

LIEN HOE CORPORATION BERHAD
(Company No. 8507-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2017
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Period		Cumulative Period	
	Current Year Quarter 30.9.2017 RM'000	Preceding Year Corresponding Quarter 30.9.2016 RM'000	Current Year Totodate 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 RM'000
Revenue	16,485	25,115	61,398	84,547
Cost of sales	(12,965)	(21,649)	(54,242)	(71,064)
Gross profit	3,520	3,466	7,156	13,483
Other (expenses)/income	(1,798)	38	(11,842)	474
Operating and administration expenses	(10,302)	(10,035)	(29,386)	(29,083)
Loss from operations	(8,580)	(6,531)	(34,072)	(15,126)
Finance cost	(1,264)	(1,267)	(3,805)	(3,892)
Loss before tax	(9,844)	(7,798)	(37,877)	(19,018)
Income tax expense	48	(21,549)	1,492	(21,357)
Loss net of tax	(9,796)	(29,347)	(36,385)	(40,375)
Other comprehensive income				
Item that will not be reclassified subsequently to profit or loss				
Revaluation of land and buildings (net of tax)	-	-	-	330,888
Total comprehensive income for the period	(9,796)	(29,347)	(36,385)	290,513
Loss attributable to owners of the parent	(9,796)	(29,347)	(36,385)	(40,375)
Total comprehensive income attributable to owners of the parent	(9,796)	(29,347)	(36,385)	290,513
Loss per share attributable to owners of the parent (sen)				
- basic and diluted	(2.85)	(8.56)	(10.58)	(11.77)

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At End Of Current Quarter 30.9.2017 RM'000	(Audited) As At Preceding Financial Year End 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	555,778	560,302
Investment in an associate	-	-
Other investment	1,000	1,000
Goodwill on consolidation	8,979	8,979
Development expenditure	37,573	32,626
Trade and other receivables	28,601	51,396
	<u>631,931</u>	<u>654,303</u>
Current Assets		
Inventories	10,205	10,335
Trade and other receivables	57,926	64,496
Amount due from customers for contract work	8,403	19,206
Income tax recoverable	4,758	3,281
Cash and bank balances	5,806	6,805
	<u>87,098</u>	<u>104,123</u>
Assets held for sale	16,780	16,780
	<u>103,878</u>	<u>120,903</u>
TOTAL ASSETS	735,809	775,206
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	142,188	90,435
Share premium	-	51,056
Treasury shares	(3,205)	(5,568)
Reserves	349,016	351,012
Retained earnings	623	35,012
Total equity	<u>488,622</u>	<u>521,947</u>
Non-Current Liabilities		
Deferred tax liabilities	81,139	81,281
Borrowings	38,415	41,310
Trade and other payables	3,269	3,220
Income tax payable	14,697	15,597
	<u>137,520</u>	<u>141,408</u>
Current Liabilities		
Borrowings	19,129	19,022
Bank overdrafts	4,454	6,243
Trade and other payables	78,749	72,772
Amount due to customers for contract work	5,276	7,306
Income tax payable	2,059	6,508
	<u>109,667</u>	<u>111,851</u>
Total liabilities	<u>247,187</u>	<u>253,259</u>
TOTAL EQUITY AND LIABILITIES	735,809	775,206
Net assets per share (RM)	1.42	1.52

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year Todate 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 RM'000
Operating activities		
Loss before tax	(37,877)	(19,018)
Adjustments for :-		
Non-cash items	17,398	7,135
Non-operating items	3,688	3,812
Operating cash before changes in working capital	(16,791)	(8,071)
Development expenditure	(4,947)	(2,395)
Inventories	130	170
Receivables	31,929	13,548
Payables	3,998	6,633
Net income taxes paid	(5,476)	(751)
Net cash from operating activities	8,843	9,134
Investing activities		
Purchase of property plant and equipment	(4,639)	(3,562)
Proceeds from disposal of property, plant and equipment	4	71
Interest received	117	80
Net cash used in investing activities	(4,518)	(3,411)
Financing activities		
Fixed deposits pledged for banking facilities	(527)	(45)
Net repayment of term loan	(1,594)	550
Net repayment/drawdown of bankers' acceptance	(628)	899
Net repayment of finance lease payables	(566)	(633)
Interest paid	(3,807)	(3,853)
Sale of treasury shares	3,060	-
Net cash used in financing activities	(4,062)	(3,082)
Net increase in cash and cash equivalents	263	2,641
Cash and cash equivalents at beginning of period	(2,017)	(3,188)
Cash and cash equivalents at end of period	(1,754)	(547)
Cash and cash equivalents comprise :-		
Cash and bank balances	5,806	6,781
Less : Bank overdrafts	(4,454)	(4,785)
: Fixed deposits pledged	(3,106)	(2,543)
	(1,754)	(547)

