



LION DIVERSIFIED HOLDINGS BERHAD

(Incorporated in Malaysia)

(9428-T)

Interim Financial Report for the Second Quarter Ended 31 December 2012

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

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

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Revenue		207,348	402,618	546,972	853,098
Operating expenses		(209,677)	(391,354)	(532,553)	(826,046)
Other operating income		6,200	13,379	12,325	40,451
Profit from operations		3,871	24,643	26,744	67,503
Finance costs		(20,915)	(20,700)	(40,064)	(39,190)
Share of results of associates		(70,582)	(10,029)	(133,702)	(31,539)
Share of results of jointly controlled entities		343	570	162	4,464
(Loss)/Profit before taxation	23	(87,283)	(5,516)	(146,860)	1,238
Taxation	16	(3,921)	(4,480)	(8,166)	(10,853)
Net loss for the financial period		(91,204)	(9,996)	(155,026)	(9,615)
Attributable to :					
- Owners of the Company		(91,204)	(9,996)	(155,026)	(9,615)
Loss per share attributable to owners of the Company (sen) :					
- Basic	21	(6.55)	(0.72)	(11.14)	(0.69)
- Diluted	21	(6.55)	(0.72)	(11.14)	(0.69)

(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)

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

Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Net loss for the financial period	(91,204)	(9,996)	(155,026)	(9,615)
<u>Other comprehensive income/(loss)</u>				
Translation difference on net equity of foreign subsidiaries and other movements	(1,287)	(8,882)	2,282	(782)
Net gain/(loss) on available-for-sale financial assets:				
- Gain/(Loss) on fair value changes	11,727	(1,515)	16,303	(35,249)
- Transfer to profit or loss upon derecognition	-	-	-	(17,435)
Other comprehensive income/(loss) for the financial period, net of tax	10,440	(10,397)	18,585	(53,466)
Total comprehensive loss for the financial period	(80,764)	(20,393)	(136,441)	(63,081)
Attributable to :				
- Owners of the Company	(80,764)	(20,393)	(136,441)	(63,081)

(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 31.12.2012 RM'000	AS AT 30.6.2012 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,325,902	1,336,249
Investment properties		11,414	11,687
Land held for property development		117,659	119,541
Investments in associates		121,662	255,364
Investments in jointly controlled entities		22,405	22,243
Investment securities		246,583	46,309
Intangible assets		10,484	10,484
Deferred tax assets		3,680	5,175
		1,859,789	1,807,052
Current Assets			
Property development costs		49,428	55,797
Inventories		243,117	176,619
Investment securities		-	184,005
Trade and other receivables		473,296	583,443
Tax recoverable		7,069	7,671
Cash and cash equivalents		216,426	197,394
		989,336	1,204,929
TOTAL ASSETS		2,849,125	3,011,981
EQUITY AND LIABILITIES			
Share capital		368,612	368,612
Reserves		989,328	1,133,141
Total equity		1,357,940	1,501,753
Non-Current Liabilities			
Long term borrowings	18	181,337	27,048
Deferred tax liabilities		121,497	119,045
Derivative liability		20,696	-
		323,530	146,093
Current Liabilities			
Trade and other payables		893,821	863,157
Short term borrowings	18	255,972	480,907
Tax payable		17,862	20,071
		1,167,655	1,364,135
Total Liabilities		1,491,185	1,510,228
TOTAL EQUITY AND LIABILITIES		2,849,125	3,011,981
Net assets per share attributable to owners of the Company (RM) (Excluding equity components)		1.45	1.65
Net assets per share (RM) (Assuming full conversion of ICULS)		0.98	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 second quarter ended 31 December 2012
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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>Note</u>					
<u>31 December 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	-	-	18,585	(155,026)	(136,441)
Dividend paid for the financial year ended 30 June 2012	-	-	-	(7,372)	(7,372)
At 31 December 2012	368,612	330,967	337,313	321,048	1,357,940
<u>31 December 2011</u>					
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

(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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.12.2012 RM'000	31.12.2011 RM'000
OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(146,860)	1,238
Adjustments for :		
Non-cash items	32,296	(15,249)
Non-operating items	161,284	59,656
Operating profit before working capital changes	46,720	45,645
Changes in working capital :		
Net changes in assets	44,608	(204,530)
Net changes in liabilities	31,623	176,162
Others (mainly interest and tax paid)	(27,476)	(6,006)
	95,475	11,271
INVESTING ACTIVITIES		
Proceeds from investment in bonds	125	-
Dividend received	4,017	6,114
Purchase of property, plant and equipment	(5,828)	(4,336)
	(1,686)	1,778
FINANCING ACTIVITIES		
Dividend paid to shareholders	(7,372)	-
Bank borrowings	(65,131)	(16,911)
Others	(119)	(112)
	(72,622)	(17,023)
Net changes in cash and cash equivalents	21,167	(3,974)
Effects of changes in exchange rates	(2,135)	8,289
Cash and cash equivalents at beginning of the period	197,394	201,098
Cash and cash equivalents at end of the period	216,426	205,413

(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 second quarter ended 31 December 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

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 RM33,415 upon the conversion of USD10,000 nominal value of the Exchangeable Bonds at an exchange price of approximately RM5.69 per Parkson Share.

