



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim Financial Report
for the Third Quarter Ended
31 March 2016

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

Interim financial report for the third quarter ended 31 March 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
<u>Continuing operations</u>					
Revenue		118,070	369,962	523,276	978,046
Operating expenses		(158,064)	(334,590)	(548,360)	(917,845)
Other operating income		2,788	7,042	9,883	23,059
(Loss)/Profit from operations		(37,206)	42,414	(15,201)	83,260
Finance costs		(18,989)	(17,352)	(58,548)	(61,616)
Share of results of joint ventures		(133)	111	(203)	324
Reversal of/(Impairment) loss on investment securities		1,496	(7,382)	(27,919)	(12,446)
Gain on disposal of investment securities and land		20,369	-	20,369	-
(Loss)/Profit before taxation from continuing operations	23	(34,463)	17,791	(81,502)	9,522
Taxation	16	1,358	(9,343)	(1,622)	(16,583)
Net (loss)/profit for the financial period from continuing operations		(33,105)	8,448	(83,124)	(7,061)
<u>Discontinued operation</u>					
Net loss for the financial period from discontinued operation	9	-	(132,898)	-	(394,865)
Net loss for the financial period		(33,105)	(124,450)	(83,124)	(401,926)
Attributable to :					
- Owners of the Company		(33,105)	(71,951)	(83,124)	(245,725)
- Non-controlling interests		-	(52,499)	-	(156,201)
Net loss for the financial period		(33,105)	(124,450)	(83,124)	(401,926)
(Loss)/Earnings per share attributable to owners of the Company (sen) :					
- Basic : Continuing operations	21	(2.38)	0.61	(5.97)	(0.51)
Discontinued operation		-	(5.78)	-	(17.14)
		(2.38)	(5.17)	(5.97)	(17.65)
- Diluted		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	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
	RM'000	RM'000	RM'000	RM'000
Net loss for the financial period	(33,105)	(124,450)	(83,124)	(401,926)
<u>Other comprehensive income/(loss)</u>				
Translation difference on net equity of foreign subsidiaries and other movements	(10,730)	6,034	(5,394)	16,514
Surplus on valuation of freehold lands, net of deferred tax liabilities	-	264,836	-	264,836
Net gain/(loss) on available-for-sale financial assets:				
- (Loss)/Gain on fair value changes	-	(2,758)	-	126
Share of other comprehensive income of associates	-	3,658	-	8,036
Other comprehensive (loss)/income for the financial period, net of tax	(10,730)	271,770	(5,394)	289,512
Total comprehensive (loss)/income for the financial period	(43,835)	147,320	(88,518)	(112,414)
Attributable to :				
- Owners of the Company	(43,835)	129,663	(88,518)	(28,355)
- Non-controlling interests	-	17,657	-	(84,059)
	(43,835)	147,320	(88,518)	(112,414)

(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 31.3.2016	AS AT 30.6.2015
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		807,189	839,810
Investment properties		10,221	10,431
Land held for property development		24,543	24,347
Investments in joint ventures		24,700	24,903
Investment securities		57,395	91,164
Intangible assets		10,484	10,484
Deferred tax assets		1,032	847
		935,564	1,001,986
Current Assets			
Property development costs		190,022	208,382
Inventories		149,366	219,459
Investment securities		4,007	4,004
Trade and other receivables		561,922	425,692
Cash and bank balances		262,546	311,663
Assets held for sale		14,356	29,481
Derivative assets		313	-
		1,182,532	1,198,681
TOTAL ASSETS		2,118,096	2,200,667
EQUITY AND LIABILITIES			
Share capital		696,074	696,074
Reserves		(336,637)	(248,119)
Total equity		359,437	447,955
Non-Current Liabilities			
Long term borrowings	18	124,345	128,976
Deferred tax liabilities		121,166	131,709
Derivative liability		13,915	407
		259,426	261,092
Current Liabilities			
Trade and other payables		1,208,970	1,147,330
Short term borrowings	18	285,948	341,345
Derivative liability		-	104
Tax payable		4,315	2,841
		1,499,233	1,491,620
Total Liabilities		1,758,659	1,752,712
TOTAL EQUITY AND LIABILITIES		2,118,096	2,200,667
Net assets per share attributable to owners of the Company (RM)		0.26	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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Interim financial report for the third quarter ended 31 March 2016

