

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 9 months ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Revenue	7,233	16,485	26,062	61,398
Cost of sales	(2,426)	(12,965)	(13,467)	(54,242)
Gross profit	4,807	3,520	12,595	7,156
Other expenses	(4,801)	(1,798)	(3,558)	(11,842)
Operating and administration expenses	(10,884)	(10,302)	(32,638)	(29,386)
Loss from operations	(10,878)	(8,580)	(23,601)	(34,072)
Finance cost	(1,041)	(1,264)	(3,228)	(3,805)
Loss before tax	(11,919)	(9,844)	(26,829)	(37,877)
Income tax expense	47	48	142	1,492
Loss net of tax, representing total comprehensive income for the period	(11,872)	(9,796)	(26,687)	(36,385)
Loss attributable to owners of the parent	(11,872)	(9,796)	(26,687)	(36,385)
Total comprehensive income attributable to owners of the parent	(11,872)	(9,796)	(26,687)	(36,385)
Loss per share attributable to owners of the parent (sen) - basic and diluted	(3.48)	(2.85)	(7.82)	(10.58)

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 30.9.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	555,371	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	45,976	19,410	32,626
Trade and other receivables	8,919	14,713	51,396
	<u>620,193</u>	<u>599,731</u>	<u>654,303</u>
<b>Current Assets</b>			
Inventories	10,235	10,231	10,335
Trade and other receivables	36,328	89,640	64,496
Contract assets	1,525	1,724	19,206
Income tax recoverable	4,001	4,759	3,281
Cash and bank balances	27,884	67,414	6,805
	<u>79,973</u>	<u>173,768</u>	<u>104,123</u>
Asset held for sale	-	6,596	16,780
	<u>79,973</u>	<u>180,364</u>	<u>120,903</u>
<b>TOTAL ASSETS</b>	<u>700,166</u>	<u>780,095</u>	<u>775,206</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity Attributable to Owners of the Parent</b>			
Share capital	142,188	142,188	90,435
Share premium	-	-	51,056
Treasury shares	(6,626)	(6,083)	(5,568)
Reserves	346,354	348,350	351,012
Retained earnings	10,566	35,257	35,012
<b>Total equity</b>	<u>492,482</u>	<u>519,712</u>	<u>521,947</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities	80,552	80,694	81,281
Borrowings	33,075	36,653	41,310
Trade and other payables	2,483	4,620	3,220
Income tax payable	9,897	14,397	15,597
	<u>126,007</u>	<u>136,364</u>	<u>141,408</u>
<b>Current Liabilities</b>			
Borrowings	13,610	15,826	19,022
Bank overdrafts	3,872	3,930	6,243
Trade and other payables	56,733	93,753	72,772
Contract liabilities	1,653	3,701	7,306
Income tax payable	5,809	6,809	6,508
	<u>81,677</u>	<u>124,019</u>	<u>111,851</u>
<b>Total liabilities</b>	<u>207,684</u>	<u>260,383</u>	<u>253,259</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>700,166</u>	<u>780,095</u>	<u>775,206</u>
<b>Net Assets Per Share (RM)</b>	1.44	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

