



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim Financial Report
for the Third Quarter Ended
31 March 2015

Condensed Consolidated Statement of Profit or Loss	1
Condensed Consolidated Statement of Other Comprehensive Income	2
Condensed Consolidated Statement of Financial Position	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5
Notes to the Condensed Financial Statements	6 - 12

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

Interim financial report for the third quarter ended 31 March 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Revenue		635,385	662,510	1,857,423	2,009,362
Operating expenses		(672,923)	(695,679)	(2,009,947)	(2,083,303)
Other operating income		2,128	1,755	7,760	5,998
Loss from operations		(35,410)	(31,414)	(144,764)	(67,943)
Finance costs		(72,246)	(75,091)	(225,632)	(223,798)
Share of results of associates		423	397	1,498	2,406
Share of results of joint ventures		111	711	324	2,246
Gain on disposal of investments		-	25	-	23,395
Impairment loss on investment securities		(7,382)	(4,672)	(12,446)	(13,826)
Loss before taxation	23	(114,504)	(110,044)	(381,020)	(277,520)
Taxation	16	(9,946)	(1,157)	(20,906)	(10,296)
Net loss for the financial period		(124,450)	(111,201)	(401,926)	(287,816)
Attributable to :					
- Owners of the Company		(71,951)	(65,361)	(245,725)	(177,396)
- Non-controlling interests		(52,499)	(45,840)	(156,201)	(110,420)
Net loss for the financial period		(124,450)	(111,201)	(401,926)	(287,816)
Loss per share attributable to owners of the Company (sen) :					
- Basic	21	(5.17)	(4.69)	(17.65)	(12.74)
- Diluted	21	(5.17)	(4.69)	(17.65)	(12.74)

(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)

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(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2015

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED		
	Note	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Net loss for the financial period		(124,450)	(111,201)	(401,926)	(287,816)
<u>Other comprehensive income/(loss)</u>					
Translation difference on net equity of foreign subsidiaries and other movements		6,034	(9,370)	16,514	6,833
Surplus on valuation of freehold lands, net of deferred tax liabilities (#)		264,836	-	264,836	-
Net (loss)/gain on available-for-sale financial assets:					
- (Loss)/Gain on fair value changes		(2,758)	9,690	126	(36,543)
Share of other comprehensive income of associates		3,658	391	8,036	1,688
Other comprehensive income/(loss) for the financial period, net of tax		271,770	711	289,512	(28,022)
Total comprehensive income/(loss) for the financial period		147,320	(110,490)	(112,414)	(315,838)
Attributable to :					
- Owners of the Company		129,663	(64,650)	(28,355)	(205,626)
- Non-controlling interests		17,657	(45,840)	(84,059)	(110,212)
		147,320	(110,490)	(112,414)	(315,838)

(#) The Group has adopted revaluation model for its freehold lands during the current quarter. Surplus arising from the revaluation are recognised in the Statement of Other Comprehensive Income and accumulated in equity under the revaluation reserve.

(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)
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Interim financial report for the third quarter ended 31 March 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31.3.2015 RM'000	AS AT 30.6.2014 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		3,146,692	2,992,729
Investment properties		10,883	11,175
Land held for property development		90,652	71,299
Investments in associates		61,776	53,845
Investments in joint ventures		24,351	24,026
Investment securities		122,333	25,051
Intangible assets		10,484	10,484
Deferred tax assets		418,733	418,082
		3,885,904	3,606,691
Current Assets			
Property development costs		142,805	102,515
Inventories		679,092	833,792
Investment securities		26,324	133,056
Trade and other receivables		207,530	261,512
Cash and bank balances		484,664	469,769
Assets held for sale		15,125	-
		1,555,540	1,800,644
TOTAL ASSETS		5,441,444	5,407,335
EQUITY AND LIABILITIES			
Share capital		696,074	696,074
Reserves		(195,359)	(167,004)
Equity attributable to the owners of the Company		500,715	529,070
Non-controlling interests		(293,821)	(209,762)
Total equity		206,894	319,308
Non-Current Liabilities			
Long term borrowings	18	971,008	907,200
Deferred liabilities		155,926	255,600
Deferred tax liabilities		154,683	125,688
Derivative liability		3,697	-
		1,285,314	1,288,488
Current Liabilities			
Trade and other payables		2,492,428	2,407,882
Short term borrowings	18	1,452,046	1,382,560
Derivative liability		-	43
Tax payable		4,762	9,054
		3,949,236	3,799,539
Total Liabilities		5,234,550	5,088,027
TOTAL EQUITY AND LIABILITIES		5,441,444	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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(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →				Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000	
	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000				(Accumulated Losses)/ Retained Profits RM'000
31 March 2015								
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		-	-	217,370	(245,725)	(28,355)	(84,059)	(112,414)
At 31 March 2015		696,074	330,967	235,025	(761,351)	500,715	(293,821)	206,894
31 March 2014								
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		-	-	(28,230)	(177,396)	(205,626)	(110,212)	(315,838)
Issue of ordinary shares pursuant to conversion of ICULS		327,462	-	(287,182)	(40,280)	-	-	-
Dividend paid for the financial year ended 30 June 2013		-	-	-	(13,922)	(13,922)	-	(13,922)
At 31 March 2014		696,074	330,967	(13,547)	3,376	1,016,870	(165,791)	851,079

