



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

**Interim Financial Report
for the First Quarter Ended
30 September 2013**

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(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2013
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Revenue		88,690	339,624	88,690	339,624
Operating expenses		(108,489)	(324,392)	(108,489)	(324,392)
Other operating income		19,408	7,641	19,408	7,641
(Loss)/Profit from operations		(391)	22,873	(391)	22,873
Finance costs		(14,253)	(19,149)	(14,253)	(19,149)
Share of results of associates		(48,575)	(63,120)	(48,575)	(63,120)
Share of results of jointly controlled entities		1,140	(181)	1,140	(181)
Gain on disposal of an associate		95	-	95	-
Impairment loss on assets	23(k)	(3,396)	-	(3,396)	-
Loss before taxation	23	(65,380)	(59,577)	(65,380)	(59,577)
Taxation	16	(3,485)	(4,245)	(3,485)	(4,245)
Net loss for the financial period		(68,865)	(63,822)	(68,865)	(63,822)
Attributable to :					
- Owners of the Company		(68,865)	(63,822)	(68,865)	(63,822)
Loss per share attributable to owners of the Company (sen) :					
- Basic	21	(4.95)	(4.58)	(4.95)	(4.58)
- Diluted	21	(4.95)	(4.58)	(4.95)	(4.58)

(The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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 2013

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2013 RM'000	30.9.2012 RM'000	30.9.2013 RM'000	30.9.2012 RM'000
Net loss for the financial period	(68,865)	(63,822)	(68,865)	(63,822)
<u>Other comprehensive income/(loss)</u>				
Translation difference on net equity of foreign subsidiaries and other movements	3,062	3,569	3,062	3,569
Net loss on available-for-sale financial assets: - (Loss)/Gain on fair value changes	(2,410)	4,576	(2,410)	4,576
Other comprehensive income for the financial period, net of tax	652	8,145	652	8,145
Total comprehensive loss for the financial period	(68,213)	(55,677)	(68,213)	(55,677)
Attributable to :				
- Owners of the Company	(68,213)	(55,677)	(68,213)	(55,677)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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 30.9.2013 RM'000	AS AT 30.6.2013 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,298,842	1,304,762
Investment properties		11,295	11,431
Land held for property development		71,205	69,485
Investments in associates		42,838	91,413
Investments in jointly controlled entities		21,892	20,752
Investment securities		187,791	193,597
Intangible assets		10,484	10,484
Deferred tax assets		1,369	2,133
		1,645,716	1,704,057
Current Assets			
Property development costs		86,844	86,793
Inventories		212,827	231,386
Trade and other receivables		424,136	517,511
Tax recoverable		6,953	7,250
Cash and cash equivalents		277,930	313,164
		1,008,690	1,156,104
TOTAL ASSETS		2,654,406	2,860,161
EQUITY AND LIABILITIES			
Share capital		368,612	368,612
Reserves		820,146	888,359
Total equity		1,188,758	1,256,971
Non-Current Liabilities			
Long term borrowings	18	184,156	190,368
Deferred tax liabilities		131,519	128,932
Derivative liability		3,676	16,389
		319,351	335,689
Current Liabilities			
Trade and other payables		934,692	994,847
Short term borrowings	18	203,479	262,630
Tax payable		8,126	10,024
		1,146,297	1,267,501
Total Liabilities		1,465,648	1,603,190
TOTAL EQUITY AND LIABILITIES		2,654,406	2,860,161
Net assets per share attributable to owners of the Company (RM) (Excluding equity components)		1.22	1.32
Net assets per share (RM) (Assuming full conversion of ICULS)		0.85	0.90

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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	
30 September 2013					
At 1 July 2013	368,612	330,967	303,307	254,085	1,256,971
Total comprehensive income/(loss) for the financial period	-	-	652	(68,865)	(68,213)
At 30 September 2013	368,612	330,967	303,959	185,220	1,188,758
30 September 2012					
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

