

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2018
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2018 RM'000	31.3.2017 RM'000	31.3.2018 RM'000	31.3.2017 RM'000
Revenue	10,294	25,128	10,294	25,128
Cost of sales	(6,816)	(20,250)	(6,816)	(20,250)
Gross profit	3,478	4,878	3,478	4,878
Other income/(expenses)	610	(8,172)	610	(8,172)
Operating and administration expenses	(10,853)	(8,708)	(10,853)	(8,708)
Loss from operations	(6,765)	(12,002)	(6,765)	(12,002)
Finance cost	(1,094)	(1,293)	(1,094)	(1,293)
Loss before tax	(7,859)	(13,295)	(7,859)	(13,295)
Income tax expense	47	1,397	47	1,397
Loss net of tax, representing total comprehensive income for the period	(7,812)	(11,898)	(7,812)	(11,898)
Loss attributable to owners of the parent	(7,812)	(11,898)	(7,812)	(11,898)
Total comprehensive income attributable to owners of the parent	(7,812)	(11,898)	(7,812)	(11,898)
Loss per share attributable to owners of the parent (sen) - basic and diluted	(2.28)	(3.47)	(2.28)	(3.47)

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 2017.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.3.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	554,182	555,681	560,302
Investment in an associate	-	-	-
Other investment	1,000	1,000	1,000
Goodwill on consolidation	8,927	8,927	8,979
Development expenditure	20,620	19,410	32,626
Trade and other receivables	<u>13,720</u>	<u>14,713</u>	<u>51,396</u>
	<u>598,449</u>	<u>599,731</u>	<u>654,303</u>
Current Assets			
Inventories	10,197	10,231	10,335
Trade and other receivables	71,605	89,640	64,496
Contract assets	2,017	1,724	19,206
Income tax recoverable	4,007	4,759	3,281
Cash and bank balances	<u>48,205</u>	<u>67,414</u>	<u>6,805</u>
	<u>136,031</u>	<u>173,768</u>	<u>104,123</u>
Asset held for sale	<u>6,596</u>	<u>6,596</u>	<u>16,780</u>
	<u>142,627</u>	<u>180,364</u>	<u>120,903</u>
TOTAL ASSETS	<u>741,076</u>	<u>780,095</u>	<u>775,206</u>
EQUITY AND LIABILITIES			
Equity Attributable to Owners of the Parent			
Share capital	142,188	142,188	90,435
Share premium	-	-	51,056
Treasury shares	(6,475)	(6,083)	(5,568)
Reserves	347,685	348,350	351,012
Retained earnings	<u>28,110</u>	<u>35,257</u>	<u>35,012</u>
Total equity	<u>511,508</u>	<u>519,712</u>	<u>521,947</u>
Non-current Liabilities			
Deferred tax liabilities	80,647	80,694	81,281
Borrowings	35,662	36,653	41,310
Trade and other payables	4,709	4,620	3,220
Income tax payable	<u>9,897</u>	<u>14,397</u>	<u>15,597</u>
	<u>130,915</u>	<u>136,364</u>	<u>141,408</u>
Current Liabilities			
Borrowings	15,919	15,826	19,022
Bank overdrafts	3,919	3,930	6,243
Trade and other payables	69,791	93,753	72,772
Contract liabilities	2,615	3,701	7,306
Income tax payable	<u>6,409</u>	<u>6,809</u>	<u>6,508</u>
	<u>98,653</u>	<u>124,019</u>	<u>111,851</u>
Total liabilities	<u>229,568</u>	<u>260,383</u>	<u>253,259</u>
TOTAL EQUITY AND LIABILITIES	<u>741,076</u>	<u>780,095</u>	<u>775,206</u>
Net Assets Per Share (RM)	1.50	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 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended 31.3.2018 RM'000	3 months ended 31.3.2017 RM'000
Operating activities		
Loss before tax	(7,859)	(13,295)
Adjustments for:		
Non-cash items	2,955	11,312
Non-operating items	703	1,263
Operating cash before changes in working capital	<u>(4,201)</u>	<u>(720)</u>
Development expenditure	(1,210)	(4,593)
Inventories	34	84
Receivables	18,735	10,300
Payables	(24,959)	(1,581)
Net income taxes paid	<u>(4,148)</u>	<u>(252)</u>
Net cash (used in)/from operating activities	<u>(15,749)</u>	<u>3,238</u>
Investing activities		
Interest received	391	30
Purchase of property plant and equipment	(982)	(135)
Proceeds from disposal of property, plant and equipment	<u>226</u>	<u>4</u>
Net cash used in investing activities	<u>(365)</u>	<u>(101)</u>
Financing activities		
Fixed deposits pledged for banking facilities	-	(9)
Net repayment of term loan	(1,349)	(1,088)
Net drawdown of bankers' acceptance	-	44
Net repayment of finance lease payables	(247)	(243)
Interest paid	(1,096)	(1,291)
Purchase of treasury shares	<u>(392)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,084)</u>	<u>(2,587)</u>
Net (decrease)/increase in cash and cash equivalents	(19,198)	550
Cash and cash equivalents at beginning of period	60,358	(2,017)
Cash and cash equivalents at end of period	<u>41,160</u>	<u>(1,467)</u>
 Cash and cash equivalents comprise:		
Cash and bank balances	48,205	6,246
Less : Bank overdrafts	(3,919)	(5,125)
: Fixed deposits pledged	<u>(3,126)</u>	<u>(2,588)</u>
	<u>41,160</u>	<u>(1,467)</u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to owners of the parent ----->						
	←----- Non-distributable ----->			Distributable			
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Asset revaluation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	Total RM'000
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	-	-	-	-	-	(11,898)	(11,898)
Realisation of asset revaluation reserve	-	-	-	(665)	-	665	-
At 31 March 2017	90,435	51,056	(5,568)	328,892	21,455	23,779	510,049
At 1 January 2018	142,188	-	(6,083)	326,895	21,455	35,257	519,712
Loss net of tax for the period, representing total comprehensive income for the period	-	-	-	-	-	(7,812)	(7,812)
Realisation of asset revaluation reserve	-	-	-	(665)	-	665	-
Transaction with owners: Purchase of treasury shares	-	-	(392)	-	-	-	(392)
At 31 March 2018	142,188	-	(6,475)	326,230	21,455	28,110	511,508

