



LCTH CORPORATION BERHAD

(633871-A)

(Incorporated in Malaysia)

Interim Financial Statements

31 March 2017

LCTH CORPORATION BERHAD

(Incorporated in Malaysia - Company No. 633871-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Period Ended 31 March 2017

	Note	Individual Quarter 3 Months Ended		Cumulative-to-date 3 Months Ended	
		31.03.2017 Unaudited RM'000	31.03.2016 Unaudited RM'000	31.03.2017 Unaudited RM'000	31.03.2016 Unaudited RM'000
Revenue	B1	23,264	31,860	23,264	31,860
Cost of sales		(19,163)	(25,759)	(19,163)	(25,759)
Gross profit		4,101	6,101	4,101	6,101
Other operating income		3,668	3,611	3,668	3,611
Administrative expenses		(5,065)	(7,137)	(5,065)	(7,137)
Selling expenses		(83)	(109)	(83)	(109)
Other expenses		(161)	(167)	(161)	(167)
Share of results of a joint venture		(281)	159	(281)	159
Profit before tax	B9	2,179	2,458	2,179	2,458
Income tax expense	B5	(641)	(616)	(641)	(616)
Profit after tax representing total comprehensive income for the period		<u>1,538</u>	<u>1,842</u>	<u>1,538</u>	<u>1,842</u>
Total comprehensive income attributable to equity holders of the Company		<u>1,538</u>	<u>1,842</u>	<u>1,538</u>	<u>1,842</u>
Basic earnings per share (Sen)		0.43	0.51	0.43	0.51
Diluted earnings per share (Sen)		0.43	0.51	0.43	0.51

This statement should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

LCTH CORPORATION BERHAD

(Incorporated in Malaysia - Company No. 633871-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	As At 31.03.2017 Unaudited RM'000	As At 31.12.2016 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	45,427	45,277
Investment properties	25,336	25,480
Investment in a joint venture	6,426	6,707
Deferred tax assets	5,142	5,369
	<u>82,331</u>	<u>82,833</u>
Current assets		
Inventories	8,901	9,408
Trade receivables	18,398	20,124
Other receivables	2,980	2,767
Due from holding company	89	189
Tax recoverable	-	253
Short-term investments	7,888	8,305
Cash and bank balances	107,831	109,070
	<u>146,087</u>	<u>150,116</u>
TOTAL ASSETS	<u>228,418</u>	<u>232,949</u>
EQUITY AND LIABILITIES		
Current liabilities		
Trade payables	6,884	11,238
Other payables	9,000	10,944
Due to holding company	968	692
Tax payable	443	432
	<u>17,295</u>	<u>23,306</u>
Non-current liabilities		
Deferred tax liabilities	985	1,043
	<u>985</u>	<u>1,043</u>
Total liabilities	<u>18,280</u>	<u>24,349</u>
Equity attributable to equity holders of the Company		
Share capital	169,911	72,000
Share premium	-	97,911
Retained earnings	40,227	38,689
Total equity	<u>210,138</u>	<u>208,600</u>
TOTAL EQUITY AND LIABILITIES	<u>228,418</u>	<u>232,949</u>
Net current assets	128,792	126,810
Net assets	<u>210,138</u>	<u>208,600</u>

This statement should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

LCTH CORPORATION BERHAD

(Incorporated in Malaysia - Company No. 633871-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For The Period Ended 31 March 2017

	Non-distributable <----->		Distributable <----->	
	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Total RM'000
Balance at 1 January 2016	72,000	97,911	38,609	208,520
Total comprehensive income for the period	-	-	1,842	1,842
Balance at 31 March 2016	<u>72,000</u>	<u>97,911</u>	<u>40,451</u>	<u>210,362</u>
Balance at 1 January 2017	72,000	97,911	38,689	208,600
Total comprehensive income for the period	-	-	1,538	1,538
Adjustments for effects of Companies Act 2016 (Note a)	97,911	(97,911)	-	-
Balance at 31 March 2017	<u>169,911</u>	<u>-</u>	<u>40,227</u>	<u>210,138</u>

Note a:

With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium accounts of RM97,911,236 has been transferred to the share capital account. The Company may use the credit amounts being transferred from share premium for the purposes as set out in subsection 618(3) of the New Act within 24 months after the commencement of the New Act.

