



LION INDUSTRIES CORPORATION BERHAD

(Incorporated in Malaysia)

(415-D)

Interim Report for the Third Quarter Ended 31 March 2011

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LION INDUSTRIES CORPORATION BERHAD (415-D)
(Incorporated in Malaysia)

Interim report for the third quarter ended 31 March 2011
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

| | <u>Note</u> | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|-------------|---|---|---|--|
| | | CURRENT YEAR QUARTER 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 RM'000 | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 RM'000 |
| Continuing Operations | | | | | |
| Revenue | | 1,416,431 | 1,110,337 | 3,467,418 | 3,357,422 |
| Operating expenses | | (1,366,834) | (1,027,774) | (3,468,453) | (3,157,994) |
| Other operating income | | 15,854 | 9,478 | 44,805 | 27,976 |
| Profit from operations | | 65,451 | 92,041 | 43,770 | 227,404 |
| Finance costs | | (20,391) | (23,172) | (69,607) | (69,366) |
| Share in results of associated companies and joint-venture | | 20,525 | 13,003 | 51,807 | 99,497 |
| Income from other investments | | 7,113 | 6,429 | 20,345 | 19,140 |
| Gain on partial disposal of shares in an associated company | | - | 24,011 | - | 24,011 |
| Profit before taxation | | 72,698 | 112,312 | 46,315 | 300,686 |
| Taxation | 16 | (4,947) | (18,482) | 13,819 | (42,793) |
| Profit from continuing operations | | 67,751 | 93,830 | 60,134 | 257,893 |
| Discontinued Operations | | | | | |
| (Loss)/Profit from discontinued operations | 9 & 19 | (5,596) | 6,156 | 174,442 | 25,994 |
| Profit for the period | | <u>62,155</u> | <u>99,986</u> | <u>234,576</u> | <u>283,887</u> |
| Attributable to : | | | | | |
| - Owners of the parent | | 63,099 | 88,652 | 187,101 | 241,876 |
| - Minority interests | | (944) | 11,334 | 47,475 | 42,011 |
| Profit for the period | | <u>62,155</u> | <u>99,986</u> | <u>234,576</u> | <u>283,887</u> |
| Earnings per share attributable to owners of the parent (sen) : | | | | | |
| - Basic | | | | | |
| | 24 | | | | |
| For continuing operations | | 9.35 | 11.82 | 11.10 | 31.39 |
| For discontinued operations | | (0.56) | 0.61 | 14.98 | 2.52 |
| | | <u>8.79</u> | <u>12.43</u> | <u>26.08</u> | <u>33.91</u> |
| - Diluted | | | | | |
| | 24 | | | | |
| For continuing operations | | N/A | 11.79 | N/A | 31.36 |
| For discontinued operations | | N/A | 0.61 | N/A | 2.51 |
| | | <u>N/A</u> | <u>12.40</u> | <u>N/A</u> | <u>33.87</u> |

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)
(Incorporated in Malaysia)

Interim report for the third quarter ended 31 March 2011
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|--|--|---|
| | CURRENT YEAR QUARTER 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 RM'000 | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 RM'000 |
| Profit for the period | 62,155 | 99,986 | 234,576 | 283,887 |
| <u>Other comprehensive (loss)/income</u> | | | | |
| - Currency translation difference | 4,364 | (2,898) | (17,957) | (11,788) |
| - Net gain on fair value changes on available-for-sale financial assets | 13 | - | 45 | - |
| - Other comprehensive loss for the period, net of tax | 4,377 | (2,898) | (17,912) | (11,788) |
| Total comprehensive income for the period | <u>66,532</u> | <u>97,088</u> | <u>216,664</u> | <u>272,099</u> |
| Attributable to : | | | | |
| - Owners of the parent | 53,907 | 59,263 | 169,332 | 234,274 |
| - Minority interests | 12,625 | 37,825 | 47,332 | 37,825 |
| | <u>66,532</u> | <u>97,088</u> | <u>216,664</u> | <u>272,099</u> |