	9 months ended 30.9.2018 RM'000	9 months ended 30.9.2017 RM'000
<b>Operating activities</b>		
Loss before tax	(26,829)	(37,877)
Adjustments for:		
Non-cash items	14,051	17,398
Non-operating items	<u>2,202</u>	<u>3,688</u>
Operating cash before changes in working capital	(10,576)	(16,791)
Development expenditure	(26,566)	(4,947)
Inventories	(4)	130
Receivables	54,458	31,929
Payables	(41,359)	3,998
Net income taxes paid	<u>(4,742)</u>	<u>(5,476)</u>
Net cash (used in)/from operating activities	<u>(28,789)</u>	<u>8,843</u>
<b>Investing activities</b>		
Interest received	1,026	117
Purchase of property plant and equipment	(1,547)	(4,639)
Proceeds from disposal of property, plant and equipment	<u>529</u>	<u>4</u>
Net cash from/(used in) investing activities	<u>8</u>	<u>(4,518)</u>
<b>Financing activities</b>		
Fixed deposits pledged for banking facilities	(67)	(527)
Net repayment of term loan	(6,016)	(1,594)
Net repayment of bankers' acceptance	-	(628)
Net repayment of finance lease payables	(875)	(566)
Interest paid	(3,257)	(3,807)
Purchase of treasury shares	(543)	-
Sale of treasury shares	<u>-</u>	<u>3,060</u>
Net cash used in financing activities	<u>(10,758)</u>	<u>(4,062)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(39,539)</b>	<b>263</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>60,358</b>	<b>(2,017)</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>20,819</u></b>	<b><u>(1,754)</u></b>
Cash and cash equivalents comprise:		
Cash and bank balances	27,884	5,806
Less : Bank overdrafts	(3,872)	(4,454)
: Fixed deposits pledged	<u>(3,193)</u>	<u>(3,106)</u>
	<u>20,819</u>	<u>(1,754)</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 <----->						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	Retained earnings 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	-	-	-	-	-	(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>
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	-	-	-	-	-	(26,687)	(26,687)
Realisation of asset revaluation reserve	-	-	-	(1,996)	-	1,996	-
Transaction with owners: Purchase of treasury shares	-	-	(543)	-	-	-	(543)
At 30 September 2018	<u>142,188</u>	<u>-</u>	<u>(6,626)</u>	<u>324,899</u>	<u>21,455</u>	<u>10,566</u>	<u>492,482</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 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 30 September 2018 are 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 third 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 third 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**

There were no issuances, cancellations, repurchases and repayments of debt and equity securities in the third quarter of 2018.

### 7.) **Dividends Paid**

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

## 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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>												
External customers	830	1,805	7,678	42,229	17,554	17,364	-	-	-	-	26,062	61,398
Inter-segment	-	-	-	-	-	-	2,070	2,070	(2,070)	(2,070)	-	-
Total revenue	830	1,805	7,678	42,229	17,554	17,364	2,070	2,070	(2,070)	(2,070)	26,062	61,398
<b>Results</b>												
Segment loss	(9,317)	(3,343)	(9,121)	(22,702)	(2,365)	(2,319)	(1,754)	(3,755)	(4,272)	(5,758)	(26,829)	(37,877)
<b>Segment assets</b>												
	497,744	453,908	21,855	47,615	142,550	150,136	38,017	84,150	-	-	700,166	735,809
<b>Segment liabilities</b>												
	98,512	114,641	54,582	65,291	34,657	39,405	19,933	27,850	-	-	207,684	247,187

## 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 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 third quarter of 2018.

## 13.) Capital Commitments

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

## 14.) Significant Related Party Transactions

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

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

**I.) Review of Performance - 2018 Third Quarter (Q3 2018) compared to 2017 Third Quarter (Q3 2017)**

	Individual quarter 3 months ended		Changes	
	30.9.2018 RM'000	30.9.2017 RM'000	RM'000	%
Revenue	7,233	16,485	(9,252)	(56%)
Loss before interest and tax	(10,878)	(8,580)	(2,298)	(27%)
Loss before tax	(11,919)	(9,844)	(2,075)	(21%)
Loss after tax	(11,872)	(9,796)	(2,076)	(21%)
Loss attributable to owners of the parent	(11,872)	(9,796)	(2,076)	(21%)

Revenue for Q3 2018 fell 56% to RM7.2 million from RM16.5 million in Q3 2017 due to insignificant contribution from the construction segment following the completion of all the remaining job orders on hand at the beginning of the current quarter. The revenue in Q3 2018 was mainly contributed by the hotel segment, which registered an increase of 7% in total sales over the prior year's quarter to RM6.1 million, largely supported by higher business levels from seminar events and all-day dining restaurant.

The higher loss of RM11.9 million posted in Q3 2018 as compared to RM9.8 million loss in Q3 2017 was due to further provision of impairment loss on trade receivables for the construction segment.

