



LION DIVERSIFIED HOLDINGS BERHAD (9428-T)

(Incorporated in Malaysia)

Interim Financial Report
for the First Quarter Ended
30 September 2017

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 - 13

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

Interim financial report for the first quarter ended 30 September 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
		30.9.2017	30.9.2016	Change	30.9.2017	30.9.2016	Change
		RM'000	RM'000	%	RM'000	RM'000	%
Revenue		88,021	116,735	(25)	88,021	116,735	(25)
Operating expenses		(87,482)	(117,705)		(87,482)	(117,705)	
Other operating income		9,589	5,102		9,589	5,102	
Profit from operations		10,128	4,132	>100	10,128	4,132	>100
Finance costs		(14,818)	(16,766)		(14,818)	(16,766)	
Share of results of joint venture		57	361		57	361	
Loss before taxation	23	(4,633)	(12,273)	62	(4,633)	(12,273)	62
Taxation	16	(4,159)	(4,485)		(4,159)	(4,485)	
Net loss for the financial period		(8,792)	(16,758)	48	(8,792)	(16,758)	48
Attributable to :							
- Owners of the Company		(8,792)	(16,758)		(8,792)	(16,758)	
Loss per share attributable to owners of the Company (sen) : 21							
- Basic		(0.63)	(1.20)		(0.63)	(1.20)	
- 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 2017 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 first quarter ended 30 September 2017
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	3 MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
Net loss for the financial period	(8,792)	(16,758)	(8,792)	(16,758)
<u>Other comprehensive income</u>				
Translation difference on net equity of foreign subsidiaries and other movements	1,061	4,759	1,061	4,759
Net gain on available-for-sale financial assets:				
- Gain on fair value changes	5,272	5,620	5,272	5,620
Other comprehensive income for the financial period, net of tax	6,333	10,379	6,333	10,379
Total comprehensive loss for the financial period	(2,459)	(6,379)	(2,459)	(6,379)
Attributable to :				
- Owners of the Company	(2,459)	(6,379)	(2,459)	(6,379)

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 30 June 2017 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 first quarter ended 30 September 2017

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	AS AT 30.9.2017 RM'000	AS AT 30.6.2017 RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		389,358	396,298
Investment properties		2,006	2,024
Land held for property development		15,740	15,775
Investment in joint venture		23,305	23,248
Investment securities		42,434	37,905
Intangible assets		10,484	10,484
Deferred tax assets		1,254	1,026
		484,581	486,760
Current Assets			
Property development costs		50,454	56,080
Inventories		53,426	51,776
Investment securities		20,619	18,200
Trade and other receivables		112,416	76,494
Cash and bank balances		337,911	341,646
Assets held for sale		-	10,052
		574,826	554,248
TOTAL ASSETS		1,059,407	1,041,008
EQUITY AND LIABILITIES			
Share capital		1,027,041	1,027,041
Reserves		(1,467,401)	(1,464,942)
Total equity		(440,360)	(437,901)
Non-Current Liabilities			
Loan and borrowings	18	20,061	20,105
Deferred tax liabilities		37,075	34,998
		57,136	55,103
Current Liabilities			
Trade and other payables		1,189,537	1,169,033
Loan and borrowings	18	244,519	246,257
Tax payable		8,389	8,395
Derivative liability		186	121
		1,442,631	1,423,806
Total Liabilities		1,499,767	1,478,909
TOTAL EQUITY AND LIABILITIES		1,059,407	1,041,008
Net liabilities per share attributable to owners of the Company (RM)		(0.32)	(0.31)

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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>30 September 2017</u>					
At 1 July 2017	1,027,041	-	159,781	(1,624,723)	(437,901)
Total comprehensive income/ (loss) for the financial period	-	-	6,333	(8,792)	(2,459)
At 30 September 2017	1,027,041	-	166,114	(1,633,515)	(440,360)
<u>30 September 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	-	-	10,379	(16,758)	(6,379)
At 30 September 2016	696,074	330,967	132,713	(1,568,160)	(408,406)

