

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2015
THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.6.2015 RM'000	Preceding Year Corresponding Quarter 30.6.2014 RM'000	Current Year ToDate 30.6.2015 RM'000	Preceding Year Corresponding Period 30.6.2014 RM'000
Revenue	34,195	34,480	61,017	69,287
Cost of sales	(27,095)	(24,619)	(46,802)	(49,633)
Gross profit	7,100	9,861	14,215	19,654
Other income	21	260	224	386
Operating and administration expenses	(9,975)	(9,790)	(20,660)	(20,097)
(Loss)/Profit from operations	(2,854)	331	(6,221)	(57)
Finance cost	(1,274)	(1,418)	(2,528)	(2,741)
Share of result of an associate	-	-	-	-
Loss before tax	(4,128)	(1,087)	(8,749)	(2,798)
Income tax expense	(25)	(579)	(51)	(1,105)
Loss net of tax, representing total comprehensive income for the period	(4,153)	(1,666)	(8,800)	(3,903)
Total comprehensive income attributable to owners of the parent	(4,153)	(1,666)	(8,800)	(3,903)
Loss per share attributable to owners of the parent (sen) - basic and fully diluted	(1.21)	(0.49)	(2.57)	(1.14)

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2014)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At End Of Current Quarter 30.6.2015 RM'000	(Audited) As At Preceding Financial Year End 31.12.2014 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	178,024	179,538
Development expenditure	27,903	25,627
Other investment	1,000	1,000
Investment in an associate	-	-
Goodwill on consolidation	8,979	8,979
Receivables	52,730	61,269
	<u>268,636</u>	<u>276,413</u>
Current Assets		
Inventories	10,573	10,421
Amount due from customers for contract work	22,321	14,674
Receivables	60,018	54,713
Tax recoverable	2,654	2,407
Fixed deposits	2,578	3,127
Cash and bank balances	3,192	11,390
	<u>101,336</u>	<u>96,732</u>
TOTAL ASSETS	<u>369,972</u>	<u>373,145</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share capital	361,742	361,742
Reserves	(112,761)	(103,961)
Total equity	<u>248,981</u>	<u>257,781</u>
Non-Current Liabilities		
Deferred tax liabilities	9,900	9,949
Borrowings	45,966	46,339
	<u>55,866</u>	<u>56,288</u>
Current Liabilities		
Borrowings	16,808	16,340
Bank overdrafts	1,632	2,672
Payables	44,071	36,119
Amount due to customers for contract work	1,605	2,936
Tax payable	1,009	1,009
	<u>65,125</u>	<u>59,076</u>
Total liabilities	<u>120,991</u>	<u>115,364</u>
TOTAL EQUITY AND LIABILITIES	<u>369,972</u>	<u>373,145</u>
Net assets per share (sen)	73	75

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Year Todate 30.6.2015 RM'000	Preceding Year Corresponding Period 30.6.2014 RM'000
Operating activities		
Loss before tax	(8,749)	(2,798)
Adjustments for :-		
Non-cash items	4,485	4,260
Non-operating items	2,509	2,660
Operating cash flows before changes in working capital	(1,755)	4,122
Development expenditure	(2,276)	(3,163)
Inventories	(152)	(172)
Receivables	(4,413)	7,283
Payables	6,634	(2,473)
Net income taxes paid	(348)	(1,250)
Net cash flows (used in)/from operating activities	(2,310)	4,347
Investing activities		
Purchase of property plant and equipment	(3,084)	(5,325)
Proceeds from disposal of property, plant and equipment	112	190
Interest received	19	81
Net cash flows used in investing activities	(2,953)	(5,054)
Financing activities		
Fixed deposits pledged for banking facilities	-	(164)
Net drawdown of term loan	221	1,209
Net drawdown of bankers' acceptance	260	1,534
Net (repayment)/drawdown of hire purchase payables	(386)	1,234
Interest paid	(2,539)	(2,790)
Net cash flows (used in)/from financing activities	(2,444)	1,023
Net (decrease)/increase in cash and cash equivalents	(7,707)	316
Cash and cash equivalents at beginning of period	9,418	8,694
Cash and cash equivalents at end of period	1,711	9,010
Cash and cash equivalents comprise :-		
Cash and bank balances	3,192	4,226
Fixed deposits	2,578	6,989
	5,770	11,215
Less : Bank overdrafts	(1,632)	(407)
: Fixed deposits pledged	(2,427)	(1,798)
	1,711	9,010

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2014)

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 2014	361,742	45,488	21,455	(161,544)	267,141
Total comprehensive income for the year	-	-	-	(3,903)	(3,903)
At 30 June 2014	361,742	45,488	21,455	(165,447)	263,238
At 1 January 2015	361,742	45,488	21,455	(170,904)	257,781
Total comprehensive income for the year	-	-	-	(8,800)	(8,800)
At 30 June 2015	361,742	45,488	21,455	(179,704)	248,981

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2014)

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 2014. 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 2014.

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 2014 except for the adoption of the following:

Amendments to FRS 119 Defined Benefits Plans: Employee Contributions
Annual Improvements to FRSs 2010 - 2012 Cycle
Annual Improvements to FRSs 2011 - 2013 Cycle

The adoption of the abovementioned FRSs is not expected to 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').

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 2017.

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 2017. 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 2014 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 2015, 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 2015.

7.) **Dividends Paid**

There were no payment of dividends in the second quarter of 2015.

8.) **Segment Information**

A.) The breakdown of revenue and results by business segment for the period ended 30 June 2015 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	1,697	46,631	12,689	-	-	61,017
Inter-segment	-	-	-	1,380	(1,380)	-
Total revenue	1,697	46,631	12,689	1,380	(1,380)	61,017
Results						
Segment results	(344)	(557)	(1,088)	(2,871)	(1,380)	(6,240)
Share of result of an associate						-
Finance cost						(2,528)
Interest income						19
Loss before tax						(8,749)
Income tax expense						(51)
Loss net of tax						(8,800)

B.) 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)

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 2015, 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 2015.