**II.) Review of 2018 Third Quarter (Q3 2018) against 2018 Second Quarter (Q2 2018)**

	Individual quarter 3 months ended		Changes	
	30.9.2018 RM'000	30.6.2018 RM'000	RM'000	%
Revenue	7,233	8,535	(1,302)	(15%)
Loss before interest and tax	(10,878)	(5,958)	(4,920)	(83%)
Loss before tax	(11,919)	(7,051)	(4,868)	(69%)
Loss after tax	(11,872)	(7,003)	(4,869)	(70%)
Loss attributable to owners of the parent	(11,872)	(7,003)	(4,869)	(70%)

Total revenue decreased to RM7.2 million in Q3 2018 from RM8.5 million in Q2 2018 due to insignificant contribution from the construction segment following the completion of all the remaining job orders on hand at the beginning of the current quarter. Revenue in Q3 2018 was mostly contributed by the hotel segment, which benefitted from the rebound in room occupancy from 54% in Q2 2018 to 70% in Q3 2018 to register an increase of 12% in total sales to RM6.5 million over the previous quarter of RM5.8 million.

The higher loss from the construction segment, which outweighed the improved operating profit from the hotel segment, resulted in the increased loss of RM11.9 million in Q3 2018 against the loss of RM7.0 million in Q2 2018. Provision of impairment loss on trade receivables was the main factor contributing to the higher loss in the construction segment.

### III.) Prospects

In view that the construction segment will cease to be an income contributor going forward, 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 be 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		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	3,092	3,074	9,452	9,162
Donation to Tabung Harapan	-	-	500	-
Gain from disposal of property, plant and equipment	-	-	(429)	(4)
Impairment loss on receivables	4,847	30	4,847	8,239
Interest income	(230)	(36)	(1,026)	(117)
Provision for liquidated ascertained damages	182	1,840	182	3,740

### VI.) Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
Income tax expense	47	48	142	1,492

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 30 September 2018 were :-

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	3,872	-	3,872
- term loans	12,820	31,826	44,646
- finance lease payables	790	1,249	2,039
	<u>17,482</u>	<u>33,075</u>	<u>50,557</u>

B.) 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>

## 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 2018.

## XI.) Material Litigation

(a) On 27 August 2018, a winding-up petition was served on a wholly-owned subsidiary, Macro Resources Sdn Bhd ('Macro') by Vistagard Sdn Bhd. The sum claimed is RM126,170.89 being due on invoices amounting to RM74,041.00 for the supply of goods and debit notes amounting to RM52,129.89 for interest charges. On 7 November 2018, Macro filed an application with the court for a stay of all further proceedings in relation to the aforesaid winding-up petition.

In the hearing for the winding-up petition on 8 November 2018, the court directed that the petition be heard only after the application for a stay of all further proceedings has been dealt with. A case management has been fixed on 19 November 2018 to allow the petitioner time to file an affidavit in response and for all parties to fix a date for the stay application to be heard.

(b) On 26 September 2018, Macro received a winding-up petition by Ho Sheng Crane Sdn Bhd and Ho Choo Khiang. The total sum claimed is RM100,551.50 being due on invoices for the supply of services and interest charges. On 7 November 2018, Macro filed an application with the court for a stay of all further proceedings in relation to the aforesaid winding-up petition.

(c) On 5 November 2018, Macro lodged an application pursuant to Section 404 of the Companies Act 2016 for the company to be placed under judicial management of a judicial manager. The application has been fixed for case management on 7 December 2018.

**XII.) Dividends**

The Board of Directors did not recommend or paid any dividend for the third 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		Cumulative Quarter	
	3 months ended		9 months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Loss net of tax attributable to owners of the parent (RM'000)	<u>(11,872)</u>	<u>(9,796)</u>	<u>(26,687)</u>	<u>(36,385)</u>
Weighted average number of shares ('000)	<u>341,443</u>	<u>344,056</u>	<u>341,443</u>	<u>344,056</u>
Basic and diluted loss per share (sen)	<u>(3.48)</u>	<u>(2.85)</u>	<u>(7.82)</u>	<u>(10.58)</u>