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LCTH CORPORATION BERHAD

(Incorporated in Malaysia - Company No. 633871-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS For The Period Ended 31 March 2017

	3 Months Ended 31.03.2017 Unaudited RM'000	3 Months Ended 31.03.2016 Unaudited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2,179	2,458
Adjustments for :		
Depreciation and amortisation	1,315	1,309
Interest income	(757)	(787)
Investment income	(38)	(65)
Provision for obsolete inventories	73	-
Property, plant and equipment written off	11	3
Net unrealised foreign exchange loss	944	2,381
Share of results of a joint venture	281	(159)
Operating cash flow before working capital changes	4,008	5,140
Inventories	434	(167)
Receivables	1,108	(44)
Other current assets	(487)	(363)
Payables	(5,877)	(3,255)
Other current liabilities	(97)	(281)
Cash (used in)/ generated from operations	(911)	1,030
Income tax paid	(208)	(530)
Net cash (used in)/ generated from operating activities	(1,119)	500
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	757	787
Investment income	38	65
Dividend received from joint venture	-	1,120
Deposits pledged	(69)	-
Purchase of property, plant and equipment	(1,332)	(188)
Withdrawal / (Placement) of short term investments	417	(87)
Withdrawal / (Placement) of deposits for more than 3-months maturity with licensed bank	28,566	(782)
Net cash generated from investing activities	28,377	915
Net increase in cash and cash equivalents	27,258	1,415
Cash and cash equivalents at beginning of the financial period	37,090	27,496
Cash and cash equivalents at end of the financial period	64,348	28,911
For the purpose of statements of cash flows, cash and cash equivalents comprise the following as at the end of the financial period:-		
Cash in hand and at banks	27,403	19,053
Deposits with licensed banks	80,028	80,338
Repurchase agreements	400	4,600
Total cash and bank balances	107,831	103,991
Less: Deposits pledged	(9,468)	(9,114)
Less: Deposits more than 3 months maturity period with a licensed bank	(34,015)	(65,966)
Cash and cash equivalents	64,348	28,911

This statement should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

LCTH CORPORATION BERHAD

(Incorporated in Malaysia - Company No. 633871-A)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. Corporate Information

LCTH Corporation Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 8 May 2017.

A2. Basis of Preparation

This condensed consolidated interim financial statements ("Condensed Report") have been prepared in accordance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2016. The explanatory notes attached to these condensed consolidated 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 year ended 31 December 2016.

A3. Significant Accounting Policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2016 except for the adoption of the following which are applicable to its financial statements and are relevant to its operations:

(i) Adoption of standards and interpretations

Description	Effective for annual periods beginning on or after
Amendments to MFRS107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Amendments to MFRS 12: Disclosure of Interests in Other Entities	1 January 2017

The adoption of the above standards and interpretations do not have significant financial impact to the Group's consolidated financial statements for the current quarter.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

A3. Significant Accounting Policies (continued)

(ii) Standards and interpretations issued but not yet effective

At the date of authorization of these interim financial statements, the followings standards and interpretations were issued but not yet effective and have not been applied by the Group:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4: Insurance Contracts	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments (IFRS issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of these standards above will have no material impact on the financial statements in the year of initial adoption, except as discuss below :

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

A3. Significant Accounting Policies (continued)

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group is currently assessing the potential effect of MFRS 16 and plans to adopt the new standard on the required effective date.

A4. Disclosure of Audit Report Qualification and Status of Matters Raised

The audit report of the Group's annual financial statements for the year ended 31 December 2016 did not contain any qualification.

A5. Seasonal or Cyclical Factors

The Group's operations are not significantly affected by any seasonal or cyclical factors during the period under review.

A6. Unusual Items due to their Nature, Size and Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2017.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

A7. Material Changes in Estimates

There have been no significant changes in estimates used for the preparation of the interim financial statements.

A8. Changes in Debts and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayments of debt and equity securities for the current financial period to-date.

A9. Dividend Paid

No dividend was paid during the current quarter.

