



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim Financial Report
for the First Quarter Ended
30 September 2014

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LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Revenue		670,498	544,191	670,498	544,191
Operating expenses		(686,218)	(613,075)	(686,218)	(613,075)
Other operating income		2,010	1,735	2,010	1,735
Loss from operations		(13,710)	(67,149)	(13,710)	(67,149)
Finance costs		(75,337)	(69,788)	(75,337)	(69,788)
Share of results of associates		483	1,051	483	1,051
Share of results of joint ventures		131	1,140	131	1,140
Gain on disposal of investments		-	95	-	95
Impairment loss on investment securities		-	(3,396)	-	(3,396)
Loss before taxation	23	(88,433)	(138,047)	(88,433)	(138,047)
Taxation	16	(9,327)	(4,946)	(9,327)	(4,946)
Net loss for the financial period		(97,760)	(142,993)	(97,760)	(142,993)
Attributable to :					
- Owners of the Company		(55,458)	(93,939)	(55,458)	(93,939)
- Non-controlling interests		(42,302)	(49,054)	(42,302)	(49,054)
Net loss for the financial period		(97,760)	(142,993)	(97,760)	(142,993)
Loss per share attributable to owners of the Company (sen) :					
- Basic	21	(3.98)	(6.75)	(3.98)	(6.75)
- Diluted	21	(3.98)	(6.75)	(3.98)	(6.75)

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements)

LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim financial report for the first quarter ended 30 September 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Net loss for the financial period	(97,760)	(142,993)	(97,760)	(142,993)
<u>Other comprehensive income/(loss)</u>				
Translation difference on net equity of foreign subsidiaries and other movements	6,379	1,027	6,379	1,027
Net gain/(loss) on available-for-sale financial assets:				
- Gain/(Loss) on fair value changes	19,999	(2,493)	19,999	(2,493)
Share of other comprehensive income of associates	1,621	1,108	1,621	1,108
Other comprehensive income/(loss) for the financial period, net of tax	27,999	(358)	27,999	(358)
Total comprehensive loss for the financial period	(69,761)	(143,351)	(69,761)	(143,351)
Attributable to :				
- Owners of the Company	(27,984)	(94,505)	(27,984)	(94,505)
- Non-controlling interests	(41,777)	(48,846)	(41,777)	(48,846)
	(69,761)	(143,351)	(69,761)	(143,351)

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements)

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

Interim financial report for the first quarter ended 30 September 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30.9.2014	AS AT 30.6.2014
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		2,954,616	2,992,729
Investment properties		11,038	11,175
Land held for property development		76,914	71,299
Investments in associates		54,654	53,845
Investments in joint ventures		24,157	24,026
Investment securities		24,916	25,051
Intangible assets		10,484	10,484
Deferred tax assets		418,433	418,082
		3,575,212	3,606,691
Current Assets			
Property development costs		125,439	102,515
Inventories		786,850	833,792
Investment securities		152,742	133,056
Trade and other receivables		236,393	261,512
Cash and bank balances		458,594	469,769
		1,760,018	1,800,644
TOTAL ASSETS		5,335,230	5,407,335
EQUITY AND LIABILITIES			
Share capital		696,074	696,074
Reserves		(194,988)	(167,004)
Equity attributable to the owners of the Company		501,086	529,070
Non-controlling interests		(251,539)	(209,762)
Total equity		249,547	319,308
Non-Current Liabilities			
Long term borrowings	18	919,005	907,200
Deferred liabilities		223,807	255,600
Deferred tax liabilities		132,605	125,688
		1,275,417	1,288,488
Current Liabilities			
Trade and other payables		2,406,399	2,407,882
Short term borrowings	18	1,395,985	1,382,560
Derivative liability		43	43
Tax payable		7,839	9,054
		3,810,266	3,799,539
Total Liabilities		5,085,683	5,088,027
TOTAL EQUITY AND LIABILITIES		5,335,230	5,407,335
Net assets per share attributable to owners of the Company (RM)		0.36	0.38

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 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 2014

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →				Total	Non-Controlling Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	(Accumulated Losses)/ Retained Profits			
Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 September 2014							
At 1 July 2014	696,074	330,967	17,655	(515,626)	529,070	(209,762)	319,308
Total comprehensive income/ (loss) for the financial period	-	-	27,474	(55,458)	(27,984)	(41,777)	(69,761)
At 30 September 2014	696,074	330,967	45,129	(571,084)	501,086	(251,539)	249,547
30 September 2013							
At 1 July 2013	368,612	330,967	301,865	234,974	1,236,418	(55,579)	1,180,839
Total comprehensive loss for the financial period	-	-	(566)	(93,939)	(94,505)	(48,846)	(143,351)
At 30 September 2013	368,612	330,967	301,299	141,035	1,141,913	(104,425)	1,037,488

