

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014
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
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	27,705	29,922	96,992	103,139
Cost of sales	(19,683)	(19,880)	(69,316)	(72,703)
Gross profit	8,022	10,042	27,676	30,436
Other income	112	195	498	344
Operating and administration expenses	(9,507)	(9,247)	(29,604)	(26,588)
(Loss)/Profit from operations	(1,373)	990	(1,430)	4,192
Finance cost	(1,381)	(1,473)	(4,122)	(4,163)
Share of result of an associate	-	-	-	-
(Loss)/Profit before tax	(2,754)	(483)	(5,552)	29
Income tax expense	(406)	(906)	(1,511)	(2,177)
Loss net of tax, representing total comprehensive income for the period	(3,160)	(1,389)	(7,063)	(2,148)
Total comprehensive income attributable to owners of the parent	(3,160)	(1,389)	(7,063)	(2,148)
Loss per share attributable to owners of the parent (sen)				
- basic and fully diluted	(0.92)	(0.41)	(2.06)	(0.63)

(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 30.9.2014 RM'000	(Audited) As At Preceding Financial Year End 31.12.2013 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	179,817	179,098
Development expenditure	23,048	19,290
Other investment	1,000	1,000
Investment in an associate	-	-
Goodwill on consolidation	8,979	8,979
Receivables	54,163	51,863
	<u>267,007</u>	<u>260,230</u>
Current Assets		
Inventories	10,389	10,340
Amount due from customers for contract work	16,477	14,941
Receivables	62,881	76,938
Tax recoverable	2,049	1,491
Fixed deposits	5,499	5,090
Cash and bank balances	3,287	5,802
	<u>100,582</u>	<u>114,602</u>
TOTAL ASSETS	<u>367,589</u>	<u>374,832</u>
EQUITY AND LIABILITIES		
Equity Attributable to Owners of the Parent		
Share capital	361,742	361,742
Reserves	(101,664)	(94,601)
Total equity	<u>260,078</u>	<u>267,141</u>
Non-Current Liabilities		
Deferred tax liabilities	10,375	10,449
Borrowings	47,446	29,161
	<u>57,821</u>	<u>39,610</u>
Current Liabilities		
Borrowings	18,517	32,442
Bank overdraft	371	564
Payables	28,619	31,298
Amount due to customers for contract work	1,174	2,768
Tax payable	1,009	1,009
	<u>49,690</u>	<u>68,081</u>
Total Liabilities	<u>107,511</u>	<u>107,691</u>
TOTAL EQUITY AND LIABILITIES	<u>367,589</u>	<u>374,832</u>
Net assets per share (sen)	76	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 30.9.2014 RM'000	Preceding Year Corresponding Period 30.9.2013 RM'000
Operating activities		
(Loss)/Profit before tax	(5,552)	29
Adjustments for :-		
Non-cash items	6,759	6,142
Non-operating items	3,983	4,056
Operating cash before changes in working capital	5,190	10,227
Development expenditure	(3,758)	(7,027)
Inventories	(49)	86
Receivables	10,021	6,185
Payables	(4,238)	(10,050)
Net income taxes paid	(2,143)	(1,707)
Net cash from/(used in) operating activities	5,023	(2,286)
Investing activities		
Purchase of property plant and equipment	(5,972)	(2,162)
Proceeds from disposal of property plant and equipment	190	376
Interest received	139	107
Net cash used in investing activities	(5,643)	(1,679)
Financing activities		
Fixed deposits pledged for banking facilities	(164)	-
Net drawdown of term loan	244	6,767
Net drawdown of bankers' acceptance	1,658	2,287
Net drawdown/(repayment) of hire purchase payables	963	(513)
Interest paid	(4,158)	(3,936)
Net cash(used in)/from financing activities	(1,457)	4,605
Net (decrease)/increase in cash and cash equivalents	(2,077)	640
Cash and cash equivalents at beginning of period	8,694	9,048
Cash and cash equivalents at end of period	6,617	9,688
Cash and cash equivalents comprise :-		
Cash and bank balances	3,287	5,992
Fixed deposits	5,499	4,836
	8,786	10,828
Less : Bank overdraft	(371)	(640)
: Fixed deposits pledged	(1,798)	(500)
	6,617	9,688

(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
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	361,742	45,488	21,455	(163,726)	264,959
Total comprehensive income for the period	-	-	-	(2,148)	(2,148)
At 30 September 2013	361,742	45,488	21,455	(165,874)	262,811
At 1 January 2014	361,742	45,488	21,455	(161,544)	267,141
Total comprehensive income for the period	-	-	-	(7,063)	(7,063)
At 30 September 2014	361,742	45,488	21,455	(168,607)	260,078

(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, FRS 12 and 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 Hedge Accounting*

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 2 September 2014, with the issuance of *Agriculture: Bearer Plants* (Amendments to MFRS 116 and MFRS 141), and MFRS 15 *Revenue from Contracts with Customers*, which shall apply to financial statements for annual periods beginning on or after 1 January 2016 and 1 January 2017 respectively, the MASB has allow Transitioning Entities to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2017.

The Group falls within the scope definition of Transitioning Entities and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2017. In presenting its first MFRS financial statements for the financial year ending 31 December 2017, 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 profits.

