

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current	Preceding Year	Current	Preceding Year
	Year	Corresponding	Year	Corresponding
	Quarter	Quarter	Todate	Period
	30.6.2012	30.6.2011	30.6.2012	30.6.2011
	RM'000	RM'000	RM'000	RM'000
Revenue	34,279	22,553	61,161	42,304
Cost of sales	(25,344)	(12,983)	(42,917)	(25,179)
Gross profit	8,935	9,570	18,244	17,125
Other income	970	2,077	1,183	2,110
Operating and administration expenses	(9,098)	(9,326)	(19,959)	(19,451)
Profit/(loss) from operations	807	2,321	(532)	(216)
Finance cost	(1,037)	(919)	(2,032)	(1,670)
Share of result of associate	-	-	-	(2)
(Loss)/Profit before tax	(230)	1,402	(2,564)	(1,888)
Income tax expense	(561)	(314)	(1,101)	(585)
(Loss)/Profit net of tax, representing total comprehensive (loss)/profit for the period	(791)	1,088	(3,665)	(2,473)
Total comprehensive (loss)/profit attributable to owners of the parent	(791)	1,088	(3,665)	(2,473)
(Loss)/Profit per share attributable to owners of the parent (sen)				
- basic and fully diluted	(0.23)	0.32	(1.07)	(0.72)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At End Of Current Quarter 30.6.2012 RM'000	(Audited) As At Preceding Financial Year End 31.12.2011 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	185,666	187,100
Land held for development	9,563	-
Investment property	6,596	6,596
Goodwill on consolidation	8,979	8,979
Receivables	8,814	6,425
	<u>219,618</u>	<u>209,100</u>
Current Assets		
Inventories	4,849	14,547
Amount due from customers for contract work	2,820	1,717
Receivables	37,150	28,317
Other investments	9,403	8,440
Tax recoverable	1,329	1,261
Fixed deposits	835	1,052
Cash and bank balances	2,842	5,343
	<u>59,228</u>	<u>60,677</u>
TOTAL ASSETS	<u>278,846</u>	<u>269,777</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share capital	361,742	361,742
Reserves	(194,717)	(191,052)
Total equity	<u>167,025</u>	<u>170,690</u>
Non-Current Liabilities		
Deferred tax liabilities	11,216	11,265
Borrowings	30,818	25,895
Payables	4,087	4,087
	<u>46,121</u>	<u>41,247</u>
Current Liabilities		
Borrowings	20,054	14,689
Bank overdraft	966	1,012
Payables	40,301	39,350
Amount due to customers for contract work	3,370	1,735
Tax payable	1,009	1,054
	<u>65,700</u>	<u>57,840</u>
Total liabilities	<u>111,821</u>	<u>99,087</u>
TOTAL EQUITY AND LIABILITIES	<u>278,846</u>	<u>269,777</u>
Net assets per share (sen)	49	50

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year Todate 30.6.2012 RM'000	Preceding Year Corresponding Period 30.6.2011 RM'000
Operating activities		
Loss before tax	(2,564)	(1,888)
Adjustments for :-		
Non-cash items	2,650	3,123
Non-operating items	1,991	1,592
Operating cash flows before changes in working capital	2,077	2,827
Inventories	135	(154)
Receivables	(12,325)	(5,562)
Payables	2,512	71
Income taxes paid	(1,264)	(936)
Net cash flows used in operating activities	(8,865)	(3,754)
Investing activities		
Purchase of property plant and equipment	(2,181)	(7,703)
Interest received	41	78
Net cash flows used in investing activities	(2,140)	(7,625)
Financing activities		
Net drawdown of term loan	4,945	8,782
Drawdown of bankers' acceptance	5,375	-
Net repayment of hire purchase payables	(31)	(459)
Interest paid	(1,956)	(1,588)
Net cash flows from financing activities	8,333	6,735
Net decrease in cash and cash equivalents	(2,672)	(4,644)
Cash and cash equivalents at beginning of period	4,883	11,024
Cash and cash equivalents at end of period	2,211	6,380
Cash and cash equivalents comprise :-		
Cash and bank balances	2,842	4,403
Fixed deposits	835	3,553
	3,677	7,956
Less : Bank overdraft	(966)	(1,076)
: Fixed deposits pledged	(500)	(500)
	2,211	6,380