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 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 2014
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2014 RM'000	30.9.2013 RM'000
<u>OPERATING ACTIVITIES</u>		
Loss before taxation	(88,433)	(138,047)
Adjustments for :		
Non-cash items	47,214	38,553
Non-operating items	72,640	65,862
Operating profit/(loss) before working capital changes	31,421	(33,632)
Changes in working capital :		
Net changes in assets	43,052	342,183
Net changes in liabilities	(61,467)	(228,805)
Others (mainly interest and tax paid)	(7,213)	(4,684)
	5,793	75,062
<u>INVESTING ACTIVITIES</u>		
Deferred payment for acquisition of associates	-	(95)
Dividend received	354	-
Proceeds from redemption of investments	1,454	4,224
Others (mainly purchase of plant and equipment)	(1,173)	(3,056)
	635	1,073
<u>FINANCING ACTIVITIES</u>		
Bank borrowings (net)	(4,768)	(63,833)
Others (mainly interest paid)	(19,466)	(17,161)
	(24,234)	(80,994)
Net changes in cash and cash equivalents	(17,806)	(4,859)
Effects of changes in exchange rates	3,677	2,668
Cash and cash equivalents at beginning of the period	385,859	443,995
Cash and cash equivalents at end of the period	371,730	441,804

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2014 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 2014
(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 2014. 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 2014.

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 2014 except for the adoption of the following FRSs effective for the financial period beginning 1 July 2014:

Amendments to FRS 10 *Investment Entities*
Amendments to FRS 12 *Investment Entities*
Amendments to FRS 127 *Investment Entities*
Amendments to FRS 132 *Offsetting Financial Assets and Financial Liabilities*
Amendments to FRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to FRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*
IC Interpretation 21 *Levies*
Amendments to FRS 2 *Share-based Payment (Annual Improvements to FRSs 2010-2012 Cycle)*
Amendments to FRS 3 *Business Combinations (Annual Improvements to FRSs 2010-2012 Cycle)*
Amendments to FRS 3 *Business Combinations (Annual Improvements to FRSs 2010-2013 Cycle)*
Amendments to FRS 119 *Defined Benefit Plans: Employee Contributions*
Amendments to FRS 8 *Operating Segments (Annual Improvements to FRSs 2010-2012 Cycle)*
Amendments to FRS 13 *Fair Value Measurement (Annual Improvements to FRSs 2011-2013 Cycle)*
Amendments to FRS 116 *Property, Plant and Equipment (Annual Improvements to FRSs 2010-2012 Cycle)*
Amendments to FRS 124 *Related Party Disclosures (Annual Improvements to FRSs 2010-2012 Cycle)*
Amendments to FRS 138 *Intangible Assets (Annual Improvements to FRSs 2010-2012 Cycle)*
Amendments to FRS 140 *Investment Property (Annual Improvements to FRSs 2011-2013 Cycle)*
Amendments to FRS 116 and 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to FRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
Amendments to FRS 14 *Regulatory Deferral Accounts*
FRS 9 *Financial Instruments (IFRS 9 issued by IASB in November 2009)*
FRS 9 *Financial Instruments (IFRS 9 issued by IASB in November 2010)*
FRS 9 *Financial Instruments Hedge Accounting and Amendments to FRS 9, FRS 7 and FRS 139*

The adoption of the above mentioned FRSs and IC Interpretation did not have any significant effect on the financial performance, position or presentation of financials of the Group.

2. Comments about seasonal or cyclical factors

Apart from the steel industry which may be subject to severe fluctuation in steel prices, the Group's performance is generally not materially affected by any 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:

	Steel	Contract Manufacturing Services ("CMS")	Property	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Total sales	589,612	37,626	37,724	5,930	670,892
Inter-segment sales	206	-	(388)	(212)	(394)
External sales	589,818	37,626	37,336	5,718	670,498
Results					
Segment profit/(loss)	(22,963)	1,216	9,577	(36)	(12,206)
Foreign exchange loss					(1,504)
Loss from operations					(13,710)
Finance costs					(75,337)
Share of results of associates					483
Share of results of joint ventures					131
Loss before taxation					(88,433)
Total Assets					
Segment assets	3,754,938	78,963	734,080	266,010	4,833,991
Investments in associates					54,654
Investments in joint ventures					24,157
Unallocated corporate assets					422,428
Consolidated total assets					5,335,230

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.

10. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since 30 June 2014.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
<u>Revenue</u>				
- Steel	589,818	450,103	589,818	450,103
- CMS	37,626	38,396	37,626	38,396
- Property	37,336	48,436	37,336	48,436
- Others	5,718	7,256	5,718	7,256
	670,498	544,191	670,498	544,191
<u>Segment profit/(loss)</u>				
- Steel	(22,963)	(83,233)	(22,963)	(83,233)
- CMS	1,216	2,150	1,216	2,150
- Property	9,577	16,081	9,577	16,081
- Others	(36)	(1,498)	(36)	(1,498)
	(12,206)	(66,500)	(12,206)	(66,500)

For the 3 months period ended 30 September 2014, the Group posted a higher revenue of RM670 million and lower operating loss of RM12 million as compared to the preceding year corresponding period. Despite higher sales volume for the steel products was recorded, the overall weak international steel market and the increasing imports of steel products into the country have continued to affect the performance of the Steel Division.

Our Property Division reported a lower performance for the current quarter mainly due to the lower progress billings.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	30.9.2014	30.6.2014
	RM'000	RM'000
Revenue	670,498	715,583
Loss from operations	(13,710)	(42,410)
Loss before taxation	(88,433)	(557,447)

For the quarter under review, the Group reported a lower revenue of RM670 million with RM14 million loss from operations. The Group's steel business continued to be affected by the factors as explained in Note 11 above. Substantially higher loss before taxation reported in the immediate preceding quarter was mainly due to the impairment losses of about RM400 million on the blast furnace project.

13. a) Prospects

Following the petition to the Government on the grounds that imports of certain steel products originating or exported from certain countries are being dumped into Malaysia, the Government had in October 2014 announced the imposition of Provisional Anti-Dumping Duty measures on hot rolled coils. Pending the effectiveness of the measures to be implemented, the operating environment for the Group's Steel operation is expected to remain challenging in the coming quarter.

Our CMS and Property Divisions are expected to maintain their 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	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Current year tax				
- Arising in Malaysia	1,548	2,576	1,548	2,576
- Arising outside Malaysia	799	2,163	799	2,163
Deferred tax				
- Current year	6,980	207	6,980	207
	9,327	4,946	9,327	4,946

After excluding share of results of associates and joint ventures, the effective tax rate of the Group for the current quarter and financial year-to-date were lower 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**

The status of the corporate proposals of Lion Corporation Berhad ("LCB"), a public listed company controlled by the Company, is reported in the Interim Financial Report of LCB.

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

b) Status of utilisation of proceeds

The disclosure requirements are not applicable.

18. Borrowings and debt securities

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

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Loans and Borrowings</u>			
Secured	1,326,251	142,251	1,468,502
Unsecured	69,734	-	69,734
	1,395,985	142,251	1,538,236
<u>Bonds and Debts</u>			
Secured	-	776,754	776,754
Total	1,395,985	919,005	2,314,990
		Foreign Currency '000	RM'000

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

- Ringgit Malaysia	-	1,794,682
- US Dollar	147,514	482,858
- Chinese Renminbi	70,000	37,450
		2,314,990

19. Changes in material litigation

There was no material litigation since 30 June 2014.

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	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
Net loss attributable to owners of the Company (RM'000)	(55,458)	(93,939)	(55,458)	(93,939)
Weighted average number of ordinary shares in issue ('000)	1,392,147	737,223	1,392,147	737,223
Adjustment for conversion of ICULS (on the assumption that all mandatorily convertible instruments are converted into ordinary shares) ('000)	-	654,924	-	654,924
Weighted average number of ordinary shares ('000)	1,392,147	1,392,147	1,392,147	1,392,147
Basic loss per share (sen)	(3.98)	(6.75)	(3.98)	(6.75)

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 2014 was qualified on the Group's recognition of deferred tax assets and the quantum of the provision for onerous contract to be recognised. 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	
	30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
(a) Interest income	1,802	1,735	1,802	1,735
(b) Other income including investment income	208	-	208	-
(c) Interest expense	(75,337)	(69,788)	(75,337)	(69,788)
(d) Depreciation and amortisation	(43,060)	(44,639)	(43,060)	(44,639)
(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	-	-	-	-
(i) Foreign exchange gain/(loss) - net	(1,504)	(13,362)	(1,504)	(13,362)
(j) Gain/(Loss) on derivatives	-	12,713	-	12,713
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 30.9.2014 RM'000	AS AT 30.6.2014 RM'000
Total (accumulated losses)/retained profits of the Company and its subsidiaries: (Include companies controlled by the Company)		
- Realised	(235,282)	(164,556)
- Unrealised	95,417	80,172
	(139,865)	(84,384)
Total share of (accumulated losses)/retained profits from associates:		
- Realised	(395,110)	(394,943)
- Unrealised	2,490	2,432
	(392,620)	(392,511)
Total share of retained profits from joint ventures:		
- Realised	24,070	23,938
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's accumulated losses as per consolidated accounts	(571,084)	(515,626)

25. Material events

The status of the material events of LCB, a public listed company controlled by the Company, is reported in the Interim Financial Report of LCB.