

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Individual Quarter | | Cumulative Period | |
|---|--|--|--|---|
| | Current Year Quarter 30.6.2014 RM'000 | Preceding Year Corresponding Quarter 30.6.2013 RM'000 | Current Year To date 30.6.2014 RM'000 | Preceding Year Corresponding Period 30.6.2013 RM'000 |
| Revenue | 34,480 | 34,057 | 69,287 | 73,217 |
| Cost of sales | (24,619) | (24,570) | (49,633) | (52,823) |
| Gross profit | 9,861 | 9,487 | 19,654 | 20,394 |
| Other income | 260 | 113 | 386 | 149 |
| Operating and administration expenses | (9,790) | (8,490) | (20,097) | (17,341) |
| Profit/(Loss) from operations | 331 | 1,110 | (57) | 3,202 |
| Finance cost | (1,418) | (1,384) | (2,741) | (2,690) |
| Share of result of an associate | - | - | - | - |
| (Loss)/Profit before tax | (1,087) | (274) | (2,798) | 512 |
| Income tax expense | (579) | (596) | (1,105) | (1,271) |
| Loss net of tax, representing total comprehensive income for the period | (1,666) | (870) | (3,903) | (759) |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | (1,634) | (870) | (3,871) | (759) |
| Non-controlling interest | (32) | - | (32) | - |
| | (1,666) | (870) | (3,903) | (759) |
| Loss per share attributable to owners of the parent (sen) - basic and fully diluted | (0.48) | (0.25) | (1.13) | (0.22) |

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As At End Of Current Quarter 30.6.2014 RM'000 | (Audited) As At Preceding Financial Year End 31.12.2013 RM'000 |
|---|--|--|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 181,187 | 179,098 |
| Development expenditure | 22,453 | 19,290 |
| Other investment | 1,000 | 1,000 |
| Investment in an associate | - | - |
| Goodwill on consolidation | 8,979 | 8,979 |
| Receivables | 46,554 | 51,863 |
| | <u>260,173</u> | <u>260,230</u> |
| Current Assets | | |
| Inventories | 10,512 | 10,340 |
| Amount due from customers for contract work | 15,101 | 14,941 |
| Receivables | 74,804 | 76,938 |
| Tax recoverable | 1,588 | 1,491 |
| Fixed deposits | 6,989 | 5,090 |
| Cash and bank balances | 4,226 | 5,802 |
| | <u>113,220</u> | <u>114,602</u> |
| TOTAL ASSETS | <u>373,393</u> | <u>374,832</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Owners of the Parent | | |
| Share capital | 361,742 | 361,742 |
| Reserves | (98,472) | (94,601) |
| | <u>263,270</u> | <u>267,141</u> |
| Non-controlling interest | (32) | - |
| Total Equity | <u>263,238</u> | <u>267,141</u> |
| Non-Current Liabilities | | |
| Deferred tax liabilities | 10,400 | 10,449 |
| Borrowings | 35,954 | 29,161 |
| | <u>46,354</u> | <u>39,610</u> |
| Current Liabilities | | |
| Borrowings | 30,844 | 32,442 |
| Bank overdraft | 407 | 564 |
| Payables | 31,451 | 31,298 |
| Amount due to customers for contract work | 90 | 2,768 |
| Tax payable | 1,009 | 1,009 |
| | <u>63,801</u> | <u>68,081</u> |
| Total Liabilities | <u>110,155</u> | <u>107,691</u> |
| TOTAL EQUITY AND LIABILITIES | <u>373,393</u> | <u>374,832</u> |
| Net assets per share (sen) | 77 | 78 |

