



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim Financial Report
for the Second Quarter Ended
31 December 2016

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 second quarter ended 31 December 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Revenue		129,227	121,943	245,962	405,206
Operating expenses		(125,927)	(135,726)	(243,632)	(390,296)
Other operating income		5,634	4,694	10,736	7,095
Profit/(Loss) from operations		8,934	(9,089)	13,066	22,005
Finance costs		(18,093)	(18,999)	(34,859)	(39,559)
Share of results of joint venture		203	(73)	564	(70)
Impairment loss on investment securities		(1,674)	(10,810)	(1,674)	(29,415)
Loss before taxation	23	(10,630)	(38,971)	(22,903)	(47,039)
Taxation	16	(7,199)	544	(11,684)	(2,980)
Net loss for the financial period		(17,829)	(38,427)	(34,587)	(50,019)
Attributable to :					
- Owners of the Company		(17,829)	(38,427)	(34,587)	(50,019)
Loss per share attributable to owners of the Company (sen) :	21				
- Basic		(1.28)	(2.76)	(2.48)	(3.59)
- 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 2016 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 second quarter ended 31 December 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Net loss for the financial period	(17,829)	(38,427)	(34,587)	(50,019)
<u>Other comprehensive (loss)/income</u>				
Translation difference on net equity of foreign subsidiaries and other movements	(5,793)	(16,279)	(1,034)	5,336
Net (loss)/gain on available-for-sale financial assets:				
- (Loss)/Gain on fair value changes	(2,937)	-	2,683	-
Other comprehensive (loss)/income for the financial period, net of tax	(8,730)	(16,279)	1,649	5,336
Total comprehensive loss for the financial period	(26,559)	(54,706)	(32,938)	(44,683)
Attributable to :				
- Owners of the Company	(26,559)	(54,706)	(32,938)	(44,683)

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 30 June 2016 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 second quarter ended 31 December 2016

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31.12.2016	AS AT 30.6.2016
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		425,612	440,178
Investment properties		1,905	2,095
Land held for property development		27,001	24,551
Investment in joint venture		22,815	22,251
Investment securities		12,826	10,144
Intangible assets		10,484	10,484
Deferred tax assets		1,360	1,326
		502,003	511,029
Current Assets			
Property development costs		71,081	113,739
Inventories		50,085	67,702
Investment securities		18,457	36,354
Trade and other receivables		97,044	91,583
Cash and bank balances		401,491	344,559
Assets held for sale		10,052	10,052
Derivative assets		4,130	5,365
		652,340	669,354
TOTAL ASSETS		1,154,343	1,180,383
EQUITY AND LIABILITIES			
Share capital		696,074	696,074
Reserves		(1,131,039)	(1,098,101)
Total equity		(434,965)	(402,027)
Non-Current Liabilities			
Long term borrowings	18	66,924	40,256
Deferred tax liabilities		33,356	31,955
		100,280	72,211
Current Liabilities			
Trade and other payables		1,226,344	1,131,367
Short term borrowings	18	254,349	356,061
Tax payable		8,335	22,771
		1,489,028	1,510,199
Total Liabilities		1,589,308	1,582,410
TOTAL EQUITY AND LIABILITIES		1,154,343	1,180,383
Net liabilities per share attributable to owners of the Company (RM)		(0.31)	(0.29)

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 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 second quarter ended 31 December 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the Company →				→
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Accumulated Losses RM'000	
<u>31 December 2016</u>					
At 1 July 2016	696,074	330,967	122,334	(1,551,402)	(402,027)
Total comprehensive income/ (loss) for the financial period	-	-	1,649	(34,587)	(32,938)
Transfer to capital reserves	-	-	2,375	(2,375)	-
At 31 December 2016	696,074	330,967	126,358	(1,588,364)	(434,965)
<u>31 December 2015</u>					
At 1 July 2015	696,074	330,967	128,489	(707,575)	447,955
Total comprehensive income/ (loss) for the financial period	-	-	5,336	(50,019)	(44,683)
At 31 December 2015	696,074	330,967	133,825	(757,594)	403,272