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)
(Incorporated in Malaysia)

Interim report for the third quarter ended 31 March 2011

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <u>Note</u> | AS AT END OF CURRENT QUARTER 31/03/2011 RM'000 | AS AT PRECEDING FINANCIAL YEAR END 30/6/2010 RM'000 |
|--|-------------|---|--|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | | 1,311,260 | 1,657,652 |
| Investment properties | | 66,313 | 66,334 |
| Prepaid land lease payments | | 85,792 | 102,380 |
| Land held for property development | | 35,264 | 35,210 |
| Investment in associated companies | | 755,372 | 782,400 |
| Investment in jointly controlled entity | | 17,445 | 6,233 |
| Long-term investments | | - | 87,699 |
| Available-for-sale investments | | 3,329 | - |
| Held-to-maturity investments | | 68,980 | - |
| Deferred tax assets | | 47,810 | 49,907 |
| Goodwill | | 130,443 | 130,443 |
| | | <u>2,522,008</u> | <u>2,918,258</u> |
| Current Assets | | | |
| Property development costs | | 23,049 | 42,738 |
| Inventories | | 987,755 | 1,449,890 |
| Held-to-maturity investments | | 14,316 | 10,552 |
| Available-for-sale investments | | 40,805 | - |
| Trade receivables | | 677,592 | 464,723 |
| Other receivables, deposits and prepayments | | 418,645 | 311,793 |
| Amount due by jointly controlled entity | | 20,991 | 18,766 |
| Deposits, cash and bank balances | | 725,957 | 838,597 |
| | | <u>2,909,110</u> | <u>3,137,059</u> |
| Assets classified as held for sale | | <u>202,896</u> | <u>404</u> |
| | | <u>3,112,006</u> | <u>3,137,463</u> |
| TOTAL ASSETS | | <u>5,634,014</u> | <u>6,055,721</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 717,909 | 715,344 |
| Reserves | | 2,487,494 | 2,323,059 |
| Equity attributable to owners of the parent | | <u>3,205,403</u> | <u>3,038,403</u> |
| Minority interests | | <u>388,428</u> | <u>382,016</u> |
| Total equity | | <u>3,593,831</u> | <u>3,420,419</u> |
| Non-Current Liabilities | | | |
| Redeemable cumulative convertible preference shares | | 12,833 | 13,672 |
| Long-term borrowings | 20 | 279,694 | 496,175 |
| Hire purchase and finance lease payables | | 178,201 | 77,271 |
| Deferred tax liabilities | | 18,451 | 47,124 |
| | | <u>489,179</u> | <u>634,242</u> |
| Current Liabilities | | | |
| Trade payables | | 513,873 | 653,322 |
| Other payables and provision | | 440,981 | 931,349 |
| Short-term borrowings | 20 | 462,940 | 341,514 |
| LICB Bonds and USD Debts | 20 | - | 49,138 |
| Hire purchase and finance lease payables | | 37,365 | 8,443 |
| Tax liabilities | | 36,729 | 17,294 |
| | | <u>1,491,888</u> | <u>2,001,060</u> |
| Liabilities classified as held for sale | | <u>59,116</u> | <u>-</u> |
| | | <u>1,551,004</u> | <u>2,001,060</u> |
| Total Liabilities | | <u>2,040,183</u> | <u>2,635,302</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>5,634,014</u> | <u>6,055,721</u> |
| Net assets per share attributable to owners of the parent (RM) | | <u>4.46</u> | <u>4.25</u> |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)

(Incorporated in Malaysia)