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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	
	30.9.2017	30.9.2016
	RM'000	RM'000
OPERATING ACTIVITIES		
Loss before taxation	(4,633)	(12,273)
Adjustments for :		
Non-cash items	283	8,852
Non-operating items	12,680	15,370
Operating profit before working capital changes	8,330	11,949
Changes in working capital :		
Net changes in assets	(14,056)	902
Net changes in liabilities	7,133	93,098
Others (mainly interest and tax paid)	(732)	(31,704)
	675	74,245
INVESTING ACTIVITIES		
Proceeds from disposal of investments	-	3,950
Movements in cash management funds	(1,676)	-
Others (mainly purchase of plant and equipment)	(791)	(237)
	(2,467)	3,713
FINANCING ACTIVITIES		
Bank borrowings (net)	(1,547)	(15,495)
Movement of deposits with licensed banks	(13,400)	-
Others	(44)	(144)
	(14,991)	(15,639)
Net changes in cash and cash equivalents	(16,783)	62,319
Effects of changes in exchange rates	(352)	3,149
Cash and cash equivalents at beginning of the year	298,579	87,666
Cash and cash equivalents at end of the period	281,444	153,134

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2017 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 first quarter ended 30 September 2017

(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 2017. 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 2017.

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 2017 except for the adoption of the following FRSs effective for the financial period beginning 1 July 2017:

Amendments to FRS 12 Disclosure of Interests in Other Entities

(Annual Improvements to FRSs 2012 – 2014 Cycle)

Amendments to FRS 107 Disclosure Initiative

Amendments to FRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

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

The Group's performance is not affected by any material 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:

	Contract Manufacturing Services				
	Property	("CMS")	Steel	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue</u>					
External sales	34,142	53,851	-	28	88,021
<u>Results</u>					
Segment profit/(loss)	6,001	6,996	(7,357)	5,591	11,231
Foreign exchange loss					(743)
Loss on derivatives					(65)
Loss on fair value					(295)
Profit from operations					10,128
Finance costs					(14,818)
Share of results of joint venture					57
Loss before taxation					(4,633)
<u>Total Assets</u>					
Segment assets	607,793	115,344	225,999	84,194	1,033,330
Investment in joint venture					23,305
Unallocated corporate assets					2,772
Consolidated total assets					1,059,407

8. Subsequent events

Other than as disclosed in Note 17, 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 voluntary dissolution of Atlantic Dimensi Sdn Bhd, a dormant wholly-owned subsidiary of LDH Management Sdn Bhd which in turn is a wholly-owned subsidiary of the Company.

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 2017.

11. Performance review

	3 MONTHS ENDED			YEAR-TO-DATE ENDED		
	30.9.2017 RM'000	30.9.2016 RM'000	Change %	30.9.2017 RM'000	30.9.2016 RM'000	Change %
<u>Revenue</u>						
- Property	34,142	75,942	(55)	34,142	75,942	(55)
- CMS	53,851	40,721	32	53,851	40,721	32
- Steel	-	-	-	-	-	-
- Others	28	72	(61)	28	72	(61)
	88,021	116,735	(25)	88,021	116,735	(25)
<u>Segment profit/(loss)</u>						
- Property	6,001	12,259	(51)	6,001	12,259	(51)
- CMS	6,996	3,301	>100	6,996	3,301	>100
- Steel	(7,357)	(10,112)	27	(7,357)	(10,112)	27
- Others	5,591	(606)	>100	5,591	(606)	>100
	11,231	4,842	>100	11,231	4,842	>100

For the 3-month period ended 30 September 2017, the Group reported a 25% lower revenue of RM88 million as compared to RM117 million last year same period but higher operating profit of RM11 million was recorded as compared to RM5 million a year ago. The lower revenue was mainly due to lower progress billings from our Property Division.

Our CMS Division recorded a 32% higher revenue of RM54 million due to higher sales volume from local and overseas markets. Correspondingly, higher operating profit of RM7 million was reported.

