



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim Financial Report
for the Third Quarter Ended
31 March 2017

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(Incorporated in Malaysia)

Interim financial report for the third quarter ended 31 March 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
		31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Revenue		108,389	118,070	354,351	523,276
Operating expenses		(97,204)	(158,064)	(340,836)	(548,360)
Other operating income		1,327	2,788	12,063	9,883
Profit/(Loss) from operations		12,512	(37,206)	25,578	(15,201)
Finance costs		(16,753)	(18,989)	(51,612)	(58,548)
Share of results of joint venture		113	(133)	677	(203)
Reversal of/(Impairment) loss on investment securities		229	1,496	(1,445)	(27,919)
Gain on disposal of investment securities and land		-	20,369	-	20,369
Loss before taxation	23	(3,899)	(34,463)	(26,802)	(81,502)
Taxation	16	(14,749)	1,358	(26,433)	(1,622)
Net loss for the financial period		(18,648)	(33,105)	(53,235)	(83,124)
Attributable to :					
- Owners of the Company		(18,648)	(33,105)	(53,235)	(83,124)
Loss per share attributable to owners of the Company (sen) :	21				
- Basic		(1.34)	(2.38)	(3.82)	(5.97)
- 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)
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CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Net loss for the financial period	(18,648)	(33,105)	(53,235)	(83,124)
<u>Other comprehensive income/(loss)</u>				
Translation difference on net equity of foreign subsidiaries and other movements	837	(10,730)	(197)	(5,394)
Net gain on available-for-sale financial assets:				
- Gain on fair value changes	9,464	-	12,147	-
Other comprehensive income/(loss) for the financial period, net of tax	10,301	(10,730)	11,950	(5,394)
Total comprehensive loss for the financial period	(8,347)	(43,835)	(41,285)	(88,518)
Attributable to :				
- Owners of the Company	(8,347)	(43,835)	(41,285)	(88,518)

(The Condensed Consolidated Statement of Other Comprehensive Income 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)

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Interim financial report for the third quarter ended 31 March 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 31.3.2017	AS AT 30.6.2016
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		418,861	440,178
Investment properties		2,041	2,095
Land held for property development		15,956	24,551
Investment in joint venture		22,928	22,251
Investment securities		22,289	10,144
Intangible assets		10,484	10,484
Deferred tax assets		1,115	1,326
		493,674	511,029
Current Assets			
Property development costs		54,453	113,739
Inventories		53,956	67,702
Investment securities		14,003	36,354
Trade and other receivables		82,595	91,583
Cash and bank balances		381,504	344,559
Assets held for sale		10,052	10,052
Derivative assets		4,171	5,365
		600,734	669,354
TOTAL ASSETS		1,094,408	1,180,383
EQUITY AND LIABILITIES			
Share capital		1,027,041	696,074
Reserves		(1,470,353)	(1,098,101)
Total equity		(443,312)	(402,027)
Non-Current Liabilities			
Long term borrowings	18	97,372	40,256
Deferred tax liabilities		31,954	31,955
		129,326	72,211
Current Liabilities			
Trade and other payables		1,163,358	1,131,367
Short term borrowings	18	229,959	356,061
Tax payable		15,077	22,771
		1,408,394	1,510,199
Total Liabilities		1,537,720	1,582,410
TOTAL EQUITY AND LIABILITIES		1,094,408	1,180,383
Net liabilities per share attributable to owners of the Company (RM)		(0.32)	(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)

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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 March 2017</u>					
At 1 July 2016	696,074	330,967	122,334	(1,551,402)	(402,027)
Total comprehensive income/ (loss) for the financial period	-	-	11,950	(53,235)	(41,285)
Transfer to capital reserves	-	-	7,714	(7,714)	-
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016 *	330,967	(330,967)	-	-	-
At 31 March 2017	1,027,041	-	141,998	(1,612,351)	(443,312)
<u>31 March 2016</u>					
At 1 July 2015	696,074	330,967	128,489	(707,575)	447,955
Total comprehensive loss for the financial period	-	-	(5,394)	(83,124)	(88,518)
Transfer to capital reserves	-	-	490	(490)	-
At 31 March 2016	696,074	330,967	123,585	(791,189)	359,437

* Pursuant to the Companies Act 2016 ("Act"), which came into effect on 31 January 2017, all shares issued before or upon the commencement of this Act shall have no par or nominal value. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result thereof.