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 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 2013
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2013 RM'000	30.9.2012 RM'000
OPERATING ACTIVITIES		
Loss before taxation	(65,380)	(59,577)
Adjustments for :		
Non-cash items	(1,028)	6,998
Non-operating items	55,218	76,325
Operating (loss)/profit before working capital changes	(11,190)	23,746
Changes in working capital :		
Net changes in assets	115,277	(73,066)
Net changes in liabilities	(61,472)	94,372
Others (mainly interest and tax paid)	(4,996)	(8,688)
	37,619	36,364
INVESTING ACTIVITIES		
Proceeds from investment in bonds	738	-
Deferred payment for acquisition of associates	(95)	-
Purchase of property, plant and equipment	(2,648)	(4,224)
	(2,005)	(4,224)
FINANCING ACTIVITIES		
Bank borrowings	(73,300)	(22,882)
Others	(95)	(61)
	(73,395)	(22,943)
Net changes in cash and cash equivalents	(37,781)	9,197
Effects of changes in exchange rates	2,547	(2,457)
Cash and cash equivalents at beginning of the period	313,164	197,394
Cash and cash equivalents at end of the period	277,930	204,134

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements)

LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

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Interim financial report for the first quarter ended 30 September 2013

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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 2013. 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 2013.

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 2013 except for the adoption of the following FRSS effective for the financial period beginning 1 July 2013:

FRS 10 *Consolidated Financial Statements*
FRS 11 *Joint Arrangements*
FRS 12 *Disclosure of interests in Other Entities*
FRS 13 *Fair Value Measurement*
FRS 119 *Employee Benefits*
FRS 127 *Separate Financial Statements*
FRS 128 *Investment in Associate and Joint Ventures*
Amendments to FRS 1 *Government Loans*
Amendments to FRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*
Amendments to FRS 10 *Consolidated Financial Statements - Transition Guidance*
Amendments to FRS 11 *Joint Arrangements - Transition Guidance*
Amendments to FRS 12 *Disclosure of Interests in Other Entities - Transition Guidance*
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
Improvement to FRSS Issued in 2012

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

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	22,717	38,396	27,740	225	89,078
Inter-segment sales	-	-	(388)	-	(388)
External sales	<u>22,717</u>	<u>38,396</u>	<u>27,352</u>	<u>225</u>	<u>88,690</u>
<u>Results</u>					
Segment (loss)/profit	(22,953)	2,150	8,150	(676)	(13,329)
Fair value gain on derivative liability					12,713
Foreign exchange gain					225
Loss from operations					(391)
Finance costs					(14,253)
Share of results of associates					(48,575)
Share of results of jointly controlled entities					1,140
Gain on disposal of an associate					95
Impairment loss on investment securities					(3,396)
Loss before taxation					<u>(65,380)</u>
<u>Total Assets</u>					
Segment assets	1,814,949	88,906	498,708	178,791	2,581,354
Investments in associates					42,838
Investments in jointly controlled entities					21,892
Unallocated corporate assets					8,322
Consolidated total assets					<u>2,654,406</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 dissolution of Parkson Management 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 2013.

11. Performance review

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2013</u>	<u>30.9.2012</u>	<u>30.9.2013</u>	<u>30.9.2012</u>
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
- Steel	22,717	289,638	22,717	289,638
- CMS	38,396	30,206	38,396	30,206
- Property	27,352	19,510	27,352	19,510
- Others	225	270	225	270
	88,690	339,624	88,690	339,624
<u>Segment (loss)/profit</u>				
- Steel	(22,953)	14,169	(22,953)	14,169
- CMS	2,150	1,471	2,150	1,471
- Property	8,150	5,414	8,150	5,414
- Others	(676)	303	(676)	303
	(13,329)	21,357	(13,329)	21,357

The Group reported a lower revenue of RM89 million for the 3 months period ended 30 September 2013 as compared to RM340 million a year ago. Correspondingly, an operating loss of RM13 million was reported as compared to RM21 million profit previously. The unfavourable results were mainly attributable to the lower sales by our direct reduced iron ("DRI") operation due to the plant shutdown for scheduled maintenance for substantial part of the quarter.

