

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 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 6 months ended	
	30.6.2018 RM'000	30.6.2017 RM'000	30.6.2018 RM'000	30.6.2017 RM'000
Revenue	8,535	19,785	18,829	44,913
Cost of sales	(4,225)	(21,027)	(11,041)	(41,277)
Gross profit/(loss)	<u>4,310</u>	<u>(1,242)</u>	<u>7,788</u>	<u>3,636</u>
Other income/(expenses)	633	(1,872)	1,243	(10,044)
Operating and administration expenses	(10,901)	(10,376)	(21,754)	(19,084)
Loss from operations	<u>(5,958)</u>	<u>(13,490)</u>	<u>(12,723)</u>	<u>(25,492)</u>
Finance cost	(1,093)	(1,248)	(2,187)	(2,541)
Loss before tax	<u>(7,051)</u>	<u>(14,738)</u>	<u>(14,910)</u>	<u>(28,033)</u>
Income tax expense	48	47	95	1,444
Loss net of tax, representing total comprehensive income for the period	<u>(7,003)</u>	<u>(14,691)</u>	<u>(14,815)</u>	<u>(26,589)</u>
Loss attributable to owners of the parent	<u>(7,003)</u>	<u>(14,691)</u>	<u>(14,815)</u>	<u>(26,589)</u>
Total comprehensive income attributable to owners of the parent	<u>(7,003)</u>	<u>(14,691)</u>	<u>(14,815)</u>	<u>(26,589)</u>
Loss per share attributable to owners of the parent (sen) - basic and diluted	<u>(2.05)</u>	<u>(4.28)</u>	<u>(4.34)</u>	<u>(7.75)</u>

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 30.6.2018 RM'000	As at 31.12.2017 RM'000	As at 1.1.2017 RM'000
ASSETS			
Non-current Assets			
Property, plant and equipment	551,770	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	37,522	19,410	32,626
Trade and other receivables	11,893	14,713	51,396
	<u>611,112</u>	<u>599,731</u>	<u>654,303</u>
Current Assets			
Inventories	10,234	10,231	10,335
Trade and other receivables	69,428	89,640	64,496
Contract assets	1,102	1,724	19,206
Income tax recoverable	4,001	4,759	3,281
Cash and bank balances	25,426	67,414	6,805
	<u>110,191</u>	<u>173,768</u>	<u>104,123</u>
Asset held for sale	6,596	6,596	16,780
	<u>116,787</u>	<u>180,364</u>	<u>120,903</u>
TOTAL ASSETS	<u>727,899</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	(6,626)	(6,083)	(5,568)
Reserves	347,019	348,350	351,012
Retained earnings	21,773	35,257	35,012
Total equity	<u>504,354</u>	<u>519,712</u>	<u>521,947</u>
Non-current Liabilities			
Deferred tax liabilities	80,599	80,694	81,281
Borrowings	34,531	36,653	41,310
Trade and other payables	3,319	4,620	3,220
Income tax payable	5,397	14,397	15,597
	<u>123,846</u>	<u>136,364</u>	<u>141,408</u>
Current Liabilities			
Borrowings	13,710	15,826	19,022
Bank overdrafts	3,910	3,930	6,243
Trade and other payables	69,775	93,753	72,772
Contract liabilities	1,695	3,701	7,306
Income tax payable	10,609	6,809	6,508
	<u>99,699</u>	<u>124,019</u>	<u>111,851</u>
Total liabilities	<u>223,545</u>	<u>260,383</u>	<u>253,259</u>
TOTAL EQUITY AND LIABILITIES	<u>727,899</u>	<u>780,095</u>	<u>775,206</u>
Net Assets Per Share (RM)	1.48	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

	6 months ended 30.6.2018 RM'000	6 months ended 30.6.2017 RM'000
Operating activities		
Loss before tax	(14,910)	(28,033)
Adjustments for:		
Non-cash items	5,930	14,293
Non-operating items	<u>1,391</u>	<u>2,460</u>
Operating cash before changes in working capital	(7,589)	(11,280)
Development expenditure	(18,112)	(4,818)
Inventories	(3)	40
Receivables	23,654	17,387
Payables	(27,266)	9,220
Net income taxes paid	<u>(4,442)</u>	<u>(363)</u>
Net cash (used in)/from operating activities	<u>(33,758)</u>	<u>10,186</u>
Investing activities		
Interest received	796	81
Purchase of property plant and equipment	(1,450)	(4,344)
Proceeds from disposal of property, plant and equipment	<u>529</u>	<u>4</u>
Net cash used in investing activities	<u>(125)</u>	<u>(4,259)</u>
Financing activities		
Fixed deposits pledged for banking facilities	(48)	(506)
Net repayment of term loan	(4,661)	(2,893)
Net repayment of bankers' acceptance	-	(232)
Net repayment of finance lease payables	(674)	(484)
Interest paid	(2,207)	(2,554)
Purchase of treasury shares	<u>(543)</u>	<u>-</u>
Net cash used in financing activities	<u>(8,133)</u>	<u>(6,669)</u>
Net decrease in cash and cash equivalents	(42,016)	(742)
Cash and cash equivalents at beginning of period	60,358	(2,017)
Cash and cash equivalents at end of period	<u>18,342</u>	<u>(2,759)</u>
Cash and cash equivalents comprise:		
Cash and bank balances	25,426	5,664
Less : Bank overdrafts	(3,910)	(5,338)
: Fixed deposits pledged	<u>(3,174)</u>	<u>(3,085)</u>
	<u>18,342</u>	<u>(2,759)</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	-	-	-	-	-	(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	<u>141,491</u>	<u>-</u>	<u>(5,568)</u>	<u>328,226</u>	<u>21,455</u>	<u>9,754</u>	<u>495,358</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	-	-	-	-	-	(14,815)	(14,815)
Realisation of asset revaluation reserve	-	-	-	(1,331)	-	1,331	-
Transaction with owners: Purchase of treasury shares	-	-	(543)	-	-	-	(543)
At 30 June 2018	<u>142,188</u>	<u>-</u>	<u>(6,626)</u>	<u>325,564</u>	<u>21,455</u>	<u>21,773</u>	<u>504,354</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 June 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 second 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 second 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 second quarter of 2018, the Company purchased 438,300 of its issued ordinary shares from the open market for a total consideration of RM0.15 million. As at 30 June 2018, the number of treasury shares held were 20,585,700 ordinary shares.