13.) Capital Commitments

There were no material capital commitments as at the end of the second quarter of 2015.

14.) Significant Related Party Transactions

The Group has no significant related party transactions in the second quarter of 2015.

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

I.) Review of Performance - 2015 Second Quarter compared to 2014 Second Quarter

The Group's revenue for the second quarter 2015 declined marginally to RM34.2 million from RM34.5 million in the prior year quarter. Net loss for the second quarter 2015 came to RM4.2 million compared with loss of RM1.7 million last year same quarter. The overall financial results for the second quarter 2015 reflected the continuing soft market condition seen in the first quarter 2015, which resulted in weaker operating performance across the Group's businesses.

In the second quarter of 2015, revenue from the construction segment was RM26.8 million, almost unchanged in comparison with last year's quarter of RM26.2 million. Revenue was derived from ongoing projects, namely the 31 linked houses at Bukit Hartamas in Cheras, the 76 shop offices at Setia Alam in Shah Alam, the 22 shop offices at Kota Seriemas in Nilai, the 86 linked houses at Eco Majestic in Semenyih and the 94 linked houses at Eco Majestic in Semenyih, and also from new jobs, that is the 121 linked houses at Serene Heights in Bangi and the 70 linked houses at Kota Seriemas in Nilai. These jobs have a combined contract value of RM168.4 million, of which outstanding works amount to RM117.1 million. Operating result came to a loss of RM0.1 million in the second quarter 2015 compared to profit of RM1.9 million in prior year period, mainly due to higher operating costs and lower profit margin from new jobs.

Revenue from the hotel segment in the second quarter of 2015 was RM6.6 million, down 8% from prior year quarter of RM7.2 million. Room sales declined by 23% to RM3.0 million this quarter from RM3.9 million in the prior year quarter, largely due to drop in occupancy rate. This was however mitigated by growth in food and beverages sale, up 12% to RM3.6 million this quarter from RM3.2 million in prior year quarter, driven by the continued high demand for the hotel's banquet and conference facilities and the increased in beverages sales from its newly renovated food and beverage outlets. Operating profit of the hotel segment for this quarter is RM1.7 million, down 43% from RM3.0 million last year, mainly due to slow room sales.

II.) Review of 2015 Second Quarter against 2015 First Quarter

The second quarter 2015 revenue of RM34.2 million was 28% higher than the RM26.8 million recorded in the first quarter 2015. The increase was mainly due to higher value of works carried out by the construction segment on the projects followed through from the first quarter 2015. Against a loss of RM4.6 million in the preceding quarter, the second quarter 2015 recorded lower loss of RM4.2 million mainly owing to higher profit contribution from the hotel segment as business picked up from a seasonally weaker first quarter.

III.) Prospects

In the second quarter of 2015, a new construction contract worth RM58.1 million was secured from a new client. The contract was for the building of 117 linked houses at Taman Sari in Rawang, and this addition has boosted the construction order book to RM226.5 million, of which outstanding works amount to RM175.2 million.

Given the tough operating and subdued business environment, the Directors are of the opinion that the outlook of the Group for the rest of the financial year 2015 remains challenging.

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 30.6.2015 RM'000	Preceding Year Corresponding Quarter 30.6.2014 RM'000	Current Year Todate 30.6.2015 RM'000	Preceding Year Corresponding Period 30.6.2014 RM'000
(Loss)/Profit from operations is stated after charging/(crediting):-				
Depreciation and amortisation	2,317	2,245	4,597	4,451
Interest income	(7)	(33)	(19)	(81)

VI.) Taxation

	Current Year Quarter 30.6.2015 RM'000	Preceding Year Corresponding Quarter 30.6.2014 RM'000	Current Year Todate 30.6.2015 RM'000	Preceding Year Corresponding Period 30.6.2014 RM'000
Income tax				
- provision for current period	(50)	(604)	(100)	(1,154)
Deferred tax	25	25	49	49
	(25)	(579)	(51)	(1,105)

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 2015 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	1,632	-
- bankers' acceptances	7,803	-
- term loans	8,048	43,945
- hire purchase	957	2,021
	18,440	45,966

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 second quarter of 2015.

XI.) Realised and Unrealised Profits/(Losses)

	As At End Of Current Quarter 30.6.2015 RM'000	As At Preceding Financial Year End 31.12.2014 RM'000
Total accumulated losses of the Group:		
- Realised losses	(394,203)	(386,248)
- Unrealised losses	<u>(4,414)</u>	<u>(4,414)</u>
	(398,617)	(390,662)
Total share of retained loss from associate - realised	<u>(233)</u>	<u>(233)</u>
	(398,850)	(390,895)
Less: Consolidation adjustments	<u>219,146</u>	<u>219,991</u>
	<u>(179,704)</u>	<u>(170,904)</u>

XII.) Material Litigation

There were no material litigation as at the end of the second quarter of 2015.

XIII. Dividends

The Board of Directors did not recommend or paid any dividend for the second quarter of 2015.

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 30.6.2015	Preceding Year Corresponding Quarter 30.6.2014	Current Year Totdate 30.6.2015	Preceding Year Corresponding Period 30.6.2014
Loss net of tax attributable to owners of the parent (RM'000)	<u>(4,153)</u>	<u>(1,666)</u>	<u>(8,800)</u>	<u>(3,903)</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>(1.21)</u>	<u>(0.49)</u>	<u>(2.57)</u>	<u>(1.14)</u>

