

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31.3.2017 RM'000	Preceding Year Corresponding Quarter 31.3.2016 RM'000	Current Year Todate 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Revenue	25,128	28,768	25,128	28,768
Cost of sales	(20,250)	(22,493)	(20,250)	(22,493)
Gross profit	4,878	6,275	4,878	6,275
Other (expenses)/income	(8,172)	131	(8,172)	131
Operating and administration expenses	(8,708)	(9,500)	(8,708)	(9,500)
Loss from operations	(12,002)	(3,094)	(12,002)	(3,094)
Finance cost	(1,293)	(1,265)	(1,293)	(1,265)
Loss before tax	(13,295)	(4,359)	(13,295)	(4,359)
Income tax expense	1,397	168	1,397	168
Loss net of tax, representing total comprehensive income for the period	(11,898)	(4,191)	(11,898)	(4,191)
Total comprehensive income attributable to owners of the parent	(11,898)	(4,191)	(11,898)	(4,191)
Loss per share attributable to owners of the parent (sen) - basic and fully diluted	(3.47)	(1.22)	(3.47)	(1.22)

(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 31.3.2017 RM'000	(Audited) As At Preceding Financial Year End 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	557,330	560,302
Investment in an associate	-	-
Other investment	1,000	1,000
Goodwill on consolidation	8,979	8,979
Development expenditure	37,219	32,626
Trade and other receivables	49,299	51,396
	<u>653,827</u>	<u>654,303</u>
Current Assets		
Inventories	10,251	10,335
Trade and other receivables	51,646	64,496
Amount due from customers for contract work	15,644	19,206
Income tax recoverable	4,733	3,281
Cash and bank balances	6,246	6,805
	<u>88,520</u>	<u>104,123</u>
Assets held for sale	16,780	16,780
	<u>105,300</u>	<u>120,903</u>
TOTAL ASSETS	<u>759,127</u>	<u>775,206</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	90,435	90,435
Share premium	51,056	51,056
Treasury shares	(5,568)	(5,568)
Reserves	350,347	351,012
Retained earnings	23,779	35,012
Total equity	<u>510,049</u>	<u>521,947</u>
Non-Current Liabilities		
Deferred tax liabilities	81,234	81,281
Borrowings	40,473	41,310
Trade and other payables	3,864	3,220
Income tax payable	15,297	15,597
	<u>140,868</u>	<u>141,408</u>
Current Liabilities		
Borrowings	18,573	19,022
Bank overdrafts	5,125	6,243
Trade and other payables	71,494	72,772
Amount due to customers for contract work	6,360	7,306
Income tax payable	6,658	6,508
	<u>108,210</u>	<u>111,851</u>
Total liabilities	249,078	253,259
TOTAL EQUITY AND LIABILITIES	<u>759,127</u>	<u>775,206</u>
Net assets per share (RM)	1.49	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 To date 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Operating activities		
Loss before tax	(13,295)	(4,359)
Adjustments for :-		
Non-cash items	11,312	2,377
Non-operating items	1,263	1,232
Operating cash before changes in working capital	(720)	(750)
Development expenditure	(4,593)	(200)
Inventories	84	78
Receivables	10,300	7,814
Payables	(1,581)	(779)
Net income taxes paid	(252)	(193)
Cash from operating activities	3,238	5,970
Investing activities		
Purchase of property plant and equipment	(135)	(151)
Proceeds from disposal of property, plant and equipment	4	-
Interest received	30	33
Cash used in investing activities	(101)	(118)
Financing activities		
Fixed deposits pledged for banking facilities	(9)	-
Net repayment of term loan	(1,088)	(1,426)
Net drawdown/(repayment) of bankers' acceptance	44	(4)
Net repayment of finance lease payables	(243)	(212)
Interest paid	(1,291)	(1,254)
Cash used in financing activities	(2,587)	(2,896)
Net increase in cash and cash equivalents	550	2,956
Cash and cash equivalents at beginning of period	(2,017)	(3,188)
Cash and cash equivalents at end of period	(1,467)	(232)
Cash and cash equivalents comprise :-		
Cash and bank balances	6,246	6,492
Less : Bank overdrafts	(5,125)	(4,226)
: Fixed deposits pledged	(2,588)	(2,498)
	(1,467)	(232)

(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 ----->						
	<----- Non-distributable ----->			Distributable			
	Share capital	Share premium	Treasury shares	Asset revaluation reserve	Capital reserve	(Accumulated losses)/ Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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, representing total comprehensive income for the period	-	-	-	-	-	(4,191)	(4,191)
At 31 March 2016	361,742	51,056	(5,568)	-	21,455	(192,811)	235,874
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

(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 first 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 first 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**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities in the first quarter of 2017.