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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			
31 March 2016							
At 1 July 2015	696,074	330,967	128,489	(707,575)	447,955	-	447,955
Total comprehensive loss for the financial period	-	-	(5,394)	(83,124)	(88,518)	-	(88,518)
Transfer to capital reserves	-	-	490	(490)	-	-	-
At 31 March 2016	696,074	330,967	123,585	(791,189)	359,437	-	359,437
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

(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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2016 RM'000	31.3.2015 RM'000
OPERATING ACTIVITIES		
(Loss)/Profit before taxation from continuing operations	(81,502)	9,522
Loss before taxation from discontinued operation	-	(390,542)
Adjustments for :		
Non-cash items	46,702	190,722
Non-operating items	51,170	216,051
Operating profit before working capital changes	16,370	25,753
Changes in working capital :		
Net changes in assets	(8,880)	67,629
Net changes in liabilities	32,522	1,266
Others (mainly interest and tax paid)	(24,299)	(19,423)
	15,713	75,225
INVESTING ACTIVITIES		
Deferred payment for acquisition of associates	(2,225)	(12,210)
Dividend received	112	1,813
Proceeds from redemption of investments	232	1,616
Proceeds from disposal of plant and equipment	7,605	-
Proceeds from disposal of investment securities	843	-
Addition to other investments	(703)	-
Others (mainly purchase of plant and equipment)	(3,185)	(12,186)
	2,679	(20,967)
FINANCING ACTIVITIES		
Bank borrowings (net)	(72,131)	(11,915)
Others	(297)	(46,147)
	(72,428)	(58,062)
Net changes in cash and cash equivalents	(54,036)	(3,804)
Effects of changes in exchange rates	900	17,140
Cash and cash equivalents at beginning of the period	217,334	380,265
Cash and cash equivalents at end of the period	164,198	393,601

(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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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 on the 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

During the financial year-to-date:

- (i) the Group has partially redeemed USD0.5 million Guarantee Secured Exchangeable Bonds ("Bonds") which are exchangeable into ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson Share"). The Bonds were paid with the accrued dividend previously held by the security trustee; and
- (ii) the Bondholders had converted a total of USD1.51 million Bonds at an exchange price of RM1.0056 per Parkson Share.

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:

	Steel	Contract Manufacturing Services ("CMS")	Property	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Total sales	277,827	136,350	109,972	297	524,446
Inter-segment sales	-	-	(1,164)	(6)	(1,170)
External sales	277,827	136,350	108,808	291	523,276
Results					
Segment profit/(loss)	(13,060)	16,042	10,033	(1,546)	11,469
Foreign exchange loss					(13,578)
Loss on derivatives					(13,092)
Loss from operations					(15,201)
Finance costs					(58,548)
Share of results of joint ventures					(203)
Impairment losses					(27,919)
Gain on disposal of investment securities and land					20,369
Loss before taxation					(81,502)
Total Assets					
Segment assets	1,150,556	87,852	742,826	105,981	2,087,215
Investments in joint ventures					24,700
Unallocated corporate assets					6,181
Consolidated total assets					2,118,096

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	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
<u>Revenue</u>				
- Steel	24,702	306,021	277,827	776,814
- CMS	48,614	39,070	136,350	111,153
- Property	44,681	24,827	108,808	89,431
- Others	73	44	291	648
	118,070	369,962	523,276	978,046
<u>Segment profit/(loss)</u>				
- Steel	(24,624)	38,055	(13,060)	68,828
- CMS	7,395	3,092	16,042	5,394
- Property	7,956	4,875	10,033	17,312
- Others	(420)	(1,753)	(1,546)	(2,659)
	(9,693)	44,269	11,469	88,875

For the nine months period ended 31 March 2016, the Group reported a lower revenue of RM523 million as compared to the preceding year corresponding period and correspondingly, a lower operating profit of RM11 million was recorded. The unfavourable results were mainly attributable to the lower sales by our direct reduced iron ("DRI") operation.

