

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2017
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual Period		Cumulative Period	
	Current Year Quarter 30.6.2017 RM'000	Preceding Year Corresponding Quarter 30.6.2016 RM'000	Current Year To date 30.6.2017 RM'000	Preceding Year Corresponding Period 30.6.2016 RM'000
Revenue	19,785	30,664	44,913	59,432
Cost of sales	(21,027)	(26,922)	(41,277)	(49,415)
Gross (loss)/profit	(1,242)	3,742	3,636	10,017
Other (expenses)/income	(1,872)	305	(10,044)	436
Operating and administration expenses	(10,376)	(9,548)	(19,084)	(19,048)
Loss from operations	(13,490)	(5,501)	(25,492)	(8,595)
Finance cost	(1,248)	(1,360)	(2,541)	(2,625)
Loss before tax	(14,738)	(6,861)	(28,033)	(11,220)
Income tax expense	47	24	1,444	192
Loss net of tax	(14,691)	(6,837)	(26,589)	(11,028)
Other comprehensive income				
Item that will not be reclassified subsequently to profit or loss				
Revaluation of land and buildings (net of tax)	-	330,888	-	330,888
Total comprehensive income for the period	(14,691)	324,051	(26,589)	319,860
Loss attributable to owners of the parent	(14,691)	(6,837)	(26,589)	(11,028)
Total comprehensive income attributable to owners of the parent	(14,691)	324,051	(26,589)	319,860
Loss per share attributable to owners of the parent (sen) - basic and diluted	(4.28)	(1.99)	(7.75)	(3.22)

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 30.6.2017 RM'000	(Audited) As At Preceding Financial Year End 31.12.2016 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	558,558	560,302
Investment in an associate	-	-
Other investment	1,000	1,000
Goodwill on consolidation	8,979	8,979
Development expenditure	37,444	32,626
Trade and other receivables	31,355	51,396
	637,336	654,303
Current Assets		
Inventories	10,295	10,335
Trade and other receivables	63,744	64,496
Amount due from customers for contract work	14,403	19,206
Income tax recoverable	4,695	3,281
Cash and bank balances	5,664	6,805
	98,801	104,123
Assets held for sale	16,780	16,780
	115,581	120,903
TOTAL ASSETS	752,917	775,206
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	141,491	90,435
Share premium	-	51,056
Treasury shares	(5,568)	(5,568)
Reserves	349,681	351,012
Retained earnings	9,754	35,012
Total equity	495,358	521,947
Non-Current Liabilities		
Deferred tax liabilities	81,186	81,281
Borrowings	38,565	41,310
Trade and other payables	4,285	3,220
Income tax payable	14,997	15,597
	139,033	141,408
Current Liabilities		
Borrowings	18,158	19,022
Bank overdrafts	5,338	6,243
Trade and other payables	80,395	72,772
Amount due to customers for contract work	7,828	7,306
Income tax payable	6,807	6,508
	118,526	111,851
Total liabilities	257,559	253,259
TOTAL EQUITY AND LIABILITIES	752,917	775,206
Net assets per share (RM)	1.44	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 30.6.2017 RM'000	Preceding Year Corresponding Period 30.6.2016 RM'000
Operating activities		
Loss before tax	(28,033)	(11,220)
Adjustments for :-		
Non-cash items	14,293	4,503
Non-operating items	2,460	2,565
Operating cash before changes in working capital	<u>(11,280)</u>	<u>(4,152)</u>
Development expenditure	(4,818)	(1,494)
Inventories	40	147
Receivables	17,387	4,433
Payables	9,220	6,509
Net income taxes paid	(363)	(567)
Cash from operating activities	<u>10,186</u>	<u>4,876</u>
Investing activities		
Purchase of property plant and equipment	(4,344)	(3,279)
Proceeds from disposal of property, plant and equipment	4	71
Interest received	81	60
Cash used in investing activities	<u>(4,259)</u>	<u>(3,148)</u>
Financing activities		
Fixed deposits pledged for banking facilities	(506)	-
Net repayment of term loan	(2,893)	273
Net repayment/drawdown of bankers' acceptance	(232)	1,969
Net repayment of finance lease payables	(484)	(396)
Interest paid	(2,554)	(2,549)
Cash used in financing activities	<u>(6,669)</u>	<u>(703)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(742)</u>	<u>1,025</u>
Cash and cash equivalents at beginning of period	(2,017)	(3,188)
Cash and cash equivalents at end of period	<u>(2,759)</u>	<u>(2,163)</u>
Cash and cash equivalents comprise :-		
Cash and bank balances	5,664	5,978
Less : Bank overdrafts	(5,338)	(5,643)
: Fixed deposits pledged	(3,085)	(2,498)
	<u>(2,759)</u>	<u>(2,163)</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 ----->						
	<----- 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	-	-	-	-	-	(11,028)	(11,028)
Other comprehensive income for the period	-	-	-	330,888	-	-	330,888
Total comprehensive income for the period	-	-	-	330,888	-	(11,028)	319,860
At 30 June 2016	361,742	51,056	(5,568)	330,888	21,455	(199,648)	559,925
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	-	-	-	-	-	(26,589)	(26,589)
Realisation of asset revaluation reserve	-	-	-	(1,331)	-	1,331	-
Adjustment for effect of the Companies Act 2016	51,056	(51,056)	-	-	-	-	-
At 30 June 2017	141,491	-	(5,568)	328,226	21,455	9,754	495,358

