NOTES TO THE INTERIM FINANCIAL REPORT

1.) **Basis of Preparation and Accounting Policies**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. The explanatory notes attached to the interim financial statements 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 31 December 2015.

The significant accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2015 except for the adoption of the following:

FRS 14 Regulatory Deferral Accounts
Amendments to FRS 11 Accounting for Acquisition of Interests in Joint Operations
Amendments to FRS 101 Disclosure Initiative
Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127 Equity Method in Separate Financial Statements
Annual Improvements to FRSs 2012 - 2014 Cycle
Amendments to FRS 10, FRS 12 and FRS 128 Investment Entities: Applying the Consolidation Exception

Adoption of the abovementioned FRSs did not have any significant impact on the financial statements of the Group in the third quarter 2016.

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ('MFRS Framework'). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer (hereinafter called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing FRS Framework. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, restrospectively, against opening retained earnings.

2.) **Auditors' Report**

The auditors' report on the Group's financial statements for the year ended 31 December 2015 was not qualified.

3.) **Seasonal or Cyclical Factors**

The Group's operations were not significantly affected by any seasonal or cyclical factors.

4.) **Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

In the third quarter 2016, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

5.) **Material Changes In Estimates Used**

There were no material changes in the estimates used for the preparation of the interim financial statements.

6.) **Debts and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the third quarter 2016.

7.) **Dividends Paid**

There were no payment of dividends in the third quarter 2016.

8.) **Segment Information**

A.) The breakdown of revenue and results by business segment for the period ended 30 September 2016 was as follows:-

	Property RM'000	Construction RM'000	Hotel and leisure RM'000	Corporate RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	2,082	64,544	17,921	-	-	84,547
Inter-segment	-	-	-	2,070	(2,070)	-
Total revenue	2,082	64,544	17,921	2,070	(2,070)	84,547
Results						
Segment results	(848)	(5,771)	(2,518)	(3,999)	(2,070)	(15,206)
Finance cost						(3,892)
Interest income						80
Loss before tax						(19,018)
Income tax expense						(21,357)
Loss net of tax						(40,375)

B.) The breakdown of revenue and results by business segment for the period ended 30 September 2015 was as follows:-

	Property RM'000	Construction RM'000	Hotel and leisure RM'000	Corporate RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	2,499	74,885	19,358	-	-	96,742
Inter-segment	-	-	-	2,070	(2,070)	-
Total revenue	2,499	74,885	19,358	2,070	(2,070)	96,742
Results						
Segment results	(613)	(140)	(2,236)	(5,088)	(2,070)	(10,147)
Finance cost						(3,819)
Interest income						44
Loss before tax						(13,922)
Income tax expense						(904)
Loss net of tax						(14,826)

9.) **Valuation of Property, Plant and Equipment**

The Group has adopted the revaluation policy to review the carrying value of its land and buildings every five years. In the second quarter 2016, the Group's land and buildings which were categorised under property, plant and equipment were revalued by independent professional valuers.

10.) **Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the end of the interim period to the date of this announcement.

11.) **Changes in the Composition of the Group**

In the third quarter 2016, there were no changes in the composition of the Group.

12.) **Changes in Contingent Liabilities/Assets**

The Group has no contingent liabilities/assets in the third quarter 2016.

13.) **Capital Commitments**

There were no material capital commitments as at the end of the third quarter 2016.

14.) **Significant Related Party Transactions**

The Group has no significant related party transactions in the third quarter 2016.

ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

I.) **Review of Performance - 2016 Third Quarter compared to 2015 Third Quarter**

The Group's revenue for the third quarter 2016 declined to RM25.1 million from RM35.7 million in the prior year quarter on lower income from the construction segment. Compared with a loss of RM6.0 million in the same period last year, the net loss for this quarter came to RM29.3 million which included a provision of RM21.6 million for additional income tax expense in respect of year of assessment 2013 (refer Note VI).

In the third quarter 2016, the construction segment carried out jobs amounted to RM18.5 million, down by RM9.7 million from prior year's quarter of RM28.2 million. Revenue was recognised from the progress billings of on-going jobs namely the 94 linked houses at Eco Majestic in Semenyih, the 121 linked houses at Serene Heights in Bangi, the 70 linked houses at Kote Seriemas in Nilai, the 117 linked houses at Tamansari in Rawang and the 155 linked houses at Bandar Country Homes in Rawang. These jobs have a combined contract value of RM184.5 million, of which works amounting to RM84.7 million have yet to be completed. Operating result came to a loss of RM3.1 million for the quarter compared to a profit of RM0.5 million in prior year period, mainly due to lower profit margin and higher operating costs.

Revenue from the hotel segment in the third quarter of 2016 was lower at RM5.9 million compared to RM6.7 million in prior year quarter. Food and beverage sales fell to RM2.8 million this quarter from RM3.7 million same period last year due to lower bookings for the hotel's banquet and conference facilities. However room sales increased marginally to RM3.0 million this quarter from RM2.9 million in the prior year's quarter, resulted from improved occupancy rate. Operating profit of the hotel segment for this quarter was RM1.4 million compared to RM1.6 million last year, mainly owing to decrease in food and beverage sales.

