



LION DIVERSIFIED HOLDINGS BERHAD

(Incorporated in Malaysia)

(9428-T)

Interim Financial Report for the Second Quarter Ended 31 December 2011

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Interim financial report for the second quarter ended 31 December 2011
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Revenue		402,618	339,130	853,098	484,372
Other operating expenses		(391,354)	(309,791)	(826,046)	(461,291)
Other operating income		13,379	28,695	40,451	59,267
Profit from operations		24,643	58,034	67,503	82,348
Finance costs		(20,700)	(22,398)	(39,190)	(40,151)
Share of results of associates		(10,029)	(72,426)	(31,539)	(116,679)
Share of results of jointly controlled entities		570	7,547	4,464	16,119
(Loss)/Profit before taxation	23	(5,516)	(29,243)	1,238	(58,363)
Taxation	16	(4,480)	(6,762)	(10,853)	(11,604)
Net loss for the financial period		(9,996)	(36,005)	(9,615)	(69,967)
Attributable to :					
- Owners of the Company		(9,996)	(36,005)	(9,615)	(69,967)
Loss per share attributable to owners of the Company (sen) :					
- Basic	24	(0.72)	(2.59)	(0.69)	(5.03)
- Diluted	24	(0.72)	(2.59)	(0.69)	(5.03)

(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 DIVERSIFIED HOLDINGS BERHAD (9428-T)
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2011 RM'000	31.12.2010 RM'000	31.12.2011 RM'000	31.12.2010 RM'000
Net loss for the financial period	(9,996)	(36,005)	(9,615)	(69,967)
<u>Other comprehensive income/(loss)</u>				
Translation difference on net equity of foreign subsidiaries and other movements	(8,882)	2,319	(782)	7,844
Net (loss)/gain on available-for-sale financial assets:				
- (Loss)/Gain on fair value changes	(1,515)	(14,273)	(35,249)	28,165
- Transfer to profit or loss upon conversion	-	(664)	(17,435)	(664)
Other comprehensive (loss)/income for the financial period, net of tax	(10,397)	(12,618)	(53,466)	35,345
Total comprehensive loss for the financial period	(20,393)	(48,623)	(63,081)	(34,622)
Attributable to :				
- Owners of the Company	(20,393)	(48,623)	(63,081)	(34,622)

(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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Interim financial report for the second quarter ended 31 December 2011
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>Note</u>	AS AT 31.12.2011 RM'000	AS AT 30.6.2011 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,391,470	1,404,323
Investment properties		11,671	11,945
Land held for property development		118,869	132,137
Investments in associates		116,962	148,501
Investments in jointly controlled entities		37,799	33,334
Investment securities		281,546	367,787
Intangible assets		10,484	10,484
Deferred tax assets		6,917	8,296
		1,975,718	2,116,807
Current Assets			
Property development costs		40,611	13,425
Inventories		245,053	150,281
Trade and other receivables		910,954	806,434
Tax recoverable		6,741	7,620
Cash and cash equivalents		205,413	201,098
		1,408,772	1,178,858
TOTAL ASSETS		3,384,490	3,295,665
EQUITY AND LIABILITIES			
Share capital		368,612	368,612
Reserves		1,432,809	1,495,890
Total equity		1,801,421	1,864,502
Non-Current Liabilities			
Long term borrowings	18	24,342	285,847
Deferred tax liabilities		112,790	109,646
Derivative liability		42,603	42,603
		179,735	438,096
Current Liabilities			
Trade and other payables		920,479	731,884
Short term borrowings	18	461,227	243,625
Tax payable		21,628	17,558
		1,403,334	993,067
Total Liabilities		1,583,069	1,431,163
TOTAL EQUITY AND LIABILITIES		3,384,490	3,295,665
Net assets per share attributable to owners of the Company (RM) (Excluding equity components)		2.05	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	
31 December 2011					
At 1 July 2011	368,612	330,967	424,776	740,147	1,864,502
Total comprehensive loss for the financial period	-	-	(53,466)	(9,615)	(63,081)
At 31 December 2011	368,612	330,967	371,310	730,532	1,801,421
31 December 2010					
At 1 July 2010	368,612	330,967	372,800	836,927	1,909,306
Total comprehensive income/ (loss) for the financial 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	-	-	-	(7,372)	(7,372)
At 31 December 2010	368,612	330,967	409,815	757,918	1,867,312