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	-----> Attributable to owners of the parent <----->						Total RM'000
	-----> Non-distributable <----->			Distributable			
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Asset revaluation reserve RM'000	Capital reserve RM'000	(Accumulated losses)/ Retained earnings RM'000	
At 1 January 2016	361,742	51,056	(5,568)	-	21,455	(188,620)	240,065
Loss net of tax for the period	-	-	-	-	-	(40,375)	(40,375)
Other comprehensive income for the period	-	-	-	330,888	-	-	330,888
Total comprehensive income for the period	-	-	-	330,888	-	(40,375)	290,513
Realisation of asset revaluation reserve	-	-	-	(665)	-	665	-
At 30 September 2016	<u>361,742</u>	<u>51,056</u>	<u>(5,568)</u>	<u>330,223</u>	<u>21,455</u>	<u>(228,330)</u>	<u>530,578</u>
At 1 January 2017	90,435	51,056	(5,568)	329,557	21,455	35,012	521,947
Loss net of tax for the period, representing total comprehensive income for the period	-	-	-	-	-	(36,385)	(36,385)
Realisation of asset revaluation reserve	-	-	-	(1,996)	-	1,996	-
Adjustment for effect of the Companies Act 2016	51,056	(51,056)	-	-	-	-	-
Transaction with owners: Sale of treasury shares	697	-	2,363	-	-	-	3,060
At 30 September 2017	<u>142,188</u>	<u>-</u>	<u>(3,205)</u>	<u>327,561</u>	<u>21,455</u>	<u>623</u>	<u>488,622</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

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 2016. 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 2016.

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 2016 except for the adoption of the following amendments to Financial Reporting Standards ('FRSs'):

Amendments to FRS 107 Disclosure Initiative

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

Amendments to FRS 12 Annual Improvements to FRSs 2014 - 2016 Cycle

Adoption of the abovementioned FRSs did not have any significant impact on the financial statements of the Group in the third quarter of 2017.

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, retrospectively, against opening retained earnings.

2.) **Auditors' Report**

The auditors' report on the Group's financial statements for the year ended 31 December 2016 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 of 2017, 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**

In third quarter 2017, the Company sold 7,975,900 of its issued ordinary shares held as treasury shares for a total consideration of RM3.1 million in the open market. As at 30 September 2017, the number of treasury shares held were 10,820,200 ordinary shares.

Other than the above, there were no issuances, cancellations, repurchases and repayments of debt and equity securities.

7.) **Dividends Paid**

There were no payment of dividends in the third quarter of 2017.

8.) **Segment Information**

The breakdown of segment revenue, results, assets and liabilities by business segment for the period ended 30 September was as follows:

	Property		Construction		Hotel		Corporate		Adjustments and eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue												
External customers	1,805	2,082	42,229	64,544	17,364	17,921	-	-	-	-	61,398	84,547
Inter-segment	-	-	-	-	-	-	2,070	2,070	(2,070)	(2,070)	-	-
Total revenue	<u>1,805</u>	<u>2,082</u>	<u>42,229</u>	<u>64,544</u>	<u>17,364</u>	<u>17,921</u>	<u>2,070</u>	<u>2,070</u>	<u>(2,070)</u>	<u>(2,070)</u>	<u>61,398</u>	<u>84,547</u>
Results												
Segment loss	<u>(3,343)</u>	<u>(3,162)</u>	<u>(22,702)</u>	<u>(5,771)</u>	<u>(2,319)</u>	<u>(204)</u>	<u>(3,755)</u>	<u>(3,999)</u>	<u>(5,758)</u>	<u>(5,882)</u>	<u>(37,877)</u>	<u>(19,018)</u>
Segment assets	<u>453,908</u>	<u>454,615</u>	<u>47,615</u>	<u>66,136</u>	<u>150,136</u>	<u>148,898</u>	<u>84,150</u>	<u>91,519</u>	<u>-</u>	<u>-</u>	<u>735,809</u>	<u>761,168</u>
Segment liabilities	<u>114,641</u>	<u>109,013</u>	<u>65,291</u>	<u>53,138</u>	<u>39,405</u>	<u>35,698</u>	<u>27,850</u>	<u>32,741</u>	<u>-</u>	<u>-</u>	<u>247,187</u>	<u>230,590</u>

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

The valuation of property, plant and equipment have been brought forward without any material amendments from the previous audited financial statements. Any additions to property, plant and equipment are carried at cost.

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 of 2017, 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 of 2017.

13.) **Capital Commitments**

There were no material capital commitments as at the end of the third quarter of 2017.

14.) **Significant Related Party Transactions**

The Group has no significant related party transactions in the third quarter of 2017.

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

I.) Review of Performance - 2017 Third Quarter compared to 2016 Third Quarter

	Current	Preceding	Changes	
	Year Quarter 30.9.2017 RM'000	Year Corresponding Quarter 30.9.2016 RM'000	RM'000	%
Revenue	16,485	25,115	(8,630)	(34%)
Loss before interest and tax	(8,580)	(6,531)	(2,049)	31%
Loss before tax	(9,844)	(7,798)	(2,046)	26%
Loss after tax	(9,796)	(29,347)	19,551	(67%)
Loss attributable to owners of the parent	(9,796)	(29,347)	19,551	(67%)

Revenue for the third quarter of 2017 fell 34% year-on-year to RM16.5 million from RM25.1 million in the previous year on lower construction billings. The loss after tax of RM9.8 million was higher compared to last year's RM7.7 million, after excluding the RM21.6 million of additional income tax expense in previous year, mainly due to provision of liquidated ascertained damages for a project undertaken by the construction segment.

For the third quarter 2017, the construction segment recognised works of RM10.0 million, which is RM8.5 million lower than the prior year's quarter of RM18.5 million. The reduced revenue is due to the tapering of works for the existing on-going jobs. The revenue was derived from the progress billings of six on-going projects, namely the 121 linked houses at Serene Heights in Bangi, the 70 linked houses at Kota Seriemas in Nilai, the 117 linked houses at Tamansari in Rawang, the 155 linked houses at Bandar Country Homes in Rawang, the foundation works of 2 apartment blocks at Bukit Hartamas in Cheras and the 3 detached houses at Damansara Heights in Kuala Lumpur. Operating result for the construction segment came to a loss of RM4.6 million for the current quarter compared to loss of RM3.1 million in prior year period, owing mainly to the provisioning of liquidated ascertained damages for one of the existing projects.

Revenue from the hotel segment for the third quarter of 2017 was higher at RM6.1 million compared to RM5.9 million in prior year quarter. Room sales increased to RM3.2 million this quarter from RM3.0 million last year largely on improved room rates. Revenue from food and beverage sales was consistent with last year's level of RM2.8 million due to sustained demand for the hotel's conference facilities. Along with the increase in revenue, operating profit for the hotel segment rose to RM1.7 million this quarter from RM1.4 million last year.

II.) **Review of 2017 Third Quarter against 2017 Second Quarter**

	Current Year Quarter 30.9.2017 RM'000	Immediate Preceding Quarter 30.6.2017 RM'000	Changes	
			RM'000	%
Revenue	16,485	19,785	(3,300)	(17%)
Loss before interest and tax	(8,580)	(13,490)	4,910	(36%)
Loss before tax	(9,844)	(14,738)	4,894	(33%)
Loss after tax	(9,796)	(14,691)	4,895	(33%)
Loss attributable to owners of the parent	(9,796)	(14,691)	4,895	(33%)

Revenue decreased quarter-on-quarter to RM16.5 million from RM19.8 million amid lower progress billing of construction works due to the tapering of works for the on-going projects. There was a 5% increase quarter-on-quarter in the revenue of the hotel segment to RM6.1 million from RM5.8 million due to higher number of bookings for rooms.