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 second 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 second 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 second quarter of 2017.

7.) **Dividends Paid**

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

8.) **Segment Information**

The breakdown of segment revenue, results, assets and liabilities by business segment for the period ended 30 June 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	1,371	1,412	32,252	46,018	11,290	12,002	-	-	-	-	44,913	59,432
Inter-segment	-	-	-	-	-	-	1,380	1,380	(1,380)	(1,380)	-	-
Total revenue	<u>1,371</u>	<u>1,412</u>	<u>32,252</u>	<u>46,018</u>	<u>11,290</u>	<u>12,002</u>	<u>1,380</u>	<u>1,380</u>	<u>(1,380)</u>	<u>(1,380)</u>	<u>44,913</u>	<u>59,432</u>
Results												
Segment (loss)/profit	<u>(1,900)</u>	<u>(2,169)</u>	<u>(17,965)</u>	<u>(2,530)</u>	<u>(2,028)</u>	<u>30</u>	<u>(2,300)</u>	<u>(2,606)</u>	<u>(3,840)</u>	<u>(3,945)</u>	<u>(28,033)</u>	<u>(11,220)</u>
Segment assets	<u>454,234</u>	<u>453,503</u>	<u>58,427</u>	<u>72,194</u>	<u>151,173</u>	<u>149,708</u>	<u>89,083</u>	<u>95,364</u>	<u>-</u>	<u>-</u>	<u>752,917</u>	<u>770,769</u>
Segment liabilities	<u>113,324</u>	<u>109,668</u>	<u>70,638</u>	<u>55,301</u>	<u>41,335</u>	<u>34,209</u>	<u>32,262</u>	<u>11,666</u>	<u>-</u>	<u>-</u>	<u>257,559</u>	<u>210,844</u>

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**

Other than as disclosed in Note VII, 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 second 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 second quarter of 2017.

13.) **Capital Commitments**

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

14.) **Significant Related Party Transactions**

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

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

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

	Preceding		Changes	
	Current Year Quarter 30.6.2017 RM'000	Year Corresponding Quarter 30.6.2016 RM'000	RM'000	%
Revenue	19,785	30,664	(10,879)	(35%)
Loss before interest and tax	(13,490)	(5,501)	(7,989)	145%
Loss before tax	(14,738)	(6,861)	(7,877)	115%
Loss after tax	(14,691)	(6,837)	(7,854)	115%
Loss attributable to owners of the parent	(14,691)	(6,837)	(7,854)	115%

Revenue for 2017 second quarter fell 35% year-on-year to RM19.8 million largely on lower construction billings. Net loss for the second quarter of 2017 widened to RM14.7 million due mainly to lower revenue base and inadvertent cost for the completion of two construction jobs.

In the second quarter of 2017, the construction segment recorded progress billings of works of RM13.3 million, which is RM10.2 million lower than the prior year's quarter of RM23.5 million. The lower amount of works carried out is due to the tapering of works for the existing on-going jobs. The revenue was derived from the progress billings of six 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 also from a new job, that is the 3 detached houses at Damansara Heights in Kuala Lumpur. Operating loss for the construction segment, excluding the provisioning of liquidated ascertained damages of RM1.9 million, came to RM7.2 million this quarter compared to loss of RM2.9 million in the prior year period was attributable largely to higher cost on operational issues for two projects.

The hotel segment also posted lower revenue at RM5.8 million in the second quarter of 2017 compared to RM6.5 million in prior year quarter. The hotel segment saw its room occupancy declined by 16% to record a lower room sales of RM2.6 million from RM2.9 million in the prior year period on the back of sluggish business conditions and weaker demand. Sales of food and beverage also fell by 11% to RM3.2 million from RM3.6 million in the same period last year due mainly to slowdown in banquet and conference events. The overall reduction in sale revenue led to a decline in operating profit of the hotel segment to RM1.1 million from RM1.6 million a year earlier.

