

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 2017
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Period		Cumulative Period (Audited)	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Current Year ToDate 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Revenue	11,712	39,225	73,110	123,772
Cost of sales	(13,290)	(35,442)	(67,532)	(106,506)
Gross (loss)/profit	(1,578)	3,783	5,578	17,266
Other income/(expenses)	52,442	486	40,600	960
Operating and administration expenses	(11,494)	(12,417)	(40,880)	(41,500)
Profit/(Loss) from operations	39,370	(8,148)	5,298	(23,274)
Finance cost	(1,247)	(1,273)	(5,052)	(5,165)
Profit/(Loss) before tax	38,123	(9,421)	246	(28,439)
Income tax expense	(4,155)	790	(2,663)	(20,567)
Profit/(Loss) net of tax	33,968	(8,631)	(2,417)	(49,006)
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	33,968	(8,631)	(2,417)	281,882
Profit/(Loss) attributable to owners of the parent	33,968	(8,631)	(2,417)	(49,006)
Total comprehensive income attributable to owners of the parent	33,968	(8,631)	(2,417)	281,882
Earnings/(Loss) per share attributable to owners of the parent (sen) - basic and diluted	9.85	(2.52)	(0.70)	(14.29)

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 31.12.2017 RM'000	(Audited) As At Preceding Financial Year End 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	555,681	560,302
Investment in an associate	-	-
Other investment	1,000	1,000
Goodwill on consolidation	8,926	8,979
Development expenditure	19,410	32,626
Trade and other receivables	14,713	51,396
	<u>599,730</u>	<u>654,303</u>
Current Assets		
Inventories	10,231	10,335
Trade and other receivables	89,640	64,496
Amount due from customers for contract work	1,724	19,206
Income tax recoverable	4,759	3,281
Cash and bank balances	67,414	6,805
	<u>173,768</u>	<u>104,123</u>
Assets held for sale	6,596	16,780
	<u>180,364</u>	<u>120,903</u>
TOTAL ASSETS	<u>780,094</u>	<u>775,206</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	142,188	90,435
Share premium	-	51,056
Treasury shares	(6,083)	(5,568)
Reserves	348,350	351,012
Retained earnings	35,257	35,012
Total equity	<u>519,712</u>	<u>521,947</u>
Non-Current Liabilities		
Deferred tax liabilities	80,694	81,281
Borrowings	36,653	41,310
Trade and other payables	4,620	3,220
Income tax payable	14,397	15,597
	<u>136,364</u>	<u>141,408</u>
Current Liabilities		
Borrowings	15,826	19,022
Bank overdrafts	3,930	6,243
Trade and other payables	93,752	72,772
Amount due to customers for contract work	3,701	7,306
Income tax payable	6,809	6,508
	<u>124,018</u>	<u>111,851</u>
Total liabilities	260,382	253,259
TOTAL EQUITY AND LIABILITIES	<u>780,094</u>	<u>775,206</u>
Net assets per share (RM)	1.52	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 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Operating activities		
Profit/(Loss) before tax	246	(28,439)
Adjustments for :-		
Non-cash items	(34,891)	10,015
Non-operating items	4,470	4,979
Operating cash before changes in working capital	<u>(30,175)</u>	<u>(13,445)</u>
Development expenditure	(25,412)	(3,968)
Inventories	104	148
Receivables	24,125	4,215
Payables	18,760	30,240
Net income taxes paid	(5,626)	(1,251)
Net cash from operating activities	<u>(18,224)</u>	<u>15,939</u>
Investing activities		
Purchase of property plant and equipment	(7,541)	(8,903)
Proceeds from disposal of property, plant and equipment	4	206
Proceeds from disposal of assets held for sale	100,938	-
Interest received	582	186
Net cash from/(used in) investing activities	<u>93,983</u>	<u>(8,511)</u>
Financing activities		
Fixed deposits pledged for banking facilities	(548)	(81)
Net repayment of term loan	(6,211)	(673)
Net (repayment)/drawdown of bankers' acceptance	(789)	676
Net repayment of finance lease payables	(981)	(855)
Interest paid	(5,038)	(5,324)
Purchase of treasury shares	(2,878)	-
Sale of treasury shares	3,060	-
Net cash used in financing activities	<u>(13,385)</u>	<u>(6,257)</u>
Net increase in cash and cash equivalents	<u>62,374</u>	<u>1,171</u>
Cash and cash equivalents at beginning of period	(2,017)	(3,188)
Cash and cash equivalents at end of period	<u>60,357</u>	<u>(2,017)</u>
Cash and cash equivalents comprise :-		
Cash and bank balances	67,414	6,805
Less : Bank overdrafts	(3,930)	(6,243)
: Fixed deposits pledged	(3,127)	(2,579)
	<u>60,357</u>	<u>(2,017)</u>

