



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim Financial Report for the Second Quarter Ended 31 December 2013

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(Incorporated in Malaysia)

Interim financial report for the second quarter ended 31 December 2013
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Revenue		446,561	207,348	535,251	546,972
Operating expenses		(413,304)	(214,949)	(521,793)	(539,341)
Other operating income		6,649	11,472	26,057	19,113
Profit/(Loss) from operations		39,906	3,871	39,515	26,744
Finance costs		(21,433)	(20,915)	(35,686)	(40,064)
Share of results of associates		(16,303)	(70,582)	(64,878)	(133,702)
Share of results of jointly controlled entities		395	343	1,535	162
Gain on disposal of an associate		-	-	95	-
Impairment loss on assets	23(k)	(5,758)	-	(9,154)	-
Loss before taxation	23	(3,193)	(87,283)	(68,573)	(146,860)
Taxation	16	(3,691)	(3,921)	(7,176)	(8,166)
Net loss for the financial period		(6,884)	(91,204)	(75,749)	(155,026)
Attributable to :					
- Owners of the Company		(6,884)	(91,204)	(75,749)	(155,026)
Loss per share attributable to owners of the Company (sen) :					
- Basic	21	(0.49)	(6.55)	(5.44)	(11.14)
- Diluted	21	(0.49)	(6.55)	(5.44)	(11.14)

(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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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Net loss for the financial period	(6,884)	(91,204)	(75,749)	(155,026)
<u>Other comprehensive (loss)/income</u>				
Translation difference on net equity of foreign subsidiaries and other movements	3,253	(1,287)	6,315	2,282
Net loss on available-for-sale financial assets: - (Loss)/Gain on fair value changes	(43,785)	11,727	(46,195)	16,303
Other comprehensive (loss)/income for the financial period, net of tax	(40,532)	10,440	(39,880)	18,585
Total comprehensive loss for the financial period	(47,416)	(80,764)	(115,629)	(136,441)
Attributable to : - Owners of the Company	(47,416)	(80,764)	(115,629)	(136,441)

(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

	Note	AS AT 31.12.2013 RM'000	AS AT 30.6.2013 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,290,951	1,304,762
Investment properties		11,158	11,431
Land held for property development		71,533	69,485
Investments in associates		26,535	91,413
Investments in jointly controlled entities		22,287	20,752
Investment securities		27,780	193,597
Intangible assets		10,484	10,484
Deferred tax assets		601	2,133
		1,461,329	1,704,057
Current Assets			
Property development costs		98,027	86,793
Inventories		92,118	231,386
Investment securities		110,467	-
Trade and other receivables		553,940	517,511
Tax recoverable		8,334	7,250
Cash and cash equivalents		281,778	313,164
		1,144,664	1,156,104
TOTAL ASSETS		2,605,993	2,860,161
EQUITY AND LIABILITIES			
Equity			
Share capital		696,074	368,612
Reserves		431,346	888,359
Total equity		1,127,420	1,256,971
Non-Current Liabilities			
Long term borrowings	18	55,914	190,368
Deferred tax liabilities		122,938	128,932
Derivative liability		-	16,389
		178,852	335,689
Current Liabilities			
Trade and other payables		931,763	994,847
Short term borrowings	18	355,503	262,630
Derivative liability		145	-
Tax payable		12,310	10,024
		1,299,721	1,267,501
Total Liabilities		1,478,573	1,603,190
TOTAL EQUITY AND LIABILITIES		2,605,993	2,860,161
Net assets per share attributable to owners of the Company (RM)			
(30.6.2013 : Excluding equity components)		0.81	1.32
Net assets per share (RM)		0.81	0.90
(30.6.2013 : Assuming full conversion of ICULS)			

(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	
31 December 2013					
At 1 July 2013	368,612	330,967	303,307	254,085	1,256,971
Total comprehensive loss for the financial period	-	-	(39,880)	(75,749)	(115,629)
Issue of ordinary shares pursuant to conversion of ICULS	327,462	-	(287,182)	(40,280)	-
Dividend payable for the financial year ended 30 June 2013	-	-	-	(13,922)	(13,922)
At 31 December 2013	696,074	330,967	(23,755)	124,134	1,127,420
31 December 2012					
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