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 2012 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>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	434,326	62,321	46,806	4,295	547,748
Inter-segment sales	-	-	(776)	-	(776)
External sales	<u>434,326</u>	<u>62,321</u>	<u>46,030</u>	<u>4,295</u>	<u>546,972</u>
<u>Results</u>					
Segment profit	21,380	3,231	10,939	5,097	40,647
Fair value loss on derivative liability					(20,696)
Foreign exchange gain					6,793
Profit from operations					<u>26,744</u>
Finance costs					(40,064)
Share of results of associates					(133,702)
Share of results of jointly controlled entities					162
Loss before taxation					<u>(146,860)</u>
<u>Total Assets</u>					
Segment assets	1,873,813	87,676	433,535	299,285	2,694,309
Investments in associates					121,662
Investments in jointly controlled entities					22,405
Unallocated corporate assets					10,749
Consolidated total assets					<u>2,849,125</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) 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; and
- (ii) dissolution of Parkson Glomart Pte Ltd, a wholly-owned subsidiary 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 30 June 2012.

11. Performance review

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
- Steel	144,688	350,773	434,326	747,514
- CMS	32,115	34,231	62,321	66,458
- Property	26,520	11,470	46,030	32,718
- Others	4,025	6,144	4,295	6,408
	207,348	402,618	546,972	853,098
<u>Segment profit</u>				
- Steel	7,211	15,518	21,380	36,423
- CMS	1,760	2,057	3,231	2,855
- Property	5,525	3,373	10,939	12,626
- Others	4,794	4,290	5,097	22,741
	19,290	25,238	40,647	74,645

For the 6-month period ended 31 December 2012, the Group reported lower revenue of RM547 million compared to RM853 million in the preceding year corresponding period. Correspondingly, lower profit from operations of RM41 million was recorded. The lower results was attributable to our direct reduced iron ("DRI") operations which reported a lower production as a result of lower demand.

Our CMS Division managed to maintain its performance for the current year-to-date under review and contributed positively to the Group's earnings. However, our Property Division recorded a higher revenue for the 6-month period even though profit margin recorded was lower.

The "Others" Division recorded higher profit for the last year-to-date mainly attributable to the fair value gain arising from the conversion of Exchangeable Bonds of RM17 million.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	31.12.2012	30.9.2012
	RM'000	RM'000
Revenue	207,348	339,624
Profit from operations	3,871	22,873
Loss before taxation	(87,283)	(59,577)

The Group reported a lower revenue of RM207 million for the current quarter under review as compared to the immediate preceding quarter of RM340 million. The lower performance was mainly due to lower production of DRI during the quarter.

In line with the lower revenue coupled with the recognition of fair value loss on derivative liability of RM21 million in relation to the Exchangeable Bonds, a lower profit from operations of RM4 million was recorded for the current quarter. After accounting for the share of losses from associates of RM71 million, a loss before taxation of RM87 million was recorded.

13. a) Prospects

The operating environment for our Steel Division is expected to remain challenging in view of the uncertainties surrounding the recovery of the global economy coupled with the volatility of raw material prices. However, on 22 January 2013, the Government announced its decision to implement proposals arising from a study of the steel industry. The measures undertaken by the Government augurs well for the local steel industry which has the capabilities and capacities to supply the local and export markets with high quality steel. The shared responsibility by both the industry and the Government will help strengthen the local iron and steel industry and maintain its strategic role to support the nation's industrialisation agenda. As such, the Group is cautiously optimistic that our core businesses are expected to improve in the coming quarters.

The Group CMS and Property Divisions are expected to continue to post satisfactory performance in 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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Current year tax				
- Arising in Malaysia	143	1,484	493	3,528
- Arising outside Malaysia	2,123	1,117	3,797	2,401
Deferred tax				
- Current year	1,655	1,879	3,876	4,924
	<u>3,921</u>	<u>4,480</u>	<u>8,166</u>	<u>10,853</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	243,648	181,337	424,985
Unsecured	12,324	-	12,324
	<u>255,972</u>	<u>181,337</u>	<u>437,309</u>
		Foreign Currency	
		'000	RM'000
The Group's borrowings were denominated in the following currencies:			
- Ringgit Malaysia		-	239,440
- US Dollar		64,663	197,869
			<u>437,309</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 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>	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Net loss attributable to owners of the Company (RM'000)	<u>(91,204)</u>	(9,996)	<u>(155,026)</u>	(9,615)
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>	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 per share (sen)	<u>(6.55)</u>	(0.72)	<u>(11.14)</u>	(0.69)

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 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		YEAR-TO-DATE ENDED	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	6,195	13,379	12,320	25,202
(b) Other income including investment income	-	-	-	-
(c) Interest expense	(20,915)	(20,700)	(40,064)	(39,190)
(d) Depreciation and amortisation	(8,802)	(8,733)	(17,533)	(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)	5,277	(595)	6,793	(7,142)
(j) Gain/(Loss) on derivatives	(20,696)	-	(20,696)	-
(k) Exceptional items:				
- Net gain on conversion of Exchangeable Bonds	5	-	5	15,249
	5	-	5	15,249

24. Disclosure of realised and unrealised profits/losses

	AS AT	AS AT
	31.12.2012	30.6.2012
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,696,166	1,760,451
- Unrealised	(153,634)	(189,061)
	1,542,532	1,571,390
Total share of accumulated losses from associated companies:		
- Realised	(1,062,347)	(887,007)
- Unrealised	(112,310)	(153,948)
	(1,174,657)	(1,040,955)
Total share of retained profits from jointly controlled entities:		
- Realised	24,224	24,082
- Unrealised	(52)	(72)
	24,172	24,010
Less: Consolidation adjustments	(70,999)	(70,999)
Total Group's retained profits as per consolidated accounts	321,048	483,446