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2017.

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 MFRS 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 2017. 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 2017.

The financial statements of the Group for the financial period ended 31 March 2018 are the first set of financial statements prepared in accordance with the Malaysian Financial Reporting Standards ('MFRS') Framework. The date of transition to the MFRS Framework was on 1 January 2017.

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 2017 and there was no significant impact to the Group's financial statements upon the adoption of MFRS.

The Group has also adopted all new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2018, and the adoption of these new and revised MFRSs and IC Interpretations did not have any significant impact on the financial statements of the Group for the first quarter of 2018.

2.) **Auditors' Report**

The auditors' report on the Group's financial statements for the year ended 31 December 2017 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 first quarter of 2018, 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 the first quarter of 2018, the Company purchased 1,126,900 of its issued ordinary shares from the open market for a total consideration of RM0.39 million. As at 31 March 2018, the number of treasury shares held were 20,147,400 ordinary shares.

Other than the above, there were no issuances, cancellations, repurchases and repayments of debt and equity securities in the first quarter of 2018.

7.) **Dividends Paid**

There were no payment of dividends in the first quarter of 2018.

8.) Segment Information

The breakdown of segment revenue, results, assets and liabilities by business segment for the period ended 31 March was as follows:

	Property		Construction		Hotel		Corporate		Adjustments and eliminations		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue												
External customers	271	683	4,760	18,997	5,263	5,448	-	-	-	-	10,294	25,128
Inter-segment	-	-	-	-	-	-	690	690	(690)	(690)	-	-
Total revenue	271	683	4,760	18,997	5,263	5,448	690	690	(690)	(690)	10,294	25,128
Results												
Segment loss	(3,160)	(659)	(1,401)	(8,781)	(1,323)	(1,182)	(582)	(720)	(1,393)	(1,953)	(7,859)	(13,295)
Segment assets	508,894	455,387	31,228	65,026	147,214	147,825	53,740	90,889	-	-	741,076	759,127
Segment liabilities	108,090	112,619	60,411	67,357	40,037	37,601	21,030	31,501	-	-	229,568	249,078

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 first quarter of 2018, 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 first quarter of 2018.

13.) Capital Commitments

There were no material capital commitments as at the end of the first quarter of 2018.

14.) Significant Related Party Transactions

The Group has no significant related party transactions in the first quarter of 2018.

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

I.) Review of Performance - 2018 First Quarter (Q1 2018) compared to 2017 First Quarter (Q1 2017)

	Individual quarter 3 months ended		Changes	
	31.3.2018 RM'000	31.3.2017 RM'000	RM'000	%
Revenue	10,294	25,128	(14,834)	(59%)
Loss before interest and tax	(6,765)	(12,002)	5,237	44%
Loss before tax	(7,859)	(13,295)	5,436	41%
Loss after tax	(7,812)	(11,898)	4,086	34%
Loss attributable to owners of the parent	(7,812)	(11,898)	4,086	34%

Revenue for Q1 2018 fell 59% to RM10.29 million from RM25.13 million in Q1 2017 on lower billings of construction works. Net loss for Q1 2018 is lower at RM7.81 million compared to loss of RM11.90 million in Q1 2017 mainly due to impairment loss on receivables in the previous year quarter.