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Attributable to owners of the parent ----->				
	Share capital	Non - distributable reserves	Distributable reserves	Accumulated losses	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011	361,742	45,508	21,455	(249,902)	178,803
Total comprehensive loss for the period	-	-	-	(2,473)	(2,473)
At 30 June 2011	361,742	45,508	21,455	(252,375)	176,330
At 1 January 2012	361,742	45,490	21,455	(257,997)	170,690
Total comprehensive loss for the period	-	-	-	(3,665)	(3,665)
At 30 June 2012	361,742	45,490	21,455	(261,662)	167,025

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

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 2011. 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 2011.

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 2011 except for the adoption of the following:

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*
Amendments to FRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
Amendments to FRS 7 *Disclosures - Transfers of Financial Assets*
Amendments to FRS 112 *Deferred Tax : Recovery of Underlying Assets*
FRS 124 *Related Party Disclosures (Revised)*

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.

It was disclosed in the audited financial statements for the year ended 31 December 2011 that the Group and the Company will adopt the Malaysian Financial Reporting Standards ('MFRS Framework') for the financial year ending 31 December 2012. However, subsequent to the issuance of the last audited financial statements, the Group decided to venture into real estate development in the financial year ending 31 December 2012. In light of the new venture into real estate development, the Group is subject to the application of IC Interpretation 15 *Agreements for the Construction of Real Estate* and hence fall within the scope of 'Transitioning Entities' and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group and the Company shall continue to apply the Financial Reporting Standards framework for the current financial year.

2.) **Auditors' Report**

The auditors' report on the Group's financial statements for the year ended 31 December 2011 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 2012 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	1,740	44,262	15,159	-	-	61,161
Inter-segment	-	-	-	1,020	(1,020)	-
Total revenue	1,740	44,262	15,159	1,020	(1,020)	61,161
Results						
Segment results	224	2,114	525	(2,416)	(1,020)	(573)
Share of results of associates						-
Finance cost						(2,032)
Interest income						41
Loss before tax						(2,564)
Income tax expense						(1,101)
Loss net of tax						(3,665)

B.) The breakdown of revenue and results by business segment for the period ended 30 June 2011 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	1,777	26,321	14,206	-	-	42,304
Inter-segment	-	-	-	1,020	(1,020)	-
Total revenue	1,777	26,321	14,206	1,020	(1,020)	42,304
Results						
Segment results	1,826	2,073	2,067	(5,240)	(1,020)	(294)
Share of results of associates						(2)
Finance cost						(1,670)
Interest income						78
Loss before tax						(1,888)
Income tax expense						(585)
Loss net of tax						(2,473)

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**

Subsequent to the end of the interim period, there is a gain of RM2.89 million arising from waiver of debts, the details of which can be found in Note (XII).

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

The Group registered revenue of RM34.3 million for the current quarter, up 52.4% as compared to RM22.5 million recorded in the previous year's quarter. The higher revenue for the current quarter is driven by stronger revenue from the construction segment. Profit before tax declined from RM1.4 million last year to a loss before tax of RM0.2 million this quarter, largely owing to lower other income.

Revenue from the construction segment grew by 86.5% to RM25.8 million in this quarter, derived mainly from new projects such as the contract to build 74 units 5 storey shop-office in Serdang for a value of RM43 million and the contract to build 42 units 2 and 3-storey semi-detached houses in Cyberjaya for a value of RM44 million. However there is a drop in profit from RM1.5 million last year same quarter to RM1.0 million this quarter as the previous year's result included profit of RM1.0 million accrued from a variation order for a completed project.

The performance of the hotel business continued to be stable in terms of occupancy and rate for this quarter. It recorded a revenue of RM7.6 million this quarter versus RM7.8 million last year. Excluding the gain from the forfeiture of performance security fund of RM1.1 million in the previous year, the profit before tax of the hotel and leisure segment decreased from RM1.2 million in 2011 second quarter to RM0.4 million in this quarter due to higher overheads at the golf operations.