A10. Segmental Information

The Group operates principally in Malaysia and in the manufacture of and sub-assembly of precision plastic parts and components and fabrication of precision moulds and dies. The Group's assets and liabilities are basically in Malaysia.

The Group's operation is divided into local and export markets. The local market relates to sales to customers within Malaysia who are non Licensed Manufacturing Warehouse ("LMW"). The export market relates to sales to LMW in Malaysia and overseas customers, with the United States of America and Singapore being the principal market segments.

	Local RM'000	Export RM'000	Eliminations RM'000	Total RM'000
3 Months Ended 31 March 2017				
Segment revenue:				
Sales to external customers	322	22,942	-	23,264
Inter-segment sales	145	-	(145)	-
Total	<u>467</u>	<u>22,942</u>	<u>(145)</u>	<u>23,264</u>
Segment results	<u>129</u>	<u>2,331</u>	<u>(281)</u>	<u>2,179</u>
3 Months Ended 31 March 2016				
Segment revenue:				
Sales to external customers	209	31,651	-	31,860
Inter-segment sales	145	-	(145)	-
Total	<u>354</u>	<u>31,651</u>	<u>(145)</u>	<u>31,860</u>
Segment results	<u>316</u>	<u>2,142</u>	<u>-</u>	<u>2,458</u>

A11. Events after the reporting period

There were no material events subsequent to the end of the reporting quarter and the date of this announcement.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

A13. Contingent Liabilities and Contingent Assets

	As at 31.03.17 RM'000	As at 31.12.16 RM'000
In relation to corporate guarantees given to banks of subsidiaries by the Company	<u>10,518</u>	<u>10,918</u>

There were no contingent assets since the last year ended 31 December 2016.

A14. Capital Commitments

The amount of capital commitments not provided for in the interim financial statements are as follows:

	As at 31.03.17 RM'000	As at 31.03.16 RM'000
Approved and contracted for: Property, plant and equipment	<u>2,837</u>	<u>145</u>
Approved but not contracted for: Property, plant and equipment	<u>7,500</u>	<u>5,000</u>

A15. Related Party Transactions

	Cumulative-to-date 3 Months Ended	
	31.03.17 RM'000	31.03.16 RM'000
With ultimate holding company*:		
Sale of finished goods	34	105
Sale of precision moulds and dies	3	259
Purchase of raw material, precision plastic parts and components and precision mould and dies	355	302
Management fees	<u>282</u>	<u>210</u>
With related company:		
Purchase of raw material, precision plastic parts and components and precision mould and dies	<u>9</u>	<u>-</u>
With joint venture company:		
Rental of buildings	<u>323</u>	<u>322</u>

* Ultimate holding company is Fu Yu Corporation Limited

The Directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

A16. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. There was no revaluation of property, plant and equipment for the current quarter and financial year to-date.

Acquisition and disposals:-

	Cumulative-to-date 3 Months Ended	
	31.03.17	31.03.16
	RM'000	RM'000
Property, Plant and Equipment acquired	1,332	188

A17. Earnings Per Share

The basic and diluted earnings per share were derived as below:-

	Individual Quarter 3 months Ended		Cumulative-to-date 3 Months Ended	
	31.03.17	31.03.16	31.03.17	31.03.16
Net profit attributable to equity holders of the Company (RM'000)	1,538	1,842	1,538	1,842
Weighted average number of ordinary shares ('000)	360,000	360,000	360,000	360,000
Basic earnings and diluted earnings per share (Sen)	0.43	0.51	0.43	0.51

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LCTH CORPORATION BERHAD

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COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1. Performance Review

The Group recorded a revenue of RM23.3 million for the first quarter ended 31 March 2017. This is RM8.6 million or 27.0% lower compared to the revenue of RM31.9 million in the corresponding quarter in 2016. The decrease in revenue was due mainly to decrease in customers' orders.

The Group recorded a profit before tax of RM2.2 million in the current quarter, which is RM0.3 million lower than the profit before tax of RM2.5 million in the corresponding quarter in 2016. This was due mainly to the lower gross profit from lower revenue and share of result of joint venture amounting to RM2.0 million and RM0.4 million respectively. However, the decrease was mitigated by the lower foreign exchange loss of RM2.1 million in the current reporting quarter as compared to the corresponding quarter in 2016.