II.) **Review of 2016 Third Quarter against 2016 Second Quarter**

The Group's revenue of RM25.1 million for third quarter 2016 was lower than the preceding quarter of RM30.7 million, largely due to lower billing of works carried out by the construction segment following the completion of several projects, and drop in food and beverage sales from the hotel segment.

Excluding the provision of RM21.6 million for additional income tax expense in respect of year of assessment 2013 (refer Note VI), the Group's third quarter 2016 loss of RM7.7 million was higher than the loss of RM6.8 million in previous quarter on lower revenue and smaller profit margin at the construction segment.

III.) **Prospects**

In third quarter 2016, a construction contract worth RM8.5 million was secured from a repeat client. The contract is for the construction and completion of earthworks, retaining wall, piling and pile cap works at 2 blocks of apartments at Bukit Hartamas in Cheras. This new job boosted the construction order book to RM193.0 million, of which RM93.2 million worth of works are currently outstanding. At the end of the third quarter 2016, the hotel segment has seen some pick-up in demand for banquet and seminar facilities while the trends in the leisure market are showing good momentum. Looking ahead, the overall business conditions is foreseen to remain weak. Against this environment, the Board will continue to manage and contain the Group's operating cost.

IV.) **Profit Forecast or Profit Guarantee**

Not applicable as the Group did not publish any profit forecast or profit guarantee.

V.) **Statement of Profit or Loss and Other Comprehensive Income**

	Current Year Quarter 30.9.2016 RM'000	**Preceding Year Corresponding Quarter 30.9.2015 RM'000**	**Current Year Todate 30.9.2016 RM'000**	**Preceding Year Corresponding Period 30.9.2015 RM'000**
Loss from operations is stated after charging/(crediting):-				
Additional tax charges	-	1,350	-	1,350
Depreciation and amortisation	2,633	2,331	7,359	6,928
Gain from disposal of property plant and equipment	-	-	(71)	-
Interest income	(20)	(25)	(80)	(44)

VI.) **Income Tax Expense**

	Current Year Quarter 30.9.2016 RM'000	**Preceding Year Corresponding Quarter 30.9.2015 RM'000**	**Current Year Todate 30.9.2016 RM'000**	**Preceding Year Corresponding Period 30.9.2015 RM'000**
Income tax expense	(21,549)	(853)	(21,357)	(904)

The higher income tax despite a net loss position is mainly due to the provision of RM21.6 million for additional income tax in respect of year of assessment 2013. The aforesaid tax is in relation to the gain of RM96.1 million arising from the development agreement entered into with AQRS The Building Company Sdn Bhd for the 5.43 acres of land in Tebrau, Johor Baru in the financial year ended 31 December 2012. The Inland Revenue Board of Malaysia has taken the view that the transaction is subject to income tax. This transaction was treated by the Company as a capital transaction which is liable to real property gains tax in year 2012.

VII.) **Status of Corporate Proposals Announced but Not Completed**

On 21 March 2016, the Board of Directors announced that Lien Hoe Corporation Berhad is proposing to undertake the following:

(a) a reduction of its existing issued and paid-up share capital from RM361,742,241 comprising 371,742,241 ordinary shares of RM1.00 each to RM90,435,560 comprising 361,742,241 ordinary shares of RM0.25 each via the cancellation of RM0.75 from the par value of each existing ordinary share pursuant to Section 64 of the Companies Act, 1965; and

(b) an amendment to the Memorandum of Association to facilitate the proposed share par value reduction.

These transactions were completed on 20 October 2016.

VIII. **Group Borrowings/Debt Securities**

Group borrowings/debt securities as at 30 September 2016 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	4,785	-
- bankers' acceptances	10,897	-
- term loans	6,707	41,502
- hire purchase	908	1,382
	23,297	42,884

IX.) **Disclosure of Derivatives**

There are no derivatives as at the date of this announcement.

X.) **Gains/Losses Arising from Fair Value Changes of Financial Liabilities**

There were no gains/losses arising from fair value changes of financial liabilities in the third quarter 2016.

XI.) **Realised and Unrealised Profits/(Losses)**

	As At End Of Current Quarter 30.9.2016 RM'000	As At Preceding Financial Year End 31.12.2015 RM'000
Total accumulated losses of the Group:		
- Realised losses	(446,612)	(402,757)
- Unrealised losses	(3,955)	(3,955)
	(450,567)	(406,712)
Total share of retained loss from associate - realised	(233)	(233)
	(450,800)	(406,945)
Less: Consolidation adjustments	222,470	218,325
	(228,330)	(188,620)

XII.) **Material Litigation**

There were no material litigation as at the end of the third quarter 2016.

XIII. **Dividends**

The Board of Directors did not recommend or paid any dividend for the third quarter 2016.

XIV. **Loss Per Share**

The basic loss per share amounts are calculated by dividing the loss net of tax attributable to owners of the parent by the weighted average number of shares in issue. The computation of diluted loss per share is not affected by any other factors.

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.9.2016	Preceding Year Corresponding Quarter 30.9.2015	Current Year Todate 30.9.2016	Preceding Year Corresponding Period 30.9.2015
Loss net of tax attributable to owners of the parent (RM'000)	(29,347)	(6,026)	(40,375)	(14,826)
Weighted average number of shares ('000)	342,946	342,946	342,946	342,946
Basic and diluted loss per share (sen)	(8.56)	(1.76)	(11.77)	(4.32)