Interim report for the third quarter ended 31 March 2011

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | ← Attributable to owners of the parent → | | | | | Total RM'000 | Minority Interests RM'000 | Total Equity RM'000 |
|--|--|----------------------------|------------------------------|-----------------------------|-------------------------------|------------------|---------------------------------|---------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Treasury Shares RM'000 | Other Reserves RM'000 | Retained Profits RM'000 | | | |
| 31 March 2011 | | | | | | | | |
| At 1 July 2010 | 715,344 | 529,706 | (147) | 17,778 | 1,775,722 | 3,038,403 | 382,016 | 3,420,419 |
| Dividends | - | - | - | - | (5,383) | (5,383) | (27,732) | (33,115) |
| Total comprehensive income for the period | - | - | - | (17,769) | 187,101 | 169,332 | 47,332 | 216,664 |
| Share based payments | - | 2,124 | - | (2,124) | - | - | - | - |
| Issue of shares | 2,565 | 798 | - | - | - | 3,363 | - | 3,363 |
| Purchase of treasury shares | - | - | (92) | - | - | (92) | - | (92) |
| Disposal of subsidiary companies | - | - | - | (220) | - | (220) | (42) | (262) |
| Acquisition of minority interests | - | - | - | - | - | - | (13,146) | (13,146) |
| At 31 March 2011 | 717,909 | 532,628 | (239) | (2,335) | 1,957,440 | 3,205,403 | 388,428 | 3,593,831 |
| 31 March 2010 | | | | | | | | |
| At 1 July 2009 | 712,967 | 527,312 | - | 35,667 | 1,419,602 | 2,695,548 | 332,957 | 3,028,505 |
| Dividend | - | - | - | - | (5,349) | (5,349) | - | (5,349) |
| Total comprehensive income for the period | - | - | - | (7,602) | 241,876 | 234,274 | 37,825 | 272,099 |
| Share based payments | - | 765 | - | (393) | - | 372 | - | 372 |
| Issue of shares | 956 | 211 | - | - | - | 1,167 | - | 1,167 |
| Dissolution of a subsidiary company | - | - | - | (7,272) | - | (7,272) | - | (7,272) |
| At 31 March 2010 | 713,923 | 528,288 | - | 20,400 | 1,656,129 | 2,918,740 | 370,782 | 3,289,522 |

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)

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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 RM'000 |
|---|---|--|
| <u>OPERATING ACTIVITIES</u> | | |
| Profit before taxation | | |
| - Continuing operations | 46,315 | 300,686 |
| - Discontinued operations | 181,655 | 32,200 |
| | 227,970 | 332,886 |
| Adjustments for: | | |
| Non-cash items | (98,206) | 66,295 |
| Non-operating items | (8,903) | (52,339) |
| | 120,861 | 346,842 |
| Operating profit before changes in working capital | | |
| Changes in working capital : | | |
| Net changes in current assets | 131,251 | (131,667) |
| Net changes in current liabilities | (426,432) | 71,175 |
| Others | 18,643 | (7,621) |
| | (155,677) | 278,729 |
| <u>INVESTING ACTIVITIES</u> | | |
| Dividends received | 65,795 | 14,949 |
| Proceeds from redemption of investments | 4,599 | 3,473 |
| Purchase of property, plant and equipment | (67,930) | (50,064) |
| Proceeds from disposal of property, plant and equipment | 15,553 | - |
| Acquisition of minority interest | (20,341) | - |
| Net cash inflow/(outflow) from disposal of subsidiary companies | 390,081 | - |
| Proceeds from disposal of shares in an associated company | - | 57,907 |
| Purchase of investment | (42) | - |
| Others | 16,093 | 2,252 |
| | 403,808 | 28,517 |
| <u>FINANCING ACTIVITIES</u> | | |
| Issue of shares | 3,363 | 1,167 |
| Repayment of BaIDS | (110,000) | (90,000) |
| Interest paid | (27,647) | (24,105) |
| Borrowings | (50,067) | (104,236) |
| Redemption/Repayment of Bonds and USD Debts | (51,740) | (8,898) |
| Increase in cash and cash equivalents - restricted | (4,547) | (1,224) |
| Dividend paid to shareholders of the Company | (5,383) | (5,349) |
| Dividend paid to minority shareholders of subsidiary companies | (27,732) | - |
| Purchase of treasury shares | (92) | - |
| Others | 258 | 169 |
| | (273,587) | (232,476) |
| Net changes in cash and cash equivalents | (25,456) | 74,770 |
| Effects of exchange rate changes | (475) | (463) |
| Cash and cash equivalents at beginning of the period | 295,540 | 234,622 |
| Cash and cash equivalents at end of the period | 269,609 | 308,929 |

