

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30.9.2015 RM'000	Preceding Year Corresponding Quarter 30.9.2014 RM'000	Current Year Todate 30.9.2015 RM'000	Preceding Year Corresponding Period 30.9.2014 RM'000
Revenue	35,725	27,705	96,742	96,992
Cost of sales	(28,494)	(19,683)	(75,296)	(69,316)
Gross profit	7,231	8,022	21,446	27,676
Other income	60	112	284	498
Operating and administration expenses	(11,173)	(9,507)	(31,833)	(29,604)
Loss from operations	(3,882)	(1,373)	(10,103)	(1,430)
Finance cost	(1,291)	(1,381)	(3,819)	(4,122)
Share of result of an associate	-	-	-	-
Loss before tax	(5,173)	(2,754)	(13,922)	(5,552)
Income tax expense	(853)	(406)	(904)	(1,511)
Loss net of tax, representing total comprehensive income for the period	(6,026)	(3,160)	(14,826)	(7,063)
Total comprehensive income attributable to owners of the parent	(6,026)	(3,160)	(14,826)	(7,063)
Loss per share attributable to owners of the parent (sen) - basic and fully diluted	(1.76)	(0.92)	(4.32)	(2.06)

(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 30.9.2015 RM'000	(Audited) As At Preceding Financial Year End 31.12.2014 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	176,084	179,538
Development expenditure	28,265	25,627
Other investment	1,000	1,000
Investment in an associate	-	-
Goodwill on consolidation	8,979	8,979
Receivables	50,990	61,269
	<u>265,318</u>	<u>276,413</u>
Current Assets		
Inventories	10,499	10,421
Amount due from customers for contract work	22,767	14,674
Receivables	61,111	54,713
Tax recoverable	2,143	2,407
Fixed deposits	2,596	3,127
Cash and bank balances	5,058	11,390
	<u>104,174</u>	<u>96,732</u>
TOTAL ASSETS	<u>369,492</u>	<u>373,145</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Share capital	361,742	361,742
Reserves	(118,787)	(103,961)
Total equity	<u>242,955</u>	<u>257,781</u>
Non-Current Liabilities		
Deferred tax liabilities	9,876	9,949
Borrowings	44,004	46,339
	<u>53,880</u>	<u>56,288</u>
Current Liabilities		
Borrowings	18,968	16,340
Bank overdrafts	2,448	2,672
Payables	49,820	36,119
Amount due to customers for contract work	412	2,936
Tax payable	1,009	1,009
	<u>72,657</u>	<u>59,076</u>
Total liabilities	126,537	115,364
TOTAL EQUITY AND LIABILITIES	<u>369,492</u>	<u>373,145</u>
Net assets per share (sen)	71	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 30.9.2015 RM'000	Preceding Year Corresponding Period 30.9.2014 RM'000
Operating activities		
Loss before tax	(13,922)	(5,552)
Adjustments for :-		
Non-cash items	6,817	6,759
Non-operating items	3,775	3,983
Operating cash flows before changes in working capital	(3,330)	5,190
Development expenditure	(2,638)	(3,758)
Inventories	(78)	(49)
Receivables	(4,212)	10,021
Payables	11,137	(4,238)
Net income taxes paid	(713)	(2,143)
Net cash flows from operating activities	166	5,023
Investing activities		
Purchase of property plant and equipment	(3,476)	(5,972)
Proceeds from disposal of property, plant and equipment	112	190
Interest received	44	139
Net cash flows used in investing activities	(3,320)	(5,643)
Financing activities		
Fixed deposits pledged for banking facilities	-	(164)
Net (repayment)/drawdown of term loan	(3,471)	244
Net drawdown of bankers' acceptance	4,387	1,658
Net (repayment)/drawdown of hire purchase payables	(623)	963
Interest paid	(3,778)	(4,158)
Net cash flows used in financing activities	(3,485)	(1,457)
Net decrease in cash and cash equivalents	(6,639)	(2,077)
Cash and cash equivalents at beginning of period	9,418	8,694
Cash and cash equivalents at end of period	2,779	6,617
Cash and cash equivalents comprise :-		
Cash and bank balances	5,058	3,287
Fixed deposits	2,596	5,499
	7,654	8,786
Less : Bank overdrafts	(2,448)	(371)
: Fixed deposits pledged	(2,427)	(1,798)
	2,779	6,617

(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	-	-	-	(7,063)	(7,063)
At 30 September 2014	361,742	45,488	21,455	(168,607)	260,078
At 1 January 2015	361,742	45,488	21,455	(170,904)	257,781
Total comprehensive income for the year	-	-	-	(14,826)	(14,826)
At 30 September 2015	361,742	45,488	21,455	(185,730)	242,955

(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 2018.

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 2018. 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 third 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 third quarter of 2015.

7.) Dividends Paid

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

8.) Segment Information

A.) The breakdown of revenue and results by business segment for the period ended 30 September 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	2,499	74,885	19,358	-	-	96,742
Inter-segment	-	-	-	2,070	(2,070)	-
Total revenue	2,499	74,885	19,358	2,070	(2,070)	96,742
Results						
Segment results	(613)	(140)	(2,236)	(5,088)	(2,070)	(10,147)
Share of result of an associate						-
Finance cost						(3,819)
Interest income						44
Loss before tax						(13,922)
Income tax expense						(904)
Loss net of tax						(14,826)

B.) 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)

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 third 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 third quarter of 2015.