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 September 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	3,491	72,900	20,601	-	-	96,992
Inter-segment	-	-	-	2,070	(2,070)	-
Total revenue	3,491	72,900	20,601	2,070	(2,070)	96,992
Results						
Segment results	(121)	3,890	1,723	(4,991)	(2,070)	(1,569)
Share of result of an associate						-
Finance cost						(4,122)
Interest income						139
Loss before tax						(5,552)
Income tax expense						(1,511)
Loss net of tax						(7,063)

B.) The breakdown of revenue and results by business segment for the period ended 30 September 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	3,264	79,468	20,407	-	-	103,139
Inter-segment	-	-	-	2,070	(2,070)	-
Total revenue	3,264	79,468	20,407	2,070	(2,070)	103,139
Results						
Segment results	1,016	7,027	2,996	(4,884)	(2,070)	4,085
Share of result of an associate						-
Finance cost						(4,163)
Interest income						107
Profit before tax						29
Income tax expense						(2,177)
Loss net of tax						(2,148)

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 Third Quarter compared to 2013 Third Quarter

Third quarter revenue declined to RM27.7 million from RM29.9 million in the prior year quarter. The result for this current quarter is a loss of RM3.2 million versus loss of RM1.4 million last year same quarter. The drop in revenue and higher loss was mainly due to lower amount of construction works carried out as more projects reached completion. The rescission of a major contract awarded in second quarter of 2014 on account of project re-planning has also affected the revenue achieved by the construction segment in this quarter.

For the current quarter, the construction segment carried out jobs valued at RM19.7 million, down 9% from prior-year period of RM21.7 million. The revenue was mainly derived from on-going and near completion jobs, 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, and new jobs namely the 31 linked houses at Bukit Hartamas in Cheras, the 22 shop offices at Kota Seriemas in Nilai and the 76 shop offices at Setia Alam in Shah Alam. These jobs have a combined contract value of RM160.5 million, of which outstanding works amount to RM72.8 million. In tandem with the lower revenue recorded in the current quarter, operating profit fell to RM0.6 million this quarter compared to RM2.2 million in prior year period.

Revenue from the hotel segment was down by 3% to RM6.8 million this quarter from the prior year quarter of RM7.0 million. Consequently operating profit also down by 19%, from RM3.2 million in the prior year quarter to RM2.6 million this quarter. Room sales declined by 10% to RM3.4 million this quarter from RM3.8 million in the prior year quarter, largely owing to drop in occupancy rate as well as decreased revenue per available room. This was however mitigated by the strong growth in food and beverage sales, up by 10% to RM3.4 million this quarter from RM3.1 million last year, mainly resulting from higher demand for the hotel's banquet facility.

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

The Group's revenue of RM27.7 million in this quarter was down 20% from the preceding quarter of RM34.5 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 were still at early stage accounted for the drop in revenue from the construction segment. The hotel business also experienced a decline in revenue and operating profit, mainly due to drop in room sales.

Comparing to a loss of RM1.7 million in the preceding quarter, the Group's current loss of RM3.2 million was mainly due to lower earning contribution from both the construction and hotel segments, which were in line with the lower revenue recorded by these units.

III.) Prospects

In October 2014, a construction contract worth RM24.6 million was secured from a new client. The contract is for the building of 86 linked houses at Eco Majestic, Semenyih and this addition has boosted the construction order book to RM185.1 million, of which RM97.4 million worth of works are currently outstanding. Barring any unforeseen circumstances, the Board expects both the construction and hotel segments to continue contributing positively to the financial results of the Group 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 30.9.2014 RM'000	Preceding Year Corresponding Quarter 30.9.2013 RM'000	Current Year Todate 30.9.2014 RM'000	Preceding Year Corresponding Period 30.9.2013 RM'000
Profit/(Loss) from operations is stated after charging/(crediting):-				
Depreciation and amortisation	2,298	2,471	6,749	6,224
Interest income	(58)	(91)	(139)	(107)
Provision for doubtful debts	200	-	200	-

VI.) Taxation

	Current Year Quarter 30.9.2014 RM'000	Preceding Year Corresponding Quarter 30.9.2013 RM'000	Current Year Todate 30.9.2014 RM'000	Preceding Year Corresponding Period 30.9.2013 RM'000
Income tax				
- provision for current period	(431)	(930)	(1,585)	(2,250)
Deferred tax	25	24	74	73
	(406)	(906)	(1,511)	(2,177)

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 September 2014 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	371	-
- bankers' acceptances	7,741	-
- term loans	9,744	44,850
- hire purchase	1,032	2,596
	18,888	47,446

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 30.9.2014 RM'000	As At Preceding Financial Year End 31.12.2013 RM'000
Total accumulated losses of the Group:		
- Realised losses	(382,687)	(376,827)
- Unrealised losses	<u>(4,816)</u>	<u>(4,816)</u>
	(387,503)	(381,643)
Total share of retained loss from associate - realised	<u>(233)</u>	<u>(233)</u>
	(387,736)	(381,876)
Less: Consolidation adjustments	<u>219,129</u>	<u>220,332</u>
	<u>(168,607)</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 30.9.2014	Preceding Year Corresponding Quarter 30.9.2013	Current Year Totodate 30.9.2014	Preceding Year Corresponding Period 30.9.2013
Loss net of tax attributable to owners of the parent (RM'000)	<u>(3,160)</u>	<u>(1,389)</u>	<u>(7,063)</u>	<u>(2,148)</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>(0.92)</u>	<u>(0.41)</u>	<u>(2.06)</u>	<u>(0.63)</u>