(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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.12.2013 RM'000	31.12.2012 RM'000
OPERATING ACTIVITIES		
Loss before taxation	(68,573)	(146,860)
Adjustments for :		
Non-cash items	9,750	32,296
Non-operating items	89,216	161,284
Operating profit before working capital changes	30,393	46,720
Changes in working capital :		
Net changes in assets	94,986	44,608
Net changes in liabilities	(66,469)	31,623
Others (mainly interest and tax paid)	(32,698)	(27,476)
	26,212	95,475
INVESTING ACTIVITIES		
Proceeds from investment in bonds	738	125
Deferred payment for acquisition of associates	(12,295)	-
Dividend received	-	4,017
Purchase of property, plant and equipment	(3,462)	(5,828)
	(15,019)	(1,686)
FINANCING ACTIVITIES		
Dividends paid to shareholders	-	(7,372)
Bank borrowings (net)	(47,061)	(65,131)
Others	(193)	(119)
	(47,254)	(72,622)
Net changes in cash and cash equivalents	(36,061)	21,167
Effects of changes in exchange rates	4,675	(2,135)
Cash and cash equivalents at beginning of the period	313,164	197,394
Cash and cash equivalents at end of the period	281,778	216,426

(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 second quarter ended 31 December 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

During the financial year-to-date:

- (i) the issued and paid-up share capital of the Company ("LDHB") had been increased from RM368,611,613.50 to RM696,073,677.50 resulting from the conversion of RM327,462,064 nominal value of 5-year 4% irredeemable convertible unsecured loan stocks ("ICULS") into 654,924,128 new LDHB shares at a conversion price of RM0.50 for each new share; and
- (ii) the Group has partially redeemed USD5.5 million Guarantee Secured Exchangeable Bonds which are exchangeable into ordinary shares of RM1.00 each in Parkson Holdings Berhad.

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

A first and final dividend of 1.0 sen per ordinary share, tax exempt, amounting to RM13.9 million in respect of the financial year ended 30 June 2013 was declared by the Company and paid on 16 January 2014.

7. Segmental information

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

	<u>Steel</u> RM'000	<u>CMS</u> RM'000	<u>Property</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>					
Total sales	400,998	73,018	61,497	514	536,027
Inter-segment sales	-	-	(776)	-	(776)
External sales	<u>400,998</u>	<u>73,018</u>	<u>60,721</u>	<u>514</u>	<u>535,251</u>
<u>Results</u>					
Segment profit/(loss)	9,191	4,604	16,965	(2,120)	28,640
Fair value gain on derivative liability					16,244
Foreign exchange loss					(5,369)
Profit from operations					39,515
Finance costs					(35,686)
Share of results of associates					(64,878)
Share of results of jointly controlled entities					1,535
Gain on disposal of an associate					95
Impairment loss on assets					(9,154)
Loss before taxation					<u>(68,573)</u>
<u>Total Assets</u>					
Segment assets	1,604,260	90,350	576,314	277,312	2,548,236
Investments in associates					26,535
Investments in jointly controlled entities					22,287
Unallocated corporate assets					8,935
Consolidated total assets					<u>2,605,993</u>

8. Subsequent events

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 dormant 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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>				
- Steel	378,281	144,688	400,998	434,326
- CMS	34,622	32,115	73,018	62,321
- Property	33,369	26,520	60,721	46,030
- Others	289	4,025	514	4,295
	446,561	207,348	535,251	546,972
<u>Segment profit/(loss)</u>				
- Steel	32,144	7,211	9,191	21,380
- CMS	2,454	1,760	4,604	3,231
- Property	8,815	5,525	16,965	10,939
- Others	(1,443)	4,794	(2,120)	5,097
	41,970	19,290	28,640	40,647

For the 6 months period ended 31 December 2013, the Group recorded a marginal lower revenue of RM535 million as compared to RM547 million in the same period last year. The lower results was attributable to our direct reduced iron ("DRI") operations which reported a lower production as a result of the scheduled plant shutdown for maintenance in the beginning of the financial period. Correspondingly, lower segment profit from operations of RM29 million was recorded.