(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)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR-TO-DATE ENDED	
	31.3.2017 RM'000	31.3.2016 RM'000
<u>OPERATING ACTIVITIES</u>		
Loss before taxation	(26,802)	(81,502)
Adjustments for :		
Non-cash items	20,283	46,702
Non-operating items	43,066	51,170
Operating profit before working capital changes	36,547	16,370
Changes in working capital :		
Net changes in assets	95,959	(8,880)
Net changes in liabilities	25,459	32,522
Others (mainly interest and tax paid)	(36,553)	(24,299)
	121,412	15,713
<u>INVESTING ACTIVITIES</u>		
Deferred payment for acquisition of associates	(5,688)	(2,225)
Dividend received	70	112
Proceeds from redemption of investments	127	232
Proceeds from disposal of plant and equipment	-	7,605
Proceeds from disposal of investment securities	6,827	843
Addition to other investments	-	(703)
Others (mainly purchase of plant and equipment)	(2,117)	(3,185)
	(781)	2,679
<u>FINANCING ACTIVITIES</u>		
Bank borrowings (net)	(4,390)	(57,425)
Movement of deposits with licensed banks and pledge amounts	101,363	(14,706)
Others	(290)	(297)
	96,683	(72,428)
Net changes in cash and cash equivalents	217,314	(54,036)
Effects of changes in exchange rates	7,305	900
Cash and cash equivalents at beginning of the period	87,666	217,334
Cash and cash equivalents at end of the period	312,285	164,198

(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)

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Interim financial report for the third quarter ended 31 March 2017

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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 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
Revenue					
Total sales	-	114,964	240,296	217	355,477
Inter-segment sales	-	-	(1,126)	-	(1,126)
External sales	-	114,964	239,170	217	354,351
Results					
Segment profit/(loss)	(24,461)	6,581	48,376	(5,640)	24,856
Foreign exchange gain					1,577
Loss on derivatives					(1,194)
Loss on fair value					(3,728)
Gain on conversion					4,067
Profit from operations					25,578
Finance costs					(51,612)
Share of results of joint venture					677
Impairment losses					(1,445)
Loss before taxation					(26,802)
Total Assets					
Segment assets	240,095	100,324	681,547	45,844	1,067,810
Investments in joint ventures					22,928
Unallocated corporate assets					3,670
Consolidated total assets					1,094,408

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	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
<u>Revenue</u>				
- Steel	-	24,702	-	277,827
- CMS	38,825	48,614	114,964	136,350
- Property	69,492	44,681	239,170	108,808
- Others	72	73	217	291
	108,389	118,070	354,351	523,276
<u>Segment profit/(loss)</u>				
- Steel	(8,392)	(24,624)	(24,461)	(13,060)
- CMS	2,388	7,395	6,581	16,042
- Property	30,120	7,956	48,376	10,033
- Others	(3,775)	(420)	(5,640)	(1,546)
	20,341	(9,693)	24,856	11,469

For the 9-month period ended 31 March 2017, the Group recorded a mixed result with lower revenue of RM354 million as compared to RM523 million in the preceding year corresponding period but higher operating profit of RM25 million as compared to RM11 million a year ago. The lower revenue was mainly due to the temporary shutdown of the direct reduced iron plant (Steel Division) since February 2016, while the higher profit was mainly contributed by our Property Division.

The CMS Division however, recorded a lower performance mainly due to lower sales.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter
	31.3.2017 RM'000	31.12.2016 RM'000
Revenue	108,389	129,227
Profit from operations	12,512	8,934
Loss before taxation	(3,899)	(10,630)

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

For the current quarter under review, the Group registered a mixed result with lower revenue of RM108 million but higher profit from operations of RM13 million mainly contributed by our Property Division. After accounting for the finance costs and share of results from joint venture, the Group reported a lower loss before taxation of RM4 million.