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	-	-	-	-	-	(49,006)	(49,006)
Other comprehensive income for the year	-	-	-	330,888	-	-	330,888
Total comprehensive income for the year	-	-	-	330,888	-	(49,006)	281,882
Realisation of asset revaluation reserve	-	-	-	(1,331)	-	1,331	-
Transaction with owners: Share par value reduction	(271,307)	-	-	-	-	271,307	-
At 31 December 2016	90,435	51,056	(5,568)	329,557	21,455	35,012	521,947
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 year	-	-	-	-	-	(2,417)	(2,417)
Realisation of asset revaluation reserve	-	-	-	(2,662)	-	2,662	-
Adjustment for effect of the Companies Act 2016	51,056	(51,056)	-	-	-	-	-
Transaction with owners: Sale of treasury shares	697	-	2,363	-	-	-	3,060
Purchase of treasury shares	-	-	(2,878)	-	-	-	(2,878)
At 31 December 2017	142,188	-	(6,083)	326,895	21,455	35,257	519,712

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 fourth 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 fourth 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 fourth quarter 2017, the Company purchased 8,200,300 of its issued ordinary shares from the open market for a total consideration of RM2.9 million. As at 31 December 2017, the number of treasury shares held were 19,020,500 ordinary shares.

Other than the above, there were no issuances, cancellations, repurchases and repayments of debt and equity securities in the fourth quarter 2017.

7.) **Dividends Paid**

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

8.) **Segment Information**

The breakdown of segment revenue, results, assets and liabilities by business segment for the period ended 31 December 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	2,116	2,779	48,300	96,610	22,694	24,383	-	-	-	-	73,110	123,772
Inter-segment	-	-	-	-	-	-	2,760	2,760	(2,760)	(2,760)	-	-
Total revenue	2,116	2,779	48,300	96,610	22,694	24,383	2,760	2,760	(2,760)	(2,760)	73,110	123,772
Results												
Segment profit/(loss)	41,567	(4,718)	(32,493)	(10,466)	(3,178)	(488)	1,580	(5,028)	(7,230)	(7,739)	246	(28,439)
Segment assets	533,209	452,800	39,671	82,368	148,626	151,638	58,588	88,400	-	-	780,094	775,206
Segment liabilities	127,399	107,636	66,787	74,750	41,456	38,217	24,740	32,656	-	-	260,382	253,259

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 fourth 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 fourth quarter of 2017.

13.) **Capital Commitments**

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

14.) **Significant Related Party Transactions**

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

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

I.) **Review of Performance - 2017 Fourth Quarter (Q4 2017) compared to 2016 Fourth Quarter (Q4 2016)**

	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Changes	
			RM'000	%
Revenue	11,712	39,225	(27,513)	(70%)
Profit/(Loss) before interest and tax	39,370	(8,148)	47,518	583%
Profit/(Loss) before tax	38,123	(9,421)	47,544	505%
Profit/(Loss) after tax	33,968	(8,631)	42,599	494%
Profit/(Loss) attributable to owners of the parent	33,968	(8,631)	42,599	494%

Revenue for Q4 2017 fell 70% to RM11.7 million from RM39.2 million in previous year on lower billings by the construction segment. The reversal in the net income from a loss of RM8.6 million in Q4 2016 to a net profit of RM34.0 million in Q4 2017 is due to the recognition of gain amounted to RM53.6 million arising from the disposal of a piece of land measuring 36.4 acres in Johor Baru.

For Q4 2017, the construction segment completed contract works of RM6.1 million, down by RM26.0 million from RM32.1 million in the prior year's quarter. The lower 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. The construction segment posted an operating loss of RM10.3 million for Q4 2017 compared to loss of RM4.3 million in prior year period, owing mainly to the provisioning of liquidated ascertained damages for late completion resulting from labour problem and higher defect cost incurred on a recently completed housing project.

Revenue from the hotel segment for Q4 2017 fell to RM5.3 million from RM6.5 million in the prior year period due largely to lower room sales from the corporate and government sectors. Sales of food and beverage was slightly down on weaker demand for corporate events. Along with the decline in revenue, operating profit fell to RM1.1 million as compared against previous year's period of RM1.7 million.