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 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 second quarter ended 31 December 2016
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.12.2016 RM'000	31.12.2015 RM'000
<u>OPERATING ACTIVITIES</u>		
Loss before taxation	(22,903)	(47,039)
Adjustments for :		
Non-cash items	10,937	38,842
Non-operating items	27,753	32,534
Operating profit before working capital changes	15,787	24,337
Changes in working capital :		
Net changes in assets	59,331	(89,305)
Net changes in liabilities	93,891	91,922
Others (mainly interest and tax paid)	(26,199)	(10,395)
	142,810	16,559
<u>INVESTING ACTIVITIES</u>		
Deferred payment for acquisition of associates	(5,688)	(2,225)
Dividend received	70	112
Proceeds from disposal/redemption of investments	2,270	232
Addition to other investments	-	(702)
Others (mainly purchase of plant and equipment)	(803)	(1,843)
	(4,151)	(4,426)
<u>FINANCING ACTIVITIES</u>		
Bank borrowings (net)	(13,301)	(59,938)
Others	(238)	(223)
	(13,539)	(60,161)
Net changes in cash and cash equivalents	125,120	(48,028)
Effects of changes in exchange rates	8,057	11,498
Cash and cash equivalents at beginning of the period	87,666	217,334
Cash and cash equivalents at end of the period	220,843	180,804

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2016 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 second quarter ended 31 December 2016

(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 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 2016. 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 2016.

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 2016 except for the adoption of the following FRSs effective for the financial period beginning 1 July 2016:

Annual Improvements to FRSs 2012 – 2014 Cycle

Amendments to FRS 116 and FRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to FRS 116 and FRS 141 *Agriculture: Bearer Plant*

Amendments to FRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to FRS 127 *Equity Method in Separate Financial Statements*

Amendments to FRS 101 *Disclosure Initiatives*

Amendments to FRS 10, FRS 12 and FRS 128 *Investment Entities: Applying the Consolidation Exception*

FRS 14 *Regulatory Deferral Accounts*

The adoption of the above mentioned FRSs and Amendments to FRSs did not have a material impact on the financial statements of the Group in the period of initial application.

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 had partially redeemed US\$3 million Guarantee Secured Exchangeable Bonds ("Bonds") which were exchangeable into ordinary shares of RM1.00 each in Parkson Holdings Berhad ("Parkson Share"); and
- (ii) the Bondholders had converted a total of US\$4.38 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
<u>Revenue</u>					
Total sales	-	76,139	170,454	145	246,738
Inter-segment sales	-	-	(776)	-	(776)
External sales	-	76,139	169,678	145	245,962
<u>Results</u>					
Segment profit/(loss)	(16,069)	4,193	18,256	(1,865)	4,515
Foreign exchange gain					9,307
Loss on derivatives					(1,235)
Loss on fair value					(3,588)
Gain on conversion					4,067
Profit from operations					13,066
Finance costs					(34,859)
Share of results of joint venture					564
Impairment losses					(1,674)
Loss before taxation					(22,903)
<u>Total Assets</u>					
Segment assets	246,812	97,410	741,372	41,953	1,127,547
Investments in joint ventures					22,815
Unallocated corporate assets					3,981
Consolidated total assets					1,154,343

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 the following companies:

- (i) Gempower Sdn Bhd, a dormant wholly-owned subsidiary of Temasek Potensi Sdn Bhd which in turn is a wholly-owned subsidiary of the Company; and
- (ii) Parkson Pacific Pte Ltd, a dormant wholly-owned subsidiary of the Company incorporated in Singapore.

10. Changes in contingent liabilities and contingent assets

Other than as disclosed in Note 19, there were no material changes in contingent liabilities or contingent assets since 30 June 2016.

11. Performance review

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<u>Revenue</u>				
- Steel	-	49,509	-	253,125
- CMS	35,418	45,572	76,139	87,736
- Property	93,736	26,737	169,678	64,127
- Others	73	125	145	218
	129,227	121,943	245,962	405,206
<u>Segment profit/(loss)</u>				
- Steel	(5,957)	(9,492)	(16,069)	11,564
- CMS	892	4,731	4,193	8,647
- Property	5,997	3,623	18,256	2,077
- Others	(1,259)	(686)	(1,865)	(1,126)
	(327)	(1,824)	4,515	21,162

For the 6-month period ended 31 December 2016, the Group registered a 39% lower revenue of RM246 million as compared to RM405 million in the preceding year corresponding period. Correspondingly, a lower operating profit of RM5 million was reported. These were mainly due to the temporary shutdown of the direct reduced iron plant (Steel Division) since February 2016.