(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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2015 RM'000	31.3.2014 RM'000
OPERATING ACTIVITIES		
Loss before taxation	(381,020)	(277,520)
Adjustments for :		
Non-cash items	190,722	116,271
Non-operating items	216,051	213,147
Operating profit before working capital changes	25,753	51,898
Changes in working capital :		
Net changes in assets	67,629	115,046
Net changes in liabilities	1,266	(57,087)
Others (mainly interest and tax paid)	(19,423)	(48,649)
	75,225	61,208
INVESTING ACTIVITIES		
Deferred payment for acquisition of associates	(12,210)	(12,966)
Dividend received	1,813	473
Proceeds from redemption of investments	1,616	7,797
Net cash inflow from disposal of a subsidiary	-	32,996
Others (mainly purchase of plant and equipment)	(12,186)	(5,503)
	(20,967)	22,797
FINANCING ACTIVITIES		
Dividends paid to shareholders	-	(13,922)
Redemption of bonds and debts	-	(25,914)
Bank borrowings (net)	(11,915)	(14,393)
Others (mainly interest paid)	(46,147)	(40,870)
	(58,062)	(95,099)
Net changes in cash and cash equivalents	(3,804)	(11,094)
Effects of changes in exchange rates	17,140	1,625
Cash and cash equivalents at beginning of the period	385,859	450,444
Cash and cash equivalents at end of the period	399,195	440,975

(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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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

During the financial year-to-date, the Group has partially redeemed USD4 million Guarantee Secured Exchangeable Bonds.

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

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>Contract Manufacturing Services ("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	1,597,054	111,153	130,201	20,596	1,859,004
Inter-segment sales	-	-	(1,164)	(417)	(1,581)
External sales	<u>1,597,054</u>	<u>111,153</u>	<u>129,037</u>	<u>20,179</u>	<u>1,857,423</u>
<u>Results</u>					
Segment profit/(loss)	(127,698)	5,394	31,184	(881)	(92,001)
Foreign exchange loss					(49,109)
Derivative liability loss					(3,654)
Loss from operations					(144,764)
Finance costs					(225,632)
Share of results of associates					1,498
Share of results of joint ventures					324
Impairment loss on investment securities					(12,446)
Loss before taxation					<u>(381,020)</u>
<u>Total Assets</u>					
Segment assets	3,714,815	83,865	899,841	235,284	4,933,805
Investments in associates					61,776
Investments in joint ventures					24,351
Unallocated corporate assets					421,512
Consolidated total assets					<u>5,441,444</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.

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	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
<u>Revenue</u>				
- Steel	552,226	588,187	1,597,054	1,749,139
- CMS	39,070	38,998	111,153	112,016
- Property	36,885	28,285	129,037	126,342
- Others	7,204	7,040	20,179	21,865
	635,385	662,510	1,857,423	2,009,362
<u>Segment profit/(loss)</u>				
- Steel	(20,148)	(46,161)	(127,698)	(99,666)
- CMS	3,092	3,356	5,394	7,960
- Property	7,313	7,315	31,184	37,340
- Others	(146)	(649)	(881)	(4,317)
	(9,889)	(36,139)	(92,001)	(58,683)

For the 9 months period ended 31 March 2015, the Group reported a lower revenue of RM1.9 billion as compared to RM2.0 billion in the same period last year. Accordingly, a higher segment loss of RM92 million was recorded for the period under review. The unfavourable performance mainly arose from the sluggish demand for steel products in both the domestic and overseas markets.