7.) **Dividends Paid**

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

8.) **Segment Information**

A.) The breakdown of revenue and results by business segment for the period ended 31 March 2017 was as follows:-

	Property RM'000	Construction RM'000	Hotel RM'000	Corporate RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	683	18,997	5,448	-	-	25,128
Inter-segment	-	-	-	690	(690)	-
Total revenue	683	18,997	5,448	690	(690)	25,128
Results						
Segment results	(659)	(8,781)	(1,182)	(720)	(690)	(12,032)
Finance cost						(1,293)
Interest income						30
Loss before tax						(13,295)
Income tax expense						1,397
Loss net of tax						(11,898)

B.) The breakdown of revenue and results by business segment for the year ended 31 March 2016 was as follows:-

	Property RM'000	Construction RM'000	Hotel RM'000	Corporate RM'000	Eliminations RM'000	Total RM'000
Revenue						
External customers	718	22,552	5,498	-	-	28,768
Inter-segment	-	-	-	690	(690)	-
Total revenue	718	22,552	5,498	690	(690)	28,768
Results						
Segment results	(1,120)	474	(411)	(1,380)	(690)	(3,127)
Finance cost						(1,265)
Interest income						33
Loss before tax						(4,359)
Income tax expense						168
Loss net of tax						(4,191)

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 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 first quarter of 2017.

13.) Capital Commitments

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

14.) Significant Related Party Transactions

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

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

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

The revenue for the first quarter of 2017 fell 13% to RM25.13 million from RM28.77 million in the previous year same quarter on lower billing of construction works. Net loss for the first quarter of 2017 came to RM11.90 million compared with loss of RM4.19 million last year same quarter owing mainly to an impairment loss of RM8.21 million on the receivable of a construction client.

In the first quarter of 2017, the construction segment carried out jobs amounted to RM19.00 million, which is RM3.55 million lower than the prior year's quarter of RM22.55 million. The revenue was derived from the progress billings of on-going jobs 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 foundation works of 2 apartment blocks at Bukit Hartamas in Cheras. Operating result, excluding the impairment loss of RM8.21 million on receivable, was a loss of RM0.49 million compared to profit of RM0.56 million in prior year period due to erosion of profit margin largely on additional defect works.

Revenue from the hotel segment in the first quarter of 2017 was RM5.45 million, almost on par with last year same quarter of RM5.50 million. Revenue from room sales increased by 8% to RM2.60 million this quarter, from RM2.41 million in the prior year period, and food and beverage sales dipped by 8% to RM2.80 million this quarter from RM3.05 million last year. Operating profit of the hotel segment for this quarter rose by 4% to RM0.79 million from RM0.76 million same period last year, reflecting the improvement in room yield in 2017.

II.) Review of 2017 First Quarter against 2016 Fourth Quarter

The Group's revenue of RM25.13 million for the first quarter of 2017 was lower than the preceding quarter of RM39.22 million, due largely to decline in the billing of construction works and the seasonal effect of the hotel segment.

Comparing to a loss of RM8.63 million in the fourth quarter of 2016, the Group posted a higher loss of RM11.90 million in the first quarter of 2017, due to an impairment loss of RM8.21 million on the receivable of a construction client.

III.) Prospects

In view of the difficult business environment coupled with increasing competition face by our hotel segment, the Board of Directors is looking into additional measures on cost control to curb further operating losses. In addition, the Board of Directors is also exploring opportunities to diversify the income source of the Group.

IV.) Profit Forecast or Profit Guarantee

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

V.) Statement of Profit or Loss and Other Comprehensive Income

	Current Year Quarter 31.3.2017 RM'000	Preceding Year Corresponding Quarter 31.3.2016 RM'000	Current Year To date 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation and amortisation	3,107	2,377	3,107	2,377
Gain from disposal of property plant and equipment	(4)	-	(4)	-
Impairment loss on receivables	8,209	-	8,209	-
Interest income	(30)	(33)	(30)	(33)

VI.) Taxation

	Current Year Quarter 31.3.2017 RM'000	Preceding Year Corresponding Quarter 31.3.2016 RM'000	Current Year To date 31.3.2017 RM'000	Preceding Year Corresponding Period 31.3.2016 RM'000
Income tax expense	1,397	168	1,397	168

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

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

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

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	5,125	-
- bankers' acceptances	836	-
- term loans	16,750	39,034
- finance lease payables	987	1,439
	<u>23,698</u>	<u>40,473</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 gains/losses arising from fair value changes of financial liabilities in the first quarter of 2017.

XI.) Realised and Unrealised Profits/(Losses)

	As At End Of Current Quarter 31.3.2017 RM'000	As At Preceding Financial Year End 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	(189,215)	(178,307)
- Unrealised	(3,371)	(3,371)
	(192,586)	(181,678)
Total share of retained loss from associate - realised	(233)	(233)
	(192,819)	(181,911)
Less: Consolidation adjustments	216,598	216,923
	23,779	35,012

XII.) Material Litigation

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

XIII. Dividends

The Board of Directors did not recommend or paid any dividend for the first 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 31.3.2017	Preceding Year Corresponding Quarter 31.3.2016	Current Year Totodate 31.3.2017	Preceding Year Corresponding Period 31.3.2016
Loss net of tax attributable to owners of the parent (RM'000)	(11,898)	(4,191)	(11,898)	(4,191)
Weighted average number of shares ('000)	342,946	342,946	342,946	342,946
Basic and diluted loss per share (sen)	(3.47)	(1.22)	(3.47)	(1.22)