



LION DIVERSIFIED HOLDINGS BERHAD

(Incorporated in Malaysia)

(9428-T)

Interim Financial Report for the First Quarter Ended 30 September 2012

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(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2012
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
Revenue		339,624	450,480	339,624	450,480
Operating expenses		(322,876)	(419,443)	(322,876)	(419,443)
Other operating income		6,125	11,823	6,125	11,823
Profit from operations		22,873	42,860	22,873	42,860
Finance costs		(19,149)	(18,490)	(19,149)	(18,490)
Share of results of associates		(63,120)	(21,510)	(63,120)	(21,510)
Share of results of jointly controlled entities		(181)	3,894	(181)	3,894
(Loss)/Profit before taxation	23	(59,577)	6,754	(59,577)	6,754
Taxation	16	(4,245)	(6,373)	(4,245)	(6,373)
Net (loss)/profit for the financial period		(63,822)	381	(63,822)	381
Attributable to :					
- Owners of the Company		(63,822)	381	(63,822)	381
(Loss)/Earnings per share attributable to owners of the Company (sen) :					
- Basic	21	(4.58)	0.03	(4.58)	0.03
- Diluted	21	(4.58)	0.03	(4.58)	0.03

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 2012

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
Net (loss)/profit for the financial period	(63,822)	381	(63,822)	381
<u>Other comprehensive income/(loss)</u>				
Translation difference on net equity of foreign subsidiaries and other movements	3,569	8,100	3,569	8,100
Net gain/(loss) on available-for-sale financial assets:				
- Gain/(Loss) on fair value changes	4,576	(33,734)	4,576	(33,734)
- Transfer to profit or loss upon derecognition	-	(17,435)	-	(17,435)
Other comprehensive income/(loss) for the financial period, net of tax	8,145	(43,069)	8,145	(43,069)
Total comprehensive loss for the financial period	(55,677)	(42,688)	(55,677)	(42,688)
Attributable to :				
- Owners of the Company	(55,677)	(42,688)	(55,677)	(42,688)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2012 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 30.9.2012 RM'000	AS AT 30.6.2012 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,332,748	1,336,249
Investment properties		11,551	11,687
Land held for property development		117,246	119,541
Investments in associates		192,244	255,364
Investments in jointly controlled entities		22,062	22,243
Investment securities		41,243	46,309
Intangible assets		10,484	10,484
Deferred tax assets		4,410	5,175
		1,731,988	1,807,052
Current Assets			
Property development costs		56,636	55,797
Inventories		211,125	176,619
Investment securities		193,647	184,005
Trade and other receivables		624,244	583,443
Tax recoverable		6,888	7,671
Cash and cash equivalents		204,134	197,394
		1,296,674	1,204,929
TOTAL ASSETS		3,028,662	3,011,981
EQUITY AND LIABILITIES			
Share capital		368,612	368,612
Reserves		1,077,464	1,133,141
Total equity		1,446,076	1,501,753
Non-Current Liabilities			
Long term borrowings	18	27,928	27,048
Deferred tax liabilities		120,545	119,045
		148,473	146,093
Current Liabilities			
Trade and other payables		960,670	863,157
Short term borrowings	18	453,988	480,907
Tax payable		19,455	20,071
		1,434,113	1,364,135
Total Liabilities		1,582,586	1,510,228
TOTAL EQUITY AND LIABILITIES		3,028,662	3,011,981
Net assets per share attributable to owners of the Company (RM) (Excluding equity components)		1.57	1.65
Net assets per share (RM) (Assuming full conversion of ICULS)		1.04	1.08

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 2012
(The figures have not been audited)

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 2012</u>					
At 1 July 2012	368,612	330,967	318,728	483,446	1,501,753
Total comprehensive income/ (loss) for the financial period	-	-	8,145	(63,822)	(55,677)
At 30 September 2012	368,612	330,967	326,873	419,624	1,446,076
<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

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements)

