



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim Financial Report
for the First Quarter Ended
30 September 2015

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

Interim financial report for the first quarter ended 30 September 2015
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
<u>Continuing operations</u>					
Revenue		283,263	375,294	283,263	375,294
Operating expenses		(254,570)	(344,284)	(254,570)	(344,284)
Other operating income		2,401	7,027	2,401	7,027
Profit from operations		31,094	38,037	31,094	38,037
Finance costs		(20,560)	(21,261)	(20,560)	(21,261)
Share of results of joint ventures		3	131	3	131
Impairment loss on investment securities		(18,605)	-	(18,605)	-
(Loss)/Profit before taxation from continuing operations	23	(8,068)	16,907	(8,068)	16,907
Taxation	16	(3,524)	(7,427)	(3,524)	(7,427)
Net (loss)/profit for the financial period from continuing operations		(11,592)	9,480	(11,592)	9,480
<u>Discontinued operation</u>					
Net loss for the financial period from discontinued operation	9	-	(107,240)	-	(107,240)
Net loss for the financial period		(11,592)	(97,760)	(11,592)	(97,760)
Attributable to :					
- Owners of the Company		(11,592)	(55,458)	(11,592)	(55,458)
- Non-controlling interests		-	(42,302)	-	(42,302)
Net loss for the financial period		(11,592)	(97,760)	(11,592)	(97,760)
Loss per share attributable to owners of the Company (sen) :					
- Basic : Continuing operations	21	(0.83)	0.68	(0.83)	0.68
Discontinued operation		-	(4.66)	-	(4.66)
		(0.83)	(3.98)	(0.83)	(3.98)
- Diluted	21	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
	RM'000	RM'000	RM'000	RM'000
Net loss for the financial period	(11,592)	(97,760)	(11,592)	(97,760)
<u>Other comprehensive income</u>				
Translation difference on net equity of foreign subsidiaries and other movements	21,615	6,379	21,615	6,379
Net gain on available-for-sale financial assets:				
- Gain on fair value changes	-	19,999	-	19,999
Share of other comprehensive income of associates	-	1,621	-	1,621
Other comprehensive income for the financial period, net of tax	21,615	27,999	21,615	27,999
Total comprehensive income/(loss) for the financial period	10,023	(69,761)	10,023	(69,761)
Attributable to :				
- Owners of the Company	10,023	(27,984)	10,023	(27,984)
- Non-controlling interests	-	(41,777)	-	(41,777)
	10,023	(69,761)	10,023	(69,761)

(The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30.9.2015	AS AT 30.6.2015
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		832,886	839,810
Investment properties		10,360	10,431
Land held for property development		28,307	24,347
Investments in joint ventures		24,906	24,903
Investment securities		73,259	91,164
Intangible assets		10,484	10,484
Deferred tax assets		1,122	847
		981,324	1,001,986
Current Assets			
Property development costs		241,633	208,382
Inventories		198,343	219,459
Investment securities		4,004	4,004
Trade and other receivables		534,404	425,692
Cash and bank balances		303,984	311,663
Assets held for sale		29,481	29,481
		1,311,849	1,198,681
TOTAL ASSETS		2,293,173	2,200,667
EQUITY AND LIABILITIES			
Share capital		696,074	696,074
Reserves		(238,096)	(248,119)
Total equity		457,978	447,955
Non-Current Liabilities			
Long term borrowings	18	143,418	128,976
Deferred tax liabilities		131,545	131,709
Derivative liability		226	407
		275,189	261,092
Current Liabilities			
Trade and other payables		1,241,755	1,147,330
Short term borrowings	18	314,132	341,345
Derivative liability		104	104
Tax payable		4,015	2,841
		1,560,006	1,491,620
Total Liabilities		1,835,195	1,752,712
TOTAL EQUITY AND LIABILITIES		2,293,173	2,200,667
Net assets per share attributable to owners of the Company (RM)		0.33	0.32