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2010 and the accompanying explanatory notes attached to the interim financial statements)

LION INDUSTRIES CORPORATION BERHAD (415-D)
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Interim report for the third quarter ended 31 March 2011

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Accounting policies and methods of computation

The interim financial statements have been prepared in accordance with Financial Reporting Standard ("FRS") 134: "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2010. 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 year ended 30 June 2010.

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 2010, except for the adoption of the following new/revised Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations effective for financial period beginning 1 July 2010:

| | |
|-----------------------------|--|
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments) |
| FRS 2 | Share-based Payment (Amendment) |
| FRS 3 | Business Combinations (Revised) |
| FRS 4 | Insurance Contracts |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Amendments) |
| FRS 7 | Financial Instruments: Disclosures (Amendments) |
| FRS 101 | Presentation of Financial Statements (Revised) |
| FRS 123 | Borrowing Costs (Revised) |
| FRS 127 | Consolidated and Separate Financial Statements (Amendments) |
| FRS 132 | Financial Instruments: Presentation (Amendments) |
| FRS 138 | Intangible Assets (Amendments) |
| FRS 139 | Financial Instruments: Recognition and Measurement (Amendments) |
| Improvements to FRSs (2009) | |
| IC Interpretation 9 | Reassessment of Embedded Derivatives (Amendments) |
| IC Interpretation 10 | Interim Financial Reporting and Impairment |
| IC Interpretation 11 | FRS 2 - Group and Treasury Share Transactions |
| IC Interpretation 12 | Service Concession Arrangements |
| IC Interpretation 13 | Customer Loyalty Programmes |
| IC Interpretation 14 | FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners |

Other than for the application of FRS 101 and FRS 139, the application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

a) FRS 101, Presentation of Financial Statements (Revised)

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity includes only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, has been re-presented so that it is also in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

1. Accounting policies and methods of computation (cont'd)

b) FRS 139 Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the reporting date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when the Group becomes a party to the contractual provisions of the instruments.

The measurement bases applied to the financial assets and liabilities in the prior financial year are changed to conform to the measurement standards of the FRS 139 in the current financial period. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

| | |
|--|---|
| Financial instruments at fair value through profit or loss | : At fair value through profit or loss |
| Held-to-maturity investments | : At amortised cost effective interest method |
| Loans and receivables | : At amortised cost effective interest method |
| Available-for-sale investments | : At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost |
| Loans and other financial liabilities | : At amortised cost effective interest method |

In accordance with FRS 139, the recognition, derecognition and measurement are applied prospectively from 1 July 2010. The effects of the remeasurement on 1 July 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained earnings.

| The adoption of FRS 139 has the following effects: | <u>As at 30.6.2010</u> | <u>Effects of FRS 139</u> | <u>As at 1.7.2010</u> |
|--|----------------------------|-------------------------------|---------------------------|
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Non-Current Assets | | | |
| Long term investments | 87,699 | (87,699) | - |
| Available-for-sale investments | - | 3,774 | 3,774 |
| Held-to-maturity investments | - | 83,925 | 83,925 |
| Current Assets | | | |
| Short term investments | 10,552 | (10,552) | - |
| Held-to-maturity investments | - | 10,552 | 10,552 |
| | | <u>-</u> | |

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-to-date:

- a) the issued and paid-up share capital of the Company was increased from RM715,344,265 to RM717,909,365 by the issuance of 164,700 new ordinary shares of RM1.00 each at an issue price of RM1.037 per share and 2,400,400 new ordinary shares of RM1.00 each at an issue price of RM1.33 per share for cash pursuant to the Executive Share Option Scheme of the Company.
- b) the Company repurchased a total of 50,000 ordinary shares of its issued ordinary shares from the open market at an average price of RM1.86 per share. The total consideration paid for the repurchase including transaction costs amounting to RM0.09 million was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. As at 31 March 2011, the number of treasury shares held were 150,000 shares.
- c) the Group had on 14 December 2010 fully redeemed/repaid its LICB Bonds and USD Debts amounting to RM51.7 million; and
- d) the Group has partially redeemed its Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") amounting to RM110.0 million.

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

6. Dividends paid

During the financial year-to-date, a first and final dividend of 1%, less tax, amounting to RM5.4 million in respect of the previous financial year ended 30 June 2010 was paid by the Company.

7. Segmental information

The Group's segmental report for the financial year-to-date was as follows :

| | Steel RM'000 | Property development RM'000 | Tyre RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|------------------|-----------------------------------|----------------|---------------------------------|------------------|------------------------|------------------------|
| Revenue | | | | | | | |
| Continuing Operations | | | | | | | |
| External revenue | 2,994,159 | 33,596 | - | 379,389 | 60,274 | - | 3,467,418 |
| Inter-segment | 40,913 | - | - | 113,172 | - | (154,085) | - |
| Total revenue | <u>3,035,072</u> | <u>33,596</u> | <u>-</u> | <u>492,561</u> | <u>60,274</u> | <u>(154,085)</u> | <u>3,467,418</u> |
| Results | | | | | | | |
| Continuing Operations | | | | | | | |
| Segment results | 26,665 | 6,126 | - | 8,434 | 6,092 | - | 47,317 |
| Unallocated costs | | | | | | | (3,547) |
| Finance costs | | | | | | | (69,607) |
| Share in results of associated companies and joint-venture | - | 11,211 | - | - | 40,596 | - | 51,807 |
| Income from other investments | | | | | | | <u>20,345</u> |
| Profit before taxation | | | | | | | 46,315 |
| Taxation | | | | | | | 13,819 |
| Profit from continuing operations | | | | | | | <u>60,134</u> |
| Discontinued Operations | | | | | | | |
| Profit from discontinued operations | - | - | 174,972 | - | (530) | - | <u>174,442</u> |
| Profit for the period | | | | | | | <u><u>234,576</u></u> |

7. Segmental information (Continued)

| | Steel RM'000 | Property development RM'000 | Tyre RM'000 | Building materials RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|-----------------|-----------------------------------|----------------|---------------------------------|------------------|------------------------|-------------------------|
| Assets | | | | | | | |
| Continuing Operations | | | | | | | |
| Segment assets | 3,379,289 | 313,054 | - | 332,037 | 136,236 | - | 4,160,616 |
| Investment in associated companies and joint-venture | - | 17,445 | - | - | 755,372 | - | 772,817 |
| Unallocated corporation assets | | | | | | | 497,685 |
| | | | | | | | <u>5,431,118</u> |
| Discontinued Operations/Assets classified as held for sale | | | | | | | |
| Segment assets | 404 | - | 202,492 | - | - | - | 202,896 |
| Consolidated total assets | | | | | | | <u><u>5,634,014</u></u> |

8. Subsequent events

Other than as disclosed in Note 19, 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 disposal of the entire 100% equity interest in Silverstone Berhad on 10 December 2010 and Lion Motor Sdn Bhd on 28 February 2011.