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Current Year Todate 30.6.2014 RM'000 | Preceding Year Corresponding Period 30.6.2013 RM'000 |
|--|--|---|
| Operating activities | | |
| (Loss)/Profit before tax | (2,798) | 512 |
| Adjustments for :- | | |
| Non-cash items | 4,260 | 3,753 |
| Non-operating items | 2,660 | 2,674 |
| Operating cash before changes in working capital | 4,122 | 6,939 |
| Development expenditure | (3,163) | (5,109) |
| Inventories | (172) | 89 |
| Receivables | 7,283 | (2,417) |
| Payables | (2,473) | (3,932) |
| Net income taxes paid | (1,250) | (819) |
| Net cash from/(used in) operating activities | 4,347 | (5,249) |
| Investing activities | | |
| Purchase of property plant and equipment | (5,325) | (616) |
| Proceeds from disposal of property plant and equipment | 190 | - |
| Interest received | 81 | 16 |
| Net cash used in investing activities | (5,054) | (600) |
| Financing activities | | |
| Fixed deposits pledged for banking facilities | (164) | - |
| Net drawdown of term loan | 1,209 | 3,123 |
| Net drawdown of bankers' acceptance | 1,534 | 2,583 |
| Net drawdown/(repayment) of hire purchase payables | 1,234 | (329) |
| Interest paid | (2,790) | (2,647) |
| Net cash from financing activities | 1,023 | 2,730 |
| Net increase/(decrease) in cash and cash equivalents | 316 | (3,119) |
| Cash and cash equivalents at beginning of period | 8,694 | 9,048 |
| Cash and cash equivalents at end of period | 9,010 | 5,929 |
| Cash and cash equivalents comprise :- | | |
| Cash and bank balances | 4,226 | 3,314 |
| Fixed deposits | 6,989 | 3,829 |
| | 11,215 | 7,143 |
| Less : Bank overdraft | (407) | (714) |
| : Fixed deposits pledged | (1,798) | (500) |
| | 9,010 | 5,929 |

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | <----- Attributable to owners of the parent -----> | | | | | | |
|--|--|------------------------------------|---------------------------|-----------------------|---------|-----------------------------|-----------------|
| | Share capital | Non - distributable reserves | Distributable reserves | Accumulated losses | Total | Non-controlling interest | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2013 | 361,742 | 45,488 | 21,455 | (163,726) | 264,959 | - | 264,959 |
| Total comprehensive income for the period | - | - | - | (759) | (759) | - | (759) |
| At 30 June 2013 | 361,742 | 45,488 | 21,455 | (164,485) | 264,200 | - | 264,200 |
| At 1 January 2014 | 361,742 | 45,488 | 21,455 | (161,544) | 267,141 | - | 267,141 |
| Total comprehensive income for the period | - | - | - | (3,871) | (3,871) | (32) | (3,903) |
| At 30 June 2014 | 361,742 | 45,488 | 21,455 | (165,415) | 263,270 | (32) | 263,238 |

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013)

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 2013. 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 2013.

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 2013 except for the adoption of the following:

Amendments to FRS 10 *Investment Entity*

Amendments to FRS 12 *Investment Entities*

Amendments to FRS 127 *Investment Entities*

Amendments to FRS 132 *Offsetting Financial Assets and Financial Liabilities*

Amendments to FRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*

Amendments to FRS 139 *Novation of Derivatives and Continuation of Hedging*

IC Interpretation 21 *Levies*

The adoption of the above revised FRSS, IC Interpretations and Amendments do not have any significant financial impact on the Group in the current quarter.

On 19 November 2011, 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').

On 30 June 2012, the MASB announced that the mandatory effective date for the adoption of the new MFRS by the Transitioning Entities is deferred from 1 January 2013 to 1 January 2014.

On 7 August 2013, the MASB has decided to allow agriculture and real estate companies, including their parents, significant investors and venturer ('Transitioning Entities') to defer the adoption of the MFRS Framework for an additional year.

The Group is subject to the application of IC Interpretation 15 *Agreements for Construction of Real Estate* and hence fall within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015. The Group is currently assessing the implications and financial impact of transition to the MFRS Framework and expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2015.

2.) Auditors' Report

The auditors' report on the Group's financial statements for the year ended 31 December 2013 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 current quarter, 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 current quarter.

7.) **Dividends Paid**

There were no payment of dividends in the current quarter.