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000			
<u>30 September 2015</u>							
At 1 July 2015	696,074	330,967	128,489	(707,575)	447,955	-	447,955
Total comprehensive income/ (loss) for the financial period	-	-	21,615	(11,592)	10,023	-	10,023
At 30 September 2015	696,074	330,967	150,104	(719,167)	457,978	-	457,978
<u>30 September 2014</u>							
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

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 2015
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	30.9.2015 RM'000	30.9.2014 RM'000
OPERATING ACTIVITIES		
(Loss)/Profit before taxation from continuing operations	(8,068)	16,907
Loss before taxation from discontinued operation	-	(105,340)
Adjustments for :		
Non-cash items	15,760	47,214
Non-operating items	18,156	72,640
Operating profit before working capital changes	25,848	31,421
Changes in working capital :		
Net changes in assets	(112,699)	43,052
Net changes in liabilities	110,390	(61,467)
Others (mainly interest and tax paid)	(9,382)	(7,213)
	14,157	5,793
INVESTING ACTIVITIES		
Dividend received	65	354
Proceeds from redemption of investments	232	1,454
Others (mainly purchase of plant and equipment)	(1,150)	(1,173)
	(853)	635
FINANCING ACTIVITIES		
Bank borrowings (net)	(41,140)	(4,768)
Others	(73)	(19,466)
	(41,213)	(24,234)
Net changes in cash and cash equivalents	(27,909)	(17,806)
Effects of changes in exchange rates	18,803	3,677
Cash and cash equivalents at beginning of the period	217,334	380,265
Cash and cash equivalents at end of the period	208,228	366,136

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2015 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 2015

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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 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 2015. 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 2015.

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 2015.

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	203,616	42,164	37,778	95	283,653
Inter-segment sales	-	-	(388)	(2)	(390)
External sales	203,616	42,164	37,390	93	283,263
Results					
Segment profit/(loss)	21,056	3,916	(1,546)	(440)	22,986
Foreign exchange gain					7,927
Derivative liability gain					181
Profit from operations					31,094
Finance costs					(20,560)
Share of results of joint ventures					3
Impairment losses					(18,605)
Loss before taxation					(8,068)
Total Assets					
Segment assets	1,275,317	95,647	766,227	124,705	2,261,896
Investments in joint ventures					24,906
Unallocated corporate assets					6,371
Consolidated total assets					2,293,173

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.

In the previous financial year, the Company had distributed a total of 198,873,071 ordinary shares of RM1.00 each in Lion Corporation Berhad ("LCB") ("LCB Shares") by way of dividend-in-specie to the shareholders of the Company, on the basis of one (1) LCB share for every seven (7) ordinary shares of RM0.50 each held in the Company, fractions of LCB Shares being disregarded. As a result, the Group's shareholding in LCB was diluted from 49.1% to 34.0%. Resulting therefrom, the Group is no longer deemed to have de-facto control on LCB and the financial results of the LCB Group were reported as "discontinued operation".

10. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since 30 June 2015.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
<u>Revenue</u>				
- Steel	203,616	313,900	203,616	313,900
- CMS	42,164	37,626	42,164	37,626
- Property	37,390	23,346	37,390	23,346
- Others	93	422	93	422
	283,263	375,294	283,263	375,294
<u>Segment profit/(loss)</u>				
- Steel	21,056	32,541	21,056	32,541
- CMS	3,916	1,216	3,916	1,216
- Property	(1,546)	3,569	(1,546)	3,569
- Others	(440)	381	(440)	381
	22,986	37,707	22,986	37,707

The Group reported a lower revenue of RM283 million for the 3 months period ended 30 September 2015 as compared to the preceding year corresponding period. Correspondingly, a lower operating profit of RM23 million was reported. The unfavourable results were mainly attributable to the lower sales by our direct reduced iron ("DRI") operation due to lower demand of steel products. 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 CMS Division continued to report favourable performance and contributed positively to the Group's earnings mainly due to better performance from both domestic and overseas operations. However, our Property Division recorded an operating loss for the period under review.