II.) **Review of 2017 Second Quarter against 2017 First Quarter**

	Current Year Quarter 30.6.2017 RM'000	Immediate Preceding Quarter 31.3.2017 RM'000	Changes	
			RM'000	%
Revenue	19,785	25,128	(5,343)	(21%)
Loss before interest and tax	(13,490)	(12,002)	(1,488)	12%
Loss before tax	(14,738)	(13,295)	(1,443)	11%
Loss after tax	(14,691)	(11,898)	(2,793)	23%
Loss attributable to owners of the parent	(14,691)	(11,898)	(2,793)	23%

Revenue decreased quarter-over-quarter to RM19.8 million from RM25.1 million amid lower progress billing of construction works as majority of the on-going projects began to taper off in the second quarter. There was a 7% quarter-over-quarter increase in total sales from the hotel segment due to seasonal pick-up in seminar events.

Loss for the second quarter rose to RM14.7 million from RM11.9 million quarter-over-quarter as there was significant cost overrun in two projects undertaken by the construction segment. The hotel segment contributed a 32% increase in operating profit on the back of higher revenue and improved profit margin.

III.) **Prospects**

The operating conditions for the second half of 2017 remain challenging. In view of the difficult business environment coupled with increasing competition face by our construction and hotel segments, the Board of Directors is looking into additional measures on cost control to curb further operating losses. For the longer term, the Board of Directors is focused on exploring opportunities to diversify the income base of the Group.

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

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

V.) **Loss from operations**

	Current Year Quarter 30.6.2017 RM'000	Preceding Year Corresponding Quarter 30.6.2016 RM'000	Current Year ToDate 30.6.2017 RM'000	Preceding Year Corresponding Period 30.6.2016 RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	2,981	2,349	6,088	4,726
Gain from disposal of property plant and equipment	-	(71)	(4)	(71)
Impairment loss on receivables	-	-	8,209	-
Interest income	(51)	(27)	(81)	(60)
Provision for liquidated ascertained damages	1,900	-	1,900	-

VI.) Taxation

	Current Year Quarter 30.6.2017 RM'000	Preceding Year Corresponding Quarter 30.6.2016 RM'000	Current Year Totdate 30.6.2017 RM'000	Preceding Year Corresponding Period 30.6.2016 RM'000
Income tax expense	47	24	1,444	192

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

VII.) Status of Corporate Proposals Announced but Not Completed

On 14 July 2017, the Board of Directors announced that a wholly owned subsidiary company, Christine Resort Sdn Bhd had entered into a sale and purchase agreement for the disposal of a parcel of vacant land located within Bandar Seri Alam, Masai, Johor for a consideration of RM100,537,740.

This transaction is pending completion as at the date of this announcement.

VIII.) Group Borrowings/Debt Securities

A.) Group borrowings/debt securities as at 30 June 2017 were :-

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	5,338	-	5,338
- bankers' acceptances	560	-	560
- term loans	16,617	37,361	53,978
- finance lease payables	981	1,204	2,185
	<u>23,496</u>	<u>38,565</u>	<u>62,061</u>

B.) Group borrowings/debt securities as at 30 June 2016 were :-

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	5,643	-	5,643
- bankers' acceptances	11,967	-	11,967
- term loans	6,589	41,345	47,934
- finance lease payables	906	1,622	2,528
	<u>25,105</u>	<u>42,967</u>	<u>68,072</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 second quarter of 2017.

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

	As At End Of Current Quarter 30.6.2017 RM'000	As At Preceding Financial Year End 31.12.2016 RM'000
Total retained earnings/(accumulated losses) of the Group:		
- Realised	(202,906)	(178,307)
- Unrealised	<u>(3,371)</u>	<u>(3,371)</u>
	(206,277)	(181,678)
Total share of retained loss from associate - realised	<u>(233)</u>	<u>(233)</u>
	(206,510)	(181,911)
Less: Consolidation adjustments	<u>216,264</u>	<u>216,923</u>
	<u>9,754</u>	<u>35,012</u>

XII.) **Material Litigation**

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

XIII.) **Dividends**

The Board of Directors did not recommend or paid any dividend for the second 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 30.6.2017	Preceding Year Corresponding Quarter 30.6.2016	Current Year Totdate 30.6.2017	Preceding Year Corresponding Period 30.6.2016
Loss net of tax attributable to owners of the parent (RM'000)	<u>(14,691)</u>	<u>(6,837)</u>	<u>(26,589)</u>	<u>(11,028)</u>
Weighted average number of shares ('000)	<u>342,946</u>	<u>342,946</u>	<u>342,946</u>	<u>342,946</u>
Basic and diluted loss per share (sen)	<u>(4.28)</u>	<u>(1.99)</u>	<u>(7.75)</u>	<u>(3.22)</u>