The third quarter 2017 loss of RM9.8 million was narrower than the RM14.7 million loss recognised in the preceding quarter due largely to a 60% increase in the operating profit of the hotel segment on the back of increased sales and improved profit margin, coupled with lower operating loss from the construction segment.

III.) **Prospects**

The operating conditions for the remaining period of 2017 remain challenging. In view of the difficult business environment coupled with increasing competition face by our construction and hotel segments, the Board of Directors is looking into additional measures on cost control to curb further operating losses. For the longer term, the Board of Directors is focused on exploring opportunities to diversify the income base of the Group.

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

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

V.) **Loss from operations**

	Current Year Quarter 30.9.2017 RM'000	Preceding Year Corresponding Quarter 30.9.2016 RM'000	Current Year ToDate 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	3,074	2,633	9,162	7,359
Gain from disposal of property plant and equipment	-	-	(4)	(71)
Impairment loss on receivables	30	-	8,239	-
Interest income	(36)	(20)	(117)	(80)
Provision for liquidated ascertained damages	1,840	-	3,740	-

VI.) **Taxation**

	Current Year Quarter 30.9.2017 RM'000	Preceding Year Corresponding Quarter 30.9.2016 RM'000	Current Year ToDate 30.9.2017 RM'000	Preceding Year Corresponding Period 30.9.2016 RM'000
Income tax expense	48	(21,549)	1,492	(21,357)

For the current year, income tax expense relates to overprovision of tax in prior year.

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

On 14 July 2017, the Board of Directors announced that a wholly owned subsidiary company, Christine Resort Sdn Bhd had entered into a sale and purchase agreement for the disposal of a parcel of vacant land located within Bandar Seri Alam, Masai, Johor for a consideration of RM100,537,740.

This transaction is pending completion as at the date of this announcement.

VIII.) **Group Borrowings/Debt Securities**

A.) Group borrowings/debt securities as at 30 September 2017 were :-

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	4,454	-	4,454
- bankers' acceptances	164	-	164
- term loans	17,984	37,293	55,277
- finance lease payables	981	1,122	2,103
	<u>23,583</u>	<u>38,415</u>	<u>61,998</u>

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

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	4,785	-	4,785
- bankers' acceptances	10,897	-	10,897
- term loans	6,707	41,502	48,209
- finance lease payables	908	1,382	2,290
	<u>23,297</u>	<u>42,884</u>	<u>66,181</u>

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 material gains/losses arising from fair value changes of financial liabilities in the third quarter of 2017.

XI.) Realised and Unrealised Profits/(Losses)

	As At End Of Current Quarter 30.9.2017 RM'000	As At Preceding Financial Year End 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	(211,704)	(178,307)
- Unrealised	<u>(3,371)</u>	<u>(3,371)</u>
	(215,075)	(181,678)
Total share of retained loss from associate - realised	<u>(233)</u>	<u>(233)</u>
	(215,308)	(181,911)
Less: Consolidation adjustments	<u>215,931</u>	<u>216,923</u>
	<u>623</u>	<u>35,012</u>

XII.) Material Litigation

There were no material litigation as at the end of the third quarter 2017.

XIII.) Dividends

The Board of Directors did not recommend or paid any dividend for the third quarter 2017.

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 30.9.2017	Preceding Year Corresponding Quarter 30.9.2016	Current Year Totodate 30.9.2017	Preceding Year Corresponding Period 30.9.2016
Loss net of tax attributable to owners of the parent (RM'000)	<u>(9,796)</u>	<u>(29,347)</u>	<u>(36,385)</u>	<u>(40,375)</u>
Weighted average number of shares ('000)	<u>344,056</u>	<u>342,946</u>	<u>344,056</u>	<u>342,946</u>
Basic and diluted loss per share (sen)	<u>(2.85)</u>	<u>(8.56)</u>	<u>(10.58)</u>	<u>(11.77)</u>