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Interim financial report for the first quarter ended 30 September 2012
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2012 RM'000	30.9.2011 RM'000
OPERATING ACTIVITIES		
Loss/(Profit) before taxation	(59,577)	6,754
Adjustments for :		
Non-cash items	6,998	130
Non-operating items	76,325	24,282
Operating profit before working capital changes	23,746	31,166
Changes in working capital :		
Net changes in assets	(73,066)	(110,329)
Net changes in liabilities	94,372	83,641
Others (mainly interest and tax paid)	(8,688)	1,056
	36,364	5,534
INVESTING ACTIVITY		
Purchase of property, plant and equipment	(4,224)	(3,803)
	(4,224)	(3,803)
FINANCING ACTIVITIES		
Bank borrowings	(22,882)	(11,519)
Others	(61)	(59)
	(22,943)	(11,578)
Net changes in cash and cash equivalents	9,197	(9,847)
Effects of changes in exchange rates	(2,457)	8,256
Cash and cash equivalents at beginning of the period	197,394	201,098
Cash and cash equivalents at end of the period	204,134	199,507

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements)

Interim financial report for the first quarter ended 30 September 2012
(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 2012. 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 2012.

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 2012 except for the adoption of the following FRSs effective for the financial period beginning 1 July 2012:

FRS 124	Related Party Disclosures
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income

The adoption of the above mentioned FRSs 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

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

6. Dividend paid

There were no dividends 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>CMS</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	289,638	30,206	19,898	270	340,012
Inter-segment sales	-	-	(388)	-	(388)
External sales	<u>289,638</u>	<u>30,206</u>	<u>19,510</u>	<u>270</u>	<u>339,624</u>
<u>Results</u>					
Segment profit	14,169	1,471	5,414	303	21,357
Foreign exchange gain					1,516
Profit from operations					22,873
Finance costs					(19,149)
Share of results of associates					(63,120)
Share of results of jointly controlled entities					(181)
Loss before taxation					<u>(59,577)</u>
<u>Total Assets</u>					
Segment assets	1,955,208	86,131	426,272	335,447	2,803,058
Investments in associates					192,244
Investments in jointly controlled entities					22,062
Unallocated corporate assets					11,298
Consolidated total assets					<u>3,028,662</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 acquisition of a wholly-owned subsidiary incorporated in the Cayman Islands, LDH Resources Limited, by LDH Trading 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 2012.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2012 RM'000	30.9.2011 RM'000	30.9.2012 RM'000	30.9.2011 RM'000
<u>Revenue</u>				
- Steel	289,638	396,741	289,638	396,741
- CMS	30,206	32,227	30,206	32,227
- Property	19,510	21,248	19,510	21,248
- Others	270	264	270	264
	339,624	450,480	339,624	450,480
<u>Segment profit</u>				
- Steel	14,169	20,905	14,169	20,905
- CMS	1,471	798	1,471	798
- Property	5,414	9,253	5,414	9,253
- Others	303	18,451	303	18,451
	21,357	49,407	21,357	49,407

The Group registered a lower revenue of RM340 million and correspondingly, a lower segment profit of RM21 million for the 3-month period ended 30 September 2012 as compared to RM450 million and RM49 million respectively in the preceding year corresponding period. The lower performance was mainly attributable to our direct reduced iron ("DRI") operations which reported a lower production volume during the quarter mainly due to lower demand.

CMS Division posted a slightly lower revenue for the current quarter under review mainly due to lower demand in both local and international markets. Besides, our Property Division also reported a lower revenue and lower segment profit mainly due to lower billings.

The "Others" Division recorded a higher profit for the last year same quarter mainly due to fair value gain of RM17 million arising from the conversion of the Exchangeable Bonds.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	30.9.2012	30.6.2012
	RM'000	RM'000
Revenue	339,624	484,608
Profit from operations	22,873	70,942
Loss before taxation	(59,577)	(149,618)

For the current quarter under review, the Group recorded a lower revenue of RM340 million as compared to the immediate preceding quarter of RM485 million. The lower performance was mainly due to lower production of DRI during the quarter.