13.) Capital Commitments

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

14.) Significant Related Party Transactions

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

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

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

The revenue for the third quarter 2015 was RM35.7 million, up 29% from RM27.7 million in the third quarter of 2014. The 2015 third quarter revenue was achieved on stronger contribution from the construction segment as compared to last year period. The Group posted a net loss of RM6.0 million this quarter versus a net loss of RM3.2 million in the same quarter last year. Included in this quarter's results was the impact of a RM2.7 million in accrual of potential tax liabilities, which the Group has lodged a formal appeal to the Inland Revenue Board.

In the third quarter of 2015, the construction segment carried out jobs amounted to RM28.2 million, an increase of RM8.5 million from prior year's quarter of RM19.7 million. Revenue was derived from the progress billings of 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, the 94 linked houses at Eco Majestic in Semenyih, the 121 linked houses at Serene Heights in Bangi and the 70 linked houses at Kota Seriemas in Nilai and also from a new job, that is the 117 linked houses at Taman Sari in Rawang. These jobs have a combined contract value of RM225.5 million, of which works amounting to RM147.3 million have yet to be completed. However operating profit is lower at RM0.5 million in the third quarter of 2015 compared to profit of RM0.6 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 third quarter of 2015 was marginally lower at RM6.7 million, down 1% from prior year quarter of RM6.8 million. Room sales declined by 15% to RM2.9 million this quarter from RM3.4 million in the prior year quarter as occupancy and room rates were badly affected by weak business conditions and slow down in business travelling from key markets. This was however mitigated by growth in food and beverages business, up 9% to RM3.7 million this quarter from RM3.4 million in prior year quarter, driven by the continued high demand for the hotel's banquet and conference facilities and the improvement in sales from the newly renovated outlets. Operating profit of the hotel segment for this quarter fell by 38% to RM1.6 million compared to RM2.6 million last year, mainly due to decreased room sales and lower profit margin.

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

The Group's revenue of RM35.7 million for the third quarter 2015 was marginally higher than the preceding quarter of RM34.2 million, largely due to higher billing of works carried out by the construction segment on the projects followed through from the previous quarter and the commencement of a new project.

The Group's net loss widened to RM6.0 million for the third quarter 2015 compared to the loss of RM4.2 million in the second quarter, mainly owing to the accrual of potential tax liabilities of RM2.7 million.

III.) Prospects

In September 2015, a construction contract worth RM43.1 million was secured from a new client. The contract is for the building of 155 linked houses at Bandar Country Homes in Rawang, and this addition has boosted the order book of the construction segment to RM268.6 million, of which RM190.4 million worth of works are currently outstanding.

Given the tough operating and subdued business environment, the Directors are of the opinion that the outlook of the Group for the remaining period of this year 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 30.9.2015 RM'000	Preceding Year Corresponding Quarter 30.9.2014 RM'000	Current Year Totdate 30.9.2015 RM'000	Preceding Year Corresponding Period 30.9.2014 RM'000
Loss from operations is stated after charging/(crediting):-				
Additional tax charges*	1,350	-	1,350	-
Depreciation and amortisation	2,331	2,298	6,928	6,749
Interest income	(25)	(58)	(44)	(139)
Provision for doubtful debts	-	200	-	200

*The Group has lodged a formal appeal to the Inland Revenue Board on this additional tax charges.

VI.) Income Tax Expense

	Current Year Quarter 30.9.2015 RM'000	Preceding Year Corresponding Quarter 30.9.2014 RM'000	Current Year Totdate 30.9.2015 RM'000	Preceding Year Corresponding Period 30.9.2014 RM'000
Income tax				
- provision for current period	(20)	(431)	(120)	(1,585)
- overprovision in prior year	493	-	493	-
- additional tax in prior year*	(1,350)	-	(1,350)	-
Deferred tax	24	25	73	74
	(853)	(406)	(904)	(1,511)

For the current year, although the Group recorded a loss, income tax 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.

*The Group has lodged a formal appeal to the Inland Revenue Board on the additional tax charges.

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 2015 were :-

	Short term RM'000	Long term RM'000
Secured		
- bank overdrafts	2,448	-
- bankers' acceptances	11,930	-
- term loans	6,081	42,219
- hire purchase	957	1,785
	21,416	44,004

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 third quarter of 2015.

XI.) Realised and Unrealised Profits/(Losses)

	As At End Of Current Quarter 30.9.2015 RM'000	As At Preceding Financial Year End 31.12.2014 RM'000
Total accumulated losses of the Group:		
- Realised losses	(399,806)	(386,248)
- Unrealised losses	(4,414)	(4,414)
	(404,220)	(390,662)
Total share of retained loss from associate - realised	(233)	(233)
	(404,453)	(390,895)
Less: Consolidation adjustments	218,723	219,991
	(185,730)	(170,904)

XII.) Material Litigation

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

XIII. Dividends

The Board of Directors did not recommend or paid any dividend for the third 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 30.9.2015	Preceding Year Corresponding Quarter 30.9.2014	Current Year Totodate 30.9.2015	Preceding Year Corresponding Period 30.9.2014
Loss net of tax attributable to owners of the parent (RM'000)	(6,026)	(3,160)	(14,826)	(7,063)
Weighted average number of shares ('000)	342,946	342,946	342,946	342,946
Basic and diluted loss per share (sen)	(1.76)	(0.92)	(4.32)	(2.06)

