,688)	14,097
Attributable to :				
- Owners of the Company	(42,688)	14,097	(42,688)	14,097

(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)

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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		1,399,080	1,404,323
Investment properties		11,808	11,945
Land held for property development		118,530	132,137
Investments in associates		126,991	148,501
Investments in jointly controlled entities		37,229	33,334
Investment securities		283,082	367,787
Intangible assets		10,484	10,484
Deferred tax assets		7,603	8,296
		1,994,807	2,116,807
Current Assets			
Property development costs		34,825	13,425
Inventories		128,426	150,281
Trade and other receivables		940,302	806,434
Tax recoverable		7,516	7,620
Cash and cash equivalents		199,507	201,098
		1,310,576	1,178,858
TOTAL ASSETS		3,305,383	3,295,665
EQUITY AND LIABILITIES			
Share capital		368,612	368,612
Reserves		1,453,202	1,495,890
Total equity		1,821,814	1,864,502
Non-Current Liabilities			
Long term borrowings	20	244,312	285,847
Deferred tax liabilities		112,017	109,646
Derivative liability		42,603	42,603
		398,932	438,096
Current Liabilities			
Trade and other payables		817,011	731,884
Short term borrowings	20	247,437	243,625
Tax payable		20,189	17,558
		1,084,637	993,067
Total Liabilities		1,483,569	1,431,163
TOTAL EQUITY AND LIABILITIES		3,305,383	3,295,665
Net assets per share attributable to owners of the Company (RM) (Excluding equity components)		2.08	2.14

(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)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →				Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	
<u>30 September 2011</u>					
At 1 July 2011	368,612	330,967	424,776	740,147	1,864,502
Total comprehensive (loss)/income for the financial period	-	-	(43,069)	381	(42,688)
At 30 September 2011	368,612	330,967	381,707	740,528	1,821,814
<u>30 September 2010</u>					
At 1 July 2010	368,612	330,967	372,800	836,927	1,909,306
Total comprehensive income/ (loss) for the financial period	-	-	48,059	(33,962)	14,097
Equity-settled share option arrangements	-	-	(1,030)	1,030	-
Transfer to capital reserves	-	-	2,700	(2,700)	-
At 30 September 2010	368,612	330,967	422,529	801,295	1,923,403

(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 ENDED	
	30.9.2011 RM'000	30.9.2010 RM'000
OPERATING ACTIVITIES		
Profit/(Loss) before taxation	6,754	(29,120)
Adjustments for :		
Non-cash items	130	(8,366)
Non-operating items	24,282	40,191
Operating profit before working capital changes	31,166	2,705
Changes in working capital :		
Net changes in assets	(110,329)	67,056
Net changes in liabilities	83,641	(19,727)
Others (mainly interest and tax paid)	1,056	2,712
	5,534	52,746
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(3,803)	(500)
	(3,803)	(500)
FINANCING ACTIVITIES		
Bank borrowings	(11,519)	(50,687)
Others	(59)	-
	(11,578)	(50,687)
Net changes in cash and cash equivalents	(9,847)	1,559
Effects of changes in exchange rates	8,256	(3,560)
Cash and cash equivalents at beginning of the period	201,098	203,914
Cash and cash equivalents at end of the period	199,507	201,913

(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)

Interim financial report for the first quarter ended 30 September 2011
(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 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 financial 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 FRSs and IC Interpretations effective for the financial period beginning 1 July 2011:

Amendments to FRS 1 and FRS 7	Limited Exemption from Comparative and Disclosures for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share Based Payments Transactions
Amendments to FRS 3	Business Combinations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Improvements to FRSs issued in 2010	
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
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

During the financial year, the Group has partially redeemed its Guarantee Secured Exchangeable Bonds which are exchangeable into new ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson Shares") ("Exchangeable Bonds") amounting to RM48.8 million upon the conversion of USD14.6 million nominal value of the Exchangeable Bonds at an exchange price of approximately RM5.76 per Parkson Share.

5. Debt and equity securities (Cont'd.)

Other than the above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date.

6. Dividend 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:

	<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	396,741	32,227	21,636	264	450,868
Inter-segment sales	-	-	(388)	-	(388)
External sales	<u>396,741</u>	<u>32,227</u>	<u>21,248</u>	<u>264</u>	<u>450,480</u>
<u>Results</u>					
Segment results	20,905	798	9,253	18,451	49,407
Foreign exchange loss					(6,547)
Profit from operations					<u>42,860</u>
Finance costs					(18,490)
Share of results of associates					(21,510)
Share of results of jointly controlled entities					<u>3,894</u>
Profit before taxation					<u>6,754</u>
<u>Total Assets</u>					
Segment assets	2,320,013	82,208	399,635	324,188	3,126,044
Investments in associates					126,991
Investments in jointly controlled entities					37,229
Unallocated corporate assets					15,119
Consolidated total assets					<u>3,305,383</u>

8. Subsequent events

Other than as disclosed in Note 19(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 except for the following:

- (i) winding-up of Sichuan Parkson Retail Development Co Ltd, a wholly-owned subsidiary of the Company incorporated in the People's Republic of China;
- (ii) incorporation of a wholly-owned subsidiary in Cambodia, Fortius Resources (Cambodia) Co Limited, by Pioneer Glory International Limited, a wholly-owned subsidiary of the Company; and
- (iii) acquisition of a wholly-owned subsidiary, Tunas Dimensi Sdn Bhd, by Temasek Potensi Sdn Bhd, a wholly-owned subsidiary of the Company.