An analysis of the results of discontinued operations is as follows:

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|---|--|--|
| | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 RM'000 | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 RM'000 |
| Revenue | 308 | 113,730 | 234,946 | 330,608 |
| Operating expenses | (904) | (103,079) | (207,470) | (292,417) |
| Other operating income | 1 | 5 | 6 | 15 |
| (Loss)/Profit from operations | (595) | 10,656 | 27,482 | 38,206 |
| Finance costs | - | (191) | (478) | (670) |
| Gain recognised on the measurement to fair value less costs to sell | 1,316 | - | 173,578 | - |
| Profit before taxation | 721 | 10,465 | 200,582 | 37,536 |
| Taxation | - | (1,758) | (7,213) | (6,206) |
| Profit for the period from discontinued operations | <u>721</u> | <u>8,707</u> | <u>193,369</u> | <u>31,330</u> |

10. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

11. Performance review

For the nine months of the financial year, the Group posted a 3% higher revenue of RM3,467 million from its continuing operations compared to RM3,357 million a year ago. The higher revenue was mainly due to higher sales of building materials. However, the Group recorded a lower profit from operations of RM43.8 million as compared to RM227.4 million a year ago mainly due to lower sales tonnage of steel products and higher raw material costs.

Coupled with lower profit from associated companies, the Group registered a lower profit before taxation of RM46.3 million from its continuing operations compared to RM300.7 million a year ago.

Overall, the Group posted a lower profit of RM234.6 million compared to RM283.9 million in the preceding year corresponding period after accounting for the profit from discontinued operations of RM174.4 million.

12. Comment on material change in profit

| | Revenue | | Profit/(Loss) from operations | |
|--|---|---|---|---|
| | Current Quarter 31/03/2011 RM'000 | Immediate Preceding Quarter 31/12/2010 RM'000 | Current Quarter 31/03/2011 RM'000 | Immediate Preceding Quarter 31/12/2010 RM'000 |
| Steel | 1,132,181 | 1,002,977 | 60,923 | (292) |
| Others | 284,250 | 114,615 | 6,028 | 10,958 |
| Unallocated costs | - | - | (1,500) | (1,100) |
| Continuing operations | 1,416,431 | 1,117,592 | 65,451 | 9,566 |
| Classified as discontinued operations in current quarter | - | 60,562 | - | (8,032) |
| | <u>1,416,431</u> | <u>1,178,154</u> | <u>65,451</u> | <u>1,534</u> |

Revenue from continuing operations of the Group improved across all segments by 27% to RM1,416 million from the preceding quarter. Accordingly, the Group recorded a higher profit from operations of RM65.5 million compared to RM9.6 million in the preceding quarter. The improved results were largely contributed by the higher selling price of steel products.

Coupled with higher profit from associated companies and a joint-venture, and lower finance costs, the Group posted a profit before taxation of RM72.7 million for the quarter under review compared to RM10.0 million in the preceding quarter.

Overall, the Group recorded a profit of RM62.2 million after accounting for the loss from discontinued operations of RM5.6 million.

13. a) Prospects

The Group's operating environment remains challenging as there are still uncertainties in the global economy and the pressure of rising costs. Nevertheless, the Group will continue to focus on strengthening its market position and improve its steel plants' efficiency. The Group is expected to record a set of satisfactory results 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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|-------------------------------|--|--|--|---|
| | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 RM'000 | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 RM'000 |
| Taxation comprises : | | | | |
| Continuing Operations | | | | |
| In respect of current period: | | | | |
| - income tax | 4,267 | 4,957 | 11,383 | 7,039 |
| - deferred tax | 765 | 13,525 | (23,410) | 36,174 |
| In respect of prior years: | | | | |
| - deferred tax | (85) | - | (1,792) | (420) |
| | <u>4,947</u> | <u>18,482</u> | <u>(13,819)</u> | <u>42,793</u> |

Excluding the share in results of the associated companies and the joint-venture, the effective tax rate of the Group for the current quarter is lower than the statutory tax rate principally due to utilisation of tax credits and non-taxable income.

17. Sale of unquoted investments and properties

There were no material sale of unquoted investments or properties for the current quarter and financial year-to-date except for the disposal by a subsidiary company of a piece of land measuring 8.01 hectares for a cash consideration of RM13.4 million. The disposal was completed on 31 December 2010 and resulted in a gain on disposal of RM6.9 million.