Our CMS Division continued to post favourable results mainly due to the improved performance from both local and overseas operations. Our Property Division recorded a higher revenue but lower segment profit mainly due to lower profit margin.

The "Others" Division reported a lower revenue and segment loss for the current year-to-date.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	31.3.2016 RM'000	31.12.2015 RM'000
Revenue	118,070	121,943
Loss from operations	(37,206)	(9,089)
Loss before taxation	(34,463)	(38,971)

The Group reported a lower revenue of RM118 million and higher loss from operations of RM37 million for the current quarter mainly due to the loss registered by the steel operations. After accounting for the finance costs and the gain on disposal of investment securities and land, a lower loss before taxation of RM34 million was recorded.

13. a) Prospects

Following the Government's decision not to impose safeguard duties on imports of hot rolled coils, Megasteel Sdn Bhd (the single largest customer of our steel operation) has temporarily ceased operations. As such, the operating environment of the Group's Steel Division will continue to remain tough and challenging in the next quarter.

Our CMS and Property Divisions are expected to maintain its 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	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
Current year tax				
- Arising in Malaysia	1,899	1,638	4,136	3,127
- Arising outside Malaysia	2,708	1,140	3,451	4,181
Deferred tax				
- Current year	(5,965)	6,565	(5,965)	9,275
	<u>(1,358)</u>	<u>9,343</u>	<u>1,622</u>	<u>16,583</u>

After excluding share of results of joint ventures, the effective tax rate of the Group for the current quarter was lower than the Malaysian statutory tax rate mainly due to certain expenses which are not deductible for tax purposes and the effective tax rate of the Group for financial year-to-date was 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.

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	285,948	124,345	410,293

	<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	-	256,177
- US Dollar	38,455	151,126
- Chinese Renminbi	4,930	2,990
		410,293

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)/Earnings per share**Basic**

Basic (loss)/earnings 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>	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Net (loss)/profit attributable to owners of the Company (RM'000) :				
- Continuing operations	(33,105)	8,448	(83,124)	(7,061)
- Discontinued operation	-	(80,399)	-	(238,664)
Net loss attributable to owners of the Company (RM'000)	(33,105)	(71,951)	(83,124)	(245,725)
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)/earnings 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	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015
Basic (loss)/earnings per share (sen) :				
- Continuing operations	(2.38)	0.61	(5.97)	(0.51)
- Discontinued operation	-	(5.78)	-	(17.14)
	(2.38)	(5.17)	(5.97)	(17.65)

The basic (loss)/earnings per share and the diluted (loss)/earnings per share are the same for the financial period as the Company has no dilutive potential ordinary shares as of the end of the financial period.

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	
	31.3.2016 RM'000	31.3.2015 RM'000	31.3.2016 RM'000	31.3.2015 RM'000
(a) Interest income	487	7,042	7,470	22,705
(b) Other income including investment income	2,301	-	2,413	354
(c) Interest expense	(18,989)	(17,352)	(58,548)	(61,616)
(d) Depreciation and amortisation	(9,077)	(9,163)	(27,487)	(27,106)
(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	20,369	-	20,369	-
(h) Reversal/(Impairment) of assets	1,496	(7,382)	(27,919)	(12,446)
(i) Foreign exchange gain/(loss) - net	(14,793)	(3,995)	(13,578)	(1,962)
(j) Gain/(Loss) on derivatives	(12,720)	2,140	(13,092)	(3,653)
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 31.3.2016 RM'000	AS AT 30.6.2015 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(569,160)	(470,780)
- Unrealised	(179,689)	(194,658)
	(748,849)	(665,438)
Total share of accumulated losses from associates:		
- Realised	(4,283)	(4,283)
Total share of retained profits from joint ventures:		
- Realised	24,612	24,815
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's accumulated losses as per consolidated accounts	(791,189)	(707,575)