Our Property Division registered a favourable performance while CMS Division recorded a lower performance.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	31.12.2016 RM'000	30.9.2016 RM'000
Revenue	129,227	116,735
Profit from operations	8,934	4,132
Loss before taxation	(10,630)	(12,273)

12. Comment on material change in profit (cont'd.)

The Group posted a marginal higher revenue of RM129 million which was mainly contributed by our Property Division. Higher profit from operations was due to foreign exchange gain. After accounting for the finance costs, share of results from joint venture and impairment loss, the Group reported a lower loss before taxation of RM11 million for the current quarter under review.

13. a) Prospects

Both our CMS and Property Divisions are expected to maintain their satisfactory performance in the coming quarter.

Under the current operating environment, the Steel Division of the Group is not expected to resume its operation in the next 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	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Current year tax				
- Arising in Malaysia	1,198	1,439	2,397	2,237
- Arising outside Malaysia	4,604	159	7,890	743
Prior year tax	(5)	-	(5)	-
Deferred tax				
- Current year	1,402	(2,142)	1,402	-
	7,199	(544)	11,684	2,980

After excluding share of results of joint venture, the effective tax rate of the Group for the current quarter and 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	148,368	66,924	215,292
Unsecured	105,981	-	105,981
	<u>254,349</u>	<u>66,924</u>	<u>321,273</u>
		Foreign Currency	
		'000	RM'000

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

- Ringgit Malaysia	-	172,368
- US Dollar	33,227	148,905
		<u>321,273</u>

19. Changes in material litigation

There was no material litigation since 30 June 2016 other than the following:

On 6 July 2016, the solicitors of the Company were served with London High Court of Justice Queen's Division Claim Form by Classic Maritime Inc. ("Classic") as claimant against (1) Limbungan Makmur Sdn Bhd ("Limbungan Makmur"), a wholly-owned subsidiary of the Company; and (2) the Company. Brief details of the claim are as follows:

- (i) As against Limbungan Makmur, damages for breach of contract of affreightment ("COA") dated on or about 29 June 2009;
- (ii) As against the Company pursuant to a contract of suretyship dated on or about 29 June 2009 pursuant to which the Company guaranteed the performance of Limbungan Makmur's obligations under COA and/or agreed to pay to Classic on demand any and all amounts accruing to Classic from Limbungan Makmur under the COA; and
- (iii) As against both Limbungan Makmur and the Company, interest pursuant to section 35A of the Supreme Court Act 1981, to be assessed.

Summary judgement of the claim is fixed for hearing on 9 March 2017.

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 during the financial period.

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Net loss attributable to owners of the Company (RM'000)	(17,829)	(38,427)	(34,587)	(50,019)
Weighted average number of ordinary shares in issue ('000)	1,392,147	1,392,147	1,392,147	1,392,147
Basic loss per share (sen)	(1.28)	(2.76)	(2.48)	(3.59)

The basic loss per share and the diluted loss 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 2016 was a disclaimer on the ability to continue as going concerns, the measurement of revenue and raw materials and consumables used, the valuation of inventories and the recoverable amount of direct reduced iron plant estimated by an independent professional valuer using cost approach. 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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
(a) Interest income	5,437	4,647	6,472	6,983
(b) Other income including investment income	197	47	197	112
(c) Interest expense	(18,093)	(18,999)	(34,859)	(39,559)
(d) Depreciation and amortisation	(7,992)	(9,185)	(16,046)	(18,410)
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain/(Loss) on disposal/conversion of quoted or unquoted investments	-	-	4,067	-
(h) Impairment of assets	(1,674)	(10,810)	(1,674)	(29,415)
(i) Foreign exchange gain/(loss) - net	9,688	(6,712)	9,307	1,215
(j) Gain/(Loss) on derivatives or fair value	(427)	(553)	(4,823)	(372)
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT	AS AT
	31.12.2016	30.6.2016
	RM'000	RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(1,455,136)	(1,414,552)
- Unrealised	(89,003)	(92,061)
	(1,544,139)	(1,506,613)
Total share of accumulated losses from associates:		
- Realised	(4,283)	(4,283)
Total share of retained profits from joint ventures:		
- Realised	22,727	22,163
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's accumulated losses	(1,588,364)	(1,551,402)