II.) **Review of 2017 Fourth Quarter against 2017 Third Quarter (Q3 2017)**

	Current Year Quarter 31.12.2017 RM'000	Immediate Preceding Quarter 30.9.2017 RM'000	Changes	
			RM'000	%
Revenue	11,712	16,485	(4,773)	(29%)
Profit/(Loss) before interest and tax	39,370	(8,580)	47,950	559%
Profit/(Loss) before tax	38,123	(9,844)	47,967	487%
Profit/(Loss) after tax	33,968	(9,796)	43,764	447%
Profit/(Loss) attributable to owners of the parent	33,968	(9,796)	43,764	447%

Revenue decreased quarter-on-quarter to RM11.7 million in Q4 2017 from RM16.5 million in Q3 2017 on lower billing of construction works following the tapering of works from the remaining outstanding jobs and a lower contribution from the hotel segment due to seasonally drop in room occupancy.

The improvement in the net income from a loss of RM9.8 million in Q3 2017 to a profit of RM34.0 million in Q4 2017 is attributable to the recognition of gain amounted to RM53.6 million arising from the disposal of a piece of land measuring 36.4 acres in Johor Baru.

III.) **Prospects**

In view of the continued operating losses from the construction segment, the Board of Directors has decided to evaluate the viability of the construction business going forward before taking on any new jobs. On the hotel business, measures will be taken to increase room occupancy and rates as part of our strategies to help boost the revenue. These measures include online marketing, strategic collaborations, membership programme and further expansion into international leisure segment.

Meanwhile, the Board remains focused on exploring options to diversify the revenue base of the Group, including the possibility of developing our own land when the market condition improves.

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

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

V.) Profit/(Loss) from operations

	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Current Year ToDate 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Profit/(Loss) from operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	3,091	3,221	12,253	10,580
Development expenditure written off	1,865	-	1,865	-
Fair value adjustment on receivables	4	39	4	39
Finance expense on receivables	-	286	-	286
Finance income on receivables	(3,342)	(511)	(3,342)	(511)
Gain from disposal of assets held for sale	(53,991)	-	(53,991)	-
Gain from disposal of property, plant and equipment	-	(132)	(4)	(203)
Goodwill written off	52	-	52	-
Impairment loss on receivables	24	-	8,263	-
Interest income	(465)	(106)	(582)	(186)
Property, plant and equipment written off	-	-	36	-
Provision for liquidated ascertained damages	3,377	980	7,117	980
Reversal of impairment loss on:				
- property, plant and equipment	-	-	-	(152)
- receivables	-	(24)	-	(24)

VI.) Taxation

	Current Year Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Current Year ToDate 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000
Income tax expense	(4,155)	790	(2,663)	(20,567)

The effective tax rate for the current year todate was higher than the statutory tax rate principally due to certain expenses being disallowed for tax purposes and losses incurred by certain companies cannot be totally set-off against profits made by other companies within the Group due to insufficient group relief.

VII.) Status of Corporate Proposals Announced but Not Completed

There are no outstanding corporate proposals announced but not completed as at the date of this announcement.

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

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

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	3,930	-	3,930
- term loans	14,891	35,772	50,663
- finance lease payables	935	881	1,816
	<u>19,756</u>	<u>36,653</u>	<u>56,409</u>

B.) Group borrowings/debt securities as at 31 December 2016 were :-

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	6,243	-	6,243
- bankers' acceptances	792	-	792
- term loans	17,245	39,626	56,871
- finance lease payables	985	1,684	2,669
	<u>25,265</u>	<u>41,310</u>	<u>66,575</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 fourth quarter of 2017.

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

	As At End Of Current Quarter 31.12.2017 RM'000	As At Preceding Financial Year End 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	(171,228)	(178,307)
- Unrealised	(2,972)	(3,371)
	<u>(174,200)</u>	<u>(181,678)</u>
Total share of retained loss from associate - realised	(233)	(233)
	<u>(174,433)</u>	<u>(181,911)</u>
Less: Consolidation adjustments	209,690	216,923
	<u>35,257</u>	<u>35,012</u>

XII.) **Material Litigation**

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

XIII.) Dividends

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

XIV.) Earnings/(Loss) Per Share

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.12.2017	Preceding Year Corresponding Quarter 31.12.2016	Current Year To date 31.12.2017	Preceding Year Corresponding Period 31.12.2016
Profit/(Loss) net of tax attributable to owners of the parent (RM'000)	<u>33,968</u>	<u>(8,631)</u>	<u>(2,417)</u>	<u>(49,006)</u>
Weighted average number of shares ('000)	<u>344,814</u>	<u>342,946</u>	<u>344,814</u>	<u>342,946</u>
Basic and diluted earnings/(loss) per share (sen)	<u>9.85</u>	<u>(2.52)</u>	<u>(0.70)</u>	<u>(14.29)</u>