II.) Review of Current Quarter's Results Against Immediate Preceding Quarter

The Group's revenue rose by 27.5% to RM34.3 million in the current quarter from RM26.9 million in the preceding quarter mainly due to acceleration in construction activities on projects that were still at infancy stage in the preceding quarter.

The Group recorded a lower loss before tax of RM0.2 million in this quarter versus a loss before tax of RM2.3 million in the preceding quarter, principally due to fair value gain on share investment.

III.) Prospects

While the Group will continue to remain focused in its core businesses of building construction and hotel operations, the Group is moving closer to seeing earnings from real estate development. Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group's ability to achieve satisfactory results for the remaining period of this financial year.

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 30.6.2012 RM'000	Preceding Year Corresponding Quarter 30.6.2011 RM'000	Current Year Todate 30.6.2012 RM'000	Preceding Year Corresponding Period 30.6.2011 RM'000
The profit/(loss) from operations is stated after charging/(crediting):-				
Depreciation and amortisation	1,849	1,566	3,613	3,016
Forfeiture of performance security fund	-	(1,125)	-	(1,420)
(Gain)/Loss from fair value adjustment on other investments	(736)	1,189	(963)	1,529
Interest income	(28)	(42)	(41)	(78)

VI.) Taxation

	Current Year Quarter 30.6.2012 RM'000	Preceding Year Corresponding Quarter 30.6.2011 RM'000	Current Year Todate 30.6.2012 RM'000	Preceding Year Corresponding Period 30.6.2011 RM'000
Income tax				
- provision for current period	(586)	(549)	(1,150)	(844)
- overprovision in prior year	-	210	-	210
Deferred tax	25	25	49	49
	(561)	(314)	(1,101)	(585)

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. However, for the preceding year corresponding quarter, the Group's effective tax rate is lower than the statutory tax rate mainly due 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 30 June 2012 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	966	-
- bankers' acceptances	7,554	-
- term loans	12,000	29,863
- hire purchase	500	955
	21,020	30,818

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 30.6.2012 RM'000	As At Preceding Financial Year End 31.12.2011 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised losses	(475,238)	(471,719)
- Unrealised losses	(5,438)	(5,438)
	(480,676)	(477,157)
Total share of retained loss from associate - realised	(233)	(233)
	(480,909)	(477,390)
Less: Consolidation adjustments	219,247	219,393
	(261,662)	(257,997)

XII.) Material Litigation

On 19 November 2002, the Company was served with a writ of summon by two third parties claiming the refund of a sum of RM5.00 million which was paid in relation to the sale and purchase agreement between them and the Company on 3 March 1997. The said sale and purchase agreement had since lapsed due to non-fulfillment of the terms therein by the third parties.

The suit went for trial and the matters were concluded on 18 November 2011. The High Court of Shah Alam subsequently awarded judgement in favour of the two plaintiffs while dismissing the Company's counterclaim. As at 31 December 2011, a sum of RM1.89 million was accrued as interest on the judgement sum awarded by the High Court.

On 9 March 2012, the Company entered into a settlement agreement with the two plaintiffs and appropriate adjustment will only be made upon full settlement.

On 8 August 2012, the Company has completed the said settlement agreement, resulting in a gain of RM2.89 million arising from waiver of debts.

XIII.) Dividends

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

XIV.) Earnings Per Share

The basic earnings per share amounts are calculated by dividing the (loss)/profit net of tax attributable to owners of the parent by the weighted average number of shares in issue. The computation of diluted earnings per share is not affected by any other factors.

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.6.2012	Preceding Year Corresponding Quarter 30.6.2011	Current Year Totdate 30.6.2012	Preceding Year Corresponding Period 30.6.2011
(Loss)/Profit net of tax attributable to owners of the parent (RM'000)	(791)	1,088	(3,665)	(2,473)
Weighted average number of shares ('000)	342,946	342,946	342,946	342,946
Basic and diluted earnings per share (sen)	(0.23)	0.32	(1.07)	(0.72)