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

7.) **Dividends Paid**

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

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	
	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
Revenue												
External customers	552	1,371	7,214	32,252	11,063	11,290	-	-	-	-	18,829	44,913
Inter-segment	-	-	-	-	-	-	1,380	1,380	(1,380)	(1,380)	-	-
Total revenue	552	1,371	7,214	32,252	11,063	11,290	1,380	1,380	(1,380)	(1,380)	18,829	44,913
Results												
Segment loss	(6,288)	(1,900)	(2,489)	(17,965)	(2,237)	(2,028)	(1,125)	(2,300)	(2,771)	(3,840)	(14,910)	(28,033)
Segment assets	502,087	454,234	28,941	58,427	144,116	151,173	52,755	89,083	-	-	727,899	752,917
Segment liabilities	108,642	113,324	56,574	70,638	37,987	41,335	20,342	32,262	-	-	223,545	257,559

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 second 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 second quarter of 2018.

13.) Capital Commitments

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

14.) Significant Related Party Transactions

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

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

I.) Review of Performance - 2018 Second Quarter (Q2 2018) compared to 2017 Second Quarter (Q2 2017)

	Individual quarter 3 months ended		Changes	
	30.6.2018 RM'000	30.6.2017 RM'000	RM'000	%
Revenue	8,535	19,785	(11,250)	(57%)
Loss before interest and tax	(5,958)	(13,490)	7,532	56%
Loss before tax	(7,051)	(14,738)	7,687	52%
Loss after tax	(7,003)	(14,691)	7,688	52%
Loss attributable to owners of the parent	(7,003)	(14,691)	7,688	52%

Total revenue for Q2 2018 declined by 57% to RM8.5 million from RM19.8 million in Q2 2017 on significantly lower contribution from the construction segment. Billing of construction works fell to RM2.5 million in Q2 2018 against RM13.3 million in the same period last year in the wake of diminution in the remaining unfinished job orders. Revenue from the hotel segment in Q2 2018 was comparable with last year's quarter, sustained largely by increase in sales of food & beverage.

The lower loss of RM7.0 million posted in Q2 2018 as compared to loss of RM14.7 million in Q2 2017 was due to reduced operating loss from the construction segment amid tapering of works.

II.) Review of 2018 Second Quarter (Q2 2018) against 2018 First Quarter (Q1 2018)

	Individual quarter 3 months ended		Changes	
	30.6.2018 RM'000	31.3.2018 RM'000	RM'000	%
Revenue	8,535	10,294	(1,759)	(17%)
Loss before interest and tax	(5,958)	(6,765)	807	12%
Loss before tax	(7,051)	(7,859)	808	10%
Loss after tax	(7,003)	(7,812)	809	10%
Loss attributable to owners of the parent	(7,003)	(7,812)	809	10%

Total revenue decreased to RM8.5 million in Q2 2018 from RM10.3 million in Q1 2018 on lower billing of construction works following the tapering of works from the remaining unfinished job orders.

The lower loss of RM7.0 million in Q2 2018 against higher loss of RM7.8 million in Q1 2018 was mainly due to higher profit contribution from the hotel segment on stronger sales of food & beverage and improved profit margin.

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		6 months ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Loss from operations is stated after charging/(crediting):-				
Depreciation of property, plant and equipment	3,193	2,981	6,360	6,088
Donation to Tabung Harapan	500	-	500	-
Gain from disposal of property, plant and equipment	(215)	-	(429)	(4)
Impairment loss on receivables	-	-	-	8,209
Interest income	(405)	(51)	(796)	(81)
Provision for liquidated ascertained damages	-	1,900	-	1,900

VI.) Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
	RM'000	RM'000	RM'000	RM'000
Income tax expense	48	47	95	1,444

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 June 2018 were :-

	Short term RM'000	Long term RM'000	Total borrowings RM'000
Secured			
- bank overdrafts	3,910	-	3,910
- term loans	12,907	33,095	46,002
- finance lease payables	803	1,436	2,239
	<u>17,620</u>	<u>34,531</u>	<u>52,151</u>

B.) 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>

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 2018.

XI.) Material Litigation

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

XII.) Dividends

The Board of Directors did not recommend or paid any dividend for the second 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 6 months ended	
	30.6.2018	30.6.2017	30.6.2018	30.6.2017
Loss net of tax attributable to owners of the parent (RM'000)	<u>(7,003)</u>	<u>(14,691)</u>	<u>(14,815)</u>	<u>(26,589)</u>
Weighted average number of shares ('000)	<u>341,589</u>	<u>342,946</u>	<u>341,589</u>	<u>342,946</u>
Basic and diluted loss per share (sen)	<u>(2.05)</u>	<u>(4.28)</u>	<u>(4.34)</u>	<u>(7.75)</u>