For Q1 2018, the construction segment completed contract works of RM4.76 million, down by RM14.24 million from RM19.00 million in Q1 2017. The lower revenue is due to the tapering of works for the existing on-going jobs and no new projects were undertaken in light of the downsizing of the construction business. Q1 2018 revenue was derived from the progress billings of five 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 and the 3 detached houses at Damansara Heights in Kuala Lumpur. The construction segment posted an operating loss of RM1.34 million for Q1 2018 compared to loss of RM0.49 million for Q1 2017, owing mainly to additional costs for defect works on completed projects.

Both revenue and operating profit from the hotel segment for Q1 2018 were almost on par with Q1 2017 results. Revenue for Q1 2018 was RM5.26 million compared to RM5.45 million recorded in Q1 2017 and operating profit for Q1 2018 was RM0.76 million compared to Q1 2017 profit of RM0.79 million.

II.) Review of 2018 First Quarter (Q1 2018) against 2017 Fourth Quarter (Q4 2017)

	Individual quarter 3 months ended		Changes	
	31.3.2018	31.12.2017	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	10,294	11,712	(1,418)	(12%)
(Loss)/Profit before interest and tax	(6,765)	39,370	(46,135)	(117%)
(Loss)/Profit before tax	(7,859)	38,123	(45,982)	(121%)
(Loss)/Profit after tax	(7,812)	33,968	(41,780)	(123%)
(Loss)/Profit attributable to owners of the parent	(7,812)	33,968	(41,780)	(123%)

Revenue decreased quarter-on-quarter to RM10.29 million in Q1 2018 from RM11.71 million in Q4 2017 on lower billing of construction works following the tapering of works from the remaining outstanding jobs.

The Group posted a lower loss of RM7.81 million compared to loss of RM19.65 million in Q4 2017 after excluding the gain of RM53.62 million arising from the sale of land booked in Q4 2017. The lower loss is largely due to provisioning of liquidated ascertained damages in Q4 2017 and also lower operational costs in Q1 2018 from the construction segment as most projects are near completion.

III.) Prospects

In view of the downsizing of the construction business, the Board of Directors will channel the Group's resources and capital on developing our own land. In the near term, the hotel business will remain the core earnings of the Group until income from property development comes through in the future.

IV.) Profit Forecast or Profit Guarantee

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

V.) Loss from operations

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	3,167	3,107	3,167	3,107
Gain from disposal of property, plant and equipment	(214)	(4)	(214)	(4)
Impairment loss on receivables	-	8,209	-	8,209
Interest income	(391)	(30)	(391)	(30)

VI.) Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
	RM'000	RM'000	RM'000	RM'000
Income tax expense	<u>47</u>	<u>1,397</u>	<u>47</u>	<u>1,397</u>

Current period's income tax is in respect of the reversal of deferred tax relating to net surplus on revaluation of land and buildings.

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 31 March 2018 were :-

	Short term	Long term	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
- bank overdrafts	3,919	-	3,919
- term loans	14,937	34,377	49,314
- finance lease payables	<u>982</u>	<u>1,285</u>	<u>2,267</u>
	<u>19,838</u>	<u>35,662</u>	<u>55,500</u>

B.) Group borrowings/debt securities as at 31 March 2017 were :-

	Short term	Long term	Total
	RM'000	RM'000	borrowings
			RM'000
Secured			
- bank overdrafts	5,125	-	5,125
- bankers' acceptances	836	-	836
- term loans	16,750	39,034	55,784
- finance lease payables	<u>987</u>	<u>1,439</u>	<u>2,426</u>
	<u>23,698</u>	<u>40,473</u>	<u>64,171</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 first quarter of 2018.

XI.) Material Litigation

There were no material litigation as at the end of the first quarter of 2018.

XII.) Dividends

The Board of Directors did not recommend or paid any dividend for the first quarter of 2018.

XIII.) 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 3 months ended		Cumulative Quarter 3 months ended	
	31.3.2018	31.3.2017	31.3.2018	31.3.2017
Loss net of tax attributable to owners of the parent (RM'000)	<u>(7,812)</u>	<u>(11,898)</u>	<u>(7,812)</u>	<u>(11,898)</u>
Weighted average number of shares ('000)	<u>341,964</u>	<u>342,946</u>	<u>341,964</u>	<u>342,946</u>
Basic and diluted loss per share (sen)	<u>(2.28)</u>	<u>(3.47)</u>	<u>(2.28)</u>	<u>(3.47)</u>