8.) **Segment Information**

A.) The breakdown of revenue and results by business segment for the period ended 30 June 2014 was as follows:-

| | Property RM'000 | Construction RM'000 | Hotel and leisure RM'000 | Corporate RM'000 | Eliminations RM'000 | Total RM'000 |
|---------------------------------|--------------------|------------------------|-----------------------------------|---------------------|------------------------|-----------------|
| Revenue | | | | | | |
| External customers | 2,265 | 53,215 | 13,807 | - | - | 69,287 |
| Inter-segment | - | - | - | 1,380 | (1,380) | - |
| Total revenue | 2,265 | 53,215 | 13,807 | 1,380 | (1,380) | 69,287 |
| Results | | | | | | |
| Segment results | 140 | 3,421 | 1,167 | (3,486) | (1,380) | (138) |
| Share of result of an associate | | | | | | - |
| Finance cost | | | | | | (2,741) |
| Interest income | | | | | | 81 |
| Loss before tax | | | | | | (2,798) |
| Income tax expense | | | | | | (1,105) |
| Loss net of tax | | | | | | (3,903) |

B.) The breakdown of revenue and results by business segment for the period ended 30 June 2013 was as follows:-

| | Property RM'000 | Construction RM'000 | Hotel and leisure RM'000 | Corporate RM'000 | Eliminations RM'000 | Total RM'000 |
|---------------------------------|--------------------|------------------------|-----------------------------------|---------------------|------------------------|-----------------|
| Revenue | | | | | | |
| External customers | 2,090 | 57,771 | 13,356 | - | - | 73,217 |
| Inter-segment | - | - | - | 1,020 | (1,020) | - |
| Total revenue | 2,090 | 57,771 | 13,356 | 1,020 | (1,020) | 73,217 |
| Results | | | | | | |
| Segment results | 744 | 4,933 | 1,893 | (3,364) | (1,020) | 3,186 |
| Share of result of an associate | | | | | | - |
| Finance cost | | | | | | (2,690) |
| Interest income | | | | | | 16 |
| Profit before tax | | | | | | 512 |
| Income tax expense | | | | | | (1,271) |
| Loss net of tax | | | | | | (759) |

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 current quarter, 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 current quarter.

13.) Capital Commitments

There were no material capital commitments as at the end of the current quarter

14.) Significant Related Party Transactions

The Group has no significant related party transactions in the current quarter.

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

I.) Review of Performance - 2014 Second Quarter compared to 2013 Second Quarter

Revenue for the second quarter totaled RM34.48 million, up 1.2% over the second quarter of 2013 of RM34.06 million. The 2014 second quarter revenue was backed by the continued strong contribution from both the construction and hotel segments. The Group posted net loss of RM1.67 million for the current quarter against net loss of RM0.87 million in the prior year quarter, mainly due to higher depreciation and operational costs.

Revenue from the construction segment was RM26.15 million, almost unchanged from last year's quarter of RM26.36 million. Revenue was derived from a job completed in the current quarter, that is the 69 terraced houses at Alam Damai in Cheras and also from on-going works, namely the 6-level car park at Arcoris in Mont'Kiara, the 86 linked houses at Alam Impian in Shah Alam and the 37 linked houses at Alam Sari in Bangi. These jobs have a combined contract value of RM100.07 million, of which outstanding works amount to RM29.92 million. Operating profit dropped marginally to RM1.95 million this quarter from RM2.09 million in the same period a year earlier.

Revenue from the hotel operations was RM7.17 million compared to RM6.53 million in the prior year period, a 9.8% year-on-year rise, driven by growth in room and food and beverage sales. Room sales improved by 9.6%, achieved primarily through higher occupancy rate. Food and beverage sales recorded an increase of 10.2%, mainly attributed to higher number and pricing of seminar events and corporate functions. In tandem with the increase in revenue, the hotel segment's operating profit rose by 10.7% from RM2.70 million in the prior year period to RM2.99 million this quarter.