(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	
	31.12.2011 RM'000	31.12.2010 RM'000
OPERATING ACTIVITIES		
Profit/(Loss) before taxation	1,238	(58,363)
Adjustments for :		
Non-cash items	(15,249)	(16,207)
Non-operating items	59,656	115,411
Operating profit before working capital changes	45,645	40,841
Changes in working capital :		
Net changes in assets	(204,530)	208,211
Net changes in liabilities	176,162	(138,778)
Others (mainly interest and tax paid)	(6,006)	(10,274)
	11,271	100,000
INVESTING ACTIVITIES		
Disposal of investments	-	22,763
Deferred payment for acquisition of associates	-	(43,000)
Dividend received	6,114	9,152
Others (mainly purchase of property, plant and equipment)	(4,336)	(14,019)
	1,778	(25,104)
FINANCING ACTIVITIES		
Dividend paid to shareholders	-	(7,372)
Bank borrowings	(16,911)	(77,454)
Others	(112)	(140)
	(17,023)	(84,966)
Net changes in cash and cash equivalents	(3,974)	(10,070)
Effects of changes in exchange rates	8,289	(2,743)
Cash and cash equivalents at beginning of the period	201,098	203,914
Cash and cash equivalents at end of the period	205,413	191,101

(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 second quarter ended 31 December 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

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 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 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	747,514	66,458	33,494	6,408	853,874
Inter-segment sales	-	-	(776)	-	(776)
External sales	<u>747,514</u>	<u>66,458</u>	<u>32,718</u>	<u>6,408</u>	<u>853,098</u>
<u>Results</u>					
Segment profit	36,423	2,855	12,626	22,741	74,645
Foreign exchange loss					(7,142)
Profit from operations					<u>67,503</u>
Finance costs					(39,190)
Share of results of associates					(31,539)
Share of results of jointly controlled entities					<u>4,464</u>
Profit before taxation					<u>1,238</u>
<u>Total Assets</u>					
Segment assets	2,521,381	81,794	399,487	213,409	3,216,071
Investments in associates					116,962
Investments in jointly controlled entities					37,799
Unallocated corporate assets					13,658
Consolidated total assets					<u>3,384,490</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 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;
- (iii) acquisition of a wholly-owned subsidiary, Tunas Dimensi Sdn Bhd, by Temasek Potensi Sdn Bhd, a wholly-owned subsidiary of the Company; and

9. Changes in composition of the Group (Cont'd.)

- (iv) acquisitions of two wholly-owned subsidiaries, namely Jana Serimas Sdn Bhd and Sharp Synergy Sdn Bhd by 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

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>31.12.2011</u>	<u>31.12.2010</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
- Steel	350,773	286,791	747,514	372,263
- Computer	34,231	31,620	66,458	66,935
- Property	11,470	20,655	32,718	44,847
- Others	6,144	64	6,408	327
	402,618	339,130	853,098	484,372
<u>Segment profit</u>				
- Steel	15,518	25,726	36,423	21,426
- Computer	2,057	729	2,855	2,480
- Property	3,373	7,192	12,626	14,182
- Others	4,290	16,901	22,741	19,444
	25,238	50,548	74,645	57,532

For the 6-month period ended 31 December 2011, the Group reported higher revenue of RM853 million compared to RM484 million in the preceding year corresponding period. Correspondingly, higher profit from operations of RM75 million was recorded. The improved performance was attributable to our steel operations due mainly to the higher production of direct reduced iron ("DRI") as compared to the same period last year where the DRI plant underwent a scheduled plant shutdown.

Our Likom Computer Division and Property Division maintained satisfactory performance for the year-to-date and contributed positively to the Group's earnings.

The "Others" Division recorded higher profit of RM23 million mainly due to the fair value gain arising from the conversion of Exchangeable Bonds and distribution of dividend income from Parkson Holdings Berhad ("Parkson") (Last year : Mainly due to the gain on disposal of investments and dividend income from Parkson).

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	31.12.2011	30.9.2011
	RM'000	RM'000
Revenue	402,618	450,480
Profit from operations	24,643	42,860
(Loss)/Profit before taxation	(5,516)	6,754

For the quarter under review, the Group reported a lower revenue of RM403 million as compared to the immediate preceding quarter of RM450 million. The unfavourable performance was attributable to lower production of our DRI operation during the quarter.

With the lower profit from operations and after accounting for the finance costs and share of results from associates and jointly controlled entities, a loss before taxation of RM5.5 million was reported.

13. a) Prospects

The operating environment outlook for the Group's DRI plant is expected to remain challenging in the light of soft demand for steel products which may result from uncertainties surrounding the recovery of global economies.

Our Computer and Property Divisions are expected to sustain their satisfactory performance 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

Taxation comprises:	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000
Current year tax				
- Arising in Malaysia	1,484	2,013	3,528	4,281
- Arising outside Malaysia	1,117	3,061	2,401	5,005
Deferred tax				
- Current year	1,879	1,688	4,924	2,318
	4,480	6,762	10,853	11,604

After 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. 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.

18. 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	448,030	13,606	461,636
Unsecured	13,197	10,736	23,933
	<u>461,227</u>	<u>24,342</u>	<u>485,569</u>
		Foreign Currency	
		'000	RM'000
The Group's borrowings were denominated in the following currencies:			
- Ringgit Malaysia		-	254,880
- US Dollar		72,773	230,689
			<u>485,569</u>

19. Changes in material litigation

There was no material litigation since 30 June 2011.

20. Dividend proposed

The Board does not recommend any interim dividend for the financial quarter ended 31 December 2011.

21. Loss per share**Basic**

Basic loss per share is calculated by dividing the net loss 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>31.12.2011</u>	<u>31.12.2010</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
Net loss attributable to owners of the Company (RM'000)	<u>(9,996)</u>	<u>(36,005)</u>	<u>(9,615)</u>	<u>(69,967)</u>
Weighted average number of ordinary shares in issue ('000)	737,223	737,223	737,223	737,223
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 loss per share (sen)	<u>(0.72)</u>	<u>(2.59)</u>	<u>(0.69)</u>	<u>(5.03)</u>

Diluted

There was no dilutive event other than the conversion of ICULS which has already been taken into account in the basic loss per share calculation.

22. 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.

23. (Loss)/Profit before taxation

(Loss)/Profit before taxation is arrived at after crediting/(charging) the following income/(expenses):

	3 MONTHS ENDED 31.12.2011	YEAR-TO-DATE ENDED 31.12.2011
	RM'000	RM'000
(a) Interest income	13,379	25,202
(b) Other income including investment income	-	-
(c) Interest expense	(20,700)	(39,190)
(d) Depreciation and amortisation	(8,733)	(17,565)
(e) Provision for and write off of receivables	(463)	(463)
(f) Provision for and write off of inventories	-	-
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain/(loss)	(595)	(7,142)
(j) Gain/(Loss) on derivatives	-	-
(k) Exceptional items: - Net gain on conversion of Exchangeable Bonds	-	15,249
	<u>-</u>	<u>15,249</u>

24. Disclosure of realised and unrealised profits/losses

	AS AT 31.12.2011	AS AT 30.9.2011
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,722,828	1,719,657
- Unrealised	(128,376)	(124,667)
	<u>1,594,452</u>	<u>1,594,990</u>
Total share of accumulated losses from associated companies:		
- Realised	(702,270)	(700,065)
- Unrealised	(116,416)	(108,592)
	<u>(818,686)</u>	<u>(808,657)</u>
Total share of retained profits from jointly controlled entities:		
- Realised	25,799	25,234
- Unrealised	(34)	(40)
	<u>25,765</u>	<u>25,194</u>
Less: Consolidation adjustments	(70,999)	(70,999)
Total Group's retained profits as per consolidated accounts	<u>730,532</u>	<u>740,528</u>