Correspondingly, a lower profit from operations of RM23 million was reported. After accounting for the share of losses from associates of RM63 million, a loss before taxation of RM60 million was reported.

13. a) Prospects

The operating environment for the Group's businesses is expected to remain challenging due to uncertainties surrounding the recovery of the global economy, particularly the slow pace in resolving the European debt crisis and the slowdown in the economic growth in China. The local steel industry is now awaiting urgent and decisive measures to be imposed by the Government to increase the consumption of local steel products and enable the local steel industry to meet the competition of imported products. Until such measures are undertaken, the Group's core businesses are expected to be difficult next quarter.

Our CMS and Property Divisions are expected to achieve a satisfactory performance 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

Taxation comprises:	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
	RM'000	RM'000	RM'000	RM'000
Current year tax				
- Arising in Malaysia	350	2,044	350	2,044
- Arising outside Malaysia	1,674	1,284	1,674	1,284
Deferred tax				
- Current year	2,221	3,045	2,221	3,045
	<u>4,245</u>	<u>6,373</u>	<u>4,245</u>	<u>6,373</u>

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, 2.3.2012, 28.8.2012 and 30.8.2012	<p>(i) Proposed joint venture between the Company, Lion Industries Corporation Berhad ("LICB") and Lion Forest Industries Berhad ("LFIB") 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 Sdn Bhd 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	440,890	22,520	463,410
Unsecured	13,098	5,408	18,506
	<u>453,988</u>	<u>27,928</u>	<u>481,916</u>
		Foreign Currency	
		'000	RM'000
The Group's borrowings were denominated in the following currencies:			
- Ringgit Malaysia		-	253,787
- US Dollar		74,430	228,129
			<u>481,916</u>

19. Changes in material litigation

There was no material litigation since 30 June 2012.

20. Dividend proposed

The Board of Directors does not recommend any dividend for the current quarter and financial year-to-date.

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>	
	30.9.2012	30.9.2011	30.9.2012	30.9.2011
Net (loss)/profit attributable to owners of the Company (RM'000)	<u>(63,822)</u>	381	<u>(63,822)</u>	381
Weighted average number of ordinary shares in issue ('000)	<u>737,223</u>	737,223	<u>737,223</u>	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>	654,924	<u>654,924</u>	654,924
Weighted average number of ordinary shares ('000)	<u>1,392,147</u>	1,392,147	<u>1,392,147</u>	1,392,147
Basic (loss)/earnings per share (sen)	<u>(4.58)</u>	0.03	<u>(4.58)</u>	0.03

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 2012 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 30.9.2012	YEAR-TO-DATE ENDED 30.9.2012
	RM'000	RM'000
(a) Interest income	6,125	6,125
(b) Other income including investment income	-	-
(c) Interest expense	(19,149)	(19,149)
(d) Depreciation and amortisation	(8,731)	(8,731)
(e) Provision for and write off of receivables	-	-
(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)	1,516	1,516
(j) Gain/(Loss) on derivatives	-	-
(k) Exceptional items	-	-
	_____	_____

24. Disclosure of realised and unrealised profits/losses

	AS AT 30.9.2012	AS AT 30.6.2012
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,735,712	1,760,451
- Unrealised	(164,843)	(189,061)
	_____	_____
	1,570,869	1,571,390
Total share of accumulated losses from associated companies:		
- Realised	(978,697)	(887,007)
- Unrealised	(125,378)	(153,948)
	_____	_____
	(1,104,075)	(1,040,955)
Total share of retained profits from jointly controlled entities:		
- Realised	23,883	24,082
- Unrealised	(54)	(72)
	_____	_____
	23,829	24,010
Less: Consolidation adjustments	(70,999)	(70,999)
Total Group's retained profits as per consolidated accounts	_____	_____
	419,624	483,446