13. a) Prospects

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

Under the current operating environment, the Steel Division's business of the Group is anticipated to remain challenging and is not expected to resume its operation 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	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
Current year tax				
- Arising in Malaysia	1,104	1,899	3,501	4,136
- Arising outside Malaysia	11,191	2,708	19,081	3,451
Prior year tax	3,856	-	3,851	-
Deferred tax				
- Current year	(1,402)	(5,965)	-	(5,965)
	14,749	(1,358)	26,433	1,622

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

No	Date of Announcement	Subject	Status
1	17.3.2017	<p>(i) Proposed disposal by CPB Enterprise Sdn Bhd ("CPB"), a wholly-owned subsidiary of the Company, of a piece of leasehold land in Melaka measuring 1.873 hectares to LTB Power Performance (M) Sdn Bhd for a cash consideration of RM4.64 million (excluding 6% GST of RM0.28 million) ("Proposed 1st Disposal"); and</p> <p>(ii) Proposed disposal by CPB of a piece of leasehold land in Melaka measuring 2.135 hectares together with a single-storey building erected thereon to Imponotive Auto Sdn Bhd for a cash consideration of RM13.56 million (excluding 6% GST of RM0.81 million) ("Proposed 2nd Disposal").</p> <p>(collectively, the "Proposed Disposals").</p>	<p>The Proposed Disposals are subject to the fulfilment of the following conditions precedent:</p> <p>(a) the approval of the shareholders of the Company; and</p> <p>(b) any other relevant authorities, if required.</p> <p>The completion of the Proposed 1st Disposal and the Proposed 2nd Disposal shall be inter-conditional upon each other.</p>

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	136,219	97,372	233,591
Unsecured	93,740	-	93,740
	<u>229,959</u>	<u>97,372</u>	<u>327,331</u>

**Foreign
Currency**

'000

RM'000

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

- Ringgit Malaysia	-	180,296
- US Dollar	33,258	147,035
		<u>327,331</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.

On 12 April 2017, the High Court had dismissed Classic's application for summary judgement with costs. Following thereto, Classic's claim will proceed to trial on a date to be fixed. Both the Company and Limbungan Makmur shall work closely with their solicitors and Queen's Counsel to strenuously defend against Classic's claim.

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	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
Net loss attributable to owners of the Company (RM'000)	(18,648)	(33,105)	(53,235)	(83,124)
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)	(1.34)	(2.38)	(3.82)	(5.97)

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	
	31.3.2017 RM'000	31.3.2016 RM'000	31.3.2017 RM'000	31.3.2016 RM'000
(a) Interest income	1,327	487	7,799	7,470
(b) Other income including investment income	-	2,301	197	2,413
(c) Interest expense	(16,753)	(18,989)	(51,612)	(58,548)
(d) Depreciation and amortisation	(7,854)	(9,077)	(23,900)	(27,487)
(e) Provision for and write off of receivables	-	-	-	-
(f) Provision for and write off of inventories	-	-	-	-
(g) Gain on disposal/conversion of quoted or unquoted investments or properties	-	20,369	4,067	20,369
(h) Reversal/(Impairment) of assets	229	1,496	(1,445)	(27,919)
(i) Foreign exchange (loss)/gain - net	(7,730)	(14,793)	1,577	(13,578)
(j) Loss on derivatives or fair value	(99)	(12,720)	(4,922)	(13,092)
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 31.3.2017 RM'000	AS AT 30.6.2016 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(1,480,572)	(1,414,552)
- Unrealised	(87,667)	(92,061)
	(1,568,239)	(1,506,613)
Total share of accumulated losses from associates:		
- Realised	(4,283)	(4,283)
Total share of retained profits from joint ventures:		
- Realised	22,840	22,163
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's accumulated losses	(1,612,351)	(1,551,402)