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 quarter ended 30 September 2011, the Group reported a higher revenue of RM450 million and higher operating profit of RM43 million as compared to the preceding year corresponding period. The favourable performance was attributable to a full 3-month operations of our direct reduced iron ("DRI") plant which underwent a scheduled plant shutdown in the same period last year.

After accounting for a lower share of losses from associates, the Group posted a profit before tax of RM7 million for the current quarter under review compared to a loss before tax of RM29 million a year ago.

12. Comment on material change in profit

	Current Year Quarter	Preceding Year Corresponding Quarter	Immediate Preceding Quarter
	30.9.2011	30.9.2010	30.6.2011
	RM'000	RM'000	RM'000
<u>Revenue</u>			
- Steel	396,741	85,472	367,580
- Computer	32,227	35,315	31,987
- Property	21,248	24,192	17,260
- Others	264	263	9,411
	450,480	145,242	426,238
<u>Segment results</u>			
- Steel	20,905	(4,300)	21,476
- Computer	798	1,751	1,706
- Property	9,253	6,990	3,633
- Others	18,451	2,543	1,159
	49,407	6,984	27,974

Our Group's DRI operations continued to register a higher revenue of RM397 million for the current quarter under review. However, a marginally lower operating profit was reported due to higher production costs.

The Computer and Property Divisions continued to report satisfactory results for the current quarter under review.

The "Others" Division recorded higher operating profit for the current quarter mainly due to fair value gain arising from the conversion of the Exchangeable Bonds.

13. a) Prospects

The business environment of the Group's core operations is expected to remain challenging as international steel prices remain soft amidst weak demand. Persistent concern over the ability of European countries to overcome its debt problems has dampened hopes of a strong global economic recovery.

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

Taxation comprises:	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
Current year tax				
- Arising in Malaysia	2,044	2,268	2,044	2,268
- Arising outside Malaysia	1,284	1,944	1,284	1,944
Deferred tax				
- Current year	3,045	630	3,045	630
	6,373	4,842	6,373	4,842

Excluding share of results of associates and jointly controlled entities, 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

Other than as disclosed in Note 5, there were no purchases or disposals of quoted securities for the current quarter and financial year-to-date.

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	280,752
At book value	283,031
At market value	283,031

19. Corporate proposals

a) Status of corporate proposals

No	Date of Announcement	Subject	Status
1	3.3.2011, 2.6.2011, 3.8.2011, 26.8.2011 and 31.10.2011	<p>(i) Proposed joint venture between the Company, Lion Industries Corporation Berhad ("LICB") and Lion Forest Industries Berhad ("LFIB") (collectively the "Parties") in Lion Blast Furnace Sdn Bhd ("LBF") with the shareholding of 51%, 29% and 20% respectively ("Proposed Joint Venture");</p> <p>(ii) Proposed acquisitions by LBF of various parcels of freehold lands all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 147.76 acres from Andalas Development Sdn Bhd, Che Kiang Realty and Amsteel Mills Sdn Bhd (a 99%-owned subsidiary of LICB) for a total cash consideration of approximately RM52.28 million ("Proposed Land Acquisitions"); and</p> <p>(iii) Proposed leasing by LBF of three parcels of contiguous freehold vacant lands all located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 202.89 acres from Megasteel Sdn Bhd ("Megasteel") for a lease tenure of thirty (30) years ("Proposed Land Leasing").</p>	<p>Pending approvals of:</p> <p>(a) the shareholders of the Company, LICB and LFIB for the Proposed Joint-Venture;</p> <p>(b) the shareholders of the Company, LICB and the respective vendors for the Proposed Land Acquisitions;</p> <p>(c) the shareholders of the Company and Megasteel, if required, for the Proposed Land Leasing; and</p> <p>(d) any other relevant authorities, if required.</p>

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	234,339	227,585	461,924
Unsecured	13,098	16,727	29,825
	<u>247,437</u>	<u>244,312</u>	<u>491,749</u>
		Foreign Currency	
		'000	RM'000
The Group's borrowings were denominated in the following currencies:			
- Ringgit Malaysia		-	259,658
- US Dollar		72,916	232,091
			<u>491,749</u>

21. Financial instruments**a) Disclosure of Derivatives**

With the adoption of FRS 139, derivatives are recognised on their respective contract dates. There are no off-balance sheet financial instruments.

There were no material changes of derivative liabilities for the current quarter and financial year-to-date.

b) Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group recognised a gain arising from fair value changes of financial liabilities for the current quarter and financial year-to-date of RM17.4 million.

22. Changes in material litigation

There was no 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 net profit for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue (after conversion of mandatorily convertible instruments) 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>
Net profit/(loss) attributable to owners of the Company (RM'000)	<u>381</u>	<u>(33,962)</u>	<u>381</u>	<u>(33,962)</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><u>0.03</u></u>	<u><u>(2.44)</u></u>	<u><u>0.03</u></u>	<u><u>(2.44)</u></u>

Diluted

There was 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 2011 was not qualified.

26. Disclosure of realised and unrealised profits/losses

	AS AT 30.9.2011	AS AT 30.6.2011
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,719,657	1,612,294
- Unrealised	<u>(124,667)</u>	<u>(35,301)</u>
	1,594,990	1,576,993
Total share of accumulated losses from associated companies:		
- Realised	(700,065)	(682,449)
- Unrealised	<u>(108,592)</u>	<u>(104,698)</u>
	(808,657)	(787,147)
Total share of retained profits from jointly controlled entities:		
- Realised	25,234	21,327
- Unrealised	<u>(40)</u>	<u>(27)</u>
	25,194	21,300
Less: Consolidation adjustments	(70,999)	(70,999)
Total Group's retained profits as per consolidated accounts	<u><u>740,528</u></u>	<u><u>740,147</u></u>