Following the better demand from overseas markets, our CMS Division posted higher revenue and profit for the current quarter. Property Division registered a better set of results due to the higher progress billings for its property project in China.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	30.9.2013	30.6.2013
	RM'000	RM'000
Revenue	88,690	409,104
(Loss)/Profit from operations	(391)	30,336
Loss before taxation	(65,380)	(39,095)

As mentioned in Note 11 above, in view of the temporary shutdown of the DRI plant for maintenance, a lower revenue of RM89 million and a higher loss before taxation of RM65 million were reported for the quarter under review.

13. a) Prospects

The implementation of the new steel policy in February 2013 augured well for the local steel industry. However, the measures imposed by the authorities are generally seen as being ineffective. Together with the uncertainties surrounding the recovery of the global economy and volatile raw material prices, the operating environment for the Group's Steel Division is expected to remain challenging in the coming quarter.

Our CMS 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	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
Current year tax				
- Arising in Malaysia	551	350	551	350
- Arising outside Malaysia	2,163	1,674	2,163	1,674
Deferred tax				
- Current year	771	2,221	771	2,221
	3,485	4,245	3,485	4,245

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, 30.8.2012, 1.3.2013, 7.6.2013 and 30.8.2013	<p>(i) Proposed joint venture between the Company, Lion Industries Corporation Berhad ("LICB") and Lion Forest Industries Berhad 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 for a lease tenure of thirty (30) years ("Proposed Land Leasing").</p>	<p>The Proposed Joint Venture and Proposed Land Acquisitions had been terminated on 29 August 2013 ("Terminations").</p> <p>Following the Terminations, LBF will not undertake the Proposed Land Leasing.</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	197,040	184,156	381,196
Unsecured	6,439	-	6,439
	<u>203,479</u>	<u>184,156</u>	<u>387,635</u>
		Foreign Currency	
		'000	RM'000

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

- Ringgit Malaysia	-	156,399
- US Dollar	59,618	194,115
- Chinese Renminbi	70,000	37,121
		<u>387,635</u>

19. Changes in material litigation

There was no material litigation since 30 June 2013.

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>	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
Net loss attributable to owners of the Company (RM'000)	<u>(68,865)</u>	(63,822)	<u>(68,865)</u>	(63,822)
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>(4.95)</u>	(4.58)	<u>(4.95)</u>	(4.58)

21. Loss per share (Cont'd)**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 of the financial statements for the financial year ended 30 June 2013 was qualified on the Group's Blast Furnace Project. As at the financial year-to-date, there was no change to the status.

23. Loss before taxation

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	6,470	6,125	6,470	6,125
(b) Other income including investment income	-	-	-	-
(c) Interest expense	(14,253)	(19,149)	(14,253)	(19,149)
(d) Depreciation and amortisation	(8,960)	(8,731)	(8,960)	(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	95	-	95	-
(h) Impairment of assets (refer to item (k))	-	-	-	-
(i) Foreign exchange gain/(loss) - net	225	1,516	225	1,516
(j) Gain/(Loss) on derivatives	12,713	-	12,713	-
(k) Exceptional items : - impairment loss on quoted investment	(3,396)	-	(3,396)	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 30.9.2013 RM'000	AS AT 30.6.2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,722,324	1,742,685
- Unrealised	(249,179)	(247,046)
	<u>1,473,145</u>	<u>1,495,639</u>
Total share of accumulated losses from associates:		
- Realised	(1,046,243)	(1,003,293)
- Unrealised	(206,173)	(201,612)
	<u>(1,252,416)</u>	<u>(1,204,905)</u>
Total share of retained profits from jointly controlled entities:		
- Realised	27,160	26,020
- Unrealised	-	-
	<u>27,160</u>	<u>26,020</u>
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's retained profits as per consolidated accounts	<u>185,220</u>	<u>254,085</u>