Our CMS and Property Divisions both registered satisfactory results for the period under review.

"Others" Division represents furniture operations and investment holding reported a marginally lower revenue for the financial year-to-date.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	31.3.2015	31.12.2014
	RM'000	RM'000
Revenue	635,385	551,540
Loss from operations	(35,410)	(95,644)
Loss before taxation	(114,504)	(178,083)

For the quarter under review, the Group posted a higher revenue of RM635 million and correspondingly, a lower loss from operations of RM35 million was recorded. As the dumping activities by foreign millers remain rampant, the Group continued to run its steel plants at low production capacity and incurred substantial losses for the quarter under review.

13. a) Prospects

Pending the implementation by the Government of more effective measures to address the problem of excessive imports of steel products at dumping prices, the operating environment of the Group continues to remain challenging in the next 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	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Current year tax				
- Arising in Malaysia	1,311	294	4,660	3,459
- Arising outside Malaysia	1,141	863	4,181	5,173
Deferred tax				
- Current year	7,494	-	12,065	1,664
	9,946	1,157	20,906	10,296

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 as disclosed in Note 20 and the aforementioned, there were no other 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	Long Term	Total
	RM'000	RM'000	RM'000
<u>Loans and Borrowings</u>			
Secured	1,400,532	169,625	1,570,157
Unsecured	51,514	-	51,514
	1,452,046	169,625	1,621,671
<u>Bonds and Debts</u>			
Secured	-	801,383	801,383
Total	1,452,046	971,008	2,423,054

Foreign
Currency
'000

RM'000

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

- Ringgit Malaysia	-	1,836,333
- US Dollar	147,442	547,081
- Chinese Renminbi	66,500	39,640
		2,423,054

19. Changes in material litigation

There was no material litigation since 30 June 2014.

20. Dividend proposed

On 8 May 2015, the Board of Directors had announced a proposed distribution of up to 200,000,000 ordinary shares of RM1.00 each in Lion Corporation Berhad ("LCB Shares") by way of dividend-in-specie to the shareholders of the Company, on the basis of 1 LCB Share for every 7 ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares to be disregarded ("Proposed Dividend-In-Specie"):

- a) Basis of distribution : 1 LCB Share for every 7 ordinary shares of RM0.50 each held in the Company;
- b) Payment date : To be announced later; and
- c) Entitlement date : To be announced later.

The Proposed Dividend-In-Specie is subject to the approval of the shareholders of the Company.

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	
	31.3.2015	31.3.2014	31.3.2015	31.3.2014
Net loss attributable to owners of the Company (RM'000)	(71,951)	(65,361)	(245,725)	(177,396)
Weighted average number of ordinary shares in issue ('000)	1,392,147	1,392,147	1,392,147	985,797
Adjustment for conversion of ICULS (on the assumption that all mandatorily convertible instruments are converted into ordinary shares) ('000)	-	-	-	406,350
Weighted average number of ordinary shares ('000)	1,392,147	1,392,147	1,392,147	1,392,147
Basic loss per share (sen)	(5.17)	(4.69)	(17.65)	(12.74)

Diluted

There were no dilutive effects from the potential ordinary shares i.e. shares granted under the Executive Share Option Scheme, 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	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
(a) Interest income	2,135	1,755	7,552	5,998
(b) Other income including investment income	(7)	-	208	-
(c) Interest expense	(72,246)	(75,091)	(225,632)	(223,798)
(d) Depreciation and amortisation	(41,188)	(40,578)	(122,874)	(122,458)
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	(8,942)	(12,607)
(g) Gain/(Loss) on disposal of quoted or unquoted investments or properties	-	25	-	23,395
(h) Impairment of assets	(7,382)	(4,672)	(12,446)	(13,826)
(i) Foreign exchange gain/(loss) - net	(27,660)	4,742	(49,109)	(25,488)
(j) Gain/(Loss) on derivatives	2,139	(16)	(3,654)	16,228
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 31.3.2015 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	(347,861)	(164,556)
- Unrealised	32,711	80,172
	(315,150)	(84,384)
Total share of (accumulated losses)/retained profits from associates:		
- Realised	(410,231)	(394,943)
- Unrealised	2,436	2,432
	(407,795)	(392,511)
Total share of retained profits from joint ventures:		
- Realised	24,263	23,938
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's accumulated losses as per consolidated accounts	(761,351)	(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.