The loss in the Steel Division was attributed to depreciation and administrative expense since its DRI plant was temporarily shutdown in 2016.

Others Division recorded lower revenue but higher profit mainly due to gain on disposal of property of approximately RM8 million for the current period under review.

12. Comment on material change in profit

	Current Year Quarter	Immediate Preceding Quarter	Change
	30.9.2017 RM'000	30.6.2017 RM'000	%
Revenue	88,021	69,249	27
Profit from operations	10,128	4,851	>100
Loss before taxation	(4,633)	(12,058)	62

For the current quarter under review, the Group posted a higher revenue of RM88 million representing an increase of 27% as compared to RM69 million last quarter. Correspondingly, higher operating profit of RM10 million was recorded. This was mainly attributed to better performance by our CMS Division coupled with the recognition of gain on disposal of property of RM8 million. After accounting for the finance costs and share of results from joint venture, the Group registered a lower loss before taxation of RM5 million.

13. a) Prospects

The operating environment for CMS and Property Divisions remains challenging and competitive. However, the Board expects both our CMS and Property Divisions to maintain satisfactory performance in the next quarter.

For the Steel Division's business of the Group, the resumption of its operations will very much depend on the underlying market demand, prices of direct reduced iron and the availability of raw materials.

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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
Current year tax				
- Arising in Malaysia	1,938	1,199	1,938	1,199
- Arising outside Malaysia	2,221	3,286	2,221	3,286
	4,159	4,485	4,159	4,485

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, 26.5.2017, 31.7.2017 and 25.10.2017	<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>	The Proposed Disposals had been completed on 25 October 2017.
2	11.10.2017 and 2.11,2017	<p>Proposed Contract-To-Work Agreement between Banting Resources Sdn Bhd ("BRSB"), a wholly-owned subsidiary of the Company and Lion Tin Sdn Bhd ("LTSB"), whereby BRSB shall, in consideration of the mining tribute equivalent to 10% of the revenue net of royalty from each type of mineral mined, processed and sold, payable by LTSB to BRSB, grants LTSB the sole and exclusive right to plan, study, research, explore prospect, extract, mine, remove, develop, produce, handle, mill or other processing of tin and other mineral deposits found either in or upon the soil of earth or in the rocks beneath the soil, including but not limited to sand, silica, clay and among ("Minerals") by whatever methods and to whatever extent that LTSB shall deem advisable in its sole discretion and to manage, administer, market, sell and receive for its own account and benefit, the sale proceeds of the Minerals mined by LTSB on the six (6) pieces of land measuring approximately 800 acres in total, all in Mukim Tanjung Duabelas, Daerah Kuala Langat, Negeri Selangor ("Proposed Award of Contract").</p>	The Proposed Award of Contract is subject to the approvals being obtained from the shareholders of the Company and any other relevant authorities and/or parties, if required.

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:

	AS AT 30.9.2017		AS AT 30.9.2016	
	Foreign Currency '000	RM'000	Foreign Currency '000	RM'000
<u>Loans and Borrowings</u>				
<u>Current</u>				
<u>Secured</u>				
Bonds - US Dollar ("USD")	2,477	10,463	2,477	10,257
Term loans :				
- Ringgit Malaysia ("RM")	-	118,466	-	93,549
- USD	9,578	40,457	9,578	39,662
Overdraft	-	-	-	21,714
Obligations under finance leases	-	174	-	269
		169,560		165,451
<u>Unsecured</u>				
Bonds - USD	17,746	74,959	24,206	100,239
		244,519		265,690
<u>Non-current</u>				
<u>Secured</u>				
Term loans :				
- RM	-	20,000	-	36,743
- Chinese Renminbi ("RMB")	-	-	4,720	2,933
Obligations under finance leases	-	61	-	243
		20,061		39,919
		264,580		305,609

The closing rate used in translating USD into RM was USD1 = RM4.22 (30.9.2016: USD1 = RM4.14).