B2. Comparison with The Immediate Preceding Quarter

The Group recorded a revenue of RM23.3 million for the current quarter, a decrease of RM5.3 million or 18.8% compared to the RM28.6 million in the immediate preceding quarter. The decrease in revenue was due mainly to decrease in customers' orders.

The Group recorded a profit before tax of RM2.2 million for the current reporting quarter, a decrease of RM3.5 million compared to the RM5.7 million in the immediate preceding quarter. This was due mainly to lower foreign exchange gain of RM2.6 million and the decrease of RM1.0 million gross profit due to lower revenue in the current reporting quarter as compared to the immediate preceding quarter.

B3. Prospects

In view of the ongoing uncertainties in the global economic situation, including China's slower economic growth, volatility in crude oil prices and foreign exchange rates, the Group expects the economic climate for year 2017 to be challenging. The volatility of US Dollar against Ringgit Malaysia, if continued, is expected to influence the results of the Group going forward as the Group is predominantly involved in export sales. However, the Group will continue to expand its market share with existing and new customers, as well as to improve operational efficiency.

B4 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast or profit guarantee for the year.

LCTH CORPORATION BERHAD

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COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B5. Income Tax Expense

	Individual Quarter		Cumulative-to-date	
	3 Months Ended		3 Months Ended	
	31.03.17	31.03.16	31.03.17	31.03.16
	RM'000	RM'000	RM'000	RM'000
Current year tax	472	411	472	411
Deferred tax	169	205	169	205
	<u>641</u>	<u>616</u>	<u>641</u>	<u>616</u>
Statutory tax rate	24%	24%	24%	24%
Effective tax rate	29%	25%	29%	25%

Current income tax is calculated at the statutory tax rate of 24% (2016: 24%) on the estimated assessable profit for the year. The effective tax rate of the Group for the current quarter and financial year to-date was higher than the statutory income tax rate due mainly to certain expenses which are not deductible and inclusion of share of result of a joint venture which is net of tax.

B6. Material Litigation

There was no material litigation pending as at the date of this announcement.

B7. Dividends Declared and Proposed

No dividend is declared for the current quarter and the comparative period.

B8. Earnings per Share

The computation of earnings per share is disclosed in note A17.

LCTH CORPORATION BERHAD

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COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B9. Profit Before Tax

Amount charged/(credited) in arriving at profit before tax :

	Individual Quarter 3 Months Ended		Cumulative-to-date 3 Months Ended	
	31.03.17 RM'000	31.03.16 RM'000	31.03.17 RM'000	31.03.16 RM'000
Interest Income	(757)	(787)	(757)	(787)
Investment Income	(38)	(65)	(38)	(65)
Rental Income	(2,808)	(2,705)	(2,808)	(2,705)
Depreciation and amortisation of:-				
Properties, plants and equipment	1,171	1,160	1,171	1,160
Investment properties	144	149	144	149
Unrealised foreign exchange loss	944	2,381	944	2,381
Realised foreign exchange (gain)/loss	(545)	154	(545)	154
Provision for obsolete inventories	73	-	73	-
Property, plant and equipment written off	11	3	11	3

There were no gain or loss on disposal of quoted or unquoted investments, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter under review and cumulative period ended 31 March 2017.

B10. Breakdown of realised and unrealised profits or losses of the Group

	As at	
	31.03.17 RM'000	31.12.16 RM'000
Retained earnings of the Company and its subsidiaries :		
- Realised Profit	108,677	105,335
- Unrealised (Loss)/Profit	<u>(944)</u>	<u>577</u>
	<u>107,733</u>	<u>105,912</u>
Total share of retained profits from joint venture :		
- Realised Profit	78	232
- Unrealised (Loss)/Profit	<u>(52)</u>	<u>75</u>
	<u>26</u>	<u>307</u>
Less: Consolidation adjustments	<u>(67,532)</u>	<u>(67,530)</u>
Retained earnings per financial statements	<u>40,227</u>	<u>38,689</u>

By Order of the Board

Company Secretary
8 May 2017