II.) Review of 2014 Second Quarter against 2014 First Quarter

The Group's revenue of RM34.48 million for the current quarter is marginally lower than the preceding quarter of RM34.81 million, largely due to decline in the value of contract works carried out by the construction business. On-going jobs which were near completion and new jobs that have not commenced work accounted for the decline in revenue from the construction segment. However, the hotel segment achieved stronger results in the second quarter compared to prior quarter, reflected by an increase of 9.0% in revenue and 17.2% in operating profit.

The Group posted net loss of RM1.67 million for the second quarter against loss of RM2.24 million in the first quarter, mainly owing to higher earning contribution from both the construction and hotel segments and better cost efficiencies.

III.) Prospects

In the current quarter, two new construction contracts worth RM52.91 million were awarded from repeat clients. In addition, another two orders valued at RM48.52 million were secured in July 2014 from new clients. These new contracts have boosted the construction order book to RM201.50 million, of which outstanding works on hand amount to RM131.35 million. Coupled with the promising growth in the hotel business, the Board expects both the construction and hotel businesses to continue the growth in revenue and operating profitability for the remaining quarters of the financial year 2014.

IV.) Profit Forecast or Profit Guarantee

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

V.) Statement of Comprehensive Income

| | Current Year Quarter 30.6.2014 RM'000 | Preceding Year Corresponding Quarter 30.6.2013 RM'000 | Current Year Totodate 30.6.2014 RM'000 | Preceding Year Corresponding Period 30.6.2013 RM'000 |
|---|---|---|--|--|
| Profit/(Loss) from operations is stated after charging/(crediting):- | | | | |
| Depreciation and amortisation | 2,245 | 2,068 | 4,451 | 3,753 |
| Interest income | (33) | (8) | (81) | (16) |

VI.) Taxation

| | Current Year Quarter 30.6.2014 RM'000 | Preceding Year Corresponding Quarter 30.6.2013 RM'000 | Current Year Totodate 30.6.2014 RM'000 | Preceding Year Corresponding Period 30.6.2013 RM'000 |
|--------------------------------|---|---|--|--|
| Income tax | | | | |
| - provision for current period | (604) | (620) | (1,154) | (1,320) |
| Deferred tax | 25 | 24 | 49 | 49 |
| | (579) | (596) | (1,105) | (1,271) |

For the current year, although the Group recorded a loss, taxation was incurred principally owing to certain expenses being disallowed for tax purposes and losses incurred by certain companies cannot be totally set-off against profits made by other companies within the Group due to insufficient tax relief.

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 30 June 2014 were :-

| | Short term RM'000 | Long term RM'000 |
|------------------------|----------------------|---------------------|
| Secured | | |
| - bank overdrafts | 407 | - |
| - bankers' acceptances | 7,619 | - |
| - term loans | 22,243 | 33,316 |
| - hire purchase | 982 | 2,638 |
| | 31,251 | 35,954 |

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 current quarter.

XI.) Realised and Unrealised Profits/(Losses)

| | As At End Of Current Quarter 30.6.2014 RM'000 | As At Preceding Financial Year End 31.12.2013 RM'000 |
|--|--|---|
| Total accumulated losses of the Group: | | |
| - Realised losses | (379,850) | (376,827) |
| - Unrealised losses | <u>(4,816)</u> | <u>(4,816)</u> |
| | (384,666) | (381,643) |
| Total share of retained loss from associate - realised | <u>(233)</u> | <u>(233)</u> |
| | (384,899) | (381,876) |
| Less: Consolidation adjustments | <u>219,484</u> | <u>220,332</u> |
| | <u>(165,415)</u> | <u>(161,544)</u> |

XII.) Material Litigation

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

XIII. Dividends

The Board of Directors did not recommend or paid any dividend for the current quarter.

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 30.6.2014 | Preceding Year Corresponding Quarter 30.6.2013 | Current Year To date 30.6.2014 | Preceding Year Corresponding Period 30.6.2013 |
| Loss net of tax attributable to owners of the parent (RM'000) | <u>(1,634)</u> | <u>(870)</u> | <u>(3,871)</u> | <u>(759)</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>(0.48)</u> | <u>(0.25)</u> | <u>(1.13)</u> | <u>(0.22)</u> |