The closing rate used in translating RMB into RM at 30.9.2016 was RMB1 = RM0.62.

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 Bench 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 ("UK proceedings"). The claims are for the following:

- (i) As against Limbungan Makmur, damages for breach of contract of affreightment dated on or about 29 June 2009 ("the COA") in the sum of USD20,497,332.00 and/or USD431,366.88 and/or USD1,422,534.24 and/or USD171,595.57 and/or such other sums as is/are properly due and owing to Classic arising from alleged non-performance of 7 shipments;
- (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 the 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.

19. Changes in material litigation (cont'd.)

On 12 April 2017, the High Court allowed judgement to be entered against 2 shipments ("2 Index Shipments") whilst dismissing Classic's application for summary judgement for the balance 5 shipments. Assessment of damages for these 2 Index Shipments shall be at the same time as trial of the balance 5 shipments which is fixed on 16 July 2018.

According to the quantum expert report commissioned by the Group, Classic would not be able to profit if it had performed the 2 Index Shipments but rather would have incurred a loss. In respect of Classic's claims for balance 5 shipments, both Limbungan Makmur and the Company believe that they have a good defence to the above claims.

In addition to the UK proceedings, Classic has commenced legal action in the Superior Court of California, County of Los Angeles, United States of America. On 12 June 2017, Classic filed a verified complaint against the Company ("Complaint") seeking for pre-judgement attachment of assets of Likom Caseworks USA Inc. ("Likom USA"), a wholly-owned subsidiary of the Company. On 11 July 2017, Classic obtained a temporary protective order and corresponding writ of attachment ("Pre-Judgement Attachment Orders") on all shares and assets of Likom USA, located at 17890 Castleton St., Suite 309, City of Industry, California, owned by the Company, whether held by the Company directly, or beneficially through the Company's wholly-owned subsidiary, Likom Caseworks Sdn Bhd. On 14 August 2017, Likom USA received memorandum of garnishee arising from the Pre-Judgement Attachment Orders.

The Company's attorneys are of the view that since there is no property of the Company in the possession of Likom USA, the Superior Court of California lacks jurisdiction and that the Complaint must be dismissed. Likom USA is a separate corporate entity that cannot be made to answer for any alleged claims against the Company. The Company has instructed its attorneys to apply for a motion to quash the Pre-Judgement Attachment Orders and dismissal of the Complaint.

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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Net loss attributable to owners of the Company (RM'000)	(8,792)	(16,758)	(8,792)	(16,758)
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)	(0.63)	(1.20)	(0.63)	(1.20)

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 2017 was a disclaimer on the ability to continue as going concern, the measurement of revenue and raw materials and consumables used, the valuation of inventories, the recoverable amount of direct reduced iron plant and the provision for onerous contract of affreightment. 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	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
(a) Interest income	2,081	1,035	2,081	1,035
(b) Other income including investment income	-	-	-	-
(c) Interest expense	(14,818)	(16,766)	(14,818)	(16,766)
(d) Depreciation and amortisation	(7,720)	(8,054)	(7,720)	(8,054)
(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	7,508	4,067	7,508	4,067
(h) Reversal/(Impairment) of assets	-	-	-	-
(i) Foreign exchange loss - net	(743)	(381)	(743)	(381)
(j) Loss on derivatives or fair value	(360)	(4,396)	(360)	(4,396)
(k) Exceptional items	-	-	-	-

24. Disclosure of realised and unrealised profits/losses

	AS AT 30.9.2017 RM'000	AS AT 30.6.2017 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(1,483,429)	(1,469,370)
- Unrealised	(106,351)	(111,561)
	(1,589,780)	(1,580,931)
Total share of accumulated losses from associates:		
- Realised	(4,283)	(4,283)
Total share of retained profits from joint ventures:		
- Realised	23,217	23,160
Less: Consolidation adjustments	(62,669)	(62,669)
Total Group's accumulated losses	(1,633,515)	(1,624,723)