18. Quoted securities

There were no material purchases or disposals of quoted securities for the current quarter and financial year-to-date.

Details of investments in quoted securities (excluding investments in associated companies) as at the end of the reporting period were as follows:

| | |
|-----------------|---------------|
| | RM'000 |
| At cost | <u>89,849</u> |
| At book value | <u>29,761</u> |
| At market value | <u>29,761</u> |

19. Corporate proposalsa) Status of corporate proposals

| No | Date of Announcements | Subjects | Status |
|----|-----------------------|--|---|
| 1. | 03.03.2011 | <p>i) Proposed joint venture between Lion Industries Corporation Berhad ("LICB"), Lion Diversified Holdings Berhad ("LDHB") and Lion Forest Industries Berhad ("LFIB") in Lion Blast Furnace Sdn Bhd ("LBF") in the shareholding of 29%, 51% and 20% respectively;</p> <p>ii) Proposed disposal by Amsteel Mills Sdn Bhd (a 99% owned subsidiary of LICB) to LBF of a parcel of freehold land located in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor Darul Ehsan measuring approximately 41.36 acres, for a cash consideration of approximately RM16.22 million; and</p> <p>iii) Proposed provision of financial assistance by LICB in favour of LBF in the form of a corporate guarantee and pledge of securities to be given by LICB to secure a loan facility to be obtained by LBF and its subsidiary in relation to the Blast Furnace Project.</p> | <p>Pending approvals of:</p> <p>i) Shareholders of LICB, LDHB and LFIB; and</p> <p>ii) Any other relevant authorities</p> |

b) Discontinued operations

As disclosed in the Interim Report of LFIB, a subsidiary of the Company, pursuant to the proposed disposal of Shandong Silverstone LuHe Rubber & Tyre Co Ltd ("Shandong Silverstone"), the assets and liabilities of Shandong Silverstone have been presented in the consolidated statement of financial position as a disposal group held for sale and its results are presented separately in the consolidated income statement as discontinued operations.

The proposed disposal is expected to be completed by the next quarter.

An analysis of the results of discontinued operations is as follows:

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--|--|--|---|
| | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 RM'000 | CURRENT YEAR TO DATE 31/03/2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 RM'000 |
| Revenue | 52,017 | 29,150 | 160,101 | 97,459 |
| Operating expenses | (59,380) | (31,921) | (180,797) | (103,181) |
| Other operating income | 1,046 | 427 | 2,221 | 1,079 |
| Loss from operations | (6,317) | (2,344) | (18,475) | (4,643) |
| Finance costs | - | (207) | (452) | (693) |
| Loss before taxation | (6,317) | (2,551) | (18,927) | (5,336) |
| Taxation | - | - | - | - |
| Loss for the period from discontinued operations | <u>(6,317)</u> | <u>(2,551)</u> | <u>(18,927)</u> | <u>(5,336)</u> |

The status of other corporate proposals of LFIB is reported in the Interim Report of LFIB.

Other than the aforementioned, there were no corporate proposals pending completion at the date of this report.

20. Borrowings and debt securities

The Group's borrowings as at end of the reporting period were as follows :

| | Short Term | Long Term | Total |
|-----------------|-------------------|------------------|----------------|
| | RM'000 | RM'000 | RM'000 |
| Bank borrowings | | | |
| Secured | 329,592 | 279,694 | 609,286 |
| Unsecured | 3,348 | - | 3,348 |
| BalDS | | | |
| Secured | 130,000 | - | 130,000 |
| | <u>462,940</u> | <u>279,694</u> | <u>742,634</u> |

The Group's borrowings were denominated in the following currencies :

- Ringgit Malaysia
- US Dollar

| | Foreign Currency | RM'000 |
|--|-----------------------------|----------------|
| | '000 | RM'000 |
| | - | 589,388 |
| | 50,651 | <u>153,246</u> |
| | | <u>742,634</u> |

21. Financial instrumentsa) Disclosure of Derivative

There were no derivative financial instruments.

b) Disclosure of Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There have been no material gains/losses arising from fair value changes of financial liabilities for the current quarter and financial year-to-date.