The "Others" Division registered a lower revenue and loss of RM0.4 million for the current year-to-date.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	30.9.2015 RM'000	30.6.2015 RM'000
Revenue	283,263	230,626
Profit from operations	31,094	10,541
Loss before taxation	(8,068)	(107,112)

For the quarter under review, the Group reported a higher revenue of RM283 million and correspondingly, higher profit from operations of RM31 million was recorded. After accounting for the finance cost and impairment loss, a loss before taxation of RM8 million was reported for the quarter under review. The higher loss before taxation reported in the immediate preceding quarter was mainly due to impairment losses of RM100 million.

13. a) Prospects

The dumping activities will continue to severely affect the performance of the local steel producers unless effective measures by the Government to curb the dumping activities are implemented and strictly enforced. Coupled with the oversupply and stagnant growth in demand globally, the steel operating environment of the Group continues to remain challenging in the next quarter.

Our CMS Division is expected to maintain its satisfactory performance while our Property Division is anticipated to contribute marginal profit 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	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
Current year tax				
- Arising in Malaysia	798	578	798	578
- Arising outside Malaysia	584	799	584	799
Deferred tax				
- Current year	2,142	6,050	2,142	6,050
	3,524	7,427	3,524	7,427

After excluding share of results of joint ventures, 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 as at the end of the reporting period.

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:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>Loans and Borrowings</u>			
Secured	314,132	143,418	457,550

	<u>Foreign Currency</u>	<u>Total</u>
	'000	RM'000
The Group's borrowings and debt securities were denominated in the following currencies:		
- Ringgit Malaysia	-	274,369
- US Dollar	40,477	179,719
- Chinese Renminbi	4,950	3,462
		457,550

19. Changes in material litigation

There was no material litigation since 30 June 2015.

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)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial period.

	<u>3 MONTHS ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.9.2015</u>	<u>30.9.2014</u>	<u>30.9.2015</u>	<u>30.9.2014</u>
Net (loss)/profit attributable to owners of the Company (RM'000)				
- Continuing operations	(11,592)	9,480	(11,592)	9,480
- Discontinued operation	-	(64,938)	-	(64,938)
Net loss attributable to owners of the Company (RM'000)	(11,592)	(55,458)	(11,592)	(55,458)
Weighted average number of ordinary shares in issue ('000)	1,392,147	1,392,147	1,392,147	1,392,147

21. Loss per share (continued)**Basic** (continued)

Basic loss per share is calculated by dividing the net (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares of the Company in issue during the financial period.

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2015	30.9.2014	30.9.2015	30.9.2014
Basic loss per share (sen)				
- Continuing operations	(0.83)	0.68	(0.83)	0.68
- Discontinued operation	-	(4.66)	-	(4.66)
- Owners of the Company	(0.83)	(3.98)	(0.83)	(3.98)

Diluted

There were no dilutive effects from the potential ordinary shares i.e. shares granted under the Executive Share Option Scheme.

22. Auditors' report on preceding annual financial statements

The auditors' report of the financial statements for the financial year ended 30 June 2015 was qualified on 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)/Profit before taxation from continuing operations

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

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2015 RM'000	30.9.2014 RM'000	30.9.2015 RM'000	30.9.2014 RM'000
(a) Interest income	2,336	6,673	2,336	6,673
(b) Other income including investment income	65	354	65	354
(c) Interest expense	(20,560)	(21,261)	(20,560)	(21,261)
(d) Depreciation and amortisation	(9,225)	(8,865)	(9,225)	(8,865)
(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	-	-	-	-
(h) Impairment of assets	(18,605)	-	(18,605)	-
(i) Foreign exchange gain/(loss) - net	7,927	330	7,927	330
(j) Gain/(Loss) on derivatives	181	-	181	-
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 30.9.2015 RM'000	AS AT 30.6.2015 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(497,671)	(470,780)
- Unrealised	(179,362)	(194,658)
	(677,033)	(665,438)
Total share of accumulated losses from associates:		
- Realised	(4,283)	(4,283)
Total share of retained profits from joint ventures:		
- Realised	24,818	24,815
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's accumulated losses as per consolidated accounts	(719,167)	(707,575)