Our CMS and Property Divisions continued to perform well for the period under review and contributed positively to the Group's earnings.

In the absence of dividend income from investments for the current year-to-date, the "Others" Division reported a lower revenue and loss from operations.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	31.12.2013	30.9.2013
	RM'000	RM'000
Revenue	446,561	88,690
Profit/(Loss) from operations	39,906	(391)
Loss before taxation	(3,193)	(65,380)

For the quarter under review, the Group registered a higher revenue of RM447 million as a result of the resumption of operations by our DRI plant. Correspondingly, higher profit from operations of RM40 million was recorded. The lower performance in the last quarter was mainly due to the DRI plant shutdown for scheduled maintenance. After accounting for the finance costs and share of losses from associates, a lower loss before taxation of RM3 million was reported.

13. a) Prospects

As reported in the previous interim report on the ineffectiveness of the new steel policy imposed by the authorities coupled with the uncertainties surrounding the recovery of the global economy and volatile raw material prices, the operating environment of 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	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Current year tax				
- Arising in Malaysia	650	143	1,201	493
- Arising outside Malaysia	2,148	2,123	4,311	3,797
Deferred tax				
- Current year	893	1,655	1,664	3,876
	<u>3,691</u>	<u>3,921</u>	<u>7,176</u>	<u>8,166</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**

There were no corporate proposals pending completion for the current quarter and financial year-to-date.

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:

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
Secured	355,503	55,914	411,417
		Foreign Currency '000	RM'000

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

- Ringgit Malaysia	-	195,784
- US Dollar	54,084	177,721
- Chinese Renminbi	70,000	37,912
		<u>411,417</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.

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Net loss attributable to owners of the Company (RM'000)	<u>(6,884)</u>	<u>(91,204)</u>	<u>(75,749)</u>	<u>(155,026)</u>
Weighted average number of ordinary shares in issue ('000)	836,853	737,223	787,038	737,223
Adjustment for conversion of ICULS (on the assumption that all mandatorily convertible instruments are converted into ordinary shares) ('000)	<u>555,294</u>	<u>654,924</u>	<u>605,109</u>	<u>654,924</u>
Weighted average number of ordinary shares ('000)	<u>1,392,147</u>	<u>1,392,147</u>	<u>1,392,147</u>	<u>1,392,147</u>
Basic loss per share (sen)	<u>(0.49)</u>	<u>(6.55)</u>	<u>(5.44)</u>	<u>(11.14)</u>

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	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
(a) Interest income	3,343	6,195	9,813	12,320
(b) Other income including investment income	-	-	-	-
(c) Interest expense	(21,433)	(20,915)	(35,686)	(40,064)
(d) Depreciation and amortisation	(8,961)	(8,802)	(17,921)	(17,533)
(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	-
(h) Impairment of assets (refer to item (k))	-	-	-	-
(i) Foreign exchange gain/(loss) - net	(5,595)	5,277	(5,370)	6,793
(j) Gain/(Loss) on derivatives	3,531	(20,696)	16,244	(20,696)
(k) Exceptional items :				
- Impairment loss on quoted investment	(5,758)	-	(9,154)	-
- Net gain on conversion of Exchangeable Bonds	-	5	-	5

24. Disclosure of realised and unrealised profits/losses

	AS AT 31.12.2013 RM'000	AS AT 30.6.2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,719,650	1,742,685
- Unrealised	(290,619)	(247,046)
	<u>1,429,031</u>	<u>1,495,639</u>
Total share of accumulated losses from associates:		
- Realised	(1,061,836)	(1,003,293)
- Unrealised	(207,947)	(201,612)
	<u>(1,269,783)</u>	<u>(1,204,905)</u>
Total share of retained profits from jointly controlled entities:		
- Realised	27,555	26,020
- Unrealised	-	-
	<u>27,555</u>	<u>26,020</u>
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's retained profits as per consolidated accounts	<u>124,134</u>	<u>254,085</u>