22. Changes in material litigation

There were no changes in material litigation since the last annual balance sheet date.

23. Dividend proposed

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

24. Earnings per share ("EPS")**Basic**

Basic EPS is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares of the Company in issue during the financial period.

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---|---|---|--|
| | CURRENT YEAR TO DATE 31/03/2011 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 | CURRENT YEAR TO DATE 31/03/2011 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 |
| Profit attributable to owners of the parent (RM'000) | | | | |
| - Continuing operations | 67,086 | 84,279 | 79,655 | 223,920 |
| - Discontinued operations | (3,987) | 4,373 | 107,446 | 17,956 |
| | <u>63,099</u> | <u>88,652</u> | <u>187,101</u> | <u>241,876</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>717,759</u> | <u>713,432</u> | <u>717,344</u> | <u>713,244</u> |
| Basic EPS (sen) | | | | |
| - Continuing operations | 9.35 | 11.82 | 11.10 | 31.39 |
| - Discontinued operations | (0.56) | 0.61 | 14.98 | 2.52 |
| | <u>8.79</u> | <u>12.43</u> | <u>26.08</u> | <u>33.91</u> |

Diluted

For the purpose of calculating diluted EPS, the profit for the period attributable to equity holders of the parent and the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of all potential ordinary shares, i.e. shares granted under the Executive Share Option Scheme ("ESOS").

There is no dilutive effects as the ESOS expired on 31 August 2010.

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---|---|---|--|
| | CURRENT YEAR TO DATE 31/03/2011 | PRECEDING YEAR CORRESPONDING QUARTER 31/03/2010 | CURRENT YEAR TO DATE 31/03/2011 | PRECEDING YEAR CORRESPONDING PERIOD 31/03/2010 |
| Profit attributable to owners of the parent (RM'000) | | | | |
| - Continuing operations | 67,086 | 84,279 | 79,655 | 223,920 |
| - Discontinued operations | (3,987) | 4,373 | 107,446 | 17,956 |
| | <u>63,099</u> | <u>88,652</u> | <u>187,101</u> | <u>241,876</u> |
| Weighted average number of ordinary shares in issue ('000) | N/A | 713,432 | N/A | 713,244 |
| Effect of dilution ('000) | N/A | 1,242 | N/A | 823 |
| | <u>N/A</u> | <u>714,674</u> | <u>N/A</u> | <u>714,067</u> |
| Diluted EPS (sen) | | | | |
| - Continuing operations | N/A | 11.79 | N/A | 31.36 |
| - Discontinued operations | N/A | 0.61 | N/A | 2.51 |
| | <u>N/A</u> | <u>12.40</u> | <u>N/A</u> | <u>33.87</u> |

25. Realised and Unrealised Profits/Losses Disclosure

The retained profits as at 31 March 2011 and 31 December 2010 are analysed as follows:

| | Current Quarter 31/03/2011 RM'000 | Immediate Preceding Quarter 31/12/2010 RM'000 |
|---|--|--|
| Total retained profits of the Company and subsidiary companies | | |
| - Realised | 1,591,450 | 1,548,424 |
| - Unrealised | 54,182 | 54,634 |
| | <hr/> 1,645,632 | <hr/> 1,603,058 |
| Total share of retained profits from associated companies and a joint-venture | | |
| - Realised | 312,779 | 292,258 |
| - Unrealised | (5,286) | (5,290) |
| Less: Consolidated adjustments | 4,315 | 4,315 |
| Total group retained profits as per consolidated financial statements | <hr/> <hr/> 1,957,440 | <hr/> <hr/> 1,894,341 |

26. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the financial year ended 30 June 2010 was not qualified. However, the auditors drew attention to the uncertainties regarding the provision for damages arising from a litigation claim by LFIB.