



LION DIVERSIFIED HOLDINGS BERHAD

(Incorporated in Malaysia)

(9428-T)

Interim Financial Report for the Third Quarter Ended 31 March 2012

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

Interim financial report for the third quarter ended 31 March 2012
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.3.2012 RM'000	31.3.2011 RM'000	31.3.2012 RM'000	31.3.2011 RM'000
Revenue		184,372	368,601	1,037,470	852,973
Other operating expenses		(194,305)	(350,337)	(1,020,351)	(811,628)
Other operating income		11,977	15,570	52,428	71,463
Profit from operations		2,044	33,834	69,547	112,808
Finance costs		(16,395)	(21,546)	(55,585)	(61,697)
Share of results of associates		(64,254)	(10,483)	(95,793)	(127,162)
Share of results of jointly controlled entities		(313)	321	4,151	16,440
Gain on partial disposal of shares in an associate		-	10,812	-	14,186
(Loss)/Profit before taxation	23	(78,918)	12,938	(77,680)	(45,425)
Taxation	16	2,064	(8,947)	(8,789)	(20,551)
Net (loss)/profit for the financial period		(76,854)	3,991	(86,469)	(65,976)
Attributable to :					
- Owners of the Company		(76,854)	3,991	(86,469)	(65,976)
(Loss)/Earnings per share attributable to owners of the Company (sen) :					
- Basic	21	(5.52)	0.29	(6.21)	(4.74)
- Diluted	21	(5.52)	0.29	(6.21)	(4.74)

(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	
	31.3.2012 RM'000	31.3.2011 RM'000	31.3.2012 RM'000	31.3.2011 RM'000
Net (loss)/profit for the financial period	(76,854)	3,991	(86,469)	(65,976)
<u>Other comprehensive (loss)/income</u>				
Translation difference on net equity of foreign subsidiaries and other movements	(1,414)	2,271	(2,196)	10,115
Net (loss)/gain on available-for-sale financial assets:				
- (Loss)/Gain on fair value changes	(10,085)	11,484	(45,335)	39,649
- Transfer to profit or loss upon conversion	(998)	-	(18,433)	(664)
Other comprehensive (loss)/income for the financial period, net of tax	(12,497)	13,755	(65,964)	49,100
Total comprehensive (loss)/profit for the financial period	(89,351)	17,746	(152,433)	(16,876)
Attributable to :				
- Owners of the Company	(89,351)	17,746	(152,433)	(16,876)

(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 31.3.2012 RM'000	AS AT 30.6.2011 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,383,349	1,404,323
Investment properties		11,535	11,945
Land held for property development		116,585	132,137
Investments in associates		408,391	148,501
Investments in jointly controlled entities		27,184	33,334
Investment securities		268,139	367,787
Intangible assets		10,484	10,484
Deferred tax assets		6,180	8,296
		2,231,847	2,116,807
Current Assets			
Property development costs		46,410	13,425
Inventories		160,289	150,281
Trade and other receivables		526,863	806,434
Tax recoverable		5,436	7,620
Cash and cash equivalents		195,018	201,098
		934,016	1,178,858
TOTAL ASSETS		3,165,863	3,295,665
EQUITY AND LIABILITIES			
Share capital		368,612	368,612
Reserves		1,336,085	1,495,890
Total equity		1,704,697	1,864,502
Non-Current Liabilities			
Long term borrowings	18	38,624	285,847
Deferred tax liabilities		108,718	109,646
Derivative liability		18,800	42,603
		166,142	438,096
Current Liabilities			
Trade and other payables		797,353	731,884
Short term borrowings	18	476,411	243,625
Tax payable		21,260	17,558
		1,295,024	993,067
Total Liabilities		1,461,166	1,431,163
TOTAL EQUITY AND LIABILITIES		3,165,863	3,295,665
Net assets per share attributable to owners of the Company (RM) (Excluding equity components)		1.92	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>31 March 2012</u>					
At 1 July 2011	368,612	330,967	424,776	740,147	1,864,502
Total comprehensive loss for the financial period	-	-	(65,964)	(86,469)	(152,433)
Dividend paid for the financial year ended 30 June 2011	-	-	-	(7,372)	(7,372)
At 31 March 2012	368,612	330,967	358,812	646,306	1,704,697
<u>31 March 2011</u>					
At 1 July 2010	368,612	330,967	372,800	836,927	1,909,306
Total comprehensive income/ (loss) for the financial period	-	-	49,100	(65,976)	(16,876)
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 March 2011	368,612	330,967	423,570	761,909	1,885,058

(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	
	31.3.2012 RM'000	31.3.2011 RM'000
OPERATING ACTIVITIES		
Loss before taxation	(77,680)	(45,425)
Adjustments for :		
Non-cash items	(40,067)	(20,017)
Non-operating items	137,204	136,531
Operating profit before working capital changes	19,457	71,089
Changes in working capital :		
Net changes in assets	(99,853)	39,856
Net changes in liabilities	59,849	60,605
Others (mainly interest and tax paid)	(7,294)	(9,344)
	(27,841)	162,206
INVESTING ACTIVITIES		
Disposal of investments	-	38,618
Proceeds from redemption of investment	8,447	-
Deferred payment for acquisition of associates	(6,000)	(43,000)
Dividend received	8,606	9,308
Others (mainly purchase of property, plant and equipment)	(4,441)	(25,421)
	6,612	(20,495)
FINANCING ACTIVITIES		
Dividend paid to shareholders	(7,372)	(7,372)
Bank borrowings	18,372	(129,169)
Others	(173)	(242)
	10,827	(136,783)
Net changes in cash and cash equivalents	(10,402)	4,928
Effects of changes in exchange rates	4,322	(3,851)
Cash and cash equivalents at beginning of the period	201,098	203,914
Cash and cash equivalents at end of the period	195,018	204,991

(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 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 RM52.1 million upon the conversion of USD14.6 million and USD1.0 million nominal value of the Exchangeable Bonds at exchange prices of approximately RM5.76 and RM5.69 per Parkson Share respectively.

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

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 2011 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	883,968	101,562	46,447	6,657	1,038,634
Inter-segment sales	-	-	(1,164)	-	(1,164)
External sales	<u>883,968</u>	<u>101,562</u>	<u>45,283</u>	<u>6,657</u>	<u>1,037,470</u>
<u>Results</u>					
Segment profit	24,250	6,136	18,058	27,253	75,697
Foreign exchange loss					(6,150)
Profit from operations					69,547
Finance costs					(55,585)
Share of results of associates					(95,793)
Share of results of jointly controlled entities					4,151
Loss before taxation					<u>(77,680)</u>
<u>Total Assets</u>					
Segment assets	1,941,835	83,983	400,135	292,719	2,718,672
Investments in associates					408,391
Investments in jointly controlled entities					27,184
Unallocated corporate assets					11,616
Consolidated total assets					<u>3,165,863</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;

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

- (iii) acquisition of two wholly-owned subsidiaries, namely Tunas Dimensi Sdn Bhd and Jernih Aktif Sdn Bhd, by Temasek Potensi Sdn Bhd, a wholly-owned subsidiary of the Company;
- (iv) acquisitions of two wholly-owned subsidiaries, namely Jana Serimas Sdn Bhd and Sharp Synergy Sdn Bhd by the Company; and
- (v) the dilution of the shareholding of the Company in Lion Corporation Berhad ("LCB") to 49.20% following the issuance and allotment of the new ordinary shares of RM1.00 each in LCB to the Scheme Creditors of Megasteel Sdn Bhd ("Megasteel"), pursuant to the Proposed Settlement Scheme of Megasteel.

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
- Steel	136,454	319,294	883,968	691,557
- Computer	35,104	31,696	101,562	98,631
- Property	12,565	17,245	45,283	62,092
- Others	249	366	6,657	693
	184,372	368,601	1,037,470	852,973
<u>Segment profit/(loss)</u>				
- Steel	(12,173)	22,663	24,250	44,089
- Computer	3,281	489	6,136	2,969
- Property	5,432	3,627	18,058	17,809
- Others	4,512	2,228	27,253	21,672
	1,052	29,007	75,697	86,539

For the 9-month period ended 31 March 2012, the Group reported higher revenue of RM1.0 billion compared to RM853 million in the preceding year corresponding period and a lower profit from operations of RM76 million. The favourable performance was mainly due to the higher production of direct reduced iron of the DRI operation which contributed approximately 85% to the Group's revenue. However, profit from steel operation was lower mainly due to charging out of overhead expenses during the shutdown period.

Our Likom Computer Division registered better performance for the year-to-date and contributed positively to the Group's earnings. However, the Property Division posted a lower revenue but higher profit mainly due to better profit margin.

The "Others" Division reported higher profit of RM27 million mainly due to fair value gain on derivative liability, gain arising from the conversion of Exchangeable Bonds and 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
	31.3.2012	31.12.2011
	RM'000	RM'000
Revenue	184,372	402,618
Profit from operations	2,044	24,643
Loss before taxation	(78,918)	(5,516)

For the quarter under review, the Group reported a lower revenue of RM184 million as compared to the immediate preceding quarter of RM403 million. The unfavourable performance was attributable to lower production of DRI due to plant shutdown for maintenance.

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 RM78.9 million was reported. Our associates recorded substantial losses of RM64 million due to weak international demand and seasonally lower demand arising from the long holidays during the Chinese New Year festival.

13. a) Prospects

The global steel environment is expected to remain challenging in view of the uncertainties surrounding the global economy. However, the eventual implementation of the infrastructure projects under the Economic Transformation Programme ("ETP") should benefit the steel segment, including our DRI operation.

Our Computer and Property Divisions are expected to maintain their satisfactory performance for the coming 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	
	31.3.2012	31.3.2011	31.3.2012	31.3.2011
	RM'000	RM'000	RM'000	RM'000
Current year tax				
- Arising in Malaysia	(1,122)	1,034	2,406	5,315
- Arising outside Malaysia	1,785	3,359	4,186	8,364
Prior year tax				
- Arising in Malaysia	640	-	640	-
Deferred tax				
- Current year	(3,367)	4,554	1,557	6,872
	(2,064)	8,947	8,789	20,551

16. Taxation (Cont'd.)

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, 31.10.2011 and 2.3.2012	<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	463,115	27,480	490,595
Unsecured	13,296	11,144	24,440
	<u>476,411</u>	<u>38,624</u>	<u>515,035</u>
		Foreign Currency	
		'000	RM'000
The Group's borrowings were denominated in the following currencies:			
- Ringgit Malaysia		-	290,512
- US Dollar		73,230	224,523
			<u>515,035</u>

19. Changes in material litigation

There was no material litigation since 30 June 2011.

20. Dividend proposed

The Board did not recommend any interim dividend for the financial quarter ended 31 March 2012.

21. (Loss)/Earnings per share**Basic**

Basic (loss)/earnings per share is calculated by dividing the net (loss)/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>31.3.2012</u>	<u>31.3.2011</u>	<u>31.3.2012</u>	<u>31.3.2011</u>
Net (loss)/profit attributable to owners of the Company (RM'000)	<u>(76,854)</u>	<u>3,991</u>	<u>(86,469)</u>	<u>(65,976)</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 (loss)/earnings per share (sen)	<u><u>(5.52)</u></u>	<u><u>0.29</u></u>	<u><u>(6.21)</u></u>	<u><u>(4.74)</u></u>

Diluted

There was no dilutive event other than the conversion of ICULS which has already been taken into account in the basic (loss)/earnings 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 31.3.2012 RM'000	YEAR-TO-DATE ENDED 31.3.2012 RM'000
(a) Interest income	10,326	35,528
(b) Other income including investment income	636	636
(c) Interest expense	(16,395)	(55,585)
(d) Depreciation and amortisation	(8,542)	(26,107)
(e) Provision for and write off of receivables	-	(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)	992	(6,150)
(j) Gain/(Loss) on derivatives	23,803	23,803
(k) Exceptional items:		
- Net gain on conversion of Exchangeable Bonds	1,015	16,264
- Reversal of interest income pursuant to debts settlement scheme	(24,434)	(24,434)
	<u> </u>	<u> </u>

24. Disclosure of realised and unrealised profits/losses

	AS AT 31.3.2012 RM'000	AS AT 30.6.2011 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,688,570	1,612,294
- Unrealised	(113,776)	(35,301)
	<u>1,574,794</u>	<u>1,576,993</u>
Total share of accumulated losses from associated companies:		
- Realised	(780,066)	(682,449)
- Unrealised	(102,874)	(104,698)
	<u>(882,940)</u>	<u>(787,147)</u>
Total share of retained profits from jointly controlled entities:		
- Realised	25,408	21,327
- Unrealised	43	(27)
	<u>25,451</u>	<u>21,300</u>
Less: Consolidation adjustments	(70,999)	(70,999)
Total Group's retained profits as per consolidated accounts